

EXECUTION VERSION

PURCHASE AGREEMENT

DATED 25 MAY 2016

HOLMES MASTER ISSUER PLC

and

SANTANDER UK PLC

and

HOLMES FUNDING LIMITED

and

HOLMES TRUSTEES LIMITED

and

BANCO SANTANDER, S.A.

and

SANTANDER INVESTMENT SECURITIES INC.

and

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

and

J.P. MORGAN SECURITIES PLC

and

LLOYDS BANK PLC

and

LLOYDS SECURITIES INC.

RELATING TO HOLMES MASTER ISSUER PLC ISSUE 2016-1 NOTES

U.S.\$375,000,000 SERIES 1 CLASS A1 ISSUE 2016-1 NOTES DUE 17 APRIL 2017
£340,000,000 SERIES 1 CLASS A2 ISSUE 2016-1 NOTES DUE 15 OCTOBER 2054

ALLEN & OVERY

London

ICM:23901053.12

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THIS AGREEMENT is made on 25 May 2016

BETWEEN:

- (1) **HOLMES MASTER ISSUER PLC** (registered number 5953811), a public limited company incorporated under the laws of England and Wales, whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (the **Master Issuer**);
- (2) **SANTANDER UK PLC** (registered number 2294747), a public limited company incorporated under the laws of England and Wales, whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (**Santander UK** or the **Seller**);
- (3) **HOLMES FUNDING LIMITED** (registered number 3982428), a private limited company incorporated under the laws of England and Wales, whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (**Funding**);
- (4) **HOLMES TRUSTEES LIMITED** (registered number 3982431), a private limited company incorporated under the laws of England and Wales, whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN (the **Mortgages Trustee**); and
- (5) **BANCO SANTANDER, S.A.**, a Spanish "*Sociedad Anónima*" (public limited company), incorporated under the laws of Spain, whose registered office is at Paseo de Pereda 9-12, 39004 Santander, Spain, with the registration number A-39000013 (**Banco Santander**), **SANTANDER INVESTMENT SECURITIES INC.**, whose registered office is at 45 East 53rd Street, New York, New York 10022 (**SIS** and, together with Banco Santander, **Santander**), **CREDIT SUISSE SECURITIES (EUROPE) LIMITED**, incorporated under the laws of England and Wales with registered number 00891554, whose registered office is at One Cabot Square, London E14 4QJ, United Kingdom (**Credit Suisse**), **J.P. MORGAN SECURITIES PLC**, incorporated under the laws of England and Wales with registered number 02711006, whose registered office is at 25 Bank Street, London E14 5JP, United Kingdom (**JPMS**), **LLOYDS BANK PLC**, a public limited company incorporated under the laws of England and Wales with registered number 00002065, whose registered office is at 10 Gresham Street, London EC2 7HN (**Lloyds Bank**) and **LLOYDS SECURITIES INC.**, whose registered office is at 1095 Avenue of the Americas, 34th Floor, New York, New York 10036, United States (**LSI** and, together with Lloyds Bank, **Lloyds**) (**Santander**, **Credit Suisse**, **JPMS** and **Lloyds**, collectively, the **Managers**).

WHEREAS:

- (A) The Master Issuer, by resolutions of its Board of Directors passed on May 23, 2016, has duly authorized and has determined to create and issue \$375,000,000 in principal amount of its Floating Rate Series 1 Class A1 Issue 2016-1 Notes due 17 April 2017 (the **Series 1 Class A1 Issue 2016-1 Notes**) and £340,000,000 in principal amount of its Floating Rate Series 1 Class A2 Issue 2016-1 Notes due 15 October 2054 (the **Series 1 Class A2 Issue 2016-1 Notes**) (together, the **144A/Reg S Issue 2016-1 Notes** or **Issue 2016-1 Notes**).
- (B) The Series 1 Class A1 Issue 2016-1 Notes will be in registered form in minimum denominations of U.S.\$200,000 and increments of U.S.\$1,000 thereafter. The Series 1 Class A2 Issue 2016-1 Notes will be in registered form in minimum denominations of £100,000 and increments of £1,000 thereafter. The 144A/Reg S Issue 2016-1 Notes will be issued on 26 May 2016 at 3:00 p.m. (London time) or at such other time (not being later than 6:00 p.m. (London time)) or on such other date as the Master Issuer and the Managers may agree (the **Closing Date**). The issue of the 144A/Reg S Issue 2016-1 Notes is referred to in this Agreement as the **Issue**.

- (C) Simultaneously with the Issue, by resolutions of the Board of Directors passed on May 23, 2016, has duly authorised and has determined to create and issue £582,000,000 in principal amount of its Floating Rate Series 1 Class Z Issue 2016-1 Notes due October 2054 (the **Series 1 Class Z Issue 2016-1 Notes**). Santander UK plc has agreed to subscribe and pay for the Series 1 Class Z Issue 2016-1 Notes upon the terms and subject to the conditions therein contained. The 144A/Reg S Issue 2016-1 Notes.
- (D) The 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes will be constituted by, issued subject to and have the benefit of a further amended and restated master issuer trust deed (the **Master Issuer Trust Deed**) dated on June 29, 2012 and as supplemented on August 28, 2012, April 18, 2016 and 26 May 2016 between the Master Issuer and The Bank of New York Mellon, London Branch, as note trustee (the **Note Trustee**) for the holders, among others, of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes (the **Noteholders**).
- (E) The 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes (together with the Master Issuer's obligations to its other creditors) will be secured with the benefit of security interests created by a deed of charge and assignment entered into on November 28, 2006 (the **Programme Date**), as amended and restated on March 28, 2007 and March 20, 2008, and as further amended and restated on November 12, 2010 and as supplemented on June 29, 2012 (the **Amended and Restated Master Issuer Deed of Charge**), entered into by, *inter alios*, the Master Issuer and the Note Trustee.
- (F) Payments of principal and interest on the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes will be made by the Master Issuer to the Principal Paying Agent and by the Principal Paying Agent to Noteholders on behalf of the Master Issuer under the fourth amended and restated master issuer paying agent and agent bank agreement entered into on 18 April 2016 (the **Master Issuer Paying Agent and Agent Bank Agreement**) between the Master Issuer, the Principal Paying Agent, the Agent Bank, the U.S. Paying Agent, the Registrar, the Transfer Agent and the Master Issuer Security Trustee.
- (G) Each class of the Issue 2016-1 Notes will be represented by one or more global notes (each a **Global Issue 2016-1 Note**), without interest coupons, substantially in the form set out in the Master Issuer Trust Deed.
- (H) The Master Issuer will use an amount equal to the gross proceeds of the Issue and the gross proceeds of the issue of the Series 1 Class Z Issue 2016-1 Notes to make a loan to Funding pursuant to a master intercompany loan agreement entered into on the Programme Date and as amended and restated on March 20, 2008, June 29, 2012 and April 18, 2016 (the **Master Intercompany Loan Agreement** and each loan made thereunder a **Master Intercompany Loan**) between the Master Issuer, Funding, the Agent Bank and The Bank of New York Mellon, acting through its London Branch (the **Security Trustee**) as recorded in a term advance supplement (the **Issue 2016-1 Term Advance Supplement**) to be entered into on or before the Closing Date between the Master Issuer, Funding, the Security Trustee and the Agent Bank.
- (I) Funding will pay the proceeds of the Master Intercompany Loan to Santander UK in consideration for the assignment by Santander UK to it of a part of Santander UK's interest in a portfolio of residential mortgage loans (the **Loans**) and an interest in the related insurances and their related security (together, the **Related Security**).
- (J) Santander UK transferred by way of equitable assignment the portfolio of Loans and their Related Security to the Mortgages Trustee on July 26, 2000 and on subsequent distribution dates, pursuant to a mortgage sale agreement entered into on July 26, 2000, as amended on November 29, 2000 and as amended and restated on May 23, 2001, July 5, 2001, November 8, 2001, November 7, 2002, March 26, 2003, April 1, 2004, December 8, 2005, August 8, 2006, November 28, 2006,

March 20, 2008, as supplemented on December 19, 2008, as amended and restated on July 16, 2009, as further supplemented on October 8, 2010, as amended and restated on November 12, 2010, and as further amended and restated June 29, 2012, August 29, 2013, December 18, 2014 and April 18, 2016 (the **Mortgage Sale Agreement**) between Santander UK, the Mortgages Trustee, Funding and the Security Trustee. In relation to Loans secured over properties in Scotland, the transfer of the beneficial interest therein to the Mortgages Trustee has been effected by a declaration of trust entered into on January 8, 2003 and further declarations of trust in respect of further loans sold to the Mortgages Trustee (the **Scottish Trust Deeds**, the form of which is incorporated into the Mortgage Sale Agreement) between Santander UK, the Mortgages Trustee and Funding. Each of the Mortgages Trustee, Funding and the Security Trustee appointed Santander UK as servicer to service the Loans and their Related Security pursuant to a servicing agreement entered into on July 26, 2000, as amended and restated on May 23, 2001, November 7, 2002, March 28, 2007, July 16, 2009, November 12, 2010, June 29, 2012, August 29, 2013 and April 18, 2016 (the **Servicing Agreement**).

- (K) The Mortgages Trustee holds the Loans and their Related Security on a bare trust in undivided shares for the benefit of Funding and Santander UK pursuant to a mortgages trust deed entered into on July 25, 2000, as amended on November 29, 2000 and May 23, 2001, as amended and restated on July 5, 2001, November 8, 2001, November 7, 2002, March 26, 2003, April 1, 2004, December 8, 2005, November 28, 2006, June 20, 2007, March 20, 2008, December 19, 2008, July 16, 2009, as supplemented on October 8, 2010, as amended and restated on November 12, 2010, and as supplemented on June 8, 2012 and as further amended and restated on March 7, 2013, May 30, 2013, August 29, 2013, December 18, 2014 and April 18, 2016 (the **Mortgages Trust Deed**), between Santander UK, Funding, the Mortgages Trustee and Wilmington Trust SP Services (London) Limited. The Mortgages Trustee entered into, on July 26, 2000, a guaranteed investment contract, as amended and restated on July 16, 2009, in respect of its principal bank account (the **Mortgages Trustee Guaranteed Investment Contract**) between the Mortgages Trustee and Santander UK (in such capacity, the **Mortgages Trustee GIC Provider**).
- (L) Funding's obligations to the Master Issuer under the Master Intercompany Loan Agreement and to Funding's other creditors will be secured with the benefit of security interests created by a deed of charge and assignment entered into on July 26, 2000 and most recently amended and restated on November 12, 2010, June 8, 2012, June 29, 2012, March 7, 2013 and August 29, 2013 (the **Funding Deed of Charge**) between Funding, the Master Issuer, the Security Trustee, Abbey National Treasury Services plc (in such capacity, the **Funding Swap Provider**), Santander UK in its capacity as cash manager to the Mortgages Trustee and Funding (the **Cash Manager**), in its capacity as account bank to the Mortgages Trustee and Funding (the **Account Bank**), in its capacity as start-up loan provider to Funding in relation to the Issue 2010-1 Notes (the **Issue 2010-1 Start-up Loan Provider**) and the Issue 2013-1 Notes (the **Issue 2013-1 Start-up Loan Provider**) and in its capacity as lender of the Funding Loan Amounts under the Existing Notes Redemption Reserve Loan Agreement (the **Lender of the Funding Loan Amounts**), and Wilmington Trust SP Services (London) Limited in its capacity as corporate services provider (the **Corporate Services Provider**) and as acceded to on or around the Closing Date by Santander UK in its capacity as start-up loan provider to Funding in relation to the Issue 2016-1 Notes (the **Issue 2016-1 Start-up Loan Provider**).
- (M) Funding, in addition to the documents described above, on July 26, 2000, entered into (1) a cash management agreement amended on November 29, 2000, on March 26, 2003, on April 1, 2004, as amended and restated on December 8, 2005, December 19, 2008, July 16, 2009, as supplemented on October 8, 2010 and as amended and restated on November 12, 2010, August 28, 2012, March 7, 2013, August 29, 2013, December 18, 2014 and April 18, 2016 (the **Cash Management Agreement**) with the Cash Manager, the Mortgages Trustee and the Security Trustee; (2) a bank account agreement amended on April 1, 2004, December 8, 2005, and amended and restated on

July 16, 2009, November 12, 2010, June 23, 2011, August 28, 2012, March 7, 2013 and December 17, 2014 (the **Bank Account Agreement**) with the Account Bank, the Mortgages Trustee and Funding; (3) a guaranteed investment contract (the **Funding Guaranteed Investment Contract**) with the Account Bank; and (4) a corporate services agreement amended and restated on November 29, 2000 and on May 23, 2001 (the **Corporate Services Agreement**) with the Mortgages Trustee, the Security Trustee and the Corporate Services Provider, each of which will remain in effect, as applicable, in respect of the Issue. In connection with the issue of the Issue 2016-1 Notes by the Master Issuer, Funding, in addition to the documents described above, on the Closing Date, will enter into a start-up loan agreement (the **Issue 2016-1 Start-up Loan Agreement**) with Santander UK, as the Issue 2016-1 Start-up Loan Provider, and the Security Trustee.

