KPMG

Financial Services Market activity

Quarterly Update

—

2Q24

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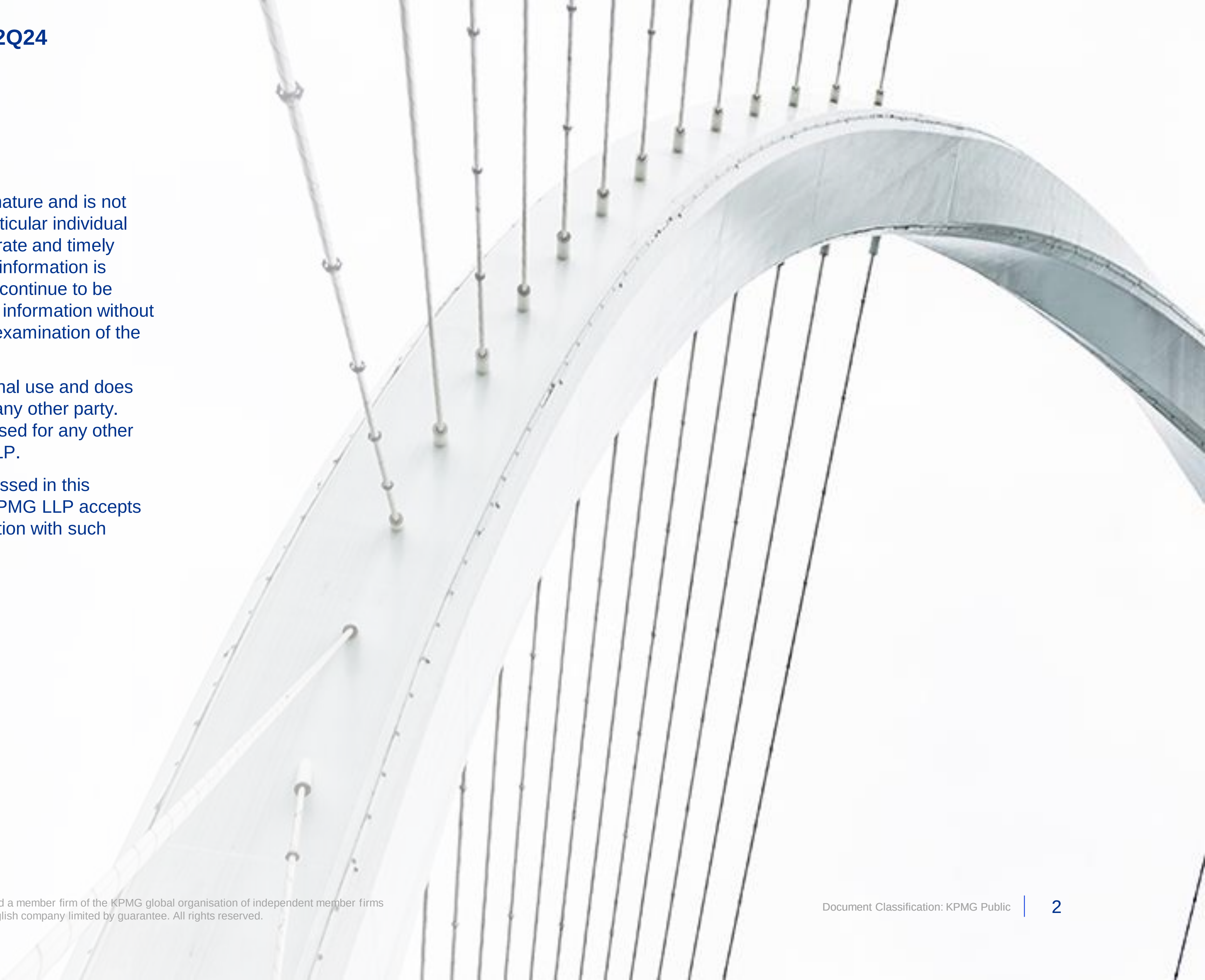

KPMG Financial Services Group

Banking and Technology

Sector specialisations

- Banks
- Challenger banks
- Non-bank lenders
- Asset portfolios
- Market infrastructure
- Fintech
- Payments

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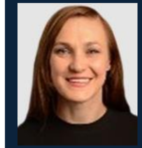

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Executive summary

KPMG acts as lead advisor on Coventry Building Society acquisition of Co-Op Bank

Non-bank private financing picks up noticeably in 2Q24

Resi mortgage advances down by over £1bn

Fixed rate mortgage lending increases

The Sonia curve consistently falls, but then widens again at the long end

UK economic growth has lagged EU peers

Unsecured lending to individuals is up

Credit demand by UK companies has weakened

Insolvencies are concentrated in SME-heavy sectors

37 listed securitisation deals in 1H24

Average AAA spreads stayed flat

Payment arrears in RMBS deals are increasing

Fitch and S&P have stable securitisation outlooks due to rate moderation

Moody's has a deteriorating outlook due to fears of increasing arrears

01

Market activity

Recent M&A activity

Recent M&A	Deals		
Recent big deals	Coventry Building Society in exclusivity to acquire Co-Operative Bank (2024) *Deal value* £780m *P/B ratio* 0.6	Nationwide Building Society confirmed offer for Virgin Money (2024) *Deal value* £2.9bn *P/B ratio* 0.51	NatWest Group buyback of stake from UK Government (2024) *Deal value* £1.3bn *P/B ratio* 0.77
Supermarket exits	Barclays acquired Tesco's retail banking operations (2024) *Deal value* £600m *P/B ratio* 0.6	Sainsbury bank wind down (2024) with Co-Op buying mortgages (2023) and NatWest buying other portfolios (2024)	HSBC acquired M&S banking operations
Sale of Non Bank Mortgage Specialists	Barclays acquired Kensington Mortgage Company (2023) *Deal value* £2.3bn *P/B ratio* 1.1	Elliott Advisors acquired Enra Specialist Finance (2022) *Deal value* £350m	Athene acquires Foundation Home loans (2021) *Deal value* ~£300m (£3bn mortgages)

Recent representative private debt transactions

4Q23

TAB.
Secured £300m private securitisation facility with NatWest and Atalaya Capital to support its lending products

Perenna
Raised $52m led by Silverstripe investment management

United Trust Bank
Secured a £100m facility with British Business Bank to support the provision of development finance for SMEs

Roma
Secured £120m facility with Cambridge Building Society

lendco
Signed a £250m warehouse funding line with Santander to scale its BTL book

HOPE CAPITAL
Secured a £25m committed funding from Shawbrook bank to support growth plans

1Q24

BLEND
Secured a £50m-plus institutional funding line to offer bridging to property developers

Charles Street Finance
Secured a £170m senior financing facility from Lloyds to support future growth of its residential and commercial lending portfolio

Foundation Home Loans
Secured a £1,250m syndicated warehouse facility from six lenders to enable it to continue offering its full core range of BTL and residential mortgages

offa Ethical Alternative Finance
Sharia-complaint bridging lender Offa has secured a £100m credit line from a fund managed by Gulf Islamic Investments (GII) Group to expand and diversify its bridging proposition

BLAZEHILL
Secured a fund finance facility from Hampshire Trust Bank to support growth and offer enhanced flexibility to UK mid-market businesses

praetura COMMERCIAL
Secured a £200m asset-based lending securitisation facility with Barclays to help more SMEs with their funding needs

2Q24

CATALYST
Secured a further £750m funding with an institutional-grade US credit platform to back its short-term bridging and refurbishment products

