

CMF 2018-1 BASE RATE MODIFICATION CERTIFICATE: MODIFICATION DATE

To: U.S. Bank Trustees Limited
125 Old Broad Street
Fifth Floor
London EC2N 1AR
(as **Note Trustee** and **Security Trustee**)

___ June 2021

Dear Sir/Madam

£261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055
(**ISIN: XS1821502405**) (of which £96,817,205 are outstanding) (the **Class A Notes**)

£7,150,000 Class B Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821502744)
(of which £7,150,000 are outstanding) (the **Class B Notes**)

£7,150,000 Class C Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503049)
(of which £7,150,000 are outstanding) (the **Class C Notes**)

£7,150,000 Class D Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503478)
(of which £7,150,000 are outstanding) (the **Class D Notes**)

£2,860,000 Class E Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503635)
(of which £2,860,000 are outstanding) (the **Class E Notes**, and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Notes**)

RC1 Residual Certificates representing the right to the RC1 Payments due under the Trust Deed (ISIN: XS1821827372) (the RC1 Residual Certificates)

RC2 Residual Certificates representing the right to the RC2 Payments due under the Trust Deed (ISIN: XS1821827703) (the RC2 Residual Certificates, and together with the RC1 Residual Certificates, the Residual Certificates)

1. We, Charter Mortgage Funding 2018-1 plc (the **Issuer**) and Charter Mortgages Limited (the **Servicer**) are providing this Certificate pursuant to Notes Condition 13.6(f) and Notes Condition 13.6(g) (*Additional Right of Modification*) of the Notes Conditions (as defined below) and Residual Certificates Condition 12.6(f) and Residual Certificates Condition 12.6(g) (*Additional Right of Modification*) of the Residual Certificates Conditions (as defined below).
2. We refer to:
 - (a) the agency agreement dated 8 June 2018 between the Issuer, the Note Trustee, the Security Trustee, the Principal Paying Agent, the Agent Bank and the Registrar (the **Agency Agreement**);
 - (b) the cash management agreement dated 8 June 2018 between the Cash Manager, the Servicer, the Seller, the Issuer, the Swap Provider and the Security Trustee (the **Cash Management Agreement**);

- (c) the master definitions and construction schedule dated 8 June 2018 signed for the purposes of identification by, *inter alia*, the Issuer and U.S. Bank Trustees Limited as Note Trustee and Security Trustee (the **Master Definitions and Construction Schedule**);
 - (d) the servicing agreement dated 8 June 2018 between, *inter alios*, the Servicer, the Back-Up Service Facilitator, the Seller, the Issuer and the Security Trustee (the **Servicing Agreement**);
 - (e) the swap agreement dated as of 8 June 2018 between the Issuer and the Swap Provider consisting of an ISDA Master Agreement together with a schedule thereto, a credit support annex and a confirmation documenting the Swap Transaction (the **Swap Agreement**); and
 - (f) the trust deed dated 8 June 2018 between the Issuer, the Note Trustee and the Security Trustee (the **Trust Deed**), including the terms and conditions of the Notes set out at Schedule 2 thereto (the **Notes Conditions**) and the terms and conditions of the Residual Certificates set out at Schedule 3 thereto (the **Residual Certificates Conditions**), pursuant to which the Notes and Residual Certificates, respectively, were constituted on the terms and subject to the relevant conditions contained therein.
3. Capitalised terms in this Certificate shall, except where otherwise defined in this Certificate (including the Schedules hereto) or where the context in this Certificate otherwise requires, have the meanings given to them in the Master Definitions and Construction Schedule.
 4. Pursuant to Notes Condition 13.6(f), Notes Condition 13.6(g), Residual Certificates Condition 12.6(f) and Residual Certificates Condition 12.6(g), the Note Trustee and the Security Trustee shall be obliged, without any consent or sanction of the Noteholders, the Certificateholders, or any other Secured Creditor, subject to written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modifications (other than in respect of a Basic Terms Modification) to the Notes Conditions, the Residual Certificates Conditions, the Trust Deed and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary or advisable in order to:
 - (a) make a Base Rate Modification, provided that the Base Rate Modification is undertaken due to the circumstances set out in Notes Conditions 13.6(f)(i) and Residual Certificates Condition 12.6(f)(i), the Alternative Base Rate is a rate that satisfies Notes Condition 13.6(f)(ii) and Residual Certificates Condition 12.6(f)(ii) and the other requirements of Notes Conditions 13.6(f) and Residual Certificates Condition 12.6(f) have been met; and
 - (b) make a Swap Rate Modification, provided that the Swap Rate Modification is undertaken solely as a consequence of a Base Rate Modification and solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following such Base Rate Modification and the alternative base rate is necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) and the Swap Provider in accordance with Notes Condition 13.6(g) and Residual Certificates Condition 12.6(g).
 5. On 5 March 2021, the UK Financial Conduct Authority (the **FCA**) announced that all London Inter Bank Offered Rate (**LIBOR**) settings currently published by ICE Benchmarks

Administration (**IBA**), an authorised administrator, regulated and supervised by the FCA, will either cease to be provided by any administrator or no longer be representative of the underlying market and economic reality (and that representativeness will not be restored) immediately after (i) 31 December 2021, in the case of sterling, euro, Japanese Yen and Swiss Franc, and certain U.S. dollar settings, or (ii) 30 June 2023, in the case of the remaining U.S. dollar settings. As a result regulators, including the FCA, have continued to urge market participants to take active steps to implement the transition to SONIA and other risk-free rates ahead of the applicable LIBOR cessation date. In this regard we refer to the following items which are available from the website of the FCA at www.fca.org.uk:

- (a) the statement of the FCA entitled "*Next steps for LIBOR transition in 2020: the time to act is now*" dated 16 January 2020;
 - (b) the speech of Edwin Schooling Latter, Director Markets and Wholesale Policy at the FCA, on 14 July 2020 entitled "*LIBOR transition – the critical tasks ahead of us in the second half of 2020*"; and
 - (c) the statement of the FCA entitled "*FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks*" dated 5 March 2021.
6. The Issuer confirms that its £12,870,000 Class X Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503718) (the **Class X Notes**) are not outstanding, and as such, the Proposed Amendments set out in this Certificate do not apply to the Class X Notes.
7. The proposed replacement for LIBOR is a function of the Sterling Over Night Index Average (**SONIA**) (the **Proposed Alternative Base Rate**), meaning it is proposed that the interest rate on the Notes will be calculated using a SONIA-based rate.
8. The Proposed Amendments referred to in the notice from the Issuer to the Class A Noteholders dated 27 May 2021 include amendments to:
- (a) the default rate of interest payable in relation to payments made after the relevant due date under the terms of the Servicing Agreement (the **Default Rate**). The Default Rate is currently calculated using LIBOR as a base rate. As a result of the discontinuation of LIBOR as set out in paragraph 5 above and the adoption of the Proposed Alternative Base Rate to take effect today, the Issuer shall amend the base rate of the Default Rate to the Proposed Alternative Base Rate. In order to ensure that the Default Rate (i) remains a floating rate and (ii) reflects the same floating rate as the base rate of the Notes (in each case as reflected in the existing Transaction Documents), it is advisable and necessary to amend the Default Rate to reflect the discontinuation of LIBOR from December 2021. The Default Rate forms part of the Pre-Enforcement Revenue Priority of Payments waterfall as set out in the Cash Management Agreement. As such, the Issuer believes the change in base rate of the Default Rate to SONIA is necessary and advisable in its commercially reasonable judgment in order to facilitate the Base Rate Modification and therefore falls under the requirements for a Base Rate Modification set out in the Notes Condition 13.6 and Residual Certificates Condition 12.6.
 - (b) the Swap Transaction entered into by the Issuer. The Swap Transaction is not a balance guaranteed swap under the existing Swap Agreement and, as at the Closing Date, payments under the Swap Transaction did not completely cover the exposure under the Notes. Therefore, the Issuer and the Servicer do not believe in their commercially reasonable judgment that such complete exposure coverage is necessary when effecting the Swap Rate Modification. This reflects the commercial

position in the existing Transaction Documents and the recognised market approach to swaps that are not balance guaranteed (which usually refer to the floating rates as defined under the ISDA Definitions (which are incorporated into the relevant swap agreements), rather than to the identical terms of the base rate payable under the relevant notes). As a result of the Base Rate Modification, the Issuer shall amend the base rate payable under the Swap Agreement to the Proposed Alternative Base Rate. However, due to the nature of the Swap Transaction, there will be minor deviations in the calculation of the Proposed Alternative Base Rate, the fallback provisions and the application of the spread to effect the LIBOR transition under the Swap Agreement. The Issuer believes the requirements under Notes Condition 13.6(g) and Residual Certificates Condition 12.6(g) are satisfied as the modifications to effect change to the base rate under the Swap Agreement are (i) necessary and advisable in the commercially reasonable judgment of the Issuer, the Servicer and the Swap Provider, (ii) solely as a consequence of a Base Rate Modification and (iii) solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following such Base Rate Modification.