- (N) On the Programme Date the Master Issuer also executed and delivered (1) a corporate services agreement (the **Master Issuer Corporate Services Agreement**) between the Master Issuer, the Master Issuer Security Trustee and the Master Issuer Corporate Services Provider; (2) a cash management agreement (the **Master Issuer Cash Management Agreement**) between the Master Issuer, the Master Issuer Security Trustee and the Master Issuer Cash Manager; and (3) a bank account agreement (the **Master Issuer Bank Account Agreement**) between the Master Issuer, the Master Issuer Sterling Account Bank, the Master Issuer Non-Sterling Account Bank and the Master Issuer Security Trustee (in each case, as supplemented, amended and/or restated from time to time).
- (O) On April 18, 2016, Allen & Overy LLP and Slaughter and May signed for the purposes of identification a thirteenth amended and restated master definitions and construction schedule (the **Master Definitions Schedule**) and on April 18, 2016, Allen & Overy LLP and Slaughter and May signed for the purposes of identification the seventeenth amended and restated master definitions and construction schedule, in each case in respect of the Master Issuer (the **Master Issuer Master Definitions Schedule**).
- (P) As required, the Master Issuer, Funding, the Mortgages Trustee and/or Santander UK have entered or will enter into any other relevant documents to be signed and delivered on or before the Closing Date (such documents, together with the Mortgage Sale Agreement, the Mortgages Trust Deed, the Scottish Trust Deeds, the Servicing Agreement, the Mortgages Trustee Guaranteed Investment Contract, the Master Intercompany Loan Agreement, the Issue 2016-1 Term Advance Supplement, the Funding Swap Agreement, the Funding Guaranteed Investment Contract, the Cash Management Agreement, the Bank Account Agreement, Issue 2016-1 Start-up Loan Agreement, the Corporate Services Agreement, the Funding Deed of Charge, the Amended and Restated Master Issuer Deed of Charge, the Master Issuer Trust Deed, the Master Issuer Cash Management Agreement, the Master Issuer Paying Agent and Agent Bank Agreement, the Master Issuer Bank Account Agreement, the Master Issuer Corporate Services Agreement and this Agreement, each as they have been or may be amended, restated, varied or supplemented from time to time are collectively referred to herein as the **Legal Agreements**).

IT IS AGREED as follows:

To the extent not defined herein, capitalized terms used herein have the meanings assigned to such terms in the Master Definitions Schedule and the Master Issuer Master Definitions Schedule (as applicable), as the same may be amended, revised or supplemented from time to time. In addition, for the purposes of this Agreement:

Affiliate has the meaning given to it in Rule 405 under the Securities Act;

Applicable Time means 11:02 p.m. (London time) on May 19, 2016, which is deemed to be the time when sales of the 144A/Reg S Issue 2016-1 Notes to investors were first made for the purposes of Rule 159 under the Securities Act;

Base Prospectus means the base prospectus dated April 18, 2016;

Contract of Sale means a "contract of sale" as such term is used in Rule 159 under the Securities Act;

Disclosure Package means collectively: (i) the Base Prospectus; (ii) the Preliminary Final Terms; (iii) the Pricing Supplement; and (iv) the Investor Presentation Material;

Exchange Act means the United States Securities Exchange Act of 1934, as amended;

Final Prospectus means, together, (i) the Final Terms; and (ii) the Base Prospectus;

Final Terms means the final terms to be dated May 25, 2016 relating to the Issue 2016-1 Notes;

Investor Presentation Material means the investor presentation in respect of the 144A/Reg S Issue 2016-1 Notes prepared or used by Santander UK for the purposes of investor meetings in the form attached hereto as [Annex A](#);

Preliminary Final Terms means the preliminary final terms dated May 16, 2016 relating to the Issue 2016-1 Notes;

Pricing Supplement means the pricing supplement dated May 19, 2016 relating to the 144A/Reg S Issue 2016-1 Notes; and

Securities Act means the United States Securities Act of 1933, as amended.

1. ISSUE OF THE 144A/REG S ISSUE 2016-1 NOTES

1.1 Agreement to Issue

Subject to the terms and conditions of this Agreement, the Master Issuer agrees to issue the 144A/Reg S Issue 2016-1 Notes, and each of the Managers agrees (severally but not jointly) to use its reasonable best efforts to procure purchasers for the 144A/Reg S Issue 2016-1 Notes for the principal amount of such 144A/Reg S Issue 2016-1 Notes as set out against its name as its underwriting commitment in [Annex B](#) hereto at a price of 100 per cent. of the principal amount of such 144A/Reg S Issue 2016-1 Notes and, on the Closing Date, the Master Issuer will issue the 144A/Reg S Issue 2016-1 Notes to the Managers or as the Managers may direct in the principal amount of the 144A/Reg S Issue 2016-1 Notes, as the Managers direct. The 144A/Reg S Issue 2016-1 Notes will be issued at a price equal to the aggregate of 100 per cent. of the principal amount of the Series 1 Class A1 Issue 2016-1 Notes (the **Series 1 Class A1 Issue Price**) and 100 per cent. of the principal amount of the Series 1 Class A2 Issue 2016-1 Notes (the **Series 1 Class A2 Issue Price**).

1.2 The Legal Agreements

To the extent that each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK is a signatory of the Legal Agreements, each has entered or will, not later than the Closing Date, enter into each of the Legal Agreements to which it is a party, with such amendments as the Managers may agree with the Master Issuer and, if it is such a signatory, Funding, the Mortgages Trustee and/or Santander UK.

1.3 **The 144A/Reg S Issue 2016-1 Notes**

The 144A/Reg S Issue 2016-1 Notes will be issued on the Closing Date in accordance with the terms of the Master Issuer Trust Deed and will be in the form set out therein.

1.4 **The Disclosure Package and the Final Prospectus**

The Master Issuer confirms that it has prepared the Disclosure Package and the Final Prospectus for use in connection with the issue of the 144A/Reg S Issue 2016-1 Notes and hereby authorizes the Managers to distribute copies of the Disclosure Package and the Final Prospectus in connection with the offering and sale of the 144A/Reg S Issue 2016-1 Notes (in accordance with applicable laws and applicable market practice).

2. **AGREEMENTS BY THE MANAGERS**

2.1 **Selling**

Each Manager severally (but not jointly) agrees as follows:

(a) **United States**

- (i) The 144A/Reg S Issue 2016-1 Notes have not been and will not be registered under the Securities Act, or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (**Regulation S**) or in certain transactions exempt from the registration requirements of the Securities Act and applicable state securities laws. In addition, the 144A/Reg S Issue 2016-1 Notes cannot be resold in the United States or to U.S. persons unless they are subsequently registered or an exemption from registration is available. Each Manager represents and agrees that it has not offered and sold any 144A/Reg S Issue 2016-1 Notes, and it will not offer and sell any 144A/Reg S Issue 2016-1 Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the 144A/Reg S Issue 2016-1 Notes and the Closing Date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases 144A/Reg S Issue 2016-1 Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date except in either case in accordance with Regulation S under the Securities Act (**Regulation S**). Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph (i) have the meanings given to them by Regulation S.

- (ii) Each Manager further represents and agrees that it, its Affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts (as defined in Rule 902(c) under the Securities Act) with respect to

any 144A/Reg S Issue 2016-1 Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

- (iii) Notwithstanding anything in paragraphs (i) and (ii) above to the contrary, each Manager represents and agrees that the 144A/Reg S Issue 2016-1 Notes may be offered and sold to institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**) in the United States in reliance on Rule 144A, and in connection therewith each Manager represents and agrees that:
 - (A) offers, sales, resales and other transfers of the 144A/Reg S Issue 2016-1 Notes in the United States made or approved by a Manager (including offers, resales or other transfers made or approved by a Manager in connection with secondary trading) shall be made with respect to the 144A/Reg S Issue 2016-1 Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;
 - (B) offers, sales, resales and other transfers of the 144A/Reg S Issue 2016-1 Notes made in the United States will be made by the respective registered broker-dealer and/or selling agent or affiliate of each Manager in compliance with the Exchange Act;
 - (C) offers, sales, resales and other transfers of the 144A/Reg S Issue 2016-1 Notes made in the United States will be made only in private transactions to QIBs;
 - (D) the 144A/Reg S Issue 2016-1 Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the 144A/Reg S Issue 2016-1 Notes in the United States;
 - (E) no sale of the 144A/Reg S Issue 2016-1 Notes in the United States to any one QIB will be for less than U.S.\$250,000 in principal amount or its equivalent rounded upwards and no 144A/Reg S Issue 2016-1 Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$250,000 principal amount of the 144A/Reg S Issue 2016-1 Notes; and
 - (F) each of the 144A/Reg S Issue 2016-1 Notes in global form sold as a part of a private placement in the United States or outside of the United States pursuant to Regulation S shall contain a legend in substantially the form set out in the Master Issuer Trust Deed.

(b) **United Kingdom**

Each Manager represents and agrees that:

- (i) in relation to any of the 144A/Reg S Issue 2016-1 Notes which have a maturity of less than one year, (A) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its business and (B) it has not offered or sold, and will not offer

or sell any 144A/Reg S Issue 2016-1 Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the 144A/Reg S Issue 2016-1 Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Market Act 2000 (as amended, supplemented or replaced from time to time) (the **FSMA**) by the Master Issuer;

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the 144A/Reg S Issue 2016-1 Notes in, from or otherwise involving the United Kingdom; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activities (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any 144A/Reg S Issue 2016-1 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Master Issuer.

(c) **Republic of Italy**

Each Manager represents and agrees that the offering of the 144A/Reg S Issue 2016-1 Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (**CONSOB**) (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, the 144A/Reg S Issue 2016-1 Notes may not be offered, sold or delivered, nor may copies of the Final Prospectus or of any other document relating to the 144A/Reg S Issue 2016-1 Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*) as defined in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter Regulation No. 11971.

In addition, each Manager represents and agrees that any offer, sale or delivery of the 144A/Reg S Issue 2016-1 Notes or distribution of copies of the Final Prospectus or any other document relating to the 144A/Reg S Issue 2016-1 Notes in the Republic of Italy under (i) or (ii) above must be:

- (A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the **Banking Act**);
- (B) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(C) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or other Italian authority.

(d) **France**

Each Manager represents and agrees that it has not offered or sold and will not offer or sell, directly or indirectly, the 144A/Reg S Issue 2016-1 Notes to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Final Prospectus or any other offering material relating to the 144A/Reg S Issue 2016-1 Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 to D.411-3 and D.411-4 of the French *Code monétaire et financier*.

(e) **Japan**

The 144A/Reg S Issue Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA). Each Manager represents and agrees that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

(f) **Australia**

This document and the offer is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) (Australian Corporations Act). This document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this document is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Australian Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or ASX or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the securities. No "cooling-off" regime will apply to an acquisition of any interest in the issuing entity.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of any interest in the issuing entity is appropriate in light of your own financial circumstances or seek professional advice.

Any notes issued upon acceptance of an offer may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D or of the Australian Corporations Act. Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell these notes (except in the circumstances referred to above) for 12 months after their issue.

(g) **Spain**

Each Manager represents and agrees that neither the 144A/Reg S Issue 2016-1 Notes nor the Final Prospectus have been or will be approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the 144A/Reg S Issue 2016-1 Notes may not be offered, sold or distributed in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of section 30-bis of the Securities Market Law 24/1988 of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (as amended, the **Securities Market Law**), as developed by Royal Decree 1310/2005 of November 4 on admission to listing and on issues and public offers of securities (*Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta or suscripción y del folleto exigible a tales efectos*), and supplemental rules enacted thereunder or in substitution thereof from time to time. The 144A/Reg S Issue 2016-1 Notes may only be offered and sold in Spain by institutions authorized to provide investment services in Spain under the Securities Market Law (and related legislation) and Royal Decree 217/2008 of February 15 on the Legal Regime Applicable to Investment Service Companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*).

(h) **Canada**

It is understood that the 144A/Reg S Issue 2016-1 Notes will not be qualified for sale under the securities laws of any province or territory of Canada. Each Manager represents and agrees that it has not offered, sold or distributed and will not offer, sell or distribute any of the 144A/Reg S Issue 2016-1 Notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. Each Manager also represents and agrees that it has not and will not distribute or deliver the Final Prospectus, or any other offering material in connection with any offering of the 144A/Reg S Issue 2016-1 Notes in Canada, other than in compliance with applicable securities laws.

(i) **Public Offer Selling Restrictions under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager represents and agrees, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the 144A/Reg S Issue 2016-1 Notes which are the subject of the offering contemplated by the Final Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Master Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of 144A/Reg S Issue 2016-1 Notes referred to in (i) to (iii) above shall require the Master Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of 144A/Reg S Issue 2016-1 Notes to the public in relation to any 144A/Reg S Issue 2016-1 Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the 144A/Reg S Issue 2016-1 Notes to be offered so as to enable an investor to decide to purchase or subscribe the 144A/Reg S Issue 2016-1 Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

(j) General

Each Manager represents and agrees that it has complied, and will comply, with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the 144A/Reg S Issue 2016-1 Notes or possesses them or distributes the Disclosure Package, the Final Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the 144A/Reg S Issue 2016-1 Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Master Issuer nor any of the other Managers shall have any responsibility therefor. Furthermore, each Manager, agrees and represents that it has not and will not directly or indirectly offer, sell or deliver any of the 144A/Reg S Issue 2016-1 Notes or distribute or publish the Disclosure Package, the Final Prospectus or any prospectus, form of application, offering circular, advertisement or other offering material except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of the 144A/Reg S Issue 2016-1 Notes by them will be made on the same terms.

Neither the Master Issuer nor any of the Managers represents that the 144A/Reg S Issue 2016-1 Notes may at any time lawfully be sold in compliance with any application, registration or other requirements in any jurisdiction (other than as described above), or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Manager agrees that it will, unless prohibited by applicable law, furnish to each person to whom it offers or sells the 144A/Reg S Issue 2016-1 Notes a copy of the Final Prospectus, as then amended or supplemented or, unless delivery of the Final Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Managers are not and will not be authorized to give any information or to make any representation other than those contained in, or consistent with those contained in, the Final Prospectus or the information approved in writing and provided by the Master Issuer, Funding 1, the Mortgages Trustee or Santander UK in connection with the offer and sale of the 144A/Reg S Issue 2016-1 Notes to which the Disclosure Package and the Final Prospectus relate.