Ultimate Finance
Secured a £80m additional funding from Lloyds Bank to support the future growth of its invoice finance portfolio

MS Lending Group
Secured a £40m funding line extension with Pollen Street Capital to support growth plans

Perenna
Signed a £200m warehouse facility with ABN Amro to grow its mortgage book

Simply Asset Finance
Agreed a £120m loan facility with Bank of America to expand asset financing

iwoca
Secured a £270m funding, comprising £150m debt from Citibank and Insight Investment to back its growth in Germany and a further £120m from Barclays and Varde for the UK business

GB BANK
Secured a £85m additional funding from new investor Hera Holdings and existing shareholder Teeside Pension Fund to transform its operations

Propensio Finance
Signed a £100m RCF from NatWest to support its growth strategy and sustainability purpose

evolution money
Renewed and extended a £285m warehouse facility from Waterfall Asset Management to support growth plans

tabeo
Secured a £750m forward flow funding from Fortress to support its growth plans and the acquisition of new enterprise customers

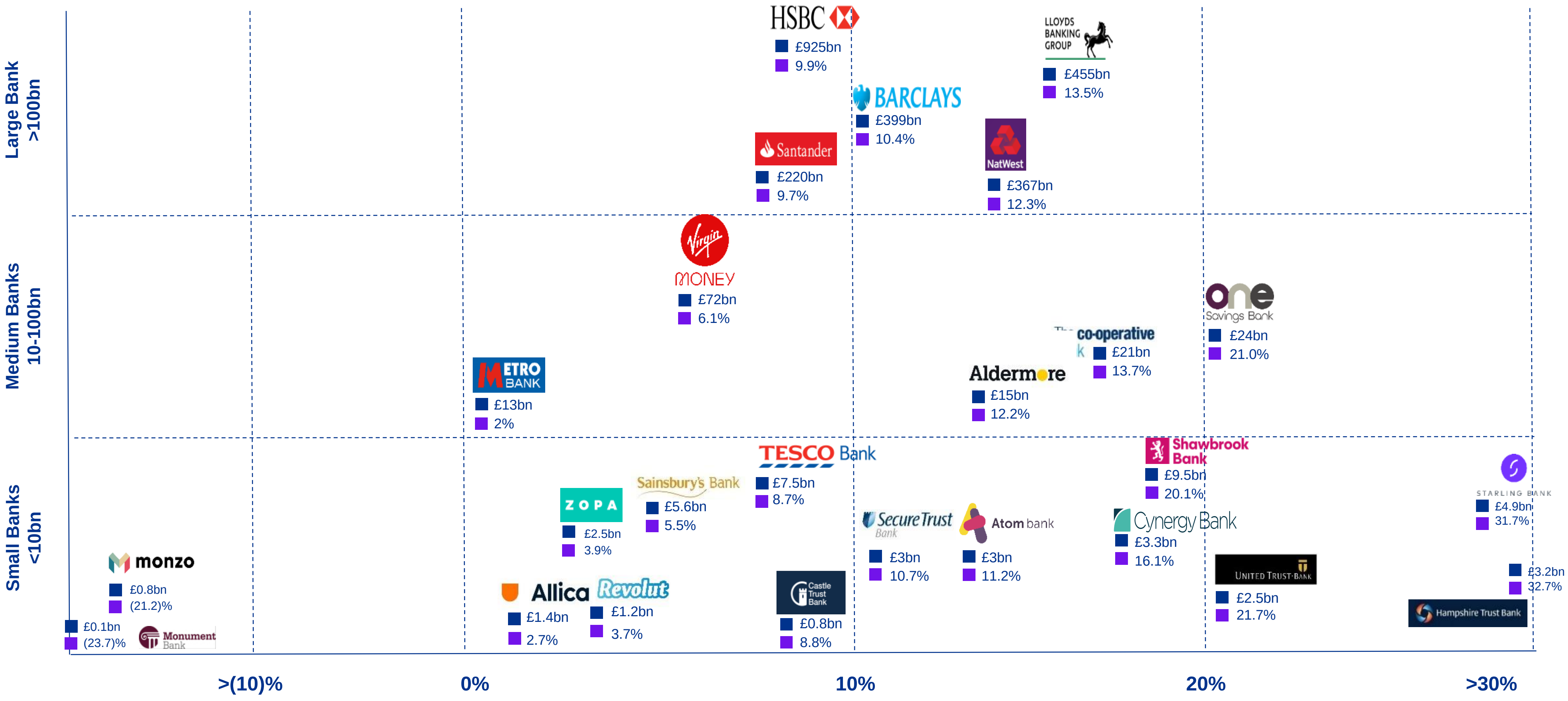
Source: KPMG

Recent product developments – Buy-to-let

Lender	Comment
Vida Homeloans	• Launched limited edition BTL products across individual units and HMO/MUB properties. The products offer a 75% LTV on a 5-year fix with a 6.00% lender fee. The individual BTL product has a rate of 4.84% with the HMO/MUB product at 5.04%. The products are suitable for both individual landlords and limited company special purpose vehicles
BM Solutions	• Reduced BTL and LTB products by up to 0.20%
Virgin Money	• Reduced select BTL purchase and remortgage rates. Exclusive fixed rates with a 3.00% lender fee now start from 4.05% and 1.00% lender fee now priced from 4.67%. Fixed rates with a £2,195 lender fee begin from 4.57%, while rates with a £995 lender fee start from 4.89% and its fee-saver fixed rates are now priced from 5.19%
Santander for Intermediaries	• Reduced selected BTL fixed rates by between 0.16% and 0.20%. 2-year fixed rate remortgage with a £1,749 lender fee at 60% LTV and 75% LTV is now priced at 4.82% and 4.96% respectively
The Mortgage Lender	• Introduced a BTL multi-loan product range. The range is available to existing BTL customers or customers who are submitting 2 or more applications at the same time
paragon	• Launched a new range of 5-year fixed rate products for portfolio BTL clients. These are available up to 75% LTV, starting from 5.09%, with various percentage product fee options available for purchase and remortgages, with a free mortgage valuation • Also launched a range of NRLA member shared exclusive products via 3mc/NRLA Mortgages without a lender application fee
United Trust Bank	• Expanded its offering to include new build properties in its BTL mortgage range, accepting off-plan purchases, with evidence of an appropriate new build warranty, subject to re-inspection before completion and a maximum 5.00% new build incentive, including builder's deposit. Also, repriced its range, with interest rates now starting from 4.84%
Birmingham Bank	• As part of the current product choice, all NRLA members will qualify for an additional £250 cashback at completion when using 3mc/NRLA Mortgages
Kensington	• Reduced BTL mortgage rates by 0.20%, including options for limited company borrowers, HMOs and MUBs • Reduced special BTL rates by up to 0.40%, starting at 4.15% for its 2-year fixed rate at 70% LTV, while at 75% LTV, pricing begins at 4.69%, both with 5% lender fee and free valuation
Fleet Mortgages	• Reduced rates on two of its 65% LTV standard and five-year fixed rates products by 0.20%. Also launched new limited company 65% LTV loans • Introduced a pair of 5-year limited company fixes including a zero-fee option, available at 5.64%, as well as a 5.44% product with a fixed fee of £1,999, available up to a maximum of £300,000
LANDBAY	• Reduced the stress testing requirement across it's like-for-like remortgage range, now testing at pay rate instead of pay rate + 2%. Lowered stress testing is available to borrowers who are not changing their current borrowing amount and need 2-year fixed rate products. Also added to its like-for-like remortgage products with a range of new 2-year deals
Foundation Home Loans	• Reduced fees across a range of BTL products and launched a 'pound-for-pound' remortgage range to include new 2-year fixed-rate deals for borrowers who do not require any additional funds • Launched 2 and 5-year fixed-rate products for short-term let properties, available up to 75% LTV with rates starting at 6.79% and a lender fee of 1.25% • Launched 2-year fixed-rate holiday let product, available up to 70% LTV, with a 2.00% lender fee and a rate of 6.99%
Kent Reliance for Intermediaries	• Announced new BTL products and reduced rates. New products include reduced 75% LTV rates, lower LTV options for 55% and 65% LTV 5-year fixes and large MUFB products (up to 20 units as standard)