9. The modifications relating to the relevant Transaction Documents and the Proposed Amendments will be effected today, ___ June 2021 by the amendment and restatement of the relevant Transaction Documents. The modifications to be made to the relevant Transaction Documents in connection with the Proposed Amendments are those referred to in the notice from the Issuer to the Class A Noteholders dated 27 May 2021 in relation to the Proposed Amendments.
10. On entry into the Amended Documents by the relevant parties, the Proposed Amendments will become binding on all parties and the change to the base rate that applies to the Notes and in respect of the Swap Agreement will take effect on the Interest Payment Date falling in March 2022 (the **Effective Date**). For the avoidance of doubt, the base rate applicable to the Notes and the Swap Agreement up to but excluding the Effective Date will continue to be 3 month GBP LIBOR.
11. The Issuer hereby certifies that:
 - (a) the Proposed Base Rate Modification is being undertaken due to:
 - (i) a public statement by the FCA as supervisor of the administrator of LIBOR that LIBOR will be permanently or indefinitely discontinued; and
 - (ii) a public statement by the FCA as supervisor of the administrator of LIBOR that the use of LIBOR is subject to restrictions or adverse consequences,

as described in paragraph 5 above and in this regard, the Proposed Base Rate Modification falls within the limbs (C) and (E) of Notes Conditions 13.6(f)(i) and Residual Certificates Condition 12.6(f)(i);
 - (b) the Proposed Alternative Base Rate is a function of the Sterling Over Night Index Average and therefore satisfies limb (B) of Notes Conditions 13.6(f)(ii) and Residual Certificates Condition 12.6(f)(ii);
 - (c) the modifications to the Notes Conditions, the Residual Certificate Conditions and the Transaction Documents to effect the Proposed Base Rate Modification and Proposed Swap Rate Modification:

- (i) are only those made for the purpose of changing the base rate in respect of the Notes from LIBOR to the Proposed Alternative Base Rate (in the case of the Notes) or are necessary or advisable in the commercially reasonable judgment of the Issuer and the Swap Provider for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes (in the case of the Swap Agreement) and solely as a consequence of such Base Rate Modification or, in each case, which are necessary or advisable in the Issuer's reasonable judgement to facilitate such change or alignment;
 - (ii) do not affect any ranking of any Secured Creditor in any Priority of Payments; and
 - (iii) will not be materially prejudicial to the Noteholders;
- (d) the Rating Agencies have been given written notice of the Proposed Amendments and none of the Rating Agencies have indicated the Proposed Amendments would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent);
- (e) none of the Proposed Base Rate Modification, Swap Rate Modification nor any of the modifications to the Notes Conditions, the Residual Certificates Conditions and the Transaction Documents to effect the Proposed Base Rate Modification or Proposed Swap Rate Modification constitute a Basic Terms Modification;
- (f) (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class and the Certificateholders of the Proposed Amendments (in the forms scheduled as Part A and Part B of Schedule 1 to this Certificate) in accordance with Notes Conditions 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*), as applicable and by publication on Bloomberg on the "Company News" screen relating to the Notes and Residual Certificates, as applicable; and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (being the Class A Notes) have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Class A Noteholders do not consent to the Proposed Base Rate Modification (as evidenced by the report from i2 Capital Markets Ltd, acting in its capacity as tabulation agent for the Issuer detailing objections to the Proposed Amendments received from Class A Noteholders, scheduled as Schedule 2 to this Certificate);
- (g) the Issuer has obtained the consent of the other Secured Creditors party to the relevant Transaction Documents being modified in respect of the Proposed Amendments (as applicable, with such consent to be evidenced by the execution of the amended and restated Transaction Documents by such Secured Creditors);
- (h) as at the date hereof, to the best of our knowledge and belief, the information set out herein is accurate, true and complete in all material respects and does not contain any untrue statements or material fact or omit any material fact in relation to the matters set out herein; and
- (i) the implementation of the Proposed Amendments shall be notified by the Issuer to (i) each Rating Agency, (ii) the Secured Creditors and (iii) the Noteholders and

Certificateholders as soon as practicable in accordance with Notes Conditions 16 and Residual Certificates Condition 15, respectively.

12. The Servicer hereby certifies that the Proposed Swap Rate Modification is required solely as a consequence of the Proposed Base Rate Modification and solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following such Proposed Base Rate Modification and it has been drafted solely to such effect and the minor deviations described in paragraph 8(b) are necessary or advisable in the commercially reasonable judgement of the Servicer in accordance with Notes Conditions 13.6(g) and Residual Certificates Condition 12.6(g).

In addition to the Proposed Amendments, the Issuer has requested that the Note Trustee and the Security Trustee consent to additional amendments being made to the Amended Documents which, for the avoidance of doubt, fall outside of the scope of the Proposed Base Rate Modification and the Proposed Swap Rate Modification. These additional amendments consist of (i) the references to EONIA in the Swap Credit Support Annex relating to the interest rate applied to any Euro collateral posted under the Swap Credit Support Annex being amended to €STR *plus* 0.085%; (ii) correcting certain cross-referencing errors; and (iii) including Bail-In language in the Agency Agreement and Cash Management Agreement. These amendments are not "Proposed Amendments" for the purposes of this Certificate.

The Issuer and the Servicer acknowledge and agree, that pursuant to Notes Conditions 13.6 and Residual Certificates Condition 12.6, when implementing any Base Rate Modification and Swap Rate Modification pursuant to Notes Conditions 13.6(f) and 13.6(g) and Residual Certificates Conditions 12.6(f) and 12.6(g), neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer (or the Servicer on behalf of the Issuer) or the relevant Transaction Party, as the case may be, and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

This Certificate is (i) a Base Rate Modification Certificate for the purposes of Notes Conditions 13.6(f) and Residual Certificates Condition 12.6(f), (ii) a Swap Rate Modification Certificate for the purposes of Notes Conditions 13.6(g) and Residual Certificates Condition 12.6(g) and (iii) a certificate for the purposes of Clause 20(c) of the Trust Deed and Clause 24.1(h) of the Deed of Charge.

SCHEDULE 1

Part A – Notice to Class A Noteholders

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO, OR TO ANY PERSON LOCATED OR RESIDENT IN, ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO RELEASE, PUBLISH OR DISTRIBUTE THIS DOCUMENT.

THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE CLASS A NOTES (AS DEFINED BELOW). IF APPLICABLE, ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.

If Class A Noteholders are in any doubt as to the action they should take, they are recommended to seek their own financial and legal advice, including in respect of any tax consequences, immediately from their stockbroker, bank manager, solicitor, accountant or other financial, tax or legal adviser authorised under the Financial Services and Markets Act 2000 (if they are in the United Kingdom), or from another appropriately authorised independent financial adviser and such other professional advice from their own professional advisors as they deem necessary.

This Notice is addressed only to holders of the Class A Notes and persons to whom it may otherwise be lawful to distribute it (relevant persons). It is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Notice relates is available only to relevant persons and will be engaged in only with relevant persons.

If you have recently sold or otherwise transferred your entire holding(s) of the Class A Notes referred to below, you should immediately forward this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTHING IN THIS NOTICE OR THE ELECTRONIC TRANSMISSION THEREOF CONSTITUTES OR FORMS PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER FOR SALE, EXCHANGE OR SUBSCRIPTION OF, OR A SOLICITATION OF ANY OFFER TO BUY, EXCHANGE OR SUBSCRIBE FOR, ANY SECURITIES OF THE ISSUER OR ANY OTHER ENTITY IN ANY JURISDICTION. THE FOLLOWING NOTICE AND ITS CONTENTS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE LAWS OF APPLICABLE JURISDICTIONS.

In accordance with normal practice, none of the Issuer, the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee, the Agents or their affiliates (or their respective directors, employees, officers, consultants or agents) expresses any view or opinion whatsoever as to the Proposed Amendments, the Amended Documents (each as defined below) or the information set out in this Notice; and none of the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee nor any of the Agents or their affiliates makes any representation or recommendation whatsoever as to any action to be taken or not taken by Class A Noteholders in relation to the Proposed Amendments, the Amended Documents or this Notice, or any document prepared in connection with any of them. Accordingly, the Issuer, the Solicitation Agent, the Note Trustee and the Security Trustee urge Class A Noteholders who are in doubt as to the impact of the implementation of the Proposed Amendments, the Amended Documents or this Notice or any document prepared in connection with any of them (including any tax or other consequences), to seek their own independent financial, tax and legal advice. None of the Issuer, the Tabulation Agent, the Note Trustee, the Security Trustee, the Solicitation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) has made, nor will they make, any assessment of the merits of the Proposed Amendments, the Amended Documents or this Notice or of the impact of the Proposed Amendments, the Amended Documents or this Notice on the interests of the Class A Noteholders either as a class or as individuals.

CHARTER MORTGAGE FUNDING 2018-1 PLC

(incorporated in England and Wales with limited liability, registered number 11329280)
1 Bartholomew Lane, London, EC2N 2AX
(as Issuer)

NOTICE OF BASE RATE MODIFICATION AND SWAP RATE MODIFICATION

to the holders of the presently outstanding

£261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821502405) (of which £103,556,362 are outstanding) (the **Class A Notes**)

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CLASS A NOTEHOLDERS.

Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the Master Definitions and Construction Schedule (as defined below) or the documents specified in this Notice, as applicable.

NOTICE IS HEREBY GIVEN by the Issuer to the holders of the Class A Notes (the **Class A Noteholders**) in accordance with Notes Condition 16 (*Notice to Noteholders*) that the Issuer intends to amend the Notes, the Residual Certificates and the Swap Agreement on or around 30 June 2021, by amending the documents specified in this Notice in order to effect the Proposed Base Rate Modification and Proposed Swap Rate Modification (each as defined below).