3. LISTING

3.1 Maintenance of Listing and Trading

The Master Issuer undertakes to use its best endeavours to obtain and maintain the listing of the 144A/Reg S Issue 2016-1 Notes on the official list of the UK Listing Authority (the **UKLA**) and the admission of the 144A/Reg S Issue 2016-1 Notes to trading on the London Stock Exchange's Regulated Market. If the 144A/Reg S Issue 2016-1 Notes cease to be listed on the official list of the UKLA, the Master Issuer shall use its best endeavours promptly to list the 144A/Reg S Issue 2016-1 Notes on a stock exchange to be agreed between the Master Issuer and the Managers. For the avoidance of doubt, where the Master Issuer has obtained the listing of 144A/Reg S Issue 2016-1 Notes on a regulated market in the European Economic Area, the undertaking extends to maintaining that listing or, if this is not possible, to obtaining listing of the 144A/Reg S Issue 2016-1 Notes on another European Economic Area regulated market.

The Master Issuer shall comply with the rules of each relevant stock exchange (or any other relevant authority or authorities) and shall otherwise comply with any undertakings given by it from time to time to the relevant stock exchange (or any other relevant authority or authorities) in connection with the listing of the 144A/Reg S Issue 2016-1 Notes on that stock exchange and, without prejudice to the generality of the foregoing, shall furnish or procure to be furnished to the relevant stock exchange (or any other relevant authority or authorities) all the information which the relevant stock exchange (or any other relevant authority or authorities) may require in connection with the listing on that stock exchange of the 144A/Reg S Issue 2016-1 Notes.

4. REPRESENTATIONS AND WARRANTIES OF THE MASTER ISSUER

The Master Issuer represents and warrants to, and agrees with, the Managers and each of them that:

(a) No Material Misstatements or Omissions

Each of the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as of its date and the Closing Date) contained all material information with respect to the Master Issuer, and the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as of its date and the Closing Date) did not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in the Disclosure Package and the Final Prospectus, in the light of the circumstances under which they were made, not misleading; however, in each case, the Master Issuer makes no representations or warranties as to the information contained in or omitted from the Disclosure Package (or any amendment or supplement thereto) or the Final Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of any Manager specifically for inclusion in the Disclosure Package or Final Prospectus (or any amendment or supplement thereto);

(b) **Foreign Issuer**

It is a foreign issuer (as defined in Rule 902(e) under the Securities Act);

(c) **No Directed Selling Efforts**

Neither it nor its Affiliates, nor any persons acting on any of its or their behalf (other than any Manager, as to whom the Master Issuer makes no representations) has engaged or will engage in any directed selling efforts (as defined in Rule 902(c) under the Securities Act) with respect to the 144A/Reg S Issue 2016-1 Notes and each of the foregoing persons has complied and will comply with the offering restrictions requirement of Regulation S;

(d) **No General Solicitation or Advertising**

Neither it nor its Affiliates nor any person (other than any Manager, as to whom the Master Issuer makes no representations) acting on its or their behalf has engaged in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) of Regulation D under the Securities Act) in connection with any offer or sale of the 144A/Reg S Issue 2016-1 Notes in the United States;

(e) **No Integration**

It has not offered or sold within the six months preceding the issue of the 144A/Reg S Issue 2016-1 Notes any security of the same or similar class of the 144A/Reg S Issue 2016-1 Notes under circumstances that would require registration of such securities under the Securities Act;

(f) **Rule 144A(d)(3) Requirements**

As of the Closing Date, the 144A/Reg S Issue 2016-1 Notes will not be, and no securities of the same class (within the meaning of Rule 144A(d)(3)(i) under the Securities Act) as the 144A/Reg S Issue 2016-1 Notes will be, (i) listed on a national securities exchange in the United States which is registered under Section 6 of the Exchange Act or (ii) quoted in any "automated inter-dealer quotation system" (as that term is used in the rules under the Exchange Act) in the United States;

(g) **Incorporation**

It is a public limited company duly incorporated and validly existing under the laws of England and Wales, with full power and authority to conduct its business as described in the Disclosure Package and the Final Prospectus, and is lawfully qualified to do business in England and Wales, and it has not taken any corporate action nor (to the best of its knowledge and belief) have any other steps been taken or legal proceedings been started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver or similar officer to it or to any or all of its assets or revenues;

(h) **Validity of Legal Agreements**

This Agreement has been duly authorized, executed and delivered by the Master Issuer and constitutes, and the other Legal Agreements to which the Master Issuer is a party have been duly authorized by the Master Issuer and on the Closing Date will constitute, valid and legally binding obligations of the Master Issuer, enforceable in accordance with their terms subject to applicable bankruptcy, insolvency and similar laws affecting the rights of

creditors generally, general equitable principles, the time barring of claims and, where a fixed security interest has been granted pursuant to the terms of a deed of charge, the recharacterization by a relevant court of such security as a floating charge (such principles and laws being referred to in this Agreement as the **Reservations**);

(i) **Validity of the 144A/Reg S Issue 2016-1 Notes**

The 144A/Reg S Issue 2016-1 Notes have been duly authorized by the Master Issuer and, when executed and authenticated in accordance with the Master Issuer Trust Deed and the Master Issuer Paying Agent and Agent Bank Agreement, will constitute valid and legally binding obligations of the Master Issuer enforceable in accordance with their respective terms, subject to the Reservations;

(j) **Compliance**

The authorization of the 144A/Reg S Issue 2016-1 Notes and the security therefor under the Master Issuer Deed of Charge, the offering and issue of the 144A/Reg S Issue 2016-1 Notes on the terms and conditions of this Agreement and as described in the Final Prospectus, the execution and delivery of the Legal Agreements to which it is a party and the implementation of the transactions contemplated by such Legal Agreements and compliance with the terms of the Legal Agreements to which it is a party do not, and will not, (i) conflict with, or result in a breach of, any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of the Master Issuer or any agreement or instrument to which the Master Issuer is a party or by which any of its properties is bound; (ii) infringe any applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, having jurisdiction over the Master Issuer or any of its properties; or (iii) result in the creation or imposition of any mortgage, charge, pledge, lien or other security interest on any of its properties, other than those created in, or imposed by, the Legal Agreements themselves;

(k) **No Fiduciary Duty**

The purchase and sale of the 144A/Reg S Issue 2016-1 Notes pursuant to this Agreement is an arm's length commercial transaction between the Master Issuer on the one hand and the Managers on the other. The Managers are acting as principal and not as a fiduciary to, or an agent of, the Master Issuer. Additionally, the Master Issuer agrees that it is responsible for making its own judgments in connection with the offering of the 144A/Reg S Issue 2016-1 Notes irrespective of whether any of the Managers has advised the Master Issuer on related matters. No Manager is advising the Master Issuer, Funding, the Mortgages Trustee, the Seller or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Master Issuer may consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby and agrees that it will not claim that the Managers owe an agency or fiduciary duty to the Master Issuer in connection with the transactions contemplated by this Agreement or the process leading thereto;

(l) **Taxation**

No stamp or other similar duty is assessable or payable in the United Kingdom, and no withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature is imposed or made for or on account of any income, registration, transfer or turnover taxes, customs or other duties or taxes of any kind in connection with the authorization, execution, delivery or performance by the Master Issuer of the Legal Agreements to which it is a party or with the authorization, issue, sale or delivery of

the 144A/Reg S Issue 2016-1 Notes and (except as disclosed in the Disclosure Package and the Final Prospectus) the performance of the Master Issuer's, Funding's and/or, as the case may be, the Mortgages Trustee's obligations under the Legal Agreements and the 144A/Reg S Issue 2016-1 Notes. This warranty does not apply to any United Kingdom corporation tax which may be levied, collected, withheld or assessed in connection with the authorization, execution, delivery or performance of the Legal Agreements or with the authorization, issue, sale or delivery of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes;

(m) **Breach of Other Agreements**

It is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets or revenues;

(n) **Events of Default**

No event has occurred or circumstance arisen which, had the 144A/Reg S Issue 2016-1 and the Series 1 Class Z Issue 2016-1 Notes already been issued, would (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an Event of Default as set out in the Conditions of the Issue 2016-1 Notes;

(o) **No Subsidiaries**

It has no subsidiaries or subsidiary undertakings within the meanings of Sections 1159 and 1162 of the Companies Act 2006;

(p) **No Activities**

It has not engaged in any activities since its incorporation other than (i) those incidental to any registration or re-registration as a public limited company under the Companies Acts 1985 and 1989 and changes to its name, directors, secretary, registered office, Memorandum and Articles of Association; (ii) the authorization and execution of the Legal Agreements to which it is a party; (iii) the activities referred to or contemplated in the Legal Agreements to which it is a party or in the Disclosure Package and the Final Prospectus; (iv) the authorization and issue by it of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes; and (v) the authorization and issue by it of any other Master Issuer Notes prior to the date of this Agreement and the entry by the Master Issuer into any related agreements or other documents. The Master Issuer has not (other than as set out in the Disclosure Package and the Final Prospectus) made up any accounts (other than in connection with its re-registration as a public limited company) and has neither paid any dividends nor made any distributions since its incorporation;

(q) **Prospectus Rules**

The Final Prospectus (i) has been approved by the UK Listing Authority as a prospectus for the purposes of Section 85(2) of the FSMA; (ii) complies with the Prospectus Rules made under Part VI of the FSMA (the **Prospectus Rules**) and the Listing Rules; and (iii) has been published and made available to the public in accordance with the Prospectus Rules;

(r) **Litigation**

There are no pending actions, suits or proceedings against or affecting the Master Issuer which could individually or in the aggregate have an adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Master Issuer or

could adversely affect the ability of the Master Issuer to perform its obligations under the Legal Agreements, the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes or which are otherwise material in the context of the issue or offering of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes and, to the best of the Master Issuer's knowledge, no such actions, suits or proceedings are threatened or contemplated;

(s) **No Prior Security**

Save as set out in any of the Legal Agreements, there exists no mortgage, lien, pledge or other charge or security interest on or over the assets of the Master Issuer and, other than the Legal Agreements, the Master Issuer has not entered into any indenture or trust deed;

(t) **Security for the 144A/Reg S Issue 2016-1 Notes**

The 144A/Reg S Issue 2016-1 Notes and the obligations of the Master Issuer under the Master Issuer Trust Deed will be secured, subject to the Reservations, in the manner provided in the Master Issuer Deed of Charge and with the benefit of the charges, covenants and other security provided for therein including, without limitation, (i) an assignment by way of first fixed security over its interests in the Master Intercompany Loan Agreement, the Funding Deed of Charge, the Master Issuer Trust Deed, the Master Issuer Paying Agent and Agent Bank Agreement, the Master Issuer Cash Management Agreement, the Master Issuer Corporate Services Agreement, the Master Issuer Bank Account Agreement and any other relevant documents signed or to be signed on or before the Closing Date to which the Master Issuer is a party; (ii) a charge by way of first fixed charge over the Master Issuer Accounts; (iii) a charge by way of first fixed charge over any authorized investments made with moneys standing to the credit of any of the Master Issuer Accounts; and (iv) a first ranking floating charge over the other assets of the Master Issuer (extending over all of the Master Issuer's Scottish assets);

(u) **Capitalisation**

The authorized capital of the Master Issuer is as set out in the Disclosure Package and the Final Prospectus;

(v) **Investment Company Act and Covered Fund Status**

It is not and as a result of the offer and sale of the 144A/Reg S Issue 2016-1 Notes in the United States, will not be, required to register as an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the **Investment Company Act**), under the Investment Company Act, and, although other statutory or regulatory exemptions under the Investment Company Act may be available, the Master Issuer is relying on the exemption from registration set forth in Rule 3a-7 under the Investment Company Act. Considering the Master Issuer's reliance on such exemption, the current factual circumstances relating to the Master Issuer as of the date of this Agreement, as well as Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the final regulations issued on 10 December 2013 by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Commodities Futures Trading Commission and the Securities Exchange Commission (commonly referred to as the Volcker Rule) as in effect as of the date of this Agreement, the Master Issuer does not meet the definition of "covered fund" as of the date of this Agreement;

(w) **Sanctions**

The 144A/Reg S Issue 2016-1 Notes are not being issued for the purpose of funding any operations in, financing any investment or activities in or making any payments to any country or to any person targeted by any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or any equivalent sanctions administered by the European Union or HM Treasury;

(x) **FCPA**

Neither it nor, to its knowledge, any of its directors or officers or other person associated with or acting on its behalf, has taken any action, directly or indirectly, that could result in a violation by such persons of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or any similar law or regulation of any other jurisdiction, in each case to the extent applicable;

(y) **United States Income Tax**

It will not engage in any activities in the United States (directly or through agents), will not derive any income from United States sources as determined under United States income tax principles and will not hold any property, in each case, if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(z) **Anti-Money Laundering**

The operations of the Master Issuer are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and money laundering statutes, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, **Money Laundering Laws**) in the jurisdiction of the Master Issuer and of all jurisdictions in which the Master Issuer conducts business and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Master Issuer with respect to Money Laundering Laws is pending and no such actions, suits or proceedings are, to the best of the Master Issuer's knowledge, threatened or contemplated; and

(aa) **Representations and Warranties in the Legal Agreements**

The representations and warranties given by the Master Issuer in the Legal Agreements are true and accurate.