Source: NRLA (National Residential Landlords Association)

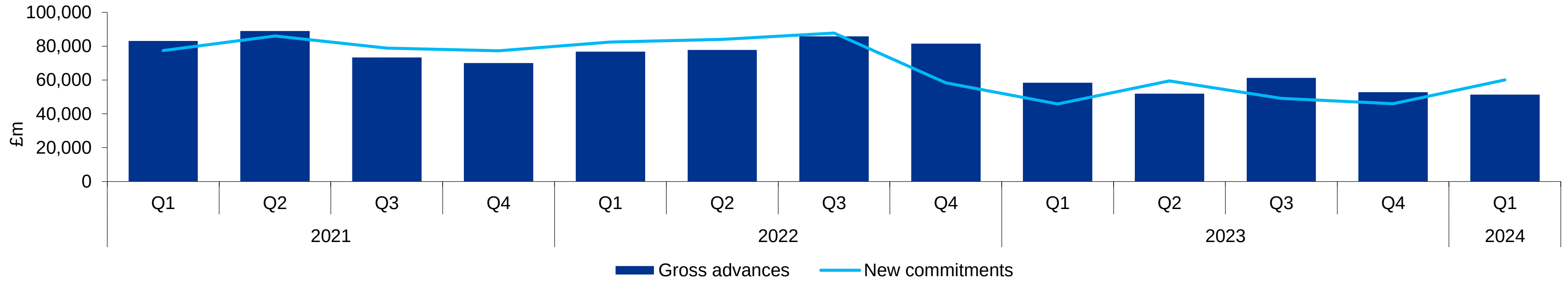
Banking benchmarks – RoE relative to book size



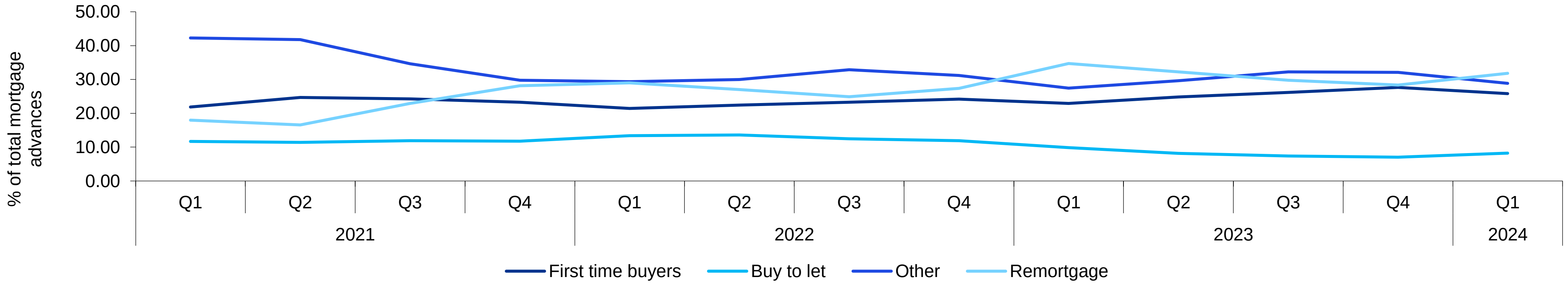
Source: KPMG analysis

Residential loan market – volume

The value of gross mortgage advances in 1Q24 was £51.6 billion, £1.2 billion lower than the previous quarter and 12.0% lower than in 1Q23



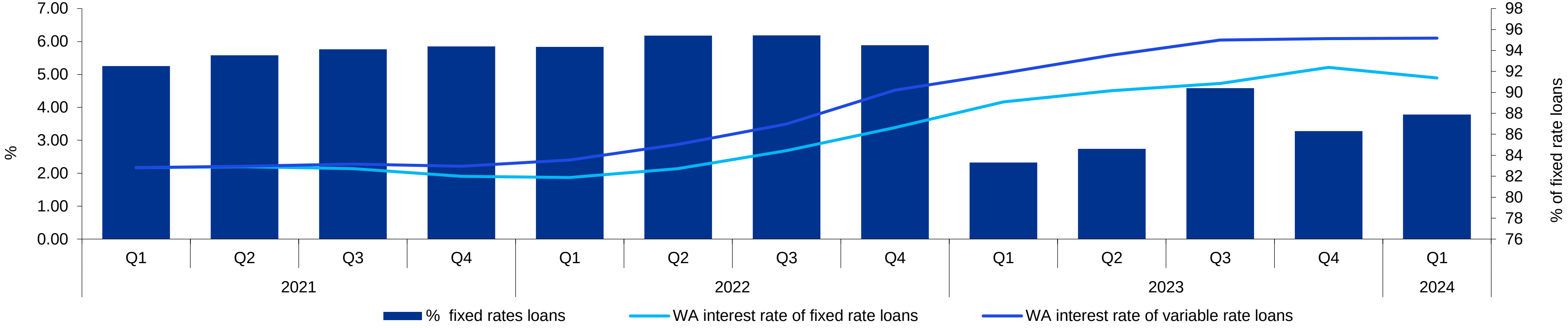
Moving into 1Q24, remortgaging activity witnessed a slight uptick compared to last two quarters, BTL comprised 8.3% of mortgage advances, remortgages 31.8% and first time buyers comprised 25.8%



Source: Bank of England

Residential loan market – rates

Fixed rate lending has been limited since the start of 2023 with borrowers reluctant to lock-in high rates. There was a slight increase in fixed lending 1Q24 driven by decline in the cost of mortgage debt



The UK housing market performed more strongly against expectations this year, with average values increasing by 1.1%. Outlook for 2024 has improved and prices are expected to rise by 2.5% this year while remaining sensitive to short-term fluctuations in the cost of debt and political uncertainty

Year	UK average house price change	London average house price change	Prime London rental value change
2024	2.5%	2.0%	2.0%
2025	3.5%	2.0%	1.5%
2026	4.5%	2.5%	1.5%
2027	5.0%	3.5%	1.0%
2028	4.5%	3.0%	1.0%