BACKGROUND

1. We refer to the trust deed dated 8 June 2018 between the Issuer and U.S. Bank Trustees Limited as note trustee and security trustee (the **Trust Deed**), including the terms and conditions of the Notes set out at Schedule 2 thereto (the **Notes Conditions**), pursuant to which the Notes were constituted on the terms and subject to the conditions contained therein, to the swap agreement dated as of 8 June 2018 between the Issuer and the Swap Provider consisting of an ISDA Master Agreement together with a schedule thereto, a credit support annex and a confirmation documenting the Swap Transaction (the **Swap Agreement**) and to the master definitions and construction schedule dated 8 June 2018 signed for the purposes of identification by, *inter alia*, the Issuer and U.S. Bank Trustees Limited as note trustee and security trustee (the **Master Definitions and Construction Schedule**).
2. Pursuant to Notes Condition 13.6 (*Additional Right of Modification*), the Issuer may make, and the Note Trustee or, as the case may be, the Security Trustee, shall be obliged without any consent or sanction of the Noteholders or the Certificateholders, to concur in making, any modifications (other than a Basic Terms Modification) to the Notes Conditions, the Residual Certificates Conditions, the Trust Deed and/or any other Transaction Document in order to change the base rate that then applies in respect of the Notes and the Swap Agreement *provided that* such modification is undertaken due to the circumstances set out in Notes Conditions 13.6(f)(i) and 13.6(g), the Alternative Base Rate is a rate that satisfies Notes Condition 13.6(f)(ii), and the other procedural formalities of Notes Condition 13.6 have been met.
3. It is proposed by the Issuer that a Base Rate Modification be made to the Notes Conditions and certain Transaction Documents as a result of:
 - (a) a public statement by the Financial Conduct Authority (**FCA**) as supervisor of the administrator of LIBOR that LIBOR will be permanently or indefinitely discontinued; and

- (b) a public statement by the FCA as supervisor of the administrator of LIBOR that the use of LIBOR is subject to restrictions or adverse consequences,
- pursuant to limbs (C) and (E) of Notes Condition 13.6(f)(i).
4. On 5 March 2021, the UK Financial Conduct Authority (the **FCA**) announced that all London Inter Bank Offered Rate (**LIBOR**) settings currently published by ICE Benchmarks Administration (**IBA**), an authorised administrator, regulated and supervised by the FCA, will either cease to be provided by any administrator or no longer be representative of the underlying market and economic reality (and that representativeness will not be restored) immediately after (i) 31 December 2021, in the case of all sterling, euro, Japanese Yen and Swiss Franc, and certain U.S. dollar settings, or (ii) 30 June 2023, in the case of the remaining U.S. dollar settings. As a result regulators, including the FCA, have continued to urge market participants to take active steps to implement the transition to SONIA and other risk-free rates ahead of the applicable LIBOR cessation date. In this regard we refer to the following items which are available from the website of the FCA at www.fca.org.uk:
- (a) the statement of the FCA entitled "*Next steps for LIBOR transition in 2020: the time to act is now*" dated 16 January 2020;
 - (b) the speech of Edwin Schooling Latter, Director Markets and Wholesale Policy at the FCA, on 14 July 2020 entitled "*LIBOR transition – the critical tasks ahead of us in the second half of 2020*"; and
 - (b) the statement of the FCA entitled "*FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks*" dated 5 March 2021.

PROPOSED AMENDMENTS

5. The Issuer intends to amend (by amending and restating or supplementing such documents):
- (a) the Agency Agreement;
 - (b) the Cash Management Agreement;
 - (c) the Master Definitions and Construction Schedule;
 - (d) the Servicing Agreement;
 - (e) the Swap Agreement; and
 - (f) the Trust Deed, including the Notes Conditions and Residual Certificates Conditions set out therein,
- (together, the **Amended Documents**) as prescribed below, to:
- (i) add references to "SONIA" where appropriate to take effect from the Interest Payment Date falling in March 2022;
 - (ii) add interest rate calculation provisions of the Notes to refer to a "SONIA" based rate to take effect from the Interest Payment Date falling in March 2022;
 - (iii) solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following such Base Rate Modification and solely as a consequence of such Base Rate Modification, change the base rate that then applies in respect of the Swap Agreement to a "SONIA" based rate with effect from the Interest Payment Date falling in March 2022

(together with any other changes necessary or advisable to facilitate such change, the **Proposed Swap Rate Modification**); and

- (iv) other changes necessary or advisable to facilitate the changes in (i) to (ii) above (including to effect an amendment to the Relevant Margin and Relevant Step-Up Margin as more fully described below) (together with the changes referred to in (i) and (ii) above, the **Proposed Base Rate Modification**).

The Amended Documents in blackline format can be viewed at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>. The changes set out therein implementing the Proposed Swap Rate Modification and the Proposed Base Rate Modification are the **Proposed Amendments**.

6. In addition to the Proposed Amendments, the Issuer has requested that the Note Trustee and the Security Trustee consent to additional amendments being made to the Amended Documents which, for the avoidance of doubt, fall outside of the scope of the Proposed Base Rate Modification and the Proposed Swap Rate Modification. These additional amendments consist of (i) the references to EONIA in the Swap Credit Support Annex relating to the interest rate applied to any Euro collateral posted under the Swap Credit Support Annex being amended to €STR *plus* 0.085%; (ii) correcting certain cross-referencing errors; and (iii) including Bail-In language in the Agency Agreement and Cash Management Agreement. These amendments are not "Proposed Amendments" for the purposes of this Notice but are included for reference in the Amended Documents in blackline format which can be viewed at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.
7. Pursuant to limbs (C) and (E) of Notes Condition 13.6(f)(i), the Proposed Base Rate Modification is being undertaken due to the public statement by FCA as supervisor of the administrator of LIBOR that the use of LIBOR will be permanently or indefinitely discontinued and that the use of LIBOR is subject to restrictions or adverse consequences. The Alternative Base Rate is a function of the Sterling Over Night Index Average, which therefore satisfies limb (B) of Notes Condition 13.6(f)(ii).
8. If the Proposed Amendments are passed in accordance with this Notice, the Issuer and the Servicer will certify to the Note Trustee and the Security Trustee in writing that the requirements of Notes Conditions 13.6(f) and 13.6(g) have been met and the Note Trustee and the Security Trustee will enter into such Amended Documents in reliance on such Base Rate Modification Certificate (which shall also contain the relevant certifications to satisfy the requirements of the Swap Modification Certificate in accordance with Notes Condition 13.6(g)).
9. In connection with the Proposed Base Rate Modification, prior to the first Interest Payment Date on which such modification is effective, an adjustment to each of the Relevant Margin and the Relevant Step-Up Margin on the Notes will be calculated to reflect the spread differential between LIBOR and SONIA. The intended method of calculation is set out in Appendix 1 (*Spread Adjustment Determination for the Notes*) hereto (the **Spread Adjustment Determination**).
10. The Issuer has given written notice to the Rating Agencies of the Proposed Amendments and, as at the date of this Notice, none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent). The Residual Certificates are not rated.
11. Pursuant to Notes Condition 13.6 and Residual Certificate Condition 12.6 (*Additional Right of Modification*), the Note Trustee and the Security Trustee are required to concur with the Issuer in

making the Proposed Base Rate Modification and the resulting Proposed Swap Rate Modification and the Proposed Amendments if:

- (a) the Issuer has certified in writing to the Note Trustee and the Security Trustee that it has not been notified that Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes (being the Class A Notes) then outstanding do not consent to the Proposed Amendments within 30 calendar days of the date of this Notice; and
 - (b) all other conditions set out in Notes Conditions 13.6(f) and 13.6(g) and Residual Certificates Conditions 12.6(f) and 12.6(g) have been satisfied.
12. Pursuant to Notes Condition 13.6, when implementing any Base Rate Modification and Swap Rate Modification pursuant to Notes Conditions 13.6(f) and 13.6(g), neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.
13. Copies of this Notice, the Trust Deed, drafts of the Amended Documents and related documents may be inspected in electronic form at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.

PROCEDURE FOR OBJECTION TO THE PROPOSED AMENDMENTS

14. Class A Noteholders who wish to notify the Issuer that they object to the Proposed Amendments must do so by submitting an electronic voting instruction in accordance with the procedures set out in this Notice by 4pm (London time) on 28 June 2021 (the **Deadline**). No physical or virtual meetings of Class A Noteholders will be held.
15. **NO ACTION IS REQUIRED TO BE TAKEN BY ANY CLASS A NOTEHOLDER WHO DOES NOT WISH TO OBJECT TO THE PROPOSED AMENDMENTS.**
16. Each Class A Noteholder that wishes to vote to object to the Proposed Amendments must ensure that:
- (a) it gives electronic voting instructions to the relevant clearing system (in accordance with that clearing system's procedures):
 - (i) TO REJECT the Proposed Amendments; and
 - (ii) specifying the full name of the direct participant submitting the voting instruction and the account number(s) for the party making the voting submission(s),such that the Tabulation Agent will receive that Class A Noteholder's voting instructions on or before the Deadline; and
 - (b) the relevant clearing system has received irrevocable instructions (with which they have complied) to block the Class A Notes held by such holder in the securities account to which they are credited with effect from and including the day on which the electronic voting instruction is delivered to the relevant clearing system so that no transfers may be effected in relation to the Class A Notes held by such holder at any time after such date until the Deadline. Votes will only apply to the Principal Amount Outstanding of Class A Notes then outstanding blocked in the relevant clearing system.

