

EXECUTION VERSION

FUNDING LOAN AGREEMENT

DATED 7 MARCH **2013**

HOLMES FUNDING LIMITED
as Funding

and

SANTANDER UK PLC
as Funding Loan Provider

and

THE BANK OF NEW YORK MELLON, ACTING THROUGH ITS LONDON BRANCH
as Security Trustee

ALLEN & OVERY

London

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THIS FUNDING LOAN AGREEMENT is made on 7 March 2013

BETWEEN:

- (1) **HOLMES FUNDING LIMITED** (registered number 03982428), a private limited company incorporated in England and Wales whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (**Funding**);
- (2) **SANTANDER UK PLC** (formerly known as Abbey National PLC) (registered number 02294747), a public limited company incorporated in England and Wales whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (the **Funding Loan Provider**); and
- (3) **THE BANK OF NEW YORK MELLON, ACTING THROUGH ITS LONDON BRANCH**, whose principal office is at 40th Floor, One Canada Square, London E14 5AL (the **Security Trustee**, which expression shall include such person and all other persons for the time being acting as trustee or trustees under the Funding Deed of Charge).

IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

The terms of the Tenth Amended and Restated Master Definitions and Construction Schedule signed for the purposes of identification on or about the date of this Agreement by Allen & Overy LLP and Linklaters LLP (as the same may be amended, varied or supplemented from time to time with the consent of the parties hereto, the **Master Definitions and Construction Schedule**) are expressly and specifically incorporated into this Agreement and, accordingly, the expressions defined in the Master Definitions and Construction Schedule shall, except where the context otherwise requires and save where otherwise defined herein, have the same meanings in this Agreement, including the Recitals hereto, and this Agreement shall be construed in accordance with the interpretation provisions set out in Clause 2 of the Master Definitions and Construction Schedule.

2. THE FUNDING LOAN

- 2.1 The Funding Loan Provider hereby grants to Funding, on the date hereof (the **Closing Date**), and upon the terms and subject to the conditions hereof, an uncommitted sterling loan facility (the **Funding Loan Facility**) in an aggregate maximum amount of up to £1,000,000,000 (the **Maximum Drawdown Amount**).
- 2.2 Funding shall use each advance made available to it by the Funding Loan Provider pursuant to this Agreement (an **Advance**), in the circumstances set out in Clause 3.1(a) (Giving of Requests), for the purpose of making a payment to the Seller to acquire an interest in the Trust Property (in accordance with Clause 4.1 of the Mortgages Trust Deed) thereby causing the Funding Share to increase and the Seller Share to decrease.
- 2.3 Subject to the other terms of this Agreement, any amount repaid or prepaid pursuant to this Agreement may be re-borrowed by Funding.
- 2.4 Neither the Funding Loan Provider nor the Security Trustee is bound to monitor or verify the utilisation of the Funding Loan Facility.

3. UTILISATION

3.1 Giving of Requests

- (a) Unless the Funding Loan Provider otherwise agrees, the latest time for receipt by the Funding Loan Provider of a duly completed request for a Funding Loan (substantially in the form of Schedule 1 (Form of Request), a **Request**) is 11.00 a.m. (London time) one Business Day before the proposed Utilisation Date.
- (b) Each Request is irrevocable.
- (c) Each of the Security Trustee and the Cash Manager is authorised to give a Request on behalf of Funding.

3.2 Completion of Requests

A Request for an Advance will not be regarded as having been duly completed unless:

- (a) the date on which the Advance is requested to be made (the **Utilisation Date**) is an Interest Payment Date falling on or before the Final Repayment Date; and
- (b) the outstanding amount of the Funding Loan will not exceed the Maximum Drawdown Amount; and
- (c) such Advance does not cause the Seller Share to be reduced to an amount less than the Minimum Seller Share.

Only one Advance may be requested in a Request.

3.3 Advances

If the conditions set out in this Agreement have been met, the Funding Loan Provider may make the requested Advance available to Funding through its facility office by 12:00 p.m.(London time) on the Utilisation Date.

- 3.4 Any Advances made shall thereafter be consolidated with and form a single loan with the outstanding Funding Loan.

4. REPAYMENT AND PREPAYMENT

- 4.1 Subject to the other terms of this Agreement, Funding must repay the Funding Loan in full on its Final Repayment Date.
- 4.2 The **Final Repayment Date** of any Funding Loan outstanding (and any interest capitalised pursuant to Clause 5.4) shall be the date of repayment of the last maturing Term Advance borrowed by Funding from the Issuer (subject to early repayment or prepayment pursuant to this Clause 4).
- 4.3 On each Interest Payment Date, Funding may make prepayments of any Advance outstanding (including interest capitalised) under the Funding Loan.
- 4.4 The maximum amount that may be prepaid is an amount equal to the lower of (i) the Funding Loan Prepayable Amount and (ii) the higher of (x) the Potential Seller Principal Distribution

Amount and (y) any contribution made by the Seller pursuant to Clause 6.1(c) of the Mortgages Trust Deed for the purpose of making such prepayment.