5. REPRESENTATIONS AND WARRANTIES OF FUNDING AND THE MORTGAGES TRUSTEE

Each of Funding and the Mortgages Trustee severally represents and warrants (in respect of itself only) to, and agrees with, the Managers and each of them that:

(a) **No Material Misstatements or Omissions**

Each of the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as of its date and the Closing Date) contained all material information with respect to the entity making this representation, and the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as of its date and the Closing Date) did not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements

made in the Disclosure Package and the Final Prospectus, in the light of the circumstances under which they were made, not misleading; however, in each case, Funding and the Mortgages Trustee make no representations or warranties as to the information contained in or omitted from the Disclosure Package (or any amendment or supplement thereto) in reliance upon and in conformity with information furnished in writing to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of any Manager specifically for inclusion in the Disclosure Package or the Final Prospectus (or any amendment or supplement thereto);

(b) No Directed Selling Efforts

Neither it nor its Affiliates, nor any persons acting on any of its or their behalf (other than any Manager, as to whom each of Funding and the Mortgages Trustee makes no representations) has engaged or will engage in any directed selling efforts (as defined in Rule 902(c) under the Securities Act) with respect to the 144A/Reg S Issue 2016-1 Notes and each of the foregoing persons has complied and will comply with the offering restrictions requirement of Regulation S;

(c) No General Solicitation or Advertising

Neither it nor its Affiliates nor any person (other than any Manager, as to whom each of Funding and the Mortgages Trustee makes no representations) acting on its or their behalf has engaged in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) of Regulation D under the Securities Act) in connection with any offer or sale of the 144A/Reg S Issue 2016-1 Notes in the United States;

(d) No Integration

It has not offered or sold within the six months' preceding the issue of the Issue 2016-1 Notes any security of the same or similar class of the Issue 2016-1 Notes under circumstances that would require registration of such securities under the Securities Act;

(e) Rule 144A(d)(3) Requirements

As of the Closing Date, the Issue 2016-1 Notes will not be, and no securities of the same class (within the meaning of Rule 144A(d)(3)(i) under the Securities Act) as the Issue 2016-1 Notes will be, (i) listed on a national securities exchange in the United States which is registered under Section 6 of the Exchange Act or (ii) quoted in any "automated inter-dealer quotation system" (as that term is used in the rules under the Exchange Act) in the United States;

(f) Incorporation

It is duly incorporated and validly existing under the laws of England and Wales, with full power and authority to conduct its business as described in the Disclosure Package and the Final Prospectus, and is lawfully qualified to do business in England and Wales and it has not taken any corporate action nor (to the best of its knowledge and belief) have any other steps been taken or legal proceedings been started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver or similar officer of it or of any or all of its assets or revenues;

(g) Validity of Legal Agreements

This Agreement has been duly authorized, executed and delivered by each of Funding and the Mortgages Trustee and constitutes, and the other Legal Agreements to which each of Funding and/or the Mortgages Trustee is a party have been duly authorized by, as applicable, Funding and the Mortgages Trustee and on the Closing Date will constitute, valid and legally binding obligations of each of Funding and the Mortgages Trustee enforceable in accordance with their respective terms subject to the Reservations;

(h) **Compliance**

The authorization of the terms and conditions of this Agreement, the execution and delivery of the Legal Agreements to which Funding and/or, as the case may be, the Mortgages Trustee is party and the implementation of the transactions contemplated by such Legal Agreements and compliance with the terms of the Legal Agreements do not, and will not, (i) conflict with, or result in a breach of, any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of Funding or the Mortgages Trustee or any agreement or instrument to which Funding or the Mortgages Trustee is a party or by which any of its properties is bound; (ii) infringe any applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, having jurisdiction over either Funding or the Mortgages Trustee or any of its properties; or (iii) result in the creation or imposition of any mortgage, charge, pledge, lien or other security interest on any of its or their properties, other than those created in, or imposed by, the Legal Agreements themselves;

(i) **Breach of Other Agreements**

Neither Funding nor the Mortgages Trustee is in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets or revenues;

(j) **Events of Default**

No event has occurred or circumstance arisen which would (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an Event of Default as set out in the Master Intercompany Loan Agreement;

(k) **No Subsidiaries**

It has no subsidiaries or subsidiary undertakings within the meanings of Sections 1159 and 1162 of the Companies Act 2006;

(l) **No Activities**

It has not engaged in any activities since its incorporation other than (i) those incidental to any registration as a private limited company under the Companies Acts 1985 and 1989 and changes to its name, directors, secretary, registered office, Memorandum and Articles of Association; (ii) the authorization and execution of the Legal Agreements to which each is a party; (iii) the activities referred to or contemplated in the Legal Agreements to which it is a party, or in the Disclosure Package and the Final Prospectus; (iv) the activities undertaken in connection with the establishment of the Mortgages Trust pursuant to the Mortgages Trust Deed and the issue of notes by Holmes Financing (No. 1) PLC, Holmes Financing (No. 2) PLC, Holmes Financing (No. 3) PLC, Holmes Financing (No. 4) PLC, Holmes Financing (No. 5) PLC, Holmes Financing (No. 6) PLC, Holmes Financing (No. 7) PLC, Holmes Financing (No. 8) PLC, Holmes Financing (No. 9) PLC, Holmes Financing (No. 10) PLC and the Master Issuer; and (v) the activities undertaken in connection with the establishment of Holmes Master Issuer 2 plc and the substitution of Holmes Master Issuer 2 plc in place of

the Master Issuer in respect of the Substituted Notes; (vi) the activities undertaken in connection with the establishment and subsequent termination of the residential mortgage-backed programme of Holmes Master Issuer 2 plc; (vii) the activities undertaken in connection with the establishment of the Existing Notes Redemption Reserve; and (viii) the registration of Funding under the Data Protection Act 1998 (the **DPA**). Neither Funding nor the Mortgages Trustee has (other than as set out in the Disclosure Package and the Final Prospectus or in the prospectuses or, as applicable, offering circulars relating to the notes issued by Holmes Financing (No. 1) PLC, Holmes Financing (No. 2) PLC, Holmes Financing (No. 3) PLC, Holmes Financing (No. 4) PLC, Holmes Financing (No. 5) PLC, Holmes Financing (No. 6) PLC, Holmes Financing (No. 7) PLC, Holmes Financing (No. 8) PLC, Holmes Financing (No. 9) PLC, Holmes Financing (No. 10) PLC or the Master Issuer and other than as required by any applicable law) made up any accounts and neither has paid any dividends or made any distributions since its respective date of incorporation;

(m) **Beneficial Owner**

On July 25, 2000, the Mortgages Trust was established pursuant to the Mortgages Trust Deed and following the transfer by way of equitable assignment by Santander UK of its interest in the Portfolio (as defined in the Final Prospectus) to the Mortgages Trustee pursuant to or in accordance with the Mortgage Sale Agreement on July 26, 2000 and on subsequent distribution dates, or, in relation to Loans secured over properties in Scotland and their Related Security, following the granting from time to time of a Scottish Trust Deed, the Mortgages Trustee held (and continues to hold) the Portfolio on trust for the benefit of Funding and Santander UK in undivided shares absolutely;

(n) **Litigation**

There are no pending actions, suits or proceedings against or affecting Funding or the Mortgages Trustee which could individually or in the aggregate have an adverse effect on the condition (financial or otherwise), prospects, results of operations or general affairs of either one of them or could adversely affect the ability of the Mortgages Trustee or Funding to perform their respective obligations under the Legal Agreements, or which are otherwise material in the context of the transaction contemplated by the Disclosure Package and the Final Prospectus and, to the best of the knowledge of Funding and the Mortgages Trustee, no such actions, suits or proceedings are threatened or contemplated;

(o) **No Prior Security**

Save as set out in any of the Legal Agreements there exists no mortgage, lien, pledge or other charge or security interest on or over the assets of Funding and, other than the Legal Agreements, it has not entered into any indenture or trust deed;

(p) **Security for the Master Intercompany Loan**

Funding's obligations under, *inter alia*, the Master Intercompany Loan Agreement are and will be secured, subject to the Reservations, in the manner provided in the Funding Deed of Charge and with the benefit of the charges, covenants and other security provided for therein including, without limitation, (i) a first ranking fixed charge over Funding's interest in the Trust Property (as defined in the Mortgages Trust Deed); (ii) an assignment by way of first fixed security over its interests in the Mortgage Sale Agreement, the Mortgages Trust Deed, the Scottish Trust Deeds, the Servicing Agreement, the Funding Swap Agreement, the Issue 2016-1 Start-up Loan Agreement, the Funding Guaranteed Investment Contract, the Corporate Services Agreement, the Cash Management Agreement, the Bank Account Agreement and any other relevant documents signed or to be signed on or before the

Closing Date to which Funding is a party; (iii) a first ranking fixed charge over the Funding Bank Accounts (as defined in the Master Definitions Schedule); (iv) a first ranking fixed charge over any authorized investments made with moneys standing to the credit of the Bank Accounts; and (v) a first ranking floating charge over the other assets of Funding (extending over all of Funding's Scottish assets);

(q) **Capitalisation**

The authorized capital of each of Funding and the Mortgages Trustee is as set out in the Disclosure Package and the Final Prospectus;

(r) **United States Income Tax**

Neither Funding nor the Mortgages Trustee will engage in any activities in the United States (directly or through agents), derive any income from United States sources as determined under United States income tax principles or hold any property, in each case, if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(s) **Investment Company Act**

Neither Funding nor the Mortgages Trustee is or as a result of the offer and sale of the 144A/Reg S Issue 2016-1 Notes in the United States, will be, required to register as an "investment company", as such term is defined in the Investment Company Act, under the Investment Company Act;

(t) **Sanctions**

The 144A/Reg S Issue 2016-1 Notes are not being issued for the purpose of funding any operations in, financing any investment or activities in or making any payments to any country or to any person targeted by any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or any equivalent sanctions administered by the European Union or HM Treasury;

(u) **FCPA**

Neither it nor, to its knowledge, any of its directors or officers or other person associated with or acting on its behalf, has taken any action, directly or indirectly, that could result in a violation by such persons of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or any similar law or regulation of any other jurisdiction, in each case to the extent applicable;

(v) **Anti-Money Laundering**

The operations of each of the Mortgages Trustee and Funding are and have been conducted at all times in compliance with applicable Money Laundering Laws in the jurisdiction of the Mortgages Trustee or Funding, as applicable, and of all jurisdictions in which the Mortgages Trustee or Funding, as applicable, conducts business and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Mortgages Trustee or Funding with respect to Money Laundering Laws is pending and no such actions, suits or proceedings are, to the best of its knowledge, threatened or contemplated; and

(w) **Representations and Warranties in the Legal Agreements**

The representations and warranties given by Funding and the Mortgages Trustee in the Legal Agreements are true and accurate.

6. REPRESENTATIONS AND WARRANTIES OF SANTANDER UK

Santander UK represents and warrants to, and agrees with, the Managers and each of them that:

(a) **Incorporation**

Santander UK is a public limited company duly incorporated and validly existing under the laws of England and Wales, with full power and authority to conduct its business as described in the Disclosure Package and the Final Prospectus, and is lawfully qualified to do business in England and Wales and it is not in liquidation;

(b) **Validity of Legal Agreements**

This Agreement has been duly authorized, executed and delivered by Santander UK and constitutes, and the other Legal Agreements to which Santander UK is a party have been duly authorized by Santander UK and on the Closing Date will constitute, valid and legally binding obligations of Santander UK, enforceable in accordance with their terms subject to the Reservations;

(c) **Related Security**

Santander UK has not received written notice of any litigation or claim calling into question its title to any Related Security or the value of any security therefor or its right to assign any such Related Security to the Mortgages Trustee;

(d) **Consents**

All consents, approvals and authorizations of all United Kingdom regulatory authorities required on the part of Santander UK for or in connection with the execution and performance of the transactions contemplated by the Legal Agreements to which Santander UK is a party have been obtained and are in full force and effect including, without limiting the generality of the foregoing, Santander UK having received a standard licence under the Consumer Credit Act 1974 and Santander UK being registered under the DPA;

(e) **Compliance**

The transfer by way of equitable assignment of Santander UK of its interest in the Portfolio and the related property and rights, the execution and delivery of the Legal Agreements to which Santander UK is a party, the implementation of the transactions contemplated by such Legal Agreements and compliance with the terms of such Legal Agreements did not, and will not, (i) conflict with, or result in a breach of, any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of Santander UK, or any agreement or instrument to which Santander UK is a party or by which it or any of its properties is bound, where such breach or default might have a material adverse effect in the context of the issue of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes; or (ii) infringe any applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court having jurisdiction over Santander UK or any of its properties; or (iii) result in the creation or imposition of any mortgage, charge, pledge, lien or other security interest on any of its properties, other than those created in, or imposed by, the Legal Agreements themselves;

(f) **17g-5 Representation**

- (i) Santander UK has executed and delivered a written representation (the **17g-5 Representation**) to each nationally recognized statistical rating agency (each an **NRSRO**) hired by Santander UK to rate the 144A/Reg S Issue 2016-1 Notes (collectively, the **Hired NRSROs**) that it will take the actions specified in paragraphs (a)(3)(iii)(A)-(E) of Rule 17g-5 of the Exchange Act and a copy of which has been delivered to each Manager. Santander UK has complied and in the future shall comply in all respects with the 17g-5 Representation and the requirements specified in Rule 17g-5(a)(3)(iii)(A)-(E) of the Exchange Act, as interpreted by the Securities Exchange Commission and its staff from time to time;
- (ii) The website services contracted by Santander UK in order to comply with Rule 17g-5 of the Exchange Act (the **Arranger Website**) have been available and accessible by each NRSRO, during the preparation, negotiation and execution of this agreement and the transactions contemplated hereby, and Santander UK has provided access to the Arranger Website to each NRSRO who has requested such access in accordance with Rule 17g-5 of the Exchange Act; and
- (iii) Santander UK has limited access to the Arranger Website to NRSROs subject to their agreement that they will keep the information confidential in accordance with the written policies and procedures of such NRSROs established, maintained and

enforced pursuant to Section 15E(g)(1) of the Exchange Act and Rule 17g-4 of the Exchange Act;