Class A Notes should be blocked in accordance with the procedures of the relevant clearing system and the deadlines required by the relevant clearing system. **Class A Noteholders should note that clearing system deadlines for the submission of voting instructions may be different to the Deadline set out herein, and as such Class A Noteholders who wish to object should check the relevant clearing system's procedures and deadlines ahead of the Deadline.**

17. Any beneficial owner of Class A Notes who is not a direct participant in the clearing systems must contact its broker, dealer, bank, custodian, trust company or other nominee to arrange for the accountholder in Euroclear or Clearstream, Luxembourg, as the case may be, through which it holds Class A Notes to deliver an electronic voting instruction in accordance with the requirements of the relevant clearing system and procure that the Class A Notes are blocked in accordance with the normal procedures of the relevant clearing system and the deadlines imposed by such clearing system.
18. Each Class A Noteholder that wishes to object to the Proposed Amendments should ensure that the relevant blocking instructions to the relevant clearing system can be allocated to the relevant electronic voting instruction. For the avoidance of doubt, each electronic voting instruction must have an individual matching blocking instruction.
19. By providing instructions as described above, each beneficial owner of the Class A Notes authorises the clearing systems at which their account is maintained to disclose to the Tabulation Agent, the Principal Paying Agent, the Note Trustee, the Security Trustee, the Solicitation Agent, the Issuer and the Servicer confirmation that they are the beneficial owner of such Notes and the Principal Amount Outstanding then outstanding of such Notes.
20. If "No" votes are received from Class A Noteholders equal to at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes (being the Class A Notes) then outstanding by the Deadline, the Issuer will not be entitled to enter into the Proposed Amendments. Following expiry of the Deadline, the Tabulation Agent will calculate the number of objection instructions received and notify each of the Issuer, the Servicer, the Note Trustee and the Security Trustee. If the 10% threshold is not reached, the Issuer, the Note Trustee, the Security Trustee and the other parties to the Amended Documents will enter into the Amended Documents on or around 30 June 2021 and Noteholders and Certificateholders will be bound by such Proposed Amendments.
21. On entry into the Amended Documents by the relevant parties, the Proposed Amendments will become binding on all parties and the change to the base rate that applies to the Notes and in respect of the Swap Agreement will take effect on the Interest Payment Date falling in March 2022 (the **Effective Date**). For the avoidance of doubt, the base rate applicable to the Notes and the Swap Agreement up to but excluding the Effective Date will continue to be 3 month GBP LIBOR.
22. Votes delivered in favour of the Proposed Amendments will not be counted.
23. Additional notifications will be made to Noteholders in accordance with Notes Condition 16 as soon as reasonably practicable following:
 - (a) the Deadline, notifying Noteholders of the voting results, the adjustments to the Relevant Margins and the Relevant Step-Up Margins; and
 - (b) the entry into of the Amended Documents.

ADDITIONAL INFORMATION AND DISCLAIMERS

24. Questions and requests for assistance in connection with (i) the Notice may be directed to the Solicitation Agent and (ii) the delivery of instructions for the Class A Notes may be directed to the Tabulation Agent, the contact details for which are set out below.

25. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) makes any representation that all relevant information has been disclosed to Class A Noteholders in or pursuant to this Notice or otherwise. Class A Noteholders should take their own independent legal, financial, tax or other advice on the merits and the consequences of voting to object to the Proposed Amendments, including any tax consequences, and on the impact of the implementation of the Proposed Amendments. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) is responsible for the accuracy, completeness, validity or correctness of the statements made in this Notice or omissions therefrom.
26. The delivery of this Notice shall not, under any circumstances, create any implication that the information contained in this Notice is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth in this Notice or in the affairs of the Issuer or that the information in this Notice has remained accurate and complete. None of the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) accepts any responsibility for the information contained in this Notice.
27. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) or any other party to the Amended Documents or any other person, except the Issuer, has independently verified, or assumes any responsibility for, the accuracy of the information and statements contained in this Notice.
28. No person has been authorised to make any recommendation on behalf of the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) as to whether or how a Class A Noteholder should object in connection with the Proposed Amendments. No person has been authorised to give any information, or to make any representation in connection therewith, other than those contained herein. If made or given, such recommendation or any such information or representation must not be relied upon as having been authorised by the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents).
29. This Notice is issued and directed only to the Class A Noteholders and no other person shall, or is entitled to, rely or act on, or be able to rely or act on, its contents, and it should not be relied upon by any Noteholder for any purpose other than the Proposed Amendments. For the avoidance of doubt, any Class A Notes held by the Seller and any Affiliate of the Seller shall be deemed not to be outstanding.
30. The Issuer, the Servicer and the Solicitation Agent and their affiliates are entitled to have or hold positions in the Class A Notes either for their own account or for the account, directly or indirectly, of third parties and may make or continue to make a market in, or subject to the provisions of the Trust Deed, vote in respect of, or act as principal in any transactions in, or relating to, or otherwise act in relation to, the Class A Notes and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of the Notes. Each of the Issuer, the Servicer and the Solicitation Agent and their affiliates is entitled to continue to hold or dispose of, in any manner it may elect, the Class A Notes that it may hold as at the date of this Notice or, from such date, to acquire further Class A Notes, subject to applicable law and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of such Class A Notes. No such submission or non-submission by the Solicitation Agent, the Issuer, the Servicer or their affiliates should be taken by any Noteholder or any other person as any recommendation or otherwise by any of the Issuer, the Servicer,

the Solicitation Agent or their Affiliates, as the case may be, or any other person as to the merits of objecting or not objecting to the Proposed Amendments.

31. Each person receiving this Notice is deemed to acknowledge that such person has not relied on the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent, the Agents or any other party to the Transaction Documents in connection with its decision on how to vote in relation to any proposal set out herein. Each such person must make its own analysis and investigation regarding the Proposed Amendments and the Amended Documents and make its own voting decision, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such voting decision. If such person is in any doubt about any aspect of the Proposed Amendments and the Amended Documents and/or the action it should take, it should consult its professional advisers. Each such person should also carefully consider the risk factors set out in Appendix 2 (*Risk Factors*) hereto prior to making a voting decision.
32. Class A Noteholders with queries concerning the content of this Notice are kindly requested to contact Lloyds Bank Corporate Markets plc in its capacity as the solicitation agent (the **Solicitation Agent**) or i2 Capital Markets Ltd as tabulation agent (the **Tabulation Agent**) using the details set out below.

Contact Details:

Solicitation Agent: **LLOYDS BANK CORPORATE MARKETS PLC**
10 Gresham Street
London
EC2V 7AE

Tel: + 44 (0) 20 7158 1719/2720
Email: liability.management@lloydsbanking.com
Attention: Liability Management Team

Tabulation Agent: **I2 CAPITAL MARKETS LIMITED**
Kemp House
160 City Road
London
EC1V 2NX

Tel: + 44 (0) 20 3633 1212
Email: info@i2capmark.com
Attention: Directors
Transaction Website: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>

Issuer: **CHARTER MORTGAGE FUNDING 2018-1 PLC**
1 Bartholomew Lane
London
EC2N 2AX

This Notice is given by

CHARTER MORTGAGE FUNDING 2018-1 PLC
as **Issuer**

Dated 27 May 2021

APPENDIX 1

SPREAD ADJUSTMENT DETERMINATION FOR THE NOTES

1. The Proposal

Conversion of the base rate for the £261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821502405) (the **Class A Notes**), £7,150,000 Class B Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821502744) (the **Class B Notes**), £7,150,000 Class C Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503049) (the **Class C Notes**), £7,150,000 Class D Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503478) (the **Class D Notes**), £2,860,000 Class E Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503635) (the **Class E Notes**, and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Notes**) issued by Charter Mortgage Funding 2018-1 plc from LIBOR to SONIA, with a consequential adjustment to the Relevant Margin (as defined below) of each Class of Notes and the Relevant Step-Up Margin (as defined below) of each Class of Notes. Together, the Relevant Margin and the Relevant Step-Up Margin shall be collectively referred to herein as the **Applicable Margins**.

2. Rationale for the Proposal

Due to the differences in the nature of LIBOR and SONIA, the replacement of LIBOR as the base rate for the Notes will also require corresponding adjustments to the Applicable Margins. An adjustment (being the Adjustment Spread (as defined below)) will be added to the Applicable Margins when calculating the Rate of Interest, as such the Adjustment Spread will apply to both the applicable Relevant Margin (payable up to and including the Optional Redemption Date) and the applicable Relevant Step-Up Margin (payable after the Optional Redemption Date).

The pricing methodology proposed to determine the Adjustment Spread is based on the 5-year historical median lookback approach using principles outlined in the methodology for such adjustments contained in the ISDA IBOR Fallback Supplement (supplement number 70 to the 2006 ISDA Definitions (which can be found at <http://assets.isda.org/media/3062e7b4/23aa1658-pdf/>), which incorporates into the ISDA definitions new interbank offered rate fallbacks).

The date from which the proposed change in base rate is to occur will be the Interest Payment Date falling in March 2022 (the **Effective Date**), being the next Interest Payment Date occurring after 31 December 2021.

For the avoidance of doubt, the base rate applicable to the Notes up to but excluding the Effective Date will continue to be 3 month GBP LIBOR, as such the Adjustment Spread will not apply to the Applicable Margins payable on the Effective Date.

3. The Adjustment Spread

Using the principles outlined in the ISDA IBOR Fallback Supplement, the **Adjustment Spread** will be the rate specified on Bloomberg screen “SBP0003M Index”, or any successor page, as calculated by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time) (**Bloomberg**) in relation to 3-month Sterling LIBOR on the business day following the Deadline.

As at the date of this Notice to Class A Noteholders, and as a result of the Financial Conduct Authority’s announcement on 5 March 2021¹, the rate specified on Bloomberg screen “SBP0003M Index” in relation to 3-month Sterling LIBOR has been fixed at 0.1193 per cent., and such rate (subject

¹ <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

to any corrections or adjustments made to such rate by Bloomberg in accordance with its rule book) will be the Adjustment Spread.

4. The Adjusted Margins

The relevant Rate of Interest for each Class of the Notes to be effective on the Effective Date will be equal to Compounded Daily SONIA plus the Relevant Margin as adjusted as follows (each such adjusted Relevant Margin, an **Adjusted Margin**):

the sum of:

(A) the Relevant Margin; plus

(B) the Adjustment Spread,

where:

Relevant Margin means:

- (a) in respect of the Class A Notes, 0.47 per cent. per annum;
- (b) in respect of the Class B Notes, 0.90 per cent. per annum;
- (c) in respect of the Class C Notes, 1.20 per cent. per annum;
- (d) in respect of the Class D Notes, 1.50 per cent. per annum; and
- (e) in respect of the Class E Notes, 2.90 per cent. per annum.