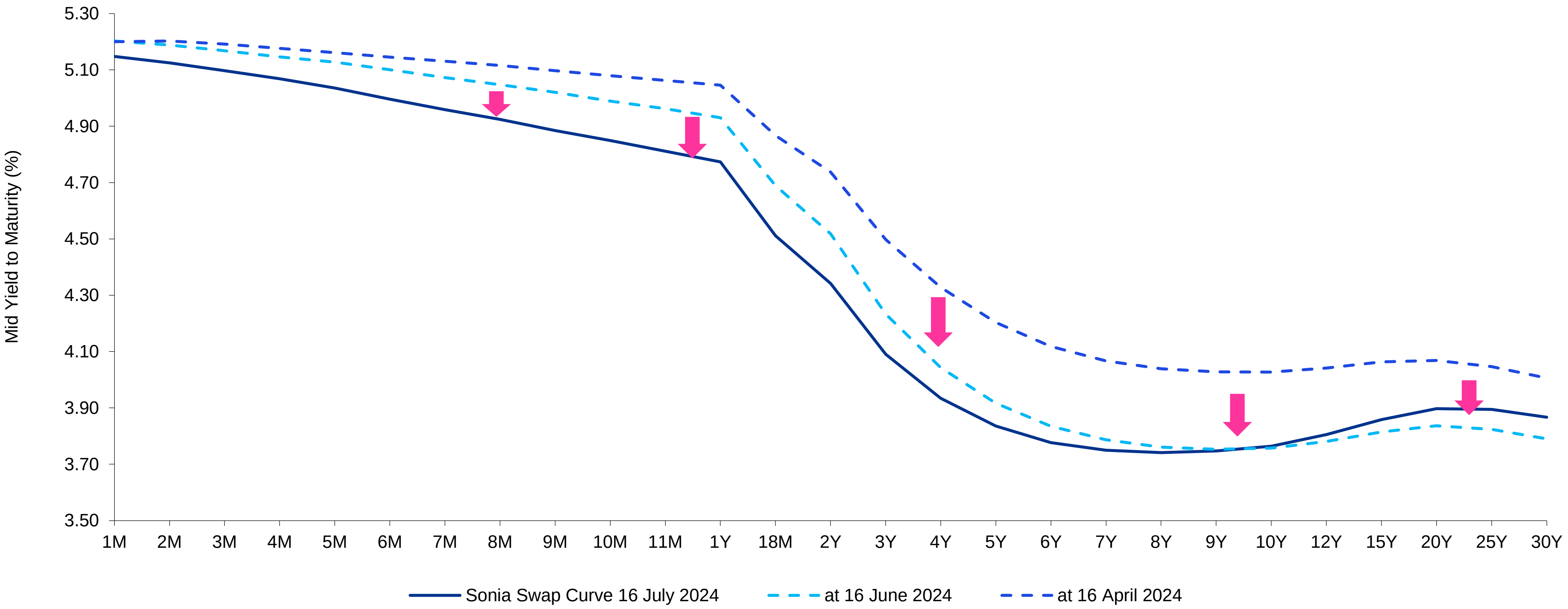
Source: Savills, Bank of England

02

Economy

Sonia swap rates

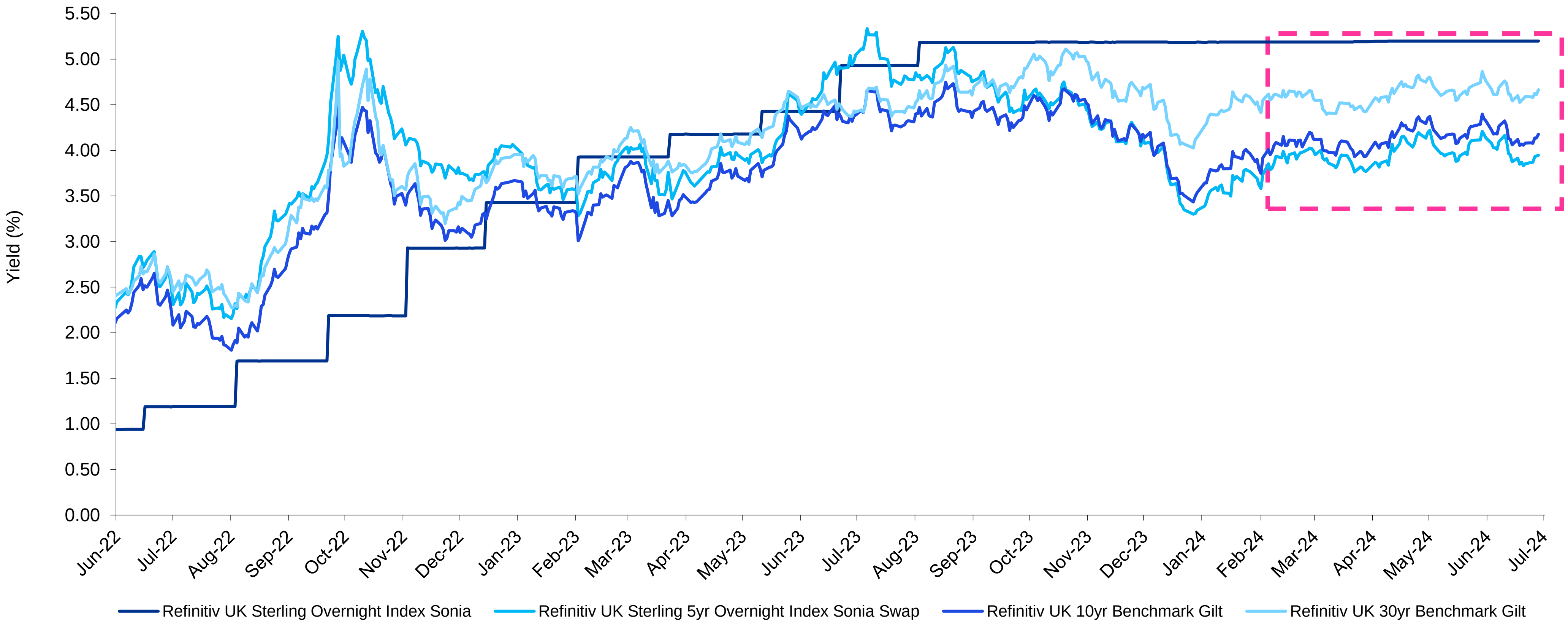
Sonia forward curve has tightened across the curve due to expectations of upcoming cuts in BoE base rate driven by slowdown in inflation



Source: Bloomberg

Benchmark rates

UK inflation drops to BoE's 2.0% target for first time in nearly three years in May 2024. Since the 1Q24, Swap and gilt rates rose through June 2024, but stayed well under the current cost of borrowing



Source: Refinitiv

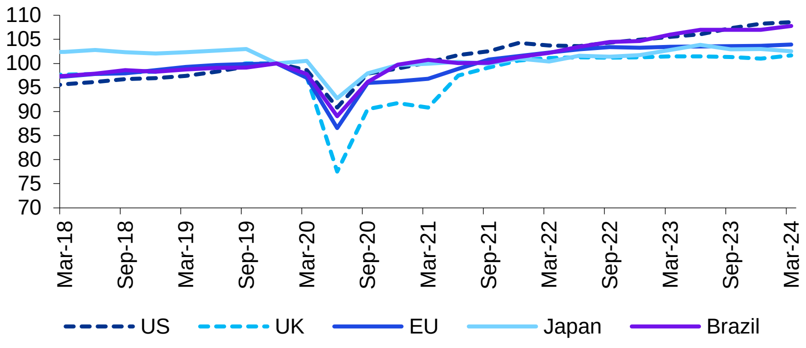
UK growth – lagging peers

Economic growth

Economic recovery has been slow in most countries amid the high interest rate environment and geopolitical uncertainty.

US has outperformed expectations in the last year, UK lags behind most G7 peers due to lingering effect of high inflation and labour shortages.