(g) **No Material Misstatements or Omissions**

Each of the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as at its date) contained all material information with respect to Santander UK and that the Disclosure Package (as of the Applicable Time) and the Final Prospectus (as at its date), did not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in the Disclosure Package and the Final Prospectus in the light of the circumstances under which they were made, not misleading; however, in each case, Santander UK makes no representations or warranties as to the information contained in or omitted from the Disclosure Package and the Final Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with information furnished in writing to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of any Manager specifically for inclusion in the Disclosure Package or the Final Prospectus (or any amendment or supplement thereto);

(h) **Beneficial Owner**

On July 25, 2000, the Mortgages Trust was established pursuant to the Mortgages Trust Deed and following the transfer by way of equitable assignment of Santander UK of its interest in the Portfolio to the Mortgages Trustee pursuant to, and in accordance with, the Mortgage Sale Agreement on July 26, 2000 and on subsequent distribution dates or, in relation to Loans secured over properties in Scotland and their Related Security, following the granting from time to time of a Scottish Trust Deed, the Mortgages Trustee held (and continues to hold) the Portfolio on trust for the benefit of Funding and Santander UK in undivided shares absolutely;

(i) **Litigation**

It is not involved in any actions, suits or proceedings in relation to claims or amounts which could materially adversely affect its ability to perform its obligations under the Legal Agreements;

(j) **Mortgage Sale Agreement**

The representations and warranties given by Santander UK in the Mortgage Sale Agreement will be true and accurate when made or deemed to be repeated;

(k) **Breach of Other Agreements**

Santander UK is not in breach of or in default under any agreements to which it is a party or which is binding on it or any applicable laws to the extent that such breach or default is material to the performance by Santander UK of its obligations under the Legal Agreements to which it is a party, or would be so material, had such Legal Agreements been entered into;

(l) **Sanctions**

The 144A/Reg S Issue 2016-1 Notes are not being issued for the purpose of funding any operations in, financing any investment or activities in or making any payments to any country or to any person targeted by any U.S. sanctions administered by the Office of

Foreign Assets Control of the U.S. Department of the Treasury or any equivalent sanctions administered by the European Union or HM Treasury;

(m) **FCPA**

Neither it nor, to its knowledge, any of its directors or officers or other person associated with or acting on its behalf, has taken any action, directly or indirectly, that could result in a violation by such persons of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or any similar law or regulation of any other jurisdiction, in each case to the extent applicable;

(n) **Rule 15Ga-2**

It has not engaged and will not engage, any third-party due diligence services providers, except as specifically contemplated by the engagement letters entered into by Santander UK, the Master Issuer and Deloitte LLP in relation to the issuance of the 144A/Reg S Issue 2016-1 Notes under the Programme. In connection with each such engagement, each Manager has received a copy of each report generated as a result of such engagement (each, a **Third-Party Due Diligence Report**) to date, and Santander UK will ensure that each Manager receives a copy of each Third-Party Due Diligence Report (if any) generated after the date hereof. All Third-Party Due Diligence Reports are, as between the parties to this Agreement, deemed to have been obtained by Santander UK pursuant to Rules 15Ga-2(a) and (b) of the Exchange Act. Santander UK has complied with the requirements under 15Ga-2(a) and (b) to furnish a Form ABS-15G on EDGAR containing such information as may be reasonably considered the “findings and conclusions” of any such reports at least five business days before the Applicable Time as required by Rules 15Ga-2(a) and (c), and no portion of any Form ABS-15G contains any names, addresses, other personal identifiers or zip codes with respect to any individuals, or any other personally identifiable or other information that would be associated with an individual, including without limitation any “nonpublic personal information” within the meaning of Title V of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999;

(o) **Anti-Money Laundering**

The operations of Santander UK and its affiliates are and have been conducted at all times in compliance with applicable Money Laundering Laws in the jurisdiction of the Seller and of all jurisdictions in which the Seller conducts business and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving Santander UK or any of its affiliates with respect to Money Laundering Laws is pending and no such actions, suits or proceedings are, to the best of Santander UK’s knowledge, threatened or contemplated; and

(p) **Representations and Warranties in the Legal Agreements**

The representations and warranties given by Santander UK in the Legal Agreements are true and accurate (and in the case of any representation or warranty set forth in Clause 7.1 of the Mortgage Sale Agreement, as of the time that they were made or deemed to be made); provided, however, that the Managers hereby acknowledge and agree that any misrepresentation under, or breach of any representation and warranty set forth in, Clause 7.1 of the Mortgage Sale Agreement shall be deemed not to constitute a breach of this Agreement or a misrepresentation or breach of warranty under or in respect of this Agreement and shall be subject solely to the remedies for such misrepresentation or breach set forth in Section 8 of the Mortgage Sale Agreement.

7. COVENANTS OF THE MASTER ISSUER, FUNDING, THE MORTGAGES TRUSTEE AND SANTANDER UK

7.1 The Master Issuer and, where expressly provided, Funding, the Mortgages Trustee and Santander UK covenants to, and agrees with, the Managers and each of them that:

(a) Notify Material Omission

If, at any time prior to payment being made to the Master Issuer on the Closing Date, any event shall have occurred as a result of which the Disclosure Package or the Final Prospectus, as then amended or supplemented, would include a statement of fact which is not true and accurate in all material respects or omit any fact the omission of which would make misleading in any material respect any statement therein whether of fact or opinion, or if for any other reason it shall be necessary to amend or supplement the Disclosure Package or the Final Prospectus, then: (i) the Master Issuer will promptly notify the Managers; (ii) the Master Issuer will, without charge, supply to the Managers as many copies as the Managers may reasonably request of an amended Disclosure Package or Final Prospectus or a supplement to the Disclosure Package or Final Prospectus which will correct such statement or omission; and (iii) the representations and warranties contained in Clauses 4(a), 4(g), 4(q), 4(u), 5(a), 5(f) and 5(q) shall be deemed to be repeated by, as applicable, the Master Issuer, Funding and the Mortgages Trustee as of the date of each such amended Final Prospectus or supplement to the Final Prospectus on the basis that each reference to "Final Prospectus" in such representations and warranties contained in Clauses 4 and 5 shall be deemed to be a reference to the Final Prospectus as amended or supplemented as at such date;

(b) Notify Change

Without prejudice to its obligations under Clause 7.1(a), the Master Issuer, Funding or the Mortgages Trustee will notify the Managers promptly of any change affecting any of its representations, warranties, covenants, agreements or indemnities in this Agreement at any time prior to payment being made to the Master Issuer on the Closing Date and will take such steps as may be reasonably requested by the Managers to remedy and/or publicize the same;

(c) Use of Proceeds

The Master Issuer will apply the proceeds from the sale of the 144A/Reg S Issue 2016-1 Notes as described in the Disclosure Package and the Final Prospectus;

(d) Official Announcements

Between the date of this Agreement and the Closing Date (both dates inclusive) none of the Master Issuer, Funding or the Mortgages Trustee will, without the prior approval of the Managers (such approval not to be unreasonably withheld), make any official announcement which would have an adverse effect on the marketability of the 144A/Reg S Issue 2016-1 Notes;

(e) Stamp Duty

(i) The Master Issuer will pay any stamp duty, issue, registration, documentary or other taxes of a similar nature and duties payable in the United Kingdom, Belgium, Luxembourg or the United States, including interest and penalties, in connection with the creation, issue, distribution and offering of the 144A/Reg S Issue 2016-1

Notes or in connection with the execution, delivery or enforcement of any of the Legal Agreements to which it is a party together with any value added, turnover or similar tax payable in respect of that amount (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it);

- (ii) Funding will pay any stamp duty, issue, registration, documentary or other taxes of a similar nature and duties payable in the United Kingdom, Belgium, Luxembourg or the United States, including interest and penalties, in connection with the execution, delivery or enforcement of any of the Legal Agreements to which it is a party (other than in respect of the execution, delivery or enforcement of the Mortgages Trust Deed (including any amendment thereto), the Mortgage Sale Agreement (including any amendment thereto) and any Legal Agreement to which the Master Issuer is a party) together with any value added, turnover or similar tax payable in respect of that amount (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it);
- (iii) The Mortgages Trustee will pay any stamp duty, issue, registration, documentary or other taxes of a similar nature and duties payable in the United Kingdom, Belgium, Luxembourg or the United States, including interest and penalties, in connection with the execution, delivery or enforcement of the Mortgages Trust Deed (including any amendment thereto), the Mortgage Sale Agreement (including any amendment thereto) and the Scottish Trust Deeds (including any amendment thereto and any subsequent trust deed in substantially similar form) (together with any value added, turnover or similar tax payable in respect of that amount (and references in this Agreement to such amount shall be deemed to include any such taxes so payable in addition to it)) but will be promptly reimbursed an amount equal to any such payments by the Beneficiaries in accordance with the terms of the Mortgages Trust Deed; and
- (iv) For the avoidance of doubt, if Funding or the Mortgages Trustee discharges its obligations to pay any stamp duty, issue, registration, documentary or other taxes of a similar nature and duties payable in the United Kingdom, Belgium, Luxembourg or the United States, including interest and penalties in each case as described above (together, the **relevant taxes**), at any time while amounts are outstanding in respect of the notes issued by the Master Issuer and/or any New Issuer, then Funding and/or (as applicable) the Mortgages Trustee will not be obliged to pay such relevant taxes multiple times (in respect of the same obligation), in order to meet its obligations under (A) the Purchase or initial purchase agreements, as applicable, and subscription agreements relating to the Master Issuer and/or any New Issuer and (B) paragraphs (ii) and/or (iii) (as applicable) above;

(f) **Payment of Fees, Charges, Costs and Duties**

- (i) Without prejudice to the generality of Clause 11.1, the Master Issuer will pay all and any fees, charges, costs and duties and any stamp and other similar taxes or duties, including interest and penalties, arising from or in connection with the creation of the security for the 144A/Reg S Issue 2016-1 Notes, the obligations of the Master Issuer under the Master Issuer Trust Deed, for the other amounts to be secured as contemplated by the Master Issuer Deed of Charge and the perfection of such security at any time;
- (ii) Without prejudice to the generality of Clause 11.1, Funding will pay all and any fees, charges, costs and duties and any stamp and other similar taxes or duties, including interest and penalties, arising from or in connection with the creation of

the security for the Master Intercompany Loan and for the other amounts to be secured as contemplated by the Funding Deed of Charge and any accession thereto and the perfection of such security at any time; and

- (iii) Without prejudice to the generality of Clause 11.1, the Mortgages Trustee will pay all and any fees, charges, costs and duties and any stamp and other similar taxes or duties, including interest and penalties, arising from or in connection with the purchase of the Related Security (and related property and rights) excluding Land Registry and Registers of Scotland fees (it being agreed that registration or recording at Land Registry or Registers of Scotland of the transfer of the Related Security to the Mortgages Trustee will not be applied for except in the circumstances specified in the Servicing Agreement); but on the basis that the Mortgages Trustee will be reimbursed for such fees, charges, costs and duties, and any stamp and other similar taxes or duties (including interest and penalties), by the Beneficiaries pursuant to the terms of the Mortgages Trust Deed;

(g) **Perform all required actions**

On or prior to the Closing Date each of the Master Issuer, Funding and the Mortgages Trustee will do all things within each of their respective powers and required of each of them on such date under the terms of the Legal Agreements to which each is a party;

(h) **Conditions Precedent**

The Master Issuer will use all reasonable endeavours to procure satisfaction on or before the Closing Date of the conditions referred to in Clause 8 of this Agreement;

(i) **Servicing Agreement**

Funding and the Mortgages Trustee will use all reasonable endeavours to procure that Santander UK complies with its obligations under the Servicing Agreement;

(j) **Charges and securities**

- (i) The Master Issuer will procure that each of the charges and other securities created by or pursuant to or contained in the Master Issuer Deed of Charge and the Amended and Restated Master Issuer Deed of Charge is, and, as applicable, have been, registered within all applicable time limits in all appropriate registers; and
- (ii) Funding will procure that each of the charges and other securities created by or pursuant to or contained in the Funding Deed of Charge and any accession thereto is and, as applicable, have been registered within all applicable time limits in all appropriate registers other than at Land Registry;

(k) **Ratings**

None of the Master Issuer, Funding or the Mortgages Trustee will take, or cause to be taken, any action and will not permit any action to be taken which it knows or has reason to believe would result in the Series 1 Class A1 Issue 2016-1 Notes and Series 1 Class A2 Issue 2016-1 Notes not being assigned an AAA rating by Fitch Ratings Ltd. (**Fitch Ratings**), an Aaa rating by Moody's Investors Service Limited (**Moody's**) and an AAA rating by Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**) on the Closing Date;

(l) **Legal Agreements**

Prior to closing on the Closing Date none of the Master Issuer, Funding or the Mortgages Trustee will amend the terms of the executed Legal Agreements to which they are parties, nor execute any of the other Legal Agreements other than in the agreed form, without the consent of the Managers (such consent not to be unreasonably withheld or delayed);

(m) **United States Restrictions**

- (a) Neither it nor any of its Affiliates nor any person acting on its or their behalf (other than the relevant Managers) have engaged or will engage in any directed selling efforts with respect to such 144A/Reg S Issue 2016-1 Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Terms used in this paragraph (a) have the meaning given to them by Regulation S; and

- (b) It shall:

- (i) promptly from time to time take such action as the relevant Manager may request in order to ensure the qualification of any such 144A/Reg S Issue 2016-1 Notes for offering and sale under the securities laws of such jurisdictions in the United States as the Manager may request, and to comply with those laws so as to permit the continuance of sales and dealings in such 144A/Reg S Issue 2016-1 Notes in those jurisdictions for as long as may be necessary to complete the distribution of such 144A/Reg S Issue 2016-1 Notes;
- (ii) for so long as the 144A/Reg S Issue 2016-1 Notes sold pursuant to Rule 144A are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), it shall, during any period in which they are neither subject to Sections 13 or 15(d) of the Exchange Act nor exempt from reporting requirements pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any holder of, or beneficial owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act;
- (iii) for so long as the 144A/Reg S Issue 2016-1 Notes sold pursuant to Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, neither the Master Issuer nor any of its Affiliates (as defined in Rule 501 under the Securities Act) will resell any such 144A/Reg S Issue 2016-1 Notes purchased by it;
- (iv) neither it nor its Affiliates nor any person (other than any Manager, as to whom no representations are made) acting on its or their behalf will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) of Regulation D under the Securities Act) in connection with any offer or sale of US Notes in the United States; and
- (v) it will not offer or sell within six months following any issue of the 144A/Reg S Issue 2016-1 Notes any security of the same or a similar class

as such Notes under circumstances that would require registration of such Notes under the Securities Act.