5. The Adjusted Step-Up Margins

The relevant Rate of Interest payable on each Class of Notes from (and including) the Interest Payment Date falling in March 2023 (the **Step-Up Date**) will be equal to Compounded Daily SONIA plus the Relevant Step-Up Margin as adjusted as follows (each such adjusted Relevant Step-Up Margin, an **Adjusted Step-Up Margin**):

the sum of:

(a) the Relevant Step-Up Margin; plus

(b) the Adjustment Spread,

where:

Relevant Step-Up Margin means:

- (a) in respect of the Class A Notes, 0.705 per cent. per annum;
- (b) in respect of the Class B Notes, 1.35 per cent. per annum;
- (c) in respect of the Class C Notes, 1.80 per cent. per annum;
- (d) in respect of the Class D Notes, 2.25 per cent. per annum; and
- (e) in respect of the Class E Notes, 3.90 per cent. per annum.

The Adjustment Spread, the Adjusted Margins and the Adjusted Step-Up Margins will be announced to Noteholders and Certificateholders in accordance with Notes Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*) on the business day following the Deadline.

The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in the Amended Documents available at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.

APPENDIX 2

RISK FACTORS

Responsibility for complying with the procedures for submitting instructions in connection with the Proposed Amendments

Class A Noteholders are solely responsible for complying with all of the procedures for submitting instructions. None of the Issuer, the Solicitation Agent, the Agents, the Note Trustee, the Security Trustee or the Tabulation Agent assumes any responsibility for informing Class A Noteholders of irregularities with respect to instructions.

No assurance that the Proposed Base Rate Modification or the Proposed Swap Rate Modification will be implemented

Until the Proposed Base Rate Modification and Proposed Swap Rate Modification are implemented by executing the Amended Documents and any other requirements of Notes Condition 13.6 and Residual Certificates Condition 12.6 are met, no assurance can be given that either the Proposed Base Rate Modification or Proposed Swap Rate Modification will be implemented.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates for Floating Rate Notes

If the Proposed Base Rate Modification is implemented, from and including the Effective Date, the Rate of Interest for the Notes will be determined on the basis of Compounded Daily SONIA (as set out in the Spread Adjustment Determination for the Notes). Compounded Daily SONIA differs from LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for the Notes. The use of Compounded Daily SONIA as a reference rate for Eurobonds is relatively recent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing Compounded Daily SONIA.

Accordingly, Noteholders should be aware that the market continues to develop in relation to the SONIA as a reference rate in the capital markets and its adoption as an alternative to sterling LIBOR. The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Notes Conditions and used in relation to the Notes that reference a SONIA rate. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant observation period and immediately prior to the relevant Interest Payment Date.

It may be difficult for investors in Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Investors should carefully consider how any mismatch between the adoption of SONIA in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes. Investors should also carefully consider these matters when making their investment decision with respect to any Notes.

Part B – Notice to holders of remaining Classes of Notes and Residual Certificates

CHARTER MORTGAGE FUNDING 2018-1 PLC

(incorporated in England and Wales with limited liability, registered number 11329280)

1 Bartholomew Lane, London, EC2N 2AX

(as Issuer)

NOTICE OF BASE RATE MODIFICATION AND SWAP RATE MODIFICATION

to the holders of the presently outstanding

£7,150,000 Class B Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821502744) (of which £7,150,000 are outstanding) (the **Class B Notes**)

£7,150,000 Class C Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821503049) (of which £7,150,000 are outstanding) (the **Class C Notes**)

£7,150,000 Class D Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821503478) (of which £7,150,000 are outstanding) (the **Class D Notes**)

£2,860,000 Class E Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821503635) (of which £2,860,000 are outstanding) (the **Class E Notes**, and together with the Class B Notes, the Class C Notes and the Class D Notes, the **Notes**)

RC1 Residual Certificates
(ISIN: XS1821827372) (the **RC1 Residual Certificates**)

RC2 Residual Certificates
(ISIN: XS1821827703) (the **RC2 Residual Certificates**, and together with the RC1 Residual Certificates, the **Residual Certificates**)

Terms used, but not defined, in this Notice have the meaning given to them in the master definitions and construction schedule signed for the purpose of identification on 8 June 2018 by, *inter alia*, the Issuer and U.S. Bank Trustees Limited as note trustee and security trustee (the **Master Definitions and Construction Schedule**).

NOTICE IS HEREBY GIVEN to the Noteholders and the Certificateholders that the Issuer provided notice to the holders of the Class A Notes in the form set out at Schedule 1 (*Notice to Class A Noteholders*) on the same date as this notice (the **Notice to Class A Noteholders**).

The Issuer intends to amend the Agency Agreement, the Cash Management Agreement, the Master Definitions and Construction Schedule, the Servicing Agreement, the Swap Agreement and the Trust Deed, including the Notes Conditions and the Residual Certificates Conditions set out therein (the **Amended Documents** and the changes set out therein relating to the amendments necessary or advisable to effect a Base Rate Modification and a Swap Rate Modification being the **Proposed Amendments**) in order to facilitate a Base Rate Modification and a Swap Rate Modification (as defined in the Notes Conditions) in each case pursuant to and in accordance with the provisions of Notes Conditions 13.6(f) and 13.6(g) (*Additional Right of Modification*) and Residual Certificates Conditions 12.6(f) and 12.6(g) (*Additional Right of Modification*).

Pursuant to Notes Condition 13.6 and Residual Certificates Condition 12.6, the Issuer may make, and the Note Trustee or, as the case may be, the Security Trustee, shall be obliged without the consent or sanction of the Noteholders or the Certificateholders, to concur in making, any modifications (other than a Basic Terms Modification) to the Notes Conditions, the Residual Certificates Conditions, the

Trust Deed and/or any other Transaction Document in order to change the base rate that then applies in respect of the Notes and the Swap Agreement *provided that*:

- (a) if Class A Noteholders representing at least 10 per cent. of the Principal Amount Outstanding of the Class A Notes (being the Most Senior Class) then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within 30 days of the date of this Notice that such Class A Noteholders do not consent to the Base Rate Modification, the Swap Rate Modification and the Proposed Amendments, then such modifications will not be made; and
- (b) all other conditions set out in Notes Conditions 13.6(f) and 13.6(g) and Residual Certificates Conditions 12.6(f) and 12.6(g) have been satisfied.

Pursuant to the Notice to Class A Noteholders, any Class A Noteholders who wish to notify the Issuer that they object to the Base Rate Modification, the Swap Rate Modification or the Proposed Amendments must do so by 4pm (London time) on 28 June 2021 (the **Deadline**). Additional notifications will be made to Noteholders and Certificateholders in accordance with Notes Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*) as soon as reasonably practicable following:

- (a) the Deadline, notifying Noteholders and Certificateholders of the voting results, the adjustments to the Relevant Margins and the Relevant Step-Up Margins (each as defined in the Notice to Class A Noteholders); and
- (b) the entry into of the Amended Documents.

On entry into the Amended Documents by the relevant parties, the Proposed Amendments will become binding on all parties and the change to the base rate that applies to the Notes and in respect of the Swap Agreement will take effect on the Interest Payment Date falling in March 2022 (the **Effective Date**). For the avoidance of doubt, the base rate applicable to the Notes and the Swap Agreement up to but excluding the Effective Date will continue to be 3 month GBP LIBOR.

Noteholders and/or Certificateholders with queries concerning the content of this Notice are kindly requested to contact Lloyds Bank Corporate Markets plc in its capacity as the solicitation agent (the **Solicitation Agent**) or i2 Capital Markets Ltd as tabulation agent (the **Tabulation Agent**) using the details set out below.

Contact Details:

Solicitation Agent:

LLOYDS BANK CORPORATE MARKETS PLC
10 Gresham Street
London
EC2V 7AE

Tel: + 44 (0) 20 7158 1719/2720
Email: liability.management@lloydsbanking.com
Attention: Liability Management Team

Tabulation Agent:

I2 CAPITAL MARKETS LIMITED

Kemp House
160 City Road
London
EC1V 2NX

Tel: + 44 (0) 20 3633 1212

Email: info@i2capmark.com

Attention: Directors

Transaction Website: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>

Issuer:

CHARTER MORTGAGE FUNDING 2018-1 PLC

1 Bartholomew Lane
London
EC2N 2AX

This Notice is given by

CHARTER MORTGAGE FUNDING 2018-1 PLC
as **Issuer**

Dated 27 May 2021

Schedule 1

Notice to Class A Noteholders

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO, OR TO ANY PERSON LOCATED OR RESIDENT IN, ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO RELEASE, PUBLISH OR DISTRIBUTE THIS DOCUMENT.

THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE CLASS A NOTES (AS DEFINED BELOW). IF APPLICABLE, ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.

If Class A Noteholders are in any doubt as to the action they should take, they are recommended to seek their own financial and legal advice, including in respect of any tax consequences, immediately from their stockbroker, bank manager, solicitor, accountant or other financial, tax or legal adviser authorised under the Financial Services and Markets Act 2000 (if they are in the United Kingdom), or from another appropriately authorised independent financial adviser and such other professional advice from their own professional advisors as they deem necessary.

This Notice is addressed only to holders of the Class A Notes and persons to whom it may otherwise be lawful to distribute it (relevant persons). It is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Notice relates is available only to relevant persons and will be engaged in only with relevant persons.

If you have recently sold or otherwise transferred your entire holding(s) of the Class A Notes referred to below, you should immediately forward this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTHING IN THIS NOTICE OR THE ELECTRONIC TRANSMISSION THEREOF CONSTITUTES OR FORMS PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER FOR SALE, EXCHANGE OR SUBSCRIPTION OF, OR A SOLICITATION OF ANY OFFER TO BUY, EXCHANGE OR SUBSCRIBE FOR, ANY SECURITIES OF THE ISSUER OR ANY OTHER ENTITY IN ANY JURISDICTION. THE FOLLOWING NOTICE AND ITS CONTENTS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE LAWS OF APPLICABLE JURISDICTIONS.