- 4.5 Subject to Clause 7, on each Interest Payment Date, Funding shall repay principal in respect of the Funding Loan in an amount equal to:
- (a) following the occurrence of a Non-Asset Trigger Event but prior to the occurrence of an Asset Trigger Event, enforcement of the Funding Security or the service on the Master Issuer of a Note Enforcement Notice, the amount which is available under the terms of the Funding Deed of Charge and the Cash Management Agreement to repay principal in respect of the Funding Loan in such circumstances as set out in paragraph 4 of Part 2 of Schedule 3 of the Funding Deed of Charge; or
 - (b) following the occurrence of an Asset Trigger Event but prior to enforcement of the Funding Security or the service on the Master Issuer of a Note Enforcement Notice, the amount which is available under the terms of the Funding Deed of Charge and the Cash Management Agreement to repay principal in respect of the Funding Loan in such circumstances as set out in paragraph 5 of Part 2 of Schedule 3 of the Funding Deed of Charge; or
 - (c) following service of an Intercompany Loan Enforcement Notice, the amount which is available under the terms of the Funding Deed of Charge and the Cash Management Agreement to repay principal in respect of the Funding Loan in such circumstances as set out in Part 3 of Schedule 3 of the Funding Deed of Charge.
- 4.6 The Funding Loan Provider must forthwith give written notice to Funding and the Security Trustee if it becomes aware that it is unlawful in any jurisdiction for the Funding Loan Provider to perform any of its obligations under this Agreement or to fund or maintain any Funding Loan.
- 4.7 After notification under Clause 4.6, subject to Clause 8 (Subordination and Security), Funding must repay or prepay the Funding Loan in full (and any other amounts to be repaid by Funding under this Agreement) on the earlier of:
- (i) the last day of the current Interest Period of that Funding Loan; or
 - (ii) the date specified by the Funding Loan Provider in the notification under Clause 4.6 and which must not be earlier than the last day of any applicable grace period allowed by law.
- 4.8 All prepayments under this Agreement must be made with accrued interest on the amount prepaid. No premium or penalty is payable in respect of any prepayment.
- 4.9 No prepayment is allowed except in accordance with the express terms of this Agreement.
- 5. INTEREST**
- 5.1 The Funding Loan and any interest capitalised pursuant to Clause 5.4 will bear interest from (and including) the Closing Date to (but excluding) the date on which the Funding Loan and all accrued interest thereon is repaid in full at a rate of the aggregate of (i) LIBOR for three-month sterling deposits and (ii) 0.90 per cent. per annum.

- 5.2 Interest shall accrue on the daily outstanding balance of the Funding Loan and any interest capitalised pursuant to Clause 5.4 and, subject to Clauses 7.2 and 7.3, will be payable in arrear on each Interest Payment Date.
- 5.3 Interest shall be calculated by reference to each Interest Period on the basis of the actual number of days elapsed and a 365 day year.
- 5.4 Any interest accrued in respect of an Interest Period but not paid on the Interest Payment Date relating thereto shall be capitalised forthwith.
- 5.5 Except where it is provided to the contrary in this Agreement, the Issuer must pay accrued interest on each Advance made to it on each Interest Payment Date.

6. ACCELERATION

If any Intercompany Loan Enforcement Notice is served, this facility shall be cancelled and the Funding Loan (and any interest capitalised pursuant to Clause 5.4) and accrued interest shall, subject to the Funding Deed of Charge, become immediately due and payable.

7. PAYMENTS AND LIMITED RECOURSE

- 7.1 All payments to be made hereunder by Funding shall be made in sterling in immediately available cleared funds to the Funding Loan Provider's account (sort code 09-00-09, account number 10100527) (or such other account as the Funding Loan Provider may have specified in writing to Funding for this purpose). If any sum falls due hereunder otherwise than on a Business Day, it shall be paid on the next succeeding Business Day.
- 7.2 Prior to service of any Intercompany Loan Enforcement Notice, amounts of principal, interest and any other amounts due hereunder shall be paid only in accordance with Clause 8.4 of this Agreement and Part 1 and Part 2 of Schedule 3 of the Funding Deed of Charge.
- 7.3 If, upon the Funding Loan (and any interest capitalised pursuant to Clause 5.4) becoming due and payable under this Agreement, Funding has insufficient funds available to meet its obligations hereunder in full on such date then:
- (a) Funding shall utilise its funds on such date to the extent available in making payments to the Funding Loan Provider to repay the Funding Loan (and any interest capitalised pursuant to Clause 5.4) and accrued interest thereon; and
 - (b) the obligation of Funding to pay the shortfall together with any amounts falling due and payable thereafter shall on any day be limited to the available funds acquired by Funding subsequent to such date, together with the proceeds of the enforcement of the Funding Security, such funds and proceeds to be paid to the Funding Loan Provider by the Security Trustee pursuant to Clause 8 of the Funding Deed of Charge,