GDP (index 2019Q4=100)



Source: Haver Analytics, KPMG Analysis

GDP forecasts (annual average, %)

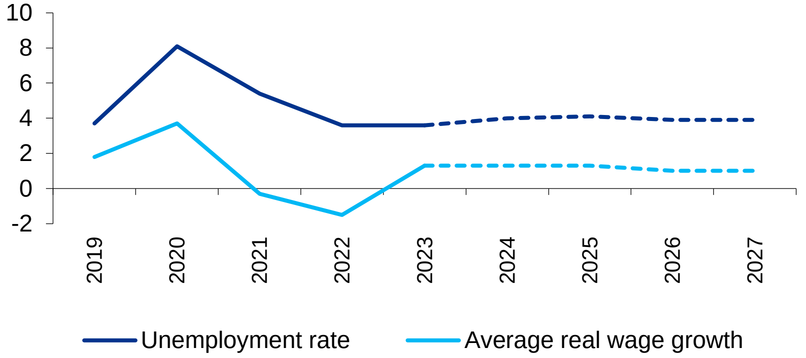
	US	UK	EU	JP	BR
2024	2.3	0.5	0.6	0.6	1.9
2025	1.7	1.3	1.4	1.1	2.0
2026	2.0	1.6	1.4	0.9	2.1
2027	2.0	1.6	1.4	0.8	2.1

Source: Consensus May 2024

Labour market

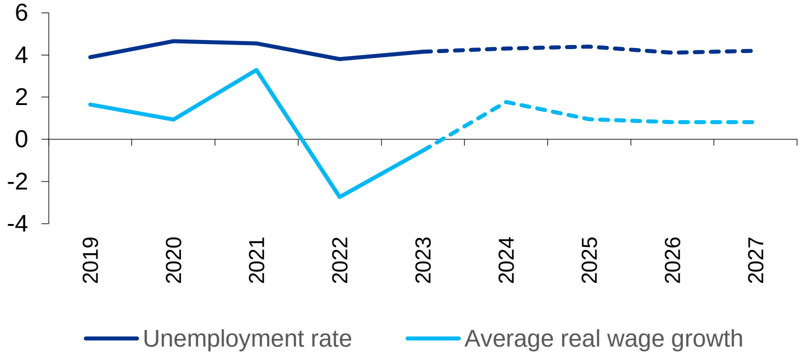
Despite cooling job growth in April, the labour market is expected to remain tight. Wage growth is anticipated to align with inflation, supporting household purchasing power.

US UER and wage growth (average, %)



Source: Consensus

UK UER and wage growth (average, %)



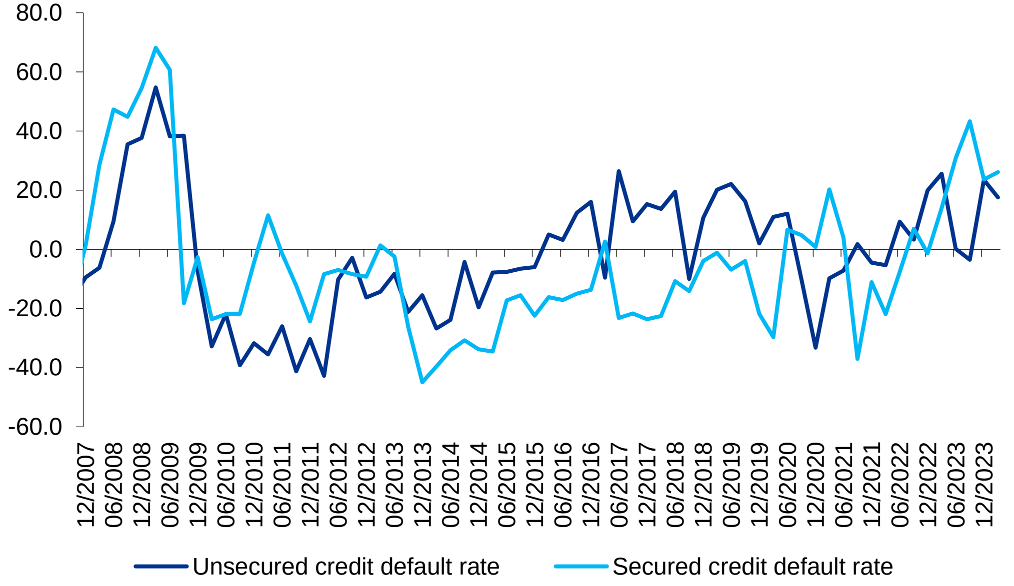
Lending to individuals

Overall lending has been impacted by the macroeconomic environment, with default rates trending upwards.

The growth in value of originated mortgages slowed down in 2023

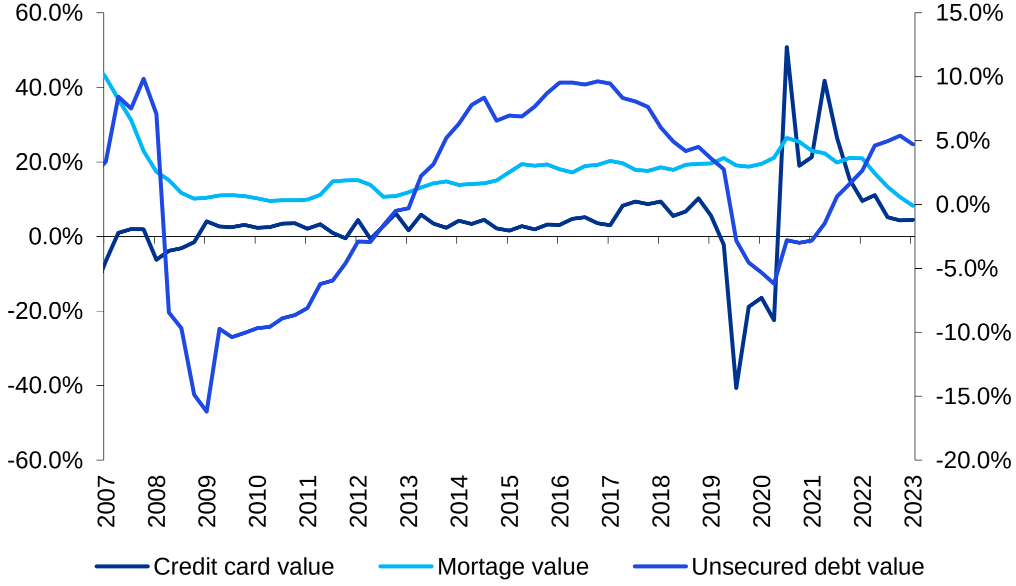
Credit cards saw a worsening performance in 2023 compared to 2022 with reduced growth in 2023. Overall, unsecured lending has grown by 4.9% in 2023 compared 0.89% in 2022.

Changes in UK household's default rates by credit type (%)



Source: BoE/Haver analytics

Lending to UK individuals (annual growth, %)



Source: Mortgage value – BoE/Haver analytics. Mortgage volume – BoE, Credit card volume and value – UK Finance/ Haver analytics, Unsecured lending – BoE/ Haver analytics

Access to finance for UK companies

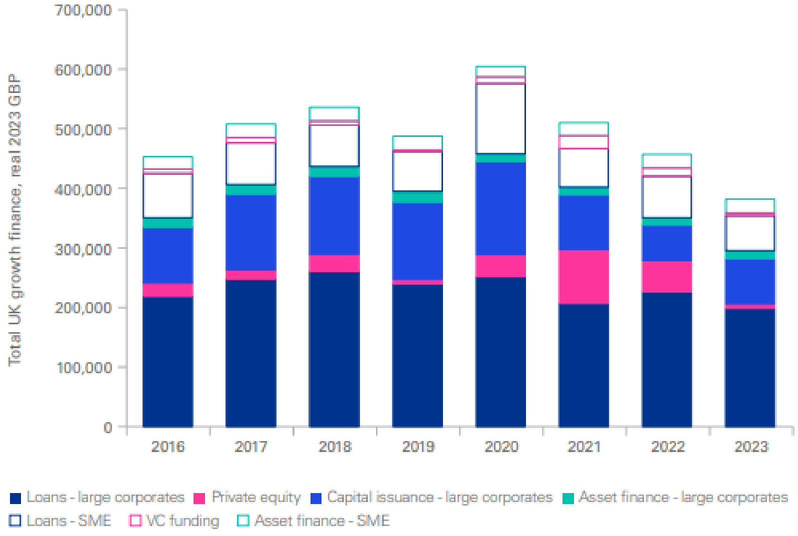
Credit demand has weakened given higher borrowing costs. In real terms, volume of growth finance which covers bank loans, corporate market issuance and private equity fell by 16.5% among UK firms between 2022 and 2023