7.2 Santander UK covenants to and agrees with the Managers and each of them that:

(a) **Notify Change**

Santander UK will notify the Managers promptly of any change affecting any of its representations, warranties, covenants, agreements or indemnities in this Agreement at any time prior to payment being made to the Master Issuer on the Closing Date and will take such steps as may be reasonably requested by the Managers to remedy and/or publicize the same. In the event that the Final Prospectus is amended or supplemented pursuant to Clause 7.1(a) above, then the representations and warranties contained in Clause 6(g) shall be deemed to be repeated by Santander UK as of the date of such amended Final Prospectus or supplement to the Final Prospectus, on the basis that each reference to "Final Prospectus" in Clause 6(g) shall be deemed to be a reference to the Final Prospectus as amended or supplemented as at such date;

(b) **Perform all required actions**

On or prior to the Closing Date, Santander UK will do all things within its power and required of it on such date under the terms of the Legal Agreements;

(c) **Review of Related Security**

Santander UK will deliver to the Managers on the date of this Agreement a letter (relating to its review of the Loans and the Related Security) dated the date of this Agreement in the agreed form addressed to Santander UK and the Managers from Deloitte LLP;

(d) **Ratings**

Santander UK will not take, or cause to be taken, any action and will not permit any action to be taken which it knows or has reason to believe would result in the Series 1 Class A1 Issue 2016-1 Notes and the Series 1 Class A2 Issuer 2016-1 Notes not being assigned an AAA rating by Fitch Ratings, an Aaa rating by Moody's and an AAA rating by Standard & Poor's on the Closing Date;

(e) **Legal Agreements**

Prior to closing on the Closing Date Santander UK will not amend the terms of any of the already executed Legal Agreements to which it is a party, nor execute any of the other Legal Agreements other than in the agreed form, without the consent of the Managers (such consent not to be unreasonably withheld or delayed);

(f) **Rule 17g-5 Covenants**

(i) Santander UK shall comply in all respects with all of the requirements applicable to sponsors contained in paragraphs (a)(3)(iii)(A)-(E) of Rule 17g-5 of the Exchange Act and shall provide the Managers with prompt notice if Santander UK receives notice from, or has knowledge of, any Hired NRSROs determining that it cannot reasonably rely on the written representations of Santander UK related to Rule 17g-5 of the Exchange Act;

- (ii) Santander UK shall maintain the Arranger Website so that the Arranger Website shall be available and accessible by NRSROs while the 144A/Reg S Issue 2016-1 Notes remain outstanding, and Santander UK shall provide access to the Arranger Website to each NRSRO who requests such access in accordance with Rule 17g-5 of the Exchange Act; and
- (iii) Santander UK shall limit the access to the Arranger Website to NRSROs subject to their agreement that they will keep the information confidential in accordance with the written policies and procedures of such NRSROs established, maintained and enforced pursuant to Section 15E(g)(1) of the Exchange Act and Rule 17g-4 of the Exchange Act; and

(g) **Risk Retention Covenants**

- (i) The Seller undertakes that, if it sells one or more new loans and their related security to the Mortgages Trustee on or after January 1, 2015, then on or immediately following the relevant Assignment Date, the Seller will ensure that it (i) retains a material net economic interest in the securitisation of not less than 5 per cent. in accordance with the text of Article 405 of Regulation (EU) No. 575/2013 (as amended) (the **CRR**), Article 51 of Commission Delegated Regulation (EU) No. 231/2013 (the **AIFMR**) and Article 254 of Regulation (EU) No 2015/35 (the **Solvency II Regulation**) (which, in each case, does not take into account any relevant national measures) and any applicable laws, regulations or rules (whether such rules are made by the Financial Conduct Authority, any of its successor regulators or any other competent authority) which implement that article into UK law (the **relevant rules**) and (ii) discloses via an RNS announcement (or in such other manner as the Seller may determine in compliance with relevant rules) such retained interest and the manner in which it is held as contemplated by the relevant rules and (iii) provides on a timely basis all information required to be made available by the Seller pursuant to Article 409 of the CRR and subject always to any requirement of law applicable to the Seller and in accordance with any guidance in relation to it that is then current, and provided that the Seller will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond the Seller's control, and, in each case, provided that the Seller would only be required to do so to the extent that the retention and disclosure requirements under the relevant rules remain in effect at the time of the relevant Assignment Date.
- (ii) The Seller covenants to and agrees with the Managers and each of them that for so long as any Notes issued under the Programme are outstanding:
 - (1) it will acquire and retain an economic interest in the credit risk of the transaction in accordance with the text of Section 15G of the Exchange Act (the **U.S. Credit Risk Retention Requirements**) in the form of the Seller Share (the **Retained Interest**), such interest to be tested on the closing date of each issuance of Notes and on a monthly basis on each Calculation Date;
 - (2) it is the appropriate entity to fulfil the legal requirements imposed on the sponsor of a securitisation transaction under the U.S. Credit Risk Retention Requirements;
 - (3) it will comply with all legal requirements imposed on the "sponsor of a securitization transaction" in accordance with the U.S. Credit Risk Retention Requirements (including, without limitation, providing required reports to Noteholders);

- (4) it will be solely responsible for compliance with the disclosure requirements of the U.S. Credit Risk Retention Requirements; and
- (5) it will hold the Retained Interest for the duration required by the U.S. Credit Risk Retention Requirements and it will not purchase or sell a security or other financial instrument, enter into any derivative, agreement or position that reduces or limits its financial exposure to the Retained Interest that it will maintain to satisfy the U.S. Credit Risk Retention Requirements to the extent such activities would be prohibited hedging activities in accordance with the U.S. Credit Risk Retention Requirements.

7.3 Each of the Master Issuer and the Seller undertakes to comply with any applicable requirements under Article 8b of Regulation (EC) No. 1060/2009 (as amended) and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3) in respect of any relevant Master Issuer Notes.

8. CONDITIONS PRECEDENT

The obligations of the Managers under this Agreement are subject to the following conditions precedent:

(a) Execution of Legal Agreements and the Global Issue 2016-1 Notes

The execution and delivery by all parties thereto of the Legal Agreements and the Global Issue 2016-1 Notes representing each class of the Issue 2016-1 Notes on or prior to the Closing Date;

(b) Admission to Listing and Trading

The UK Listing Authority having agreed to admit the 144A/Reg S Issue 2016-1 Notes to the official list of the UK Listing Authority and the London Stock Exchange having agreed to admission of the 144A/Reg S Issue 2016-1 Notes to trading, in each case on or prior to the Closing Date;

(c) Legal Opinions

On or prior to the Closing Date, there having been delivered to the Master Issuer, the Managers, the Note Trustee, the Master Issuer Security Trustee and the Security Trustee copies of opinions and disclosure letters, in form and substance satisfactory to the Managers, the Note Trustee, the Master Issuer Security Trustee and the Security Trustee and the Rating Agencies, dated the Closing Date, of:

- (i) Slaughter and May, legal advisers to the Master Issuer as to English law, addressed to the Master Issuer and the Managers;
- (ii) Cleary Gottlieb Steen & Hamilton LLP, legal advisers to the Master Issuer as to U.S. law, disclosure matters and U.S. tax matters, addressed to the Master Issuer and the Managers;
- (iii) Allen & Overy LLP, legal advisers to the Managers, the Note Trustee, the Master Issuer Security Trustee and the Security Trustee, as to English law, UK tax matters, U.S. law and disclosure matters addressed to the Managers, the Note Trustee, the Master Issuer Security Trustee and the Security Trustee; and

- (iv) Shepherd and Wedderburn LLP, legal advisers to the Managers, the Note Trustee, the Master Issuer Security Trustee, the Security Trustee, the Master Issuer and Santander UK as to Scots law, addressed to the Managers, the Note Trustee, the Master Issuer Security Trustee, the Security Trustee, the Master Issuer and Santander UK.

(d) **Auditors' and Accountants' Letters**

At the date of the Final Prospectus, there having been addressed and delivered to the Managers letters, in form and substance satisfactory to the Managers, dated as of the date of the Final Prospectus, with respect to the Final Prospectus, respectively, from Deloitte LLP;

(e) **Certified Constitutional Documents**

On or prior to the Closing Date, there having been delivered to the Managers a copy, certified by a duly authorized director of, as applicable, the Master Issuer, Funding and the Mortgages Trustee of: (i) the Memorandum and Articles of Association of each of the Master Issuer, Funding and the Mortgages Trustee; and (ii) the resolution of the Board of Directors of each of the Master Issuer, Funding and the Mortgages Trustee authorizing the execution of this Agreement and the other Legal Agreements and the entry into and performance of the transactions contemplated thereby; and (iii) in respect of the Master Issuer, the issue of the 144A/Reg S Issue 2016-1 Notes and the Series 1 Class Z Issue 2016-1 Notes and the entry into and performance of the transactions contemplated thereby;

(f) **Compliance**

At the Closing Date: (i) the representations and warranties of the Master Issuer, Funding, the Mortgages Trustee and Santander UK in this Agreement being true, accurate and correct at, and as if made on, the Closing Date and the Master Issuer, Funding, the Mortgages Trustee and Santander UK having performed all of their obligations and complied with all of their undertakings in the Legal Agreements to be performed on or before the Closing Date, and (ii) there having been delivered to the Managers a certificate to that effect signed by a duly authorized officer of, as applicable, the Master Issuer, Funding, the Mortgages Trustee and Santander UK, dated the Closing Date and confirming that, since the date of this Agreement, there has been no adverse change, nor any development involving a prospective adverse change, in or affecting the operations, properties, financial condition or prospects of the Master Issuer, Funding, the Mortgages Trustee or Santander UK which is material in the context of the issue of the 144A/Reg S Issue 2016-1 Notes;

(g) **Circumstances for Termination**

On or prior to the Closing Date, in the opinion of the Managers, none of the circumstances described in Clauses 13.1(c), 13.1(d), 13.1(e) or 13.1(f) having arisen;

(h) **Ratings**

Receipt of notification from Fitch Ratings, Moody's and Standard & Poor's that the ratings for the 144A/Reg S Issue 2016-1 Notes described in the Final Terms have been assigned either without conditions or subject only to the execution and delivery on or before the Closing Date of the Legal Agreements and legal opinions in all material respects in the form in which they shall then have been executed and delivered on or prior to the Closing Date, there not having been a public announcement from any of the above rating agencies that such agency has revised downwards or withdrawn or placed on review or "credit watch"

with negative implications or with implications of a possible change that does not indicate the direction of such possible change (or other similar publication of formal review by the relevant rating agency) any existing credit rating assigned to the 144A/Reg S Issue 2016-1 Notes or the long term debt of Santander UK;

(i) **Other Issues**

The Series 1 Class Z Issue 2016-1 Notes having been or being issued and paid for prior to or contemporaneously with the issue and payment for the 144A/Reg S Issue 2016-1 Notes hereunder;

(j) **Material Adverse Change**

There not having been between the date of this Agreement and the Closing Date any change or any development or event reasonably likely to involve a prospective change which would, in the judgment of the Managers, be materially adverse to the operations, properties, financial or trading condition of the Master Issuer, Funding, the Mortgages Trustee or Santander UK from that set forth in the Disclosure Package or the Final Prospectus or rendering untrue and incorrect any of the representations and warranties contained in Clauses 4, 5 and 6 as though the said representations and warranties had been given on the Closing Date with reference to the facts and circumstances prevailing at that date nor the failure of the Master Issuer, Funding, the Mortgages Trustee or Santander UK to perform each and every covenant and obligation to be performed by it pursuant to the Legal Agreements, the Loans and the Related Security on or prior to the Closing Date;

(k) **Solvency Certificates**

- (i) The Master Issuer having furnished or caused to be furnished to the Managers at the Closing Date a solvency certificate, dated the Closing Date, of a duly authorized director of the Master Issuer in the agreed form;
- (ii) Funding having furnished or caused to be furnished to the Master Issuer and the Security Trustee a solvency certificate, dated the Closing Date, of a duly authorized director of Funding in the agreed form; and
- (iii) Santander UK having furnished or caused to be furnished to Funding and the Security Trustee a solvency certificate, dated the Closing Date, of a duly authorized officer of Santander UK in the agreed form;

(l) **No Directed Selling Efforts**

Neither the Master Issuer, Funding, the Mortgages Trustee, Santander UK nor any of its or their Affiliates nor any person (other than any Manager) acting on its or their behalf having engaged in any directed selling efforts (as defined in Regulation S) in respect of the 144A/Reg S Issue 2016-1 Notes, and it, its Affiliates and any person (other than any Manager) acting on its or their behalf having complied with the offering restrictions requirements or Regulation S;

(m) **No General Solicitation or General Advertising**

Neither the Master Issuer, Funding, the Mortgages Trustee, Santander UK nor any of its or their Affiliates nor any person (other than any Manager) acting on its or their behalf having engaged in any form of general solicitation or general advertising (as those terms are used in

Rule 502(c) of Regulation D under the Securities Act) in connection with any offer or sale of the 144A/Reg S Issue 2016-1 Notes in the United States;

(n) **Rule 17g-10**

Santander UK having procured that each third-party due diligence services provider has:

- (i) prepared and provided to the Managers a certification on Form ABS Due Diligence-15E, meeting all of the requirements of that form under Rule 17g-10 under the Exchange Act (a **15E Certification**); and
- (ii) in accordance with Rule 17g-10 under the Exchange Act, promptly delivered the completed 15E Certification to any Hired NRSROs who requested the same in connection with a credit rating; and

(o) **Further Information**

Prior to the Closing Date, there shall be furnished to the Managers such further information, certificates and documents as they may reasonably request.