In accordance with normal practice, none of the Issuer, the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee, the Agents or their affiliates (or their respective directors, employees, officers, consultants or agents) expresses any view or opinion whatsoever as to the Proposed Amendments, the Amended Documents (each as defined below) or the information set out in this Notice; and none of the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee nor any of the Agents or their affiliates makes any representation or recommendation whatsoever as to any action to be taken or not taken by Class A Noteholders in relation to the Proposed Amendments, the Amended Documents or this Notice, or any document prepared in connection with any of them. Accordingly, the Issuer, the Solicitation Agent, the Note Trustee and the Security Trustee urge Class A Noteholders who are in doubt as to the impact of the implementation of the Proposed Amendments, the Amended Documents or this Notice or any document prepared in connection with any of them (including any tax or other consequences), to seek their own independent financial, tax and legal advice. None of the Issuer, the Tabulation Agent, the Note Trustee, the Security Trustee, the Solicitation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) has made, nor will they make, any assessment of the merits of the Proposed Amendments, the Amended Documents or this Notice or of the impact of the Proposed Amendments, the Amended Documents or this Notice on the interests of the Class A Noteholders either as a class or as individuals.

CHARTER MORTGAGE FUNDING 2018-1 PLC

(incorporated in England and Wales with limited liability, registered number 11329280)
1 Bartholomew Lane, London, EC2N 2AX
(as Issuer)

NOTICE OF BASE RATE MODIFICATION AND SWAP RATE MODIFICATION

to the holders of the presently outstanding

£261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055
(ISIN: XS1821502405) (of which £103,556,362 are outstanding) (the **Class A Notes**)

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CLASS A NOTEHOLDERS.

Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the Master Definitions and Construction Schedule (as defined below) or the documents specified in this Notice, as applicable.

NOTICE IS HEREBY GIVEN by the Issuer to the holders of the Class A Notes (the **Class A Noteholders**) in accordance with Notes Condition 16 (*Notice to Noteholders*) that the Issuer intends to amend the Notes, the Residual Certificates and the Swap Agreement on or around 30 June 2021, by amending the documents specified in this Notice in order to effect the Proposed Base Rate Modification and Proposed Swap Rate Modification (each as defined below).

BACKGROUND

1. We refer to the trust deed dated 8 June 2018 between the Issuer and U.S. Bank Trustees Limited as note trustee and security trustee (the **Trust Deed**), including the terms and conditions of the Notes set out at Schedule 2 thereto (the **Notes Conditions**), pursuant to which the Notes were constituted on the terms and subject to the conditions contained therein, to the swap agreement dated as of 8 June 2018 between the Issuer and the Swap Provider consisting of an ISDA Master Agreement together with a schedule thereto, a credit support annex and a confirmation documenting the Swap Transaction (the **Swap Agreement**) and to the master definitions and construction schedule dated 8 June 2018 signed for the purposes of identification by, *inter alia*, the Issuer and U.S. Bank Trustees Limited as note trustee and security trustee (the **Master Definitions and Construction Schedule**).
2. Pursuant to Notes Condition 13.6 (*Additional Right of Modification*), the Issuer may make, and the Note Trustee or, as the case may be, the Security Trustee, shall be obliged without any consent or sanction of the Noteholders or the Certificateholders, to concur in making, any modifications (other than a Basic Terms Modification) to the Notes Conditions, the Residual Certificates Conditions, the Trust Deed and/or any other Transaction Document in order to change the base rate that then applies in respect of the Notes and the Swap Agreement *provided that* such modification is undertaken due to the circumstances set out in Notes Conditions 13.6(f)(i) and 13.6(g), the Alternative Base Rate is a rate that satisfies Notes Condition 13.6(f)(ii), and the other procedural formalities of Notes Condition 13.6 have been met.
3. It is proposed by the Issuer that a Base Rate Modification be made to the Notes Conditions and certain Transaction Documents as a result of:
 - (a) a public statement by the Financial Conduct Authority (**FCA**) as supervisor of the administrator of LIBOR that LIBOR will be permanently or indefinitely discontinued; and

- (b) a public statement by the FCA as supervisor of the administrator of LIBOR that the use of LIBOR is subject to restrictions or adverse consequences,
- pursuant to limbs (C) and (E) of Notes Condition 13.6(f)(i).
4. On 5 March 2021, the UK Financial Conduct Authority (the **FCA**) announced that all London Inter Bank Offered Rate (**LIBOR**) settings currently published by ICE Benchmarks Administration (**IBA**), an authorised administrator, regulated and supervised by the FCA, will either cease to be provided by any administrator or no longer be representative of the underlying market and economic reality (and that representativeness will not be restored) immediately after (i) 31 December 2021, in the case of all sterling, euro, Japanese Yen and Swiss Franc, and certain U.S. dollar settings, or (ii) 30 June 2023, in the case of the remaining U.S. dollar settings. As a result regulators, including the FCA, have continued to urge market participants to take active steps to implement the transition to SONIA and other risk-free rates ahead of the applicable LIBOR cessation date. In this regard we refer to the following items which are available from the website of the FCA at www.fca.org.uk:
- (a) the statement of the FCA entitled "*Next steps for LIBOR transition in 2020: the time to act is now*" dated 16 January 2020;
- (b) the speech of Edwin Schooling Latter, Director Markets and Wholesale Policy at the FCA, on 14 July 2020 entitled "*LIBOR transition – the critical tasks ahead of us in the second half of 2020*"; and
- (b) the statement of the FCA entitled "*FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks*" dated 5 March 2021.

PROPOSED AMENDMENTS

5. The Issuer intends to amend (by amending and restating or supplementing such documents):
- (a) the Agency Agreement;
- (b) the Cash Management Agreement;
- (c) the Master Definitions and Construction Schedule;
- (d) the Servicing Agreement;
- (e) the Swap Agreement; and
- (f) the Trust Deed, including the Notes Conditions and Residual Certificates Conditions set out therein,
- (together, the **Amended Documents**) as prescribed below, to:
- (i) add references to "SONIA" where appropriate to take effect from the Interest Payment Date falling in March 2022;
- (ii) add interest rate calculation provisions of the Notes to refer to a "SONIA" based rate to take effect from the Interest Payment Date falling in March 2022;
- (iii) solely for the purpose of aligning the base rate of the Swap Agreement to the base rate of the Notes following such Base Rate Modification and solely as a consequence of such Base Rate Modification, change the base rate that then applies in respect of the Swap Agreement to a "SONIA" based rate with effect from the Interest Payment Date falling in March 2022

(together with any other changes necessary or advisable to facilitate such change, the **Proposed Swap Rate Modification**); and

- (iv) other changes necessary or advisable to facilitate the changes in (i) to (ii) above (including to effect an amendment to the Relevant Margin and Relevant Step-Up Margin as more fully described below) (together with the changes referred to in (i) and (ii) above, the **Proposed Base Rate Modification**).

The Amended Documents in blackline format can be viewed at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>. The changes set out therein implementing the Proposed Swap Rate Modification and the Proposed Base Rate Modification are the **Proposed Amendments**.

6. In addition to the Proposed Amendments, the Issuer has requested that the Note Trustee and the Security Trustee consent to additional amendments being made to the Amended Documents which, for the avoidance of doubt, fall outside of the scope of the Proposed Base Rate Modification and the Proposed Swap Rate Modification. These additional amendments consist of (i) the references to EONIA in the Swap Credit Support Annex relating to the interest rate applied to any Euro collateral posted under the Swap Credit Support Annex being amended to €STR *plus* 0.085%; (ii) correcting certain cross-referencing errors; and (iii) including Bail-In language in the Agency Agreement and Cash Management Agreement. These amendments are not "Proposed Amendments" for the purposes of this Notice but are included for reference in the Amended Documents in blackline format which can be viewed at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.
7. Pursuant to limbs (C) and (E) of Notes Condition 13.6(f)(i), the Proposed Base Rate Modification is being undertaken due to the public statement by FCA as supervisor of the administrator of LIBOR that the use of LIBOR will be permanently or indefinitely discontinued and that the use of LIBOR is subject to restrictions or adverse consequences. The Alternative Base Rate is a function of the Sterling Over Night Index Average, which therefore satisfies limb (B) of Notes Condition 13.6(f)(ii).
8. If the Proposed Amendments are passed in accordance with this Notice, the Issuer and the Servicer will certify to the Note Trustee and the Security Trustee in writing that the requirements of Notes Conditions 13.6(f) and 13.6(g) have been met and the Note Trustee and the Security Trustee will enter into such Amended Documents in reliance on such Base Rate Modification Certificate (which shall also contain the relevant certifications to satisfy the requirements of the Swap Modification Certificate in accordance with Notes Condition 13.6(g)).
9. In connection with the Proposed Base Rate Modification, prior to the first Interest Payment Date on which such modification is effective, an adjustment to each of the Relevant Margin and the Relevant Step-Up Margin on the Notes will be calculated to reflect the spread differential between LIBOR and SONIA. The intended method of calculation is set out in Appendix 1 (*Spread Adjustment Determination for the Notes*) hereto (the **Spread Adjustment Determination**).
10. The Issuer has given written notice to the Rating Agencies of the Proposed Amendments and, as at the date of this Notice, none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent). The Residual Certificates are not rated.
11. Pursuant to Notes Condition 13.6 and Residual Certificate Condition 12.6 (*Additional Right of Modification*), the Note Trustee and the Security Trustee are required to concur with the Issuer in

making the Proposed Base Rate Modification and the resulting Proposed Swap Rate Modification and the Proposed Amendments if:

- (a) the Issuer has certified in writing to the Note Trustee and the Security Trustee that it has not been notified that Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes (being the Class A Notes) then outstanding do not consent to the Proposed Amendments within 30 calendar days of the date of this Notice; and
 - (b) all other conditions set out in Notes Conditions 13.6(f) and 13.6(g) and Residual Certificates Conditions 12.6(f) and 12.6(g) have been satisfied.
12. Pursuant to Notes Condition 13.6, when implementing any Base Rate Modification and Swap Rate Modification pursuant to Notes Conditions 13.6(f) and 13.6(g), neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.
13. Copies of this Notice, the Trust Deed, drafts of the Amended Documents and related documents may be inspected in electronic form at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.