provided that the Funding Loan Provider shall not release Funding from Funding's obligation to pay the remaining amount that would have been due under this Agreement had this Clause 7.3 not applied, nor shall this Clause 7.3 be construed as having that effect.

8. SUBORDINATION AND SECURITY

- 8.1 The parties hereby agree that the Funding Loan (and any interest capitalised pursuant to Clause 5.4) shall be subordinated to all other payments or provisions ranking in priority to

payments to be made to the Funding Loan Provider under this Agreement as provided in Clause 7 and Schedule 3 of the Funding Deed of Charge.

- 8.2 The Funding Loan Provider further agrees that, without prejudice to Clause 7 of the Funding Deed of Charge, its rights against Funding under this Agreement are limited to the extent that Funding has sufficient assets to meet its claim or any part thereof having taken into account all other liabilities, both actual and contingent, of Funding which pursuant to the Funding Deed of Charge rank *pari passu* with or in priority to its liabilities to the Funding Loan Provider under this Agreement and so that Funding shall not be obliged to make any payment to the Funding Loan Provider hereunder if and to the extent that the making of such payment would cause Funding to be or become unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986. However, if there are sufficient Funding Available Revenue Receipts available but Funding does not repay the Funding Loan when due, such non-repayment will constitute an event of default under this Agreement causing the Funding Loan (and any interest capitalised pursuant to Clause 5.4) and any accrued interest thereon to be accelerated in accordance with Clause 6.
- 8.3 Funding undertakes that its obligations to the Funding Loan Provider hereunder shall at all times be secured by the Funding Deed of Charge.
- 8.4 The Funding Loan Provider hereby undertakes to be bound by the terms of the Funding Deed of Charge and the Cash Management Agreement and in particular agrees that, on enforcement of the security created by the Funding Deed of Charge, all amounts of principal, interest and any other amounts due hereunder shall rank in the order of priority set out in the Funding Post-Enforcement Priority of Payments.
- 8.5 The Funding Loan Provider further covenants that, except as permitted under Clause 8 of the Funding Deed of Charge, it will not set off or purport to set off the Funding Loan (and any interest capitalised pursuant to Clause 5.4) or any interest thereon or any part of either thereof against any liability owed by it to Funding.
- 8.6 The Funding Loan Provider undertakes that it will not, prior to the second anniversary of the date on which all of the Notes are redeemed in full, take any corporate action or other steps or legal proceedings for the winding up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of Funding or of any or all of the revenues and assets of Funding nor participate in any proceedings without notice nor seek to enforce any judgment against Funding, except as permitted under the provisions of the Funding Deed of Charge.

9. NOTICES

Any notices to be given pursuant to this Agreement or to any of the parties hereto shall be sufficiently served if sent by prepaid first class post or by facsimile transmission and shall be deemed to be given (in the case of facsimile transmission) when despatched, (where delivered by hand) on the day of delivery if delivered before 17.00 hours (London time) on a Business Day or on the next Business Day if delivered thereafter or (in the case of first class post) when it would be received in the ordinary course of the post and shall be sent:

- (a) in the case of Funding, to Holmes Funding Limited c/o Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN (facsimile number (+44) 20 7756 5627) for the attention of the Company Secretary with a copy to Santander House (AAM 129), 201 Grafton Gate East, Milton Keynes, MK9 1AN (facsimile number (+44) 1908 343 019) for the attention of Securitisation Team, Retail Credit Risk;

- (b) in the case of the Funding Loan Provider, to Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN (facsimile number (+44) 20 7756 5627) for the attention of the Company Secretary with a copy to Santander House (AAM 129), 201 Grafton Gate East, Milton Keynes, MK9 1AN (facsimile number (+44) 1908 343 019) for the attention of Securitisation Team, Retail Credit Risk; and
- (c) in the case of the Security Trustee, to The Bank of New York Mellon at 40th Floor, One Canada Square, London E14 5AL (facsimile number (+44) 20 7964 2509) for the attention of the Trustee Administration Manager,

or to such other address or facsimile number as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 9.