If any of the conditions specified in this Clause 8 have not been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be reasonably satisfactory in all material respects in form and substance to the Managers, this Agreement and all obligations of the Managers hereunder may be cancelled at, or at any time prior to, the Closing Date by the Managers. Notice of such cancellation shall be given to the Master Issuer in writing or by telephone or facsimile confirmed in writing.

The Managers may, at their discretion, waive compliance with the whole or any part of this Clause 8.

9. CLOSING

9.1 Issue of the Issue 2016-1 Notes

Not later than 6:00 p.m. (London time) on the Closing Date, the Master Issuer will issue and deliver to the Managers, or to their order, one or more Global Issue 2016-1 Notes for each of the Series 1 Class A1 Issue 2016-1 Notes and the Series 1 Class A2 Issue 2016-1 Notes.

9.2 Payment

Against such delivery Banco Santander, or its agent, will pay or instruct The Bank of New York Mellon, London Branch to pay, to the Master Issuer, or as the Master Issuer may direct, the gross subscription moneys for the 144A/Reg S Issue 2016-1 Notes (being the **Issue Price**). Such payment shall be made by Banco Santander, or its agent or swap counterparty, or The Bank of New York Mellon, London Branch, or its agent or swap counterparty, as the case may be, in respect of the 144A/Reg S Issue 2016-1 Notes in immediately available funds to the account of the Master Issuer, Santander UK plc, sort code 09-02-40, account number 90035033, beneficiary bank account name: Holmes Master Issuer plc, IBAN GB80 ABBY 090240 90035033, SWIFT BIC: ABBYGB2L, reference Holmes Master Issuer PLC 144A/Reg S Issue 2016-1 Notes or to such other account(s) notified to Banco Santander by the Master Issuer.

Such payment shall be evidenced by a confirmation by Banco Santander or The Bank of New York Mellon, London Branch, as the case may be, that it has so made that payment to the Master Issuer.

9.3 **Gross Subscription Moneys**

The Master Issuer undertakes that on the Closing Date it will apply the gross subscription moneys for the 144A/Reg S Issue 2016-1 Notes and the gross subscription moneys for the Series 1 Class Z Issue 2016-1 Notes forthwith in making a loan to Funding pursuant to the terms of the Master Intercompany Loan Agreement. Funding undertakes that it will apply the proceeds of the Master Intercompany Loan to make payment to Santander UK or at Santander UK's direction of the purchase price of an addition to Funding's already existing share of the portfolio and related rights pursuant to the Mortgage Sale Agreement.

10. **COMMISSIONS**

- 10.1 In consideration of the obligations undertaken herein by the Managers, the Master Issuer undertakes that on the Closing Date it will pay to each Manager a combined selling and management commission (the **Selling and Management Commission**) which has been agreed separately between the Master Issuer and each Manager.

11. **EXPENSES**

11.1 **General Expenses**

The Master Issuer covenants to pay or cause to be paid the following (together with (i) in respect of taxable supplies made to the Master Issuer, any amount in respect of value added tax or similar tax payable in respect thereof against production of a valid tax invoice and (ii) in respect of taxable supplies made to a person other than the Master Issuer, any amount in respect of Irrecoverable VAT or similar tax payable in respect thereof against production of a valid tax invoice): (a) the fees, disbursements and expenses of the Master Issuer's legal advisers and accountants and all other expenses of the Master Issuer in connection with the issue and listing of the 144A/Reg S Issue 2016-1 Notes (including without limitation any advertisements required in connection therewith), the preparation and delivery of each class of the 144A/Reg S Issue 2016-1 Notes in global form and (if required) definitive form, the costs of the initial delivery and distribution of the 144A/Reg S Issue 2016-1 Notes (including, without limitation, transportation, packaging and insurance) and the initial fees and expenses of The Depository Trust Company (if applicable), Euroclear and Clearstream, Luxembourg in relation to the 144A/Reg S Issue 2016-1 Notes (excluding any such fees and expenses arising as a result of any transfer of the 144A/Reg S Issue 2016-1 Notes), the preparation and printing of the Final Prospectus (in proof, preliminary and final form) and any amendments and supplements thereto and the mailing and delivery of copies of this Agreement to the Managers; (b) the cost of printing or reproducing the Legal Agreements and any other documents prepared in connection with the offering, issue and initial delivery of the 144A/Reg S Issue 2016-1 Notes; (c) the fees and expenses of the Note Trustee, the Security Trustee and the Master Issuer Security Trustee (including fees and expenses of legal advisers to the Note Trustee, the Security Trustee and the Master Issuer Security Trustee), the Principal Paying Agent, the U.S. Paying Agent, the Registrar, the Transfer Agent and the Agent Bank in connection with the preparation and execution of the Legal Agreements and any other relevant documents and the issue of the 144A/Reg S Issue 2016-1 Notes and compliance with the Conditions of the 144A/Reg S Issue 2016-1 Notes; (d) the fees and expenses incurred or payable in connection with obtaining a rating for the 144A/Reg S Issue 2016-1 Notes from Fitch Ratings, Moody's and Standard & Poor's and annual fees in connection with such rating or any other rating from such institution for the 144A/Reg S Issue 2016-1 Notes; (e) the fees and expenses payable in connection with obtaining and maintaining the admission to trading of the 144A/Reg S Issue 2016-1 Notes on the London Stock Exchange; (f) out-of-pocket expenses (excluding legal expenses) incurred by the Managers in connection with the transactions contemplated hereby; (g) any roadshow expenses incurred by the Managers; (h) any amount in respect of the fees and disbursements of the Managers'

legal advisers in relation thereto and (i) any costs incurred by a Manager in connection with the reformation of a Contract of Sale with an investor that received an amended Final Prospectus.

11.2 Reimbursement

The Master Issuer will reimburse the Managers for all amounts incurred by them in connection with the issue of the 144A/Reg S Issue 2016-1 Notes which it has agreed to pay pursuant to Clause 11.1.

For the avoidance of doubt, references to costs and expenses in this Agreement shall be deemed to include, in addition, references to any Irrecoverable VAT payable in respect of such costs and expenses.

12. INDEMNIFICATION

12.1 The Master Issuer, Funding, Mortgages Trustee and Santander UK Indemnity

Each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK, as Seller, jointly and severally agrees to indemnify and hold harmless each Manager (including, for the purposes of this Clause 12.1, the directors, officers, employees and agents of each Manager) and each person who controls such Manager within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject, including without limitation any such losses, claims, damages or liabilities arising under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

- (a) any breach or alleged breach of any of the representations, warranties, undertakings and agreements contained in, or deemed to be made pursuant to, this Agreement; or
- (b) any untrue statement or alleged untrue statement of a material fact contained in (1) the Disclosure Package, or (2) the Final Prospectus prepared, distributed or disseminated by the Master Issuer, Funding, the Mortgages Trustee or Santander UK and not included in the Disclosure Package, or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading,

and agrees to reimburse each such indemnified party, as incurred, for any legal or other reasonable expenses incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that with respect to clause (b), the Master Issuer, Funding, the Mortgages Trustee and Santander UK will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission (1) made in the Disclosure Package or the Final Prospectus, in reliance upon and in conformity with written information furnished to the Master Issuer, Funding, the Mortgages Trustee and Santander UK by or on behalf of any Manager specifically for inclusion therein, or (2) contained in any Bloomberg Submission unless such untrue statement or alleged untrue statement or omission or alleged omission contained in any Bloomberg Submission results from an error or omission in the Disclosure Package or the Final Prospectus (other than any written information furnished to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of any Manager specifically for inclusion therein); and provided further, that as to the Disclosure Package and the Final Prospectus, this indemnity agreement shall not inure to the benefit of any Manager (or any person controlling such Manager) on account of any loss, claim, damage, liability or action arising from the sale of 144A/Reg S Issue 2016-1 Notes to any person by that Manager if (x) the Disclosure Package (or, if it is available prior to the date such Manager enters into the Contract of Sale with such person with

respect to those 144A/Reg S Issue 2016-1 Notes, the Final Prospectus) is amended or supplemented prior to the date the Manager enters into a Contract of Sale with such person with respect to those 144A/Reg S Issue 2016-1 Notes, (y) that the Manager failed to send or give a copy of the Disclosure Package (or, if applicable, the Final Prospectus), as amended or supplemented, to that person before the time of sale, and (z) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in the Disclosure Package (or, if applicable, the Final Prospectus) was corrected in such amendment or supplement and such corrected Disclosure Package (or, if applicable, Final Prospectus) was delivered to the Manager in time so that the Manager could have delivered the corrected Disclosure Package (or, if applicable, the Final Prospectus) to such person prior to the time of sale, unless such failure resulted from non-compliance by the Master Issuer, Funding, the Mortgages Trustee or Santander UK with Clause 7.1(a) hereof. For the purposes of the final proviso to the immediately preceding sentence, the terms Disclosure Package and Final Prospectus shall not be deemed to include any documents incorporated therein by reference, and no Manager shall be obligated to send or give any supplement or amendment to any document incorporated by reference in the Disclosure Package or in any Final Prospectus to any person other than a person to whom such Manager has delivered such incorporated documents in response to a written or oral request therefor. The Master Issuer, Funding, the Mortgages Trustee and Santander UK further agree to reimburse each Manager and each such controlling person for any legal and other expenses reasonably incurred by such Manager or controlling person in investigating or defending or preparing to defend against any such loss, claim, damage, liability or action, as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which the Master Issuer, Funding, the Mortgages Trustee and Santander UK may otherwise have to any Manager or any controlling person of any Manager.

None of the Managers or controlling person of the Managers shall have any duty or obligation, whether as fiduciary for any Manager, controlling person or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause 12.1.

12.2 Managers' Indemnity

Each Manager, severally and not jointly, agrees to indemnify and hold harmless the Master Issuer, Funding, the Mortgages Trustee and Santander UK, as Seller, to the same extent as the foregoing indemnity from the Master Issuer to each Manager, but only with reference to (a) written information relating to such Manager furnished to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of such Manager specifically for inclusion in any of the documents referred to in the foregoing indemnity or (b) any Bloomberg Submission prepared by such Manager (to the extent such submission is not approved by Santander UK in writing); provided, however, that the indemnity with respect to clause (b) above shall not apply to any untrue statement or alleged untrue statement or omission or alleged omission made in any Bloomberg Submission that results from an error or omission in the Disclosure Package or the Final Prospectus (other than any written information furnished to the Master Issuer, Funding, the Mortgages Trustee or Santander UK by or on behalf of such Manager specifically for inclusion therein). This indemnity agreement will be in addition to any liability which any Manager may otherwise have. It is acknowledged that for purposes of this Agreement, the names of the Managers constitute the only information furnished in writing by or on behalf of the several Managers for inclusion in the Disclosure Package or the Final Prospectus or in any amendment or supplement thereto.

12.3 Proceedings

Promptly after receipt by an indemnified party under this Clause 12 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Clause 12, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (a) will not relieve it from liability under Clause 12.1 or 12.2 above unless and to the extent it did not otherwise learn of

such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defences and (b) will not in any event relieve the indemnifying party from any obligation to any indemnified party other than the indemnification obligation provided in Clauses 12.1 or 12.2 above. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defence thereof with counsel satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defence of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Clause 12 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defence thereof other than reasonable costs of investigation; provided that each Manager, the Managers as a group, or the Master Issuer, Funding, the Mortgages Trustee and Santander UK as Seller, as the case may be, shall have the right to employ separate counsel to represent such Manager and its controlling persons, the Managers and their respective controlling persons or the Master Issuer, Funding, the Mortgages Trustee and Santander UK as Seller and their respective controlling persons, as the case may be, who may be subject to liability arising out of any claim in respect of which indemnity may be sought by such indemnified parties under this Clause 12 if, in the reasonable judgment of any Manager, the Managers acting together, or the Master Issuer, Funding, the Mortgages Trustee and Santander UK as Seller, as the case may be, it is advisable for such indemnified parties to be represented by separate counsel or the indemnifying party has not employed legal advisers satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action, and in either such event (subject to the following sentence) the fees and expenses of such separate counsel (and local counsel) shall be paid by the indemnifying party. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defence of such action and approval by the indemnified party of counsel selected by the indemnifying party, the indemnifying party will not be liable to such indemnified party under this Clause 12 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defence thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one such separate counsel (and local counsel) representing the indemnified parties under Clauses 12.1 or 12.2 hereof) or (ii) the indemnifying party has otherwise authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if Subparagraph (i) or (ii) is applicable, such liability shall be only in respect of the counsel referred to in such Subparagraph (i) or (ii). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, such consent not to be unreasonably withheld or delayed, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by this Clause 12, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (A) such settlement is entered into more than 60 days after receipt by such indemnifying party of such request and (B) such indemnifying party shall not have either reimbursed the indemnified party in accordance with such request or objected to such request in writing prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and in respect of which indemnity could have been sought hereunder by such indemnified party, unless such settlement: (x) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding, and (y) does not include a statement as to or any admission of fault, culpability or failure to act, by or on behalf of any indemnified party.