According to BoE, significant amount of corporate debt due to be refinanced in 2024/25 across advances economies, increasing default and refinancing risk

SMEs struggle for survival, with the majority of start ups failing in the first 4 years. This lead to a higher risk profile and cost of debt

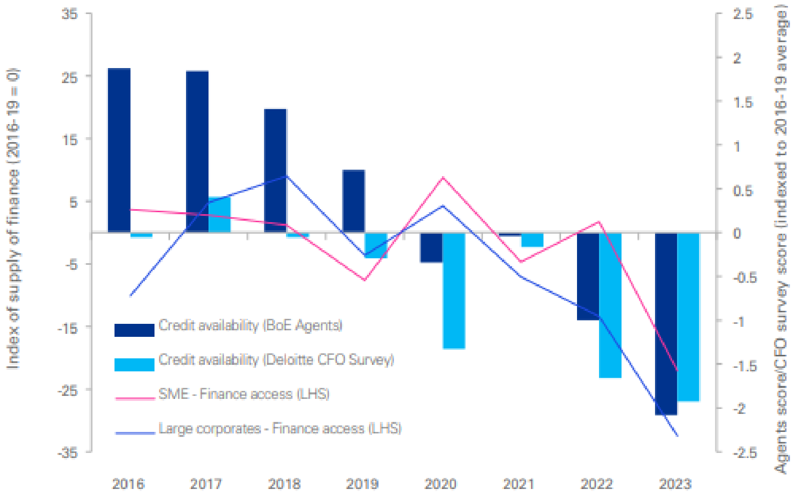
Overall 2024 is expected that businesses continue to face higher cost of borrowing and tight finance access. 2025 is expected to see stronger growth with improvements in access to finance

Credit demand has weakened due to higher rates



Source: BoE, UK Finance and Leasing Association, LSEG Eikon, ONS, KPMG Analysis

Decline in access to finance may pre-date the start of the recent hiking cycle

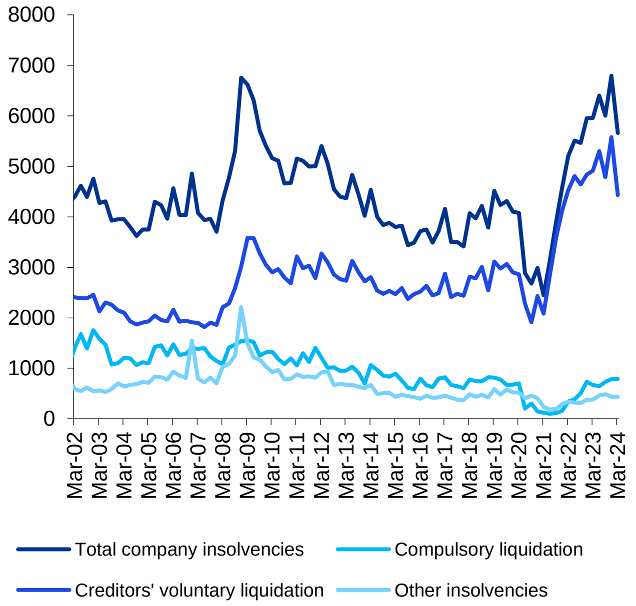


Source: BoE, UK Finance and Leasing Association, LSEG Eikon, ONS, Deloitte CFO survey, KPMG Analysis

Insolvency trends

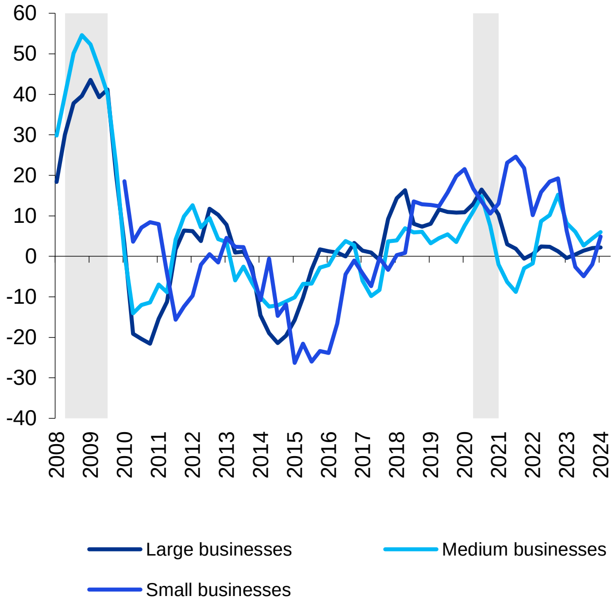
The increase in input and capital costs have driven the number of company insolvencies up to the same levels as the last financial crisis. Increase in total company insolvencies in 2023 over 2022 is 13.7%, however latest number shows they have started to come down. The higher financing costs for SME is one of the drivers of the rising growth of default rate for this segment

Company insolvencies



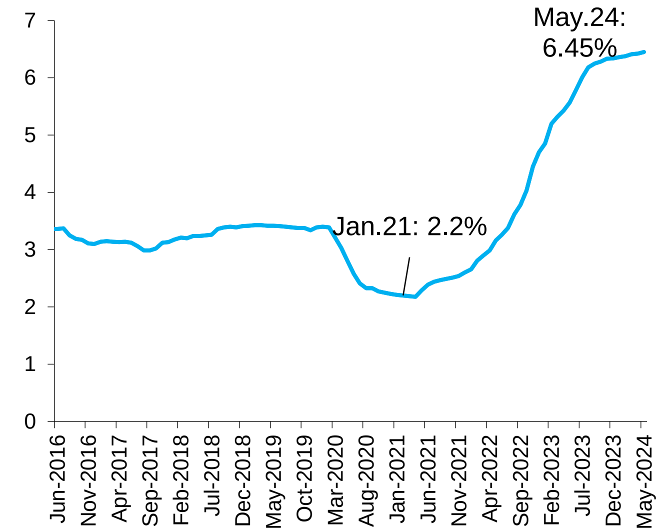
Source: The Insolvency Service, UK government KPMG Analysis

Change in corporate default rate by size of business (%)