PROCEDURE FOR OBJECTION TO THE PROPOSED AMENDMENTS

14. Class A Noteholders who wish to notify the Issuer that they object to the Proposed Amendments must do so by submitting an electronic voting instruction in accordance with the procedures set out in this Notice by 4pm (London time) on 28 June 2021 (the **Deadline**). No physical or virtual meetings of Class A Noteholders will be held.
15. **NO ACTION IS REQUIRED TO BE TAKEN BY ANY CLASS A NOTEHOLDER WHO DOES NOT WISH TO OBJECT TO THE PROPOSED AMENDMENTS.**
16. Each Class A Noteholder that wishes to vote to object to the Proposed Amendments must ensure that:
- (a) it gives electronic voting instructions to the relevant clearing system (in accordance with that clearing system's procedures):
 - (i) TO REJECT the Proposed Amendments; and
 - (ii) specifying the full name of the direct participant submitting the voting instruction and the account number(s) for the party making the voting submission(s),such that the Tabulation Agent will receive that Class A Noteholder's voting instructions on or before the Deadline; and
 - (b) the relevant clearing system has received irrevocable instructions (with which they have complied) to block the Class A Notes held by such holder in the securities account to which they are credited with effect from and including the day on which the electronic voting instruction is delivered to the relevant clearing system so that no transfers may be effected in relation to the Class A Notes held by such holder at any time after such date until the Deadline. Votes will only apply to the Principal Amount Outstanding of Class A Notes then outstanding blocked in the relevant clearing system.

Class A Notes should be blocked in accordance with the procedures of the relevant clearing system and the deadlines required by the relevant clearing system. **Class A Noteholders should note that clearing system deadlines for the submission of voting instructions may be different to the Deadline set out herein, and as such Class A Noteholders who wish to object should check the relevant clearing system's procedures and deadlines ahead of the Deadline.**

17. Any beneficial owner of Class A Notes who is not a direct participant in the clearing systems must contact its broker, dealer, bank, custodian, trust company or other nominee to arrange for the accountholder in Euroclear or Clearstream, Luxembourg, as the case may be, through which it holds Class A Notes to deliver an electronic voting instruction in accordance with the requirements of the relevant clearing system and procure that the Class A Notes are blocked in accordance with the normal procedures of the relevant clearing system and the deadlines imposed by such clearing system.
18. Each Class A Noteholder that wishes to object to the Proposed Amendments should ensure that the relevant blocking instructions to the relevant clearing system can be allocated to the relevant electronic voting instruction. For the avoidance of doubt, each electronic voting instruction must have an individual matching blocking instruction.
19. By providing instructions as described above, each beneficial owner of the Class A Notes authorises the clearing systems at which their account is maintained to disclose to the Tabulation Agent, the Principal Paying Agent, the Note Trustee, the Security Trustee, the Solicitation Agent, the Issuer and the Servicer confirmation that they are the beneficial owner of such Notes and the Principal Amount Outstanding then outstanding of such Notes.
20. If "No" votes are received from Class A Noteholders equal to at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes (being the Class A Notes) then outstanding by the Deadline, the Issuer will not be entitled to enter into the Proposed Amendments. Following expiry of the Deadline, the Tabulation Agent will calculate the number of objection instructions received and notify each of the Issuer, the Servicer, the Note Trustee and the Security Trustee. If the 10% threshold is not reached, the Issuer, the Note Trustee, the Security Trustee and the other parties to the Amended Documents will enter into the Amended Documents on or around 30 June 2021 and Noteholders and Certificateholders will be bound by such Proposed Amendments.
21. On entry into the Amended Documents by the relevant parties, the Proposed Amendments will become binding on all parties and the change to the base rate that applies to the Notes and in respect of the Swap Agreement will take effect on the Interest Payment Date falling in March 2022 (the **Effective Date**). For the avoidance of doubt, the base rate applicable to the Notes and the Swap Agreement up to but excluding the Effective Date will continue to be 3 month GBP LIBOR.
22. Votes delivered in favour of the Proposed Amendments will not be counted.
23. Additional notifications will be made to Noteholders in accordance with Notes Condition 16 as soon as reasonably practicable following:
 - (a) the Deadline, notifying Noteholders of the voting results, the adjustments to the Relevant Margins and the Relevant Step-Up Margins; and
 - (b) the entry into of the Amended Documents.

ADDITIONAL INFORMATION AND DISCLAIMERS

24. Questions and requests for assistance in connection with (i) the Notice may be directed to the Solicitation Agent and (ii) the delivery of instructions for the Class A Notes may be directed to the Tabulation Agent, the contact details for which are set out below.

25. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) makes any representation that all relevant information has been disclosed to Class A Noteholders in or pursuant to this Notice or otherwise. Class A Noteholders should take their own independent legal, financial, tax or other advice on the merits and the consequences of voting to object to the Proposed Amendments, including any tax consequences, and on the impact of the implementation of the Proposed Amendments. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) is responsible for the accuracy, completeness, validity or correctness of the statements made in this Notice or omissions therefrom.
26. The delivery of this Notice shall not, under any circumstances, create any implication that the information contained in this Notice is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth in this Notice or in the affairs of the Issuer or that the information in this Notice has remained accurate and complete. None of the Solicitation Agent, the Tabulation Agent, the Note Trustee, the Security Trustee or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) accepts any responsibility for the information contained in this Notice.
27. None of the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) or any other party to the Amended Documents or any other person, except the Issuer, has independently verified, or assumes any responsibility for, the accuracy of the information and statements contained in this Notice.
28. No person has been authorised to make any recommendation on behalf of the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents) as to whether or how a Class A Noteholder should object in connection with the Proposed Amendments. No person has been authorised to give any information, or to make any representation in connection therewith, other than those contained herein. If made or given, such recommendation or any such information or representation must not be relied upon as having been authorised by the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent or the Agents (or their respective affiliates, directors, employees, officers, consultants or agents).
29. This Notice is issued and directed only to the Class A Noteholders and no other person shall, or is entitled to, rely or act on, or be able to rely or act on, its contents, and it should not be relied upon by any Noteholder for any purpose other than the Proposed Amendments. For the avoidance of doubt, any Class A Notes held by the Seller and any Affiliate of the Seller shall be deemed not to be outstanding.
30. The Issuer, the Servicer and the Solicitation Agent and their affiliates are entitled to have or hold positions in the Class A Notes either for their own account or for the account, directly or indirectly, of third parties and may make or continue to make a market in, or subject to the provisions of the Trust Deed, vote in respect of, or act as principal in any transactions in, or relating to, or otherwise act in relation to, the Class A Notes and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of the Notes. Each of the Issuer, the Servicer and the Solicitation Agent and their affiliates is entitled to continue to hold or dispose of, in any manner it may elect, the Class A Notes that it may hold as at the date of this Notice or, from such date, to acquire further Class A Notes, subject to applicable law and may or may not, subject to the provisions of the Trust Deed, submit or deliver valid instructions in respect of such Class A Notes. No such submission or non-submission by the Solicitation Agent, the Issuer, the Servicer or their affiliates should be taken by any Noteholder or any other person as any recommendation or otherwise by any of the Issuer, the Servicer,

the Solicitation Agent or their Affiliates, as the case may be, or any other person as to the merits of objecting or not objecting to the Proposed Amendments.

31. Each person receiving this Notice is deemed to acknowledge that such person has not relied on the Issuer, the Note Trustee, the Security Trustee, the Solicitation Agent, the Tabulation Agent, the Agents or any other party to the Transaction Documents in connection with its decision on how to vote in relation to any proposal set out herein. Each such person must make its own analysis and investigation regarding the Proposed Amendments and the Amended Documents and make its own voting decision, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such voting decision. If such person is in any doubt about any aspect of the Proposed Amendments and the Amended Documents and/or the action it should take, it should consult its professional advisers. Each such person should also carefully consider the risk factors set out in Appendix 2 (*Risk Factors*) hereto prior to making a voting decision.
32. Class A Noteholders with queries concerning the content of this Notice are kindly requested to contact Lloyds Bank Corporate Markets plc in its capacity as the solicitation agent (the **Solicitation Agent**) or i2 Capital Markets Ltd as tabulation agent (the **Tabulation Agent**) using the details set out below.

Contact Details:

| | |
|---------------------|---|
| Solicitation Agent: | LLOYDS BANK CORPORATE MARKETS PLC 10 Gresham Street London EC2V 7AE Tel: + 44 (0) 20 7158 1719/2720 Email: liability.management@lloydsbanking.com Attention: Liability Management Team |
| Tabulation Agent: | I2 CAPITAL MARKETS LIMITED Kemp House 160 City Road London EC1V 2NX Tel: + 44 (0) 20 3633 1212 Email: info@i2capmark.com Attention: Directors Transaction Website: https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc |
| Issuer: | CHARTER MORTGAGE FUNDING 2018-1 PLC 1 Bartholomew Lane London EC2N 2AX |

This Notice is given by

CHARTER MORTGAGE FUNDING 2018-1 PLC
as **Issuer**

Dated 27 May 2021

APPENDIX 1

SPREAD ADJUSTMENT DETERMINATION FOR THE NOTES

1. The Proposal

Conversion of the base rate for the £261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821502405) (the **Class A Notes**), £7,150,000 Class B Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821502744) (the **Class B Notes**), £7,150,000 Class C Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503049) (the **Class C Notes**), £7,150,000 Class D Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503478) (the **Class D Notes**), £2,860,000 Class E Mortgage Backed Floating Rate Notes due June 2055 (ISIN: XS1821503635) (the **Class E Notes**, and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the **Notes**) issued by Charter Mortgage Funding 2018-1 plc from LIBOR to SONIA, with a consequential adjustment to the Relevant Margin (as defined below) of each Class of Notes and the Relevant Step-Up Margin (as defined below) of each Class of Notes. Together, the Relevant Margin and the Relevant Step-Up Margin shall be collectively referred to herein as the **Applicable Margins**.