10. TAXES

- 10.1 All payments to be made by Funding to the Funding Loan Provider hereunder shall be made free and clear of and without withholding or deduction for or on account of Tax unless Funding is required by law to make such a payment subject to the deduction or withholding of Tax, in which case Funding shall promptly upon becoming aware thereof notify the Funding Loan Provider of such obligation, and shall make such payments subject to such deduction or withholding of Tax which it is required to make.
- 10.2 If Funding makes any payment hereunder in respect of which it is required to make any deduction or withholding, it shall pay the full amount required to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and shall deliver to the Funding Loan Provider, within thirty days after such payment falls due to the applicable authority, any original receipt (or a certified copy thereof) issued by such authority evidencing such payment.

11. REMEDIES AND WAIVERS

No failure by the Funding Loan Provider or the Security Trustee to exercise, nor any delay by the Funding Loan Provider or the Security Trustee in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

12. ASSIGNMENTS AND TRANSFER

- 12.1 Funding (other than in respect of any assignment by way of security pursuant to the Funding Deed of Charge) may not assign and/or transfer any of its rights and/or obligations under this Agreement.
- 12.2 The Funding Loan Provider may not assign and/or transfer any of its rights and/or obligations under this Agreement.
- 12.3 If there is any change in the identity of the Security Trustee pursuant to the terms of the Funding Deed of Charge, Funding Loan Provider and Funding shall execute such documents and take such actions as the new Security Trustee and the outgoing Security Trustee (as the case may be) may reasonably require for the purpose of vesting in the new Security Trustee the rights and obligations of the outgoing Security Trustee and releasing the outgoing Security Trustee (as the case may be) from its future obligations under this Agreement.

13. SECURITY TRUSTEE AS A PARTY

The Security Trustee has agreed to become a party to this Agreement for the better preservation and enforcement of its rights under this Agreement and the Security Trustee shall assume no obligations or liabilities whatsoever to the Funding Loan Provider or to Funding or to any other person.

14. NO PARTNERSHIP

Nothing in this Agreement (or in any of the arrangements contemplated hereby) shall, or shall be deemed to, constitute a partnership amongst the parties hereto.

15. VARIATION

No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each of the parties hereto.

16. INVALIDITY OF ANY PROVISION

If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

17. EXCLUSION OF THIRD PARTY RIGHTS

The parties to this Agreement do not intend that any term of this Agreement should be enforced, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

18. COUNTERPARTS

18.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.

18.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

19. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, the laws of England.

20. SUBMISSION TO JURISDICTION

Each party to this Agreement hereby irrevocably submits to the non-exclusive jurisdiction of the English courts in any action or proceeding arising out of or relating to this Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with this Agreement), and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts. Each party to this Agreement hereby irrevocably waives, to the fullest extent it may possibly do so, any defence or claim that the English courts are an inconvenient forum for the maintenance or hearing of such action or proceeding.

IN WITNESS WHEREOF the parties hereto have executed this Agreement the day and year first before written.

SIGNATORIES

**SIGNED for and on behalf of
HOLMES FUNDING LIMITED**

)
)



**SIGNED for and on behalf of
SANTANDER UK PLC**

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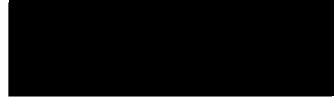
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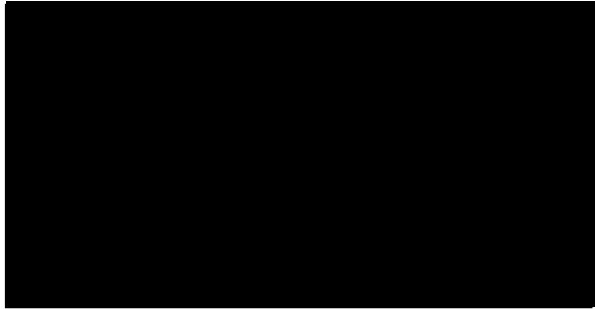
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BRANCH)



SCHEDULE 1

FORM OF REQUEST

To: Santander UK plc as Funding Loan Provider

From: [Holmes Funding Limited / Santander UK plc] as [Funding / Cash Manager][on behalf of Funding]

Date: [●]

Funding Loan Agreement dated [●] 2013 (the Agreement)

1. We refer to the Agreement. This is a Request.
2. We wish to borrow a Funding Loan on the following terms:
 - (a) Utilisation Date: [●]; and
 - (b) Amount: [●].
3. Our payment instructions are: [●].
4. We confirm that the requested Funding Loan is to be used for the relevant purpose specified in Clause 2 (The Funding Loan of the Agreement.
5. This Request is irrevocable.

By:

.....
[Holmes Funding Limited / Santander UK plc]
Authorised signatory