Source: BoE/Haver Analytics

Effective interest rates on SMEs on the stock outstanding of loans

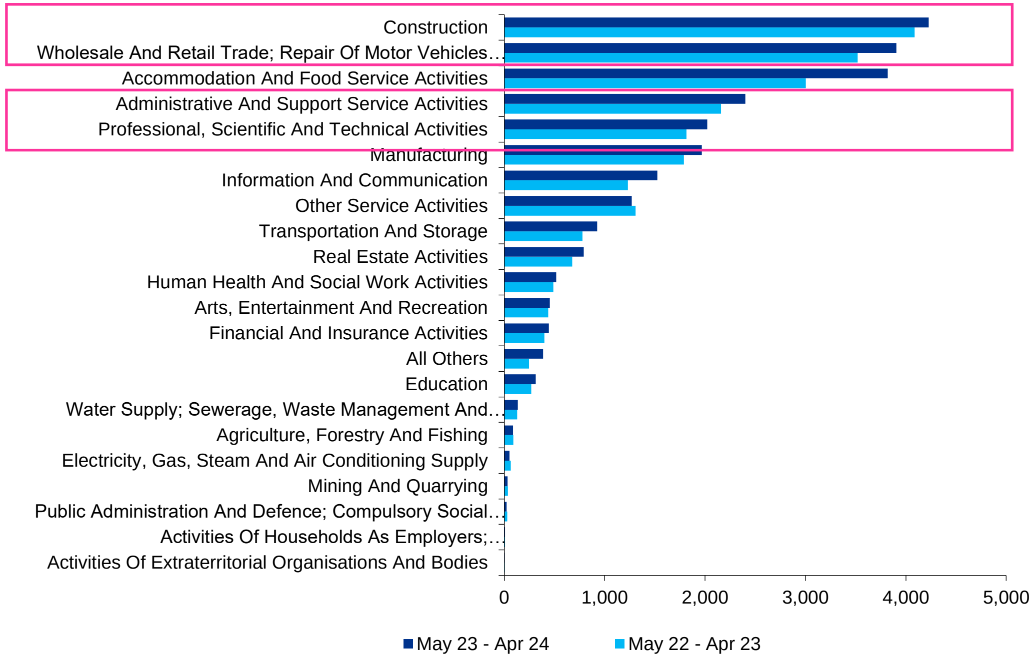


Source: BoE

Insolvencies by sector

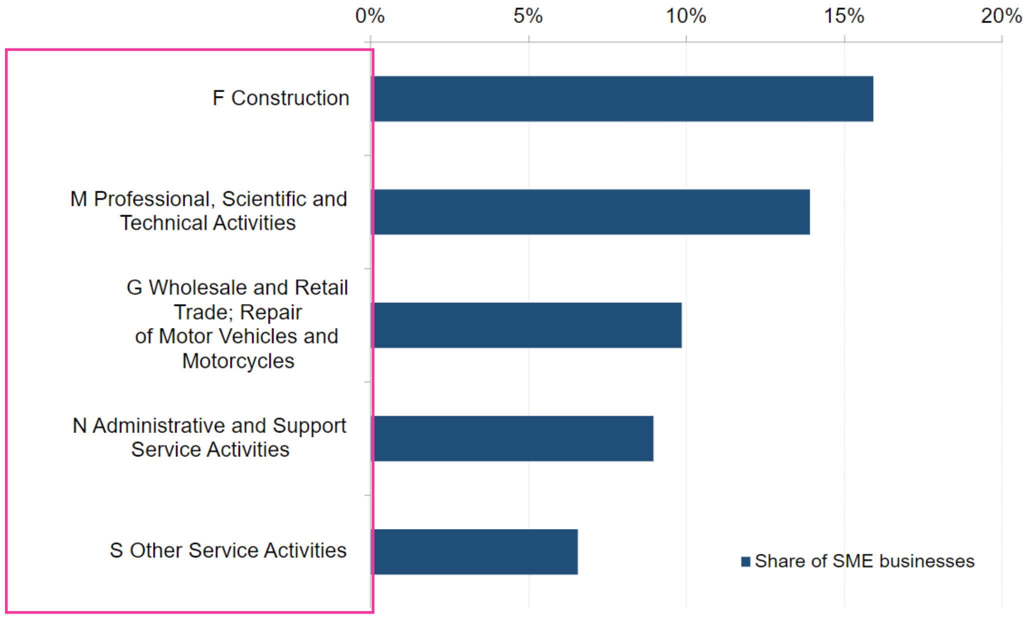
Increased costs driven by higher input prices and wages in the last two years have impacted more the construction, retail, and accommodation and food services. Construction has been severely impacted by higher raw building material costs and labour shortage. Retail has been additionally impacted from the slowdown in demand from households income squeeze. These are also sectors with relatively higher proportion of SMEs

Company insolvencies by sector



Source: The Insolvency Service, UK government KPMG Analysis

Industrial sectors with most SMEs, as percentage of total SME numbers in 2023



Source: UK Department of Business and trade

The current state of the Buy-to-Let market

The quality of new BTL lending has been strong since 2015

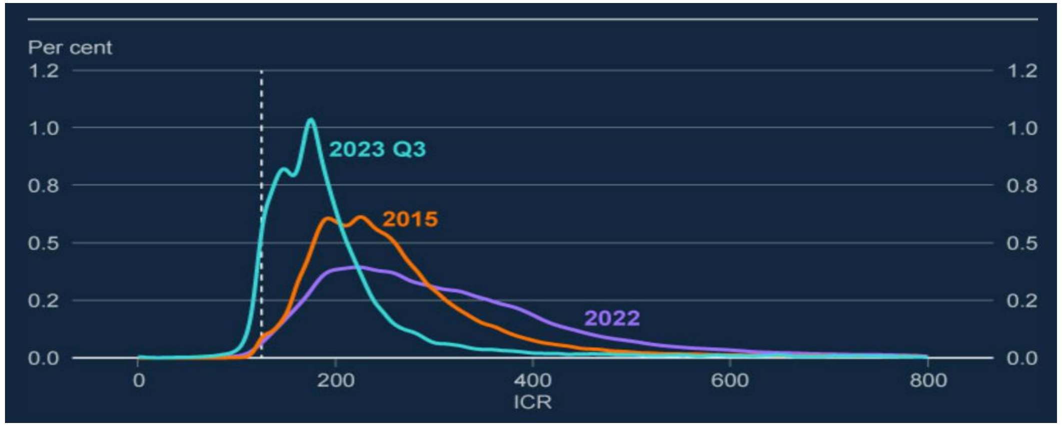
- **Higher ICR**: At 300% in 2022 up from 245% in 2015
- **Lower LTV**: the majority of all new loans have LTV ratios below 75%. If prices fell by around 20%, only around 1% of mortgages would go into negative equity. If prices were to fall by around 30%, as modelled in the ACS, the number of loans falling into negative equity would increase to around 16%
- **Low Arrears**: In Q3 2023, the three-month BTL arrears rate was 0.6%, up from 0.5% in Q2. The equivalent owner-occupier rate was 0.9%, up from 0.8% in Q2

But given the majority (82%) of BTL loans are on interest only terms, rather than repaying the principal, the LTVs on BTL loans fall more slowly over time, driven foremost by rising property prices

Key risks:

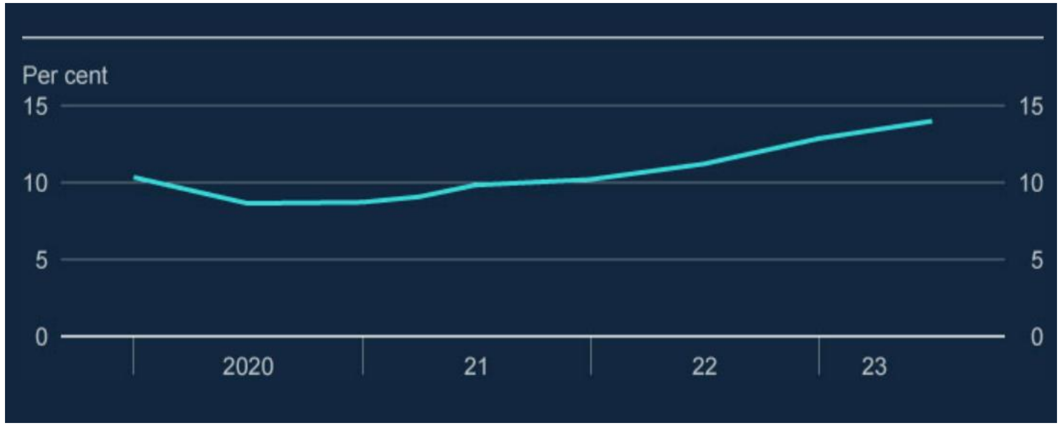
- **Affordability risks for renters**: Renting households tend to have lower income than average households and spend significant part of it on rent
- **Rise in rental arrears**: Share of private renters who have been in any rental arrears at some point in the past 12 months has increased steadily since 2020 from 10% to 14%
- **Pressure on BTL margins** : Some BTL landlords are operating on thin margins. The gross rental yield on BTL investments has averaged around 6% since 2014. But net rental yields (which account for property running costs and mortgage costs) on an average BTL have decreased significantly since mid-2022 to 3.5% in Q2 2022 and then further to 2.5%
- **Regulatory risks**: Stamp duty (2015), Capital gain exemption (2022), Basel 3.1 Risk Weightings (2025)

Distribution of ICRs on flow of new BTL mortgages (%)



Source: FCA Product Sales Data, BoE

Share of private renters reporting having been in arrears in the past 12 months



Source: NMG survey 2023 H2, BoE

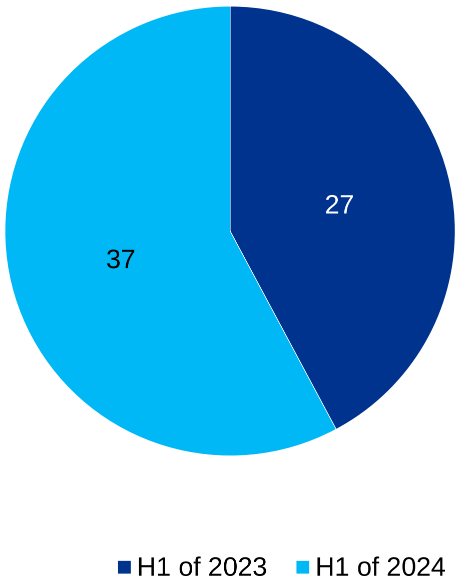
03

Securitisation

Public market issuance

Listed securitisation deal volumes remained strong in H1 of 2024 with overall issuance of 37 vs 27 in H1 of 2023, with highest activity in May

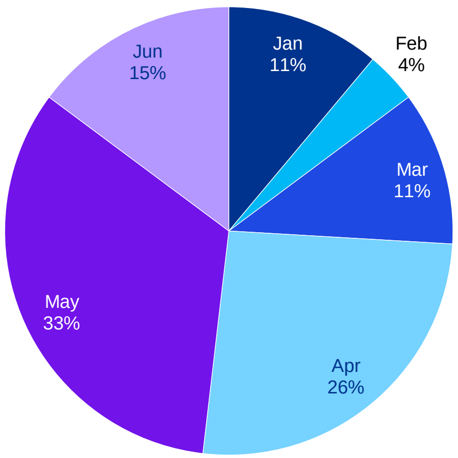
Number of GBP ABS and RMBS Deals



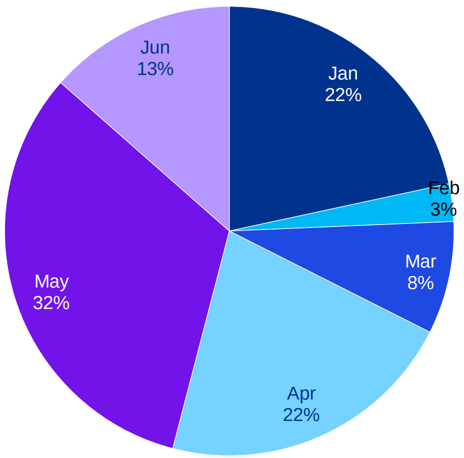
Source: Debtwire EMEA RMBS and ABS activity

Timing of the issuance

H1 of 2023



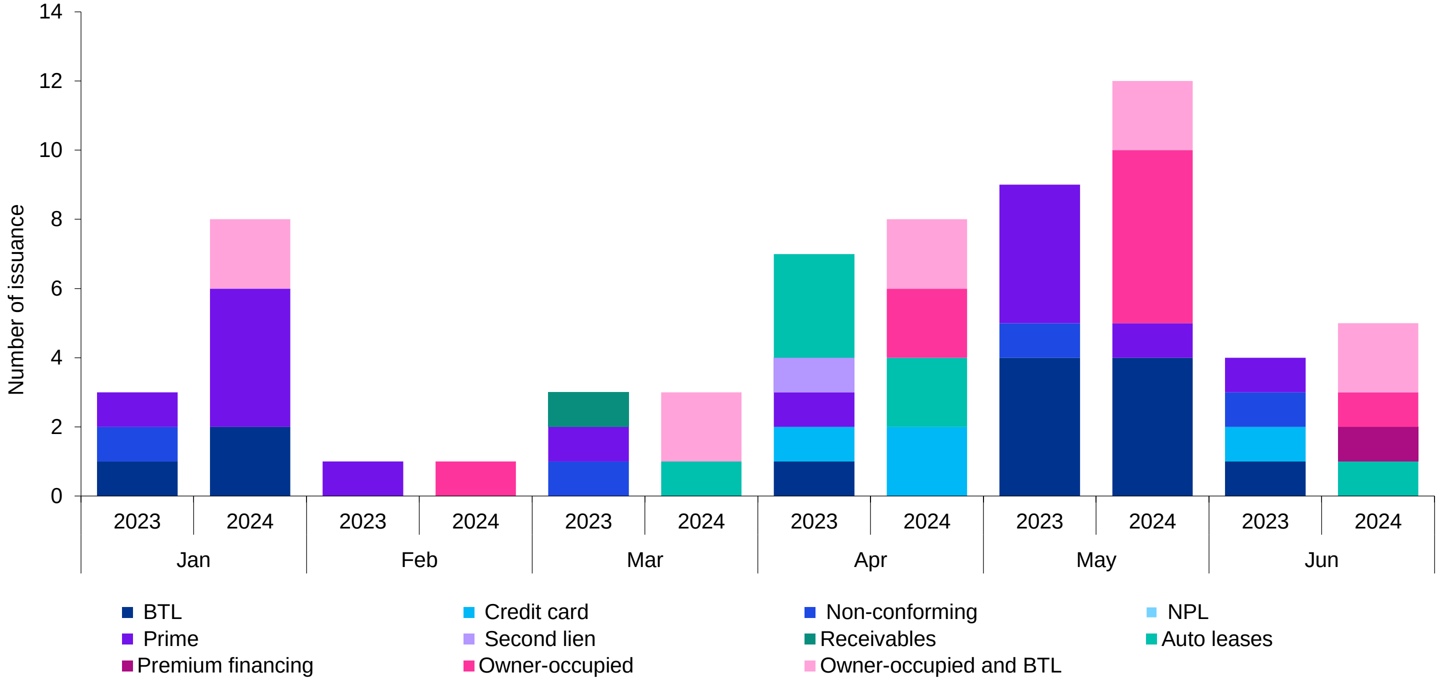
H1 of 2024



Public market issuance by asset class