2. Rationale for the Proposal

Due to the differences in the nature of LIBOR and SONIA, the replacement of LIBOR as the base rate for the Notes will also require corresponding adjustments to the Applicable Margins. An adjustment (being the Adjustment Spread (as defined below)) will be added to the Applicable Margins when calculating the Rate of Interest, as such the Adjustment Spread will apply to both the applicable Relevant Margin (payable up to and including the Optional Redemption Date) and the applicable Relevant Step-Up Margin (payable after the Optional Redemption Date).

The pricing methodology proposed to determine the Adjustment Spread is based on the 5-year historical median lookback approach using principles outlined in the methodology for such adjustments contained in the ISDA IBOR Fallback Supplement (supplement number 70 to the 2006 ISDA Definitions (which can be found at <http://assets.isda.org/media/3062e7b4/23aa1658-pdf/>), which incorporates into the ISDA definitions new interbank offered rate fallbacks).

The date from which the proposed change in base rate is to occur will be the Interest Payment Date falling in March 2022 (the **Effective Date**), being the next Interest Payment Date occurring after 31 December 2021.

For the avoidance of doubt, the base rate applicable to the Notes up to but excluding the Effective Date will continue to be 3 month GBP LIBOR, as such the Adjustment Spread will not apply to the Applicable Margins payable on the Effective Date.

3. The Adjustment Spread

Using the principles outlined in the ISDA IBOR Fallback Supplement, the **Adjustment Spread** will be the rate specified on Bloomberg screen “SBP0003M Index”, or any successor page, as calculated by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time) (**Bloomberg**) in relation to 3-month Sterling LIBOR on the business day following the Deadline.

As at the date of this Notice to Class A Noteholders, and as a result of the Financial Conduct Authority’s announcement on 5 March 2021¹, the rate specified on Bloomberg screen “SBP0003M Index” in relation to 3-month Sterling LIBOR has been fixed at 0.1193 per cent., and such rate (subject

¹ <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

to any corrections or adjustments made to such rate by Bloomberg in accordance with its rule book) will be the Adjustment Spread.

4. The Adjusted Margins

The relevant Rate of Interest for each Class of the Notes to be effective on the Effective Date will be equal to Compounded Daily SONIA plus the Relevant Margin as adjusted as follows (each such adjusted Relevant Margin, an **Adjusted Margin**):

the sum of:

(A) the Relevant Margin; plus

(B) the Adjustment Spread,

where:

Relevant Margin means:

- (a) in respect of the Class A Notes, 0.47 per cent. per annum;
- (b) in respect of the Class B Notes, 0.90 per cent. per annum;
- (c) in respect of the Class C Notes, 1.20 per cent. per annum;
- (d) in respect of the Class D Notes, 1.50 per cent. per annum; and
- (e) in respect of the Class E Notes, 2.90 per cent. per annum.

5. The Adjusted Step-Up Margins

The relevant Rate of Interest payable on each Class of Notes from (and including) the Interest Payment Date falling in March 2023 (the **Step-Up Date**) will be equal to Compounded Daily SONIA plus the Relevant Step-Up Margin as adjusted as follows (each such adjusted Relevant Step-Up Margin, an **Adjusted Step-Up Margin**):

the sum of:

(a) the Relevant Step-Up Margin; plus

(b) the Adjustment Spread,

where:

Relevant Step-Up Margin means:

- (a) in respect of the Class A Notes, 0.705 per cent. per annum;
- (b) in respect of the Class B Notes, 1.35 per cent. per annum;
- (c) in respect of the Class C Notes, 1.80 per cent. per annum;
- (d) in respect of the Class D Notes, 2.25 per cent. per annum; and
- (e) in respect of the Class E Notes, 3.90 per cent. per annum.

The Adjustment Spread, the Adjusted Margins and the Adjusted Step-Up Margins will be announced to Noteholders and Certificateholders in accordance with Notes Condition 16 (*Notice to Noteholders*) and Residual Certificates Condition 15 (*Notice to Certificateholders*) on the business day following the Deadline.

The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in the Amended Documents available at the following link: <https://i2capmark.com/event-details/15/Holder/charter-mortgage-funding-2018-1-plc>.

APPENDIX 2

RISK FACTORS

Responsibility for complying with the procedures for submitting instructions in connection with the Proposed Amendments

Class A Noteholders are solely responsible for complying with all of the procedures for submitting instructions. None of the Issuer, the Solicitation Agent, the Agents, the Note Trustee, the Security Trustee or the Tabulation Agent assumes any responsibility for informing Class A Noteholders of irregularities with respect to instructions.

No assurance that the Proposed Base Rate Modification or the Proposed Swap Rate Modification will be implemented

Until the Proposed Base Rate Modification and Proposed Swap Rate Modification are implemented by executing the Amended Documents and any other requirements of Notes Condition 13.6 and Residual Certificates Condition 12.6 are met, no assurance can be given that either the Proposed Base Rate Modification or Proposed Swap Rate Modification will be implemented.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates for Floating Rate Notes

If the Proposed Base Rate Modification is implemented, from and including the Effective Date, the Rate of Interest for the Notes will be determined on the basis of Compounded Daily SONIA (as set out in the Spread Adjustment Determination for the Notes). Compounded Daily SONIA differs from LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for the Notes. The use of Compounded Daily SONIA as a reference rate for Eurobonds is relatively recent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing Compounded Daily SONIA.

Accordingly, Noteholders should be aware that the market continues to develop in relation to the SONIA as a reference rate in the capital markets and its adoption as an alternative to sterling LIBOR. The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Notes Conditions and used in relation to the Notes that reference a SONIA rate. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant observation period and immediately prior to the relevant Interest Payment Date.

It may be difficult for investors in Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Investors should carefully consider how any mismatch between the adoption of SONIA in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes. Investors should also carefully consider these matters when making their investment decision with respect to any Notes.

SCHEDULE 2

To: **Charter Mortgage Funding 2018-1 PLC**
1 Bartholomew Lane
London
EC2N 2AX

28 June 2021

Capitalised terms used but not otherwise defined in this certificate shall have the meanings given to them in the initial notice to the Class A Noteholders dated 27 May 2021.

On 27 May 2021, Charter Mortgage Funding 2018-1 PLC (the **Issuer**) gave notice to the holders of the Class A Notes (the **Class A Noteholders**) notifying the Class A Noteholders that the Issuer intends to amend the Notes, the Residual Certificates and the Swap Agreement on or around 30 June 2021, by amending the documents specified in this Notice in order to effect the Proposed Base Rate Modification and Proposed Swap Rate Modification.

Class A Noteholders who wished to notify the Issuer that they object to the Proposed Amendments had to do so by submitting an electronic voting instruction by 4pm (London time) on 28 June 2021.

We, i2 Capital Markets Ltd, as Tabulation Agent, received electronic voting instructions from Class A Noteholders to reject the Proposed Amendments in the principal amounts as follows:

| Description | ISIN | Current Principal Amount Outstanding | Principal Amount Instructed | % Instructed |
|---|--------------|--------------------------------------|-----------------------------|--------------|
| Class A Mortgage Backed Floating Rate Notes due June 2055 | XS1821502405 | £96,817,205 | £0 | %0 |

Our tabulation report as of 4pm (London time) on 28 June 2021 is enclosed.

Yours sincerely,



Mark Brescacin, Director
For and on behalf of
i2 Capital Markets Ltd
Tabulation Agent

Charter Mortgage Funding 2018-1 PLC
Precise Mortgage Funding 2018-1B PLC
Precise Mortgage Funding 2018-2B PLC



TABULATION REPORT
as of 4pm London time 28 June 2021

| OBJECTIONS | | | | | |
|--|--------------------------------------|--------------|-----------------------------|-------|---------------|
| Description | Current Principal Amount Outstanding | ISIN | Principal Amount Instructed | Count | % Outstanding |
| £261,690,000 Class A Mortgage Backed Floating Rate Notes due June 2055 | £96,817,205 | XS1821502405 | £0 | 0 | 0.00% |
| £222,740,000 Class A Mortgage Backed Floating Rate Notes due December 2054 | £103,230,975 | XS1739590955 | £0 | 0 | 0.00% |
| £338,900,000 Class A Mortgage Backed Floating Rate Notes due March 2055 | £163,518,690 | XS1783215871 | £0 | 0 | 0.00% |


f2 CAPITAL MARKETS
Commercial . **Expeditious** . **Responsive** .

[illegible]


Yours faithfully,

Signed for and on behalf of **CHARTER MORTGAGE FUNDING 2018-1 PLC** as Issuer

acting by two directors:

DocuSigned by:

.....2246A3983D24488.....

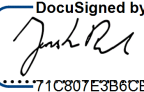
Director

DocuSigned by:

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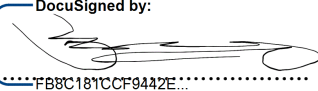
Director

Signed for and on behalf of **CHARTER MORTGAGES LIMITED** as Servicer

acting by two directors:

DocuSigned by:

.....71C807E3B6CB400.....

Director

DocuSigned by:

.....FB8C181CCF9442E.....

Director