12.4 Contribution

In the event that the indemnity provided in Clauses 12.1 or 12.2 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers severally agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively, **Losses**) to which the Master Issuer, Funding, the Mortgages Trustee, Santander UK and one or more of the Managers may be subject in such proportion as is appropriate to reflect the relative benefits received by the Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers from the offering of the 144A/Reg S Issue 2016-1 Notes. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers severally shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Master Issuer, Funding, the Mortgages Trustee and Santander UK shall be deemed to be equal to the Issue Price (before deducting expenses), and benefits received by the Managers shall be deemed to be equal to the total Selling and Management Commission, in each case as set forth in Clause 10.1. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Master Issuer, Funding, the Mortgages Trustee or Santander UK on the one hand or the Managers on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers agree it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the foregoing, in no case shall a Manager (except as may be provided in any agreement among Managers relating to the offering of the 144A/Reg S Issue 2016-1 Notes) be responsible for any amount in excess of the Selling and Management Commission applicable to the 144A/Reg S Issue 2016-1 Notes purchased by such Manager hereunder. Notwithstanding the provisions of this Clause 12.4, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Clause 12, each person who controls a Manager within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of a Manager shall have the same rights to contribution as such Manager, and each person who controls the Master Issuer, Funding, the Mortgages Trustee or Santander UK within the meaning of either the Securities Act or the Exchange Act and each director of the Master Issuer, Funding, the Mortgages Trustee or Santander UK, shall have the same rights to contribution as the Master Issuer, Funding, the Mortgages Trustee or Santander UK, as the case may be, subject in each case to the applicable terms and conditions of this Clause 12.4.

13. TERMINATION

13.1 Managers' Ability to Terminate

Notwithstanding any other provision of this Agreement, the Managers may, by notice to the Master Issuer given at any time prior to payment of the gross subscription moneys for the 144A/Reg S Issue 2016-1 Notes to the Master Issuer, terminate this Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in Clauses 4, 5 or 6 (or any deemed repetition thereof) or failure to perform any of

the Master Issuer's, Funding's, the Mortgages Trustee's or Santander UK's covenants or agreements in this Agreement; or

- (b) if any condition specified in Clause 8 has not been satisfied or waived by the Managers; or
- (c) if, in the opinion of the Managers, circumstances shall be such as: (i) to prevent or to a material extent restrict payment for the 144A/Reg S Issue 2016-1 Notes in the manner contemplated in this Agreement or (ii) to a material extent prevent or restrict settlement of transactions in the 144A/Reg S Issue 2016-1 Notes in the market or otherwise; or
- (d) if, in the opinion of the Managers, there shall have been (i) any change in national or international political, legal, tax or regulatory conditions or (ii) there shall have occurred any outbreak or escalation of liabilities or any change in financial markets or any calamity or emergency, either within or outside the United States, in each case that in the judgment of the Managers is material and adverse and makes it impracticable or inadvisable to market the 144A/Reg S Issue 2016-1 Notes on the terms and in the manner contemplated by this Agreement and the Disclosure Package or the Final Prospectus; or
- (e) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange, the London Stock Exchange, the Irish Stock Exchange or the over-the-counter market or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream, Luxembourg, or Euroclear systems in Europe; or
- (f) a general moratorium on commercial banking activities shall have been declared by U.S. federal or New York State authorities.

Upon such notice being given this Agreement shall terminate and be of no further effect.

13.2 **Consequences of Termination**

In the event that this Agreement terminates, no party hereto shall be under any liability to any other party in respect of this Agreement except that (a) the Master Issuer shall remain liable under Clause 11 for the payment of the costs and expenses already incurred or incurred in consequence of such termination, (b) the indemnity agreement and contribution provisions set forth in Clause 12 shall survive, (c) the obligations of the Master Issuer and Santander UK, which would have continued in accordance with Clause 14 had the arrangements for the Purchase and issue of the 144A/Reg S Issue 2016-1 Notes been completed, shall so continue and (d) provisions of Section 18 shall survive termination.

14. SURVIVAL OF REPRESENTATIONS AND OBLIGATIONS

- 14.1 The representations, warranties, agreements, undertakings and indemnities in this Agreement will continue in full force and effect notwithstanding completion of the arrangements for the subscription and issue of the 144A/Reg S Issue 2016-1 Notes or any investigation made by or on behalf of any Manager or any controlling person or any of its representatives, directors, officers, agents or employees or any of them.
- 14.2 Save for their respective responsibilities to comply with Clauses, 4(v), 5(s) and 6(b), none of the Master Issuer, Funding, the Mortgages Trustee or Santander UK shall have any responsibility in respect of the legality of the Managers or other persons offering and selling the 144A/Reg S Issue 2016-1 Notes in any jurisdiction or in respect of the 144A/Reg S Issue 2016-1 Notes qualifying for sale in any jurisdiction.

15. NOTICES

All communications pursuant to this Agreement will be in writing and will be delivered at or sent by facsimile transmission to the following addresses:

- (a) if to Santander UK plc:

Santander UK
2 Triton Square
Regent's Place
London NW1 3AN
United Kingdom
Attention: Company Secretary
Facsimile: + 44 (0)20 7756 5627

- (b) if to the Master Issuer:

Holmes Master Issuer plc
c/o Santander House (AAM 129)
201 Grafton Gate East
Milton Keynes MK9 1AN
United Kingdom
Attention: Securitisation Team, Retail Credit Risk
Facsimile: + 44 (0)19 0834 3019

with a copy to:

Attention: Company Secretary
Facsimile: + 44 (0)20 7756 5627

- (c) if to the Managers:

Banco Santander, S.A.
Ciudad Grupo Santander
Avenida de Cantabria s/n
28660, Boadilla del Monte
Madrid, Spain
Attention: Head of Debt Capital Markets
Facsimile number: +34 91 257 1376

Santander Investment Securities Inc.

45 East 53rd Street
New York, New York 10022
Attention: Debt Capital Markets
Fax: 1-212-407-0930

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom
Attention: Head of Asset Finance, Europe
Facsimile: +44 20 7888 4342

J.P. Morgan Securities plc

25 Bank Street
London E14 5JP
United Kingdom
Attention: Head of Securitised Products Group, Head of ABS Syndicate and Head of
EMEA Debt Capital Markets Group, Legal
Facsimile: +44 (0)20 3493 0682

Lloyds Bank plc

10 Gresham Street
London EC2V 7AE
United Kingdom
Attention: Head of Structured Securitisation Group
Facsimile: +44 (0)20 7574 8303

Lloyds Securities Inc.

1095 Avenue of the Americas, 34th Floor
New York, New York 10036
United States of America
Attention: Parker Russell, Managing Director, Asset Backed Securities
Facsimile: 212-450-0800

Any communication so sent by letter shall take effect at the time of actual delivery, and any communication so sent by facsimile transmission shall take effect upon acknowledgement of receipt by the recipient. Any communication to be delivered to any party under this Agreement which is to be sent by facsimile transmission will be written legal evidence.

16. TIME

Time shall be of the essence of this Agreement.

17. GOVERNING LAW AND JURISDICTION

17.1 Governing Law

This Agreement is governed by, and shall be construed in accordance with, the laws of the State of New York.

17.2 Jurisdiction

Each of the parties hereto irrevocably agrees that, except as otherwise set forth in this Clause 17.2, any state or federal court sitting in the City of New York shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute arising out of or based upon this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts. Each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK hereby appoints CT Corporation System at 111 Eighth Avenue, New York, NY 10011, or, if otherwise, its principal place of business in the City of New York from time to time, as its agent for service of process, and agrees that service of any process, summons, notice or document by hand delivery or registered mail upon such agent shall be effective service of process for any suit, action or proceeding brought in any such court. Each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK irrevocably and unconditionally waives any objection to the laying of venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK agrees that a final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK and may be enforced in any other court to whose jurisdiction each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK is or may in the future be subject, by suit upon judgment. Each of the Master Issuer, Funding, the Mortgages Trustee and Santander UK further agrees that nothing herein shall affect the Managers' right to effect service of process in any other manner permitted by law or to bring a suit, action or proceeding (including a proceeding for enforcement of a judgment) in any other court or jurisdiction in accordance with applicable law.

17.3 Waiver of Jury Trial

To the fullest extent permitted by applicable law, each of the Master Issuer, Funding, the Mortgages Trustee, Santander UK and the Managers irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) relating to or arising out of this Agreement.

18. BAIL-IN POWERS

18.1 Notwithstanding any other term of this Agreement or any other agreements, arrangements or understandings between the parties to this Agreement, the parties to this Agreement acknowledge, accept and agree that liabilities arising under this Agreement may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority and Santander UK and the Managers acknowledge, accept, and agree to be bound by:

- (a) the effect of the exercise of the Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of Santander UK or the Managers, as applicable, under this Agreement, that (without limitation) may include and result in any of the following, or some combination thereof:
 - (i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon; the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the Issuer or another person (and the issue or conferral on Santander UK or the Managers, as applicable, of such shares, securities or obligations);
 - (ii) the cancellation of the BRRD Liability; and/or

- (iii) the amendment or alteration of the interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and/or
- (b) the variation of the terms of this Agreement, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of the Bail-in Powers by the Relevant Resolution Authority.

18.2 For purposes of this Clause 18, the following terms have the following meanings:

- (a) **Bail-in Legislation** means Part I of the UK Banking Act 2009 and any other law, regulation, rule or requirement applicable from time to time in the UK relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings);
- (b) **Bail-in Powers** means any Write-down and Conversion Powers under the Bail-in Legislation;
- (c) **BRRD** means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms;
- (d) **BRRD Liability** has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation;
- (e) **Relevant Resolution Authority** means any resolution authority with the ability to exercise any Bail-in Powers in relation to Santander UK; and
- (f) **Write-down and Conversion Powers** means the powers under the Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or affiliate of a bank or investment firm, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability.

19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF this Agreement has been entered on the date stated at the beginning.

SIGNATORIES

HOLMES MASTER ISSUER PL

By:

Authorized Signatory

SANTANDER UK PLC

By:

Authorized Signatory

HOLMES FUNDING LIMITED

By:

Authorized Signatory

HOLMES TRUSTEES LIMITE

By:

Authorized Signatory

BANCO SANTANDER, S.A.

By:

Authorized Signatory

By:

Authorized Signatory

SIGNATORIES

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By:

Authorized Signatory

J.P. MORGAN SECURITIES PLC

By:

Authorized Signatory

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

By:

Authorized Signatory

LLOYDS BANK PLC

By:

Authorized Signatory

LLOYDS SECURITIES INC.

By:

Authorized Signatory

SANTANDER INVESTMENT SECURITIES INC.

By:

Authorized Signatory

J.P. MORGAN SECURITIES PLC

By:

A black rectangular box redacting the signature of the authorized signatory for J.P. Morgan Securities PLC.

Authorized Signatory

A black rectangular box redacting the name of the authorized signatory for J.P. Morgan Securities PLC.

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

By:

Authorized Signatory

LLOYDS BANK PLC

By:

Authorized Signatory

LLOYDS SECURITIES INC.

By:

Authorized Signatory

SANTANDER INVESTMENT SECURITIES INC.

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LLOYDS SECURITIES INC.

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Authorized Signatory

ANNEX A

INVESTOR PRESENTATION

[To be Inserted]

ANNEX B

UNDERWRITING COMMITMENTS FOR THE 144A/REG S ISSUE 2016-1 NOTES

Series 1 Class A1 Issue 2016-1 Notes U.S.\$375,000,000

| | <u>Rule 144A</u> | <u>Regulation S</u> |
|-----------------|----------------------|---------------------|
| Banco Santander | U.S.\$0.00 | U.S.\$250,000.00 |
| SIS | U.S.\$124,666,666.66 | U.S\$0.00 |
| Credit Suisse | Not Applicable | U.S.\$250,000.00 |
| JPMS | U.S.\$124,666,666.67 | U.S.\$250,000.00 |
| Lloyds Bank | U.S.\$0.00 | U.S.\$250,000.00 |
| LSI | U.S.\$124,666,666.67 | U.S\$0.00 |

Series 1 Class A2 Issue 2016-1 Notes £340,000,000

| | <u>Rule 144A</u> | <u>Regulation S</u> |
|-----------------|------------------|---------------------|
| Banco Santander | £0.00 | £85,000,000.00 |
| SIS | £0.00 | £0.00 |
| Credit Suisse | Not Applicable | £85,000,000.00 |
| JPMS | £0.00 | £85,000,000.00 |
| Lloyds Bank | £0.00 | £85,000,000.00 |
| LSI | £0.00 | £0.00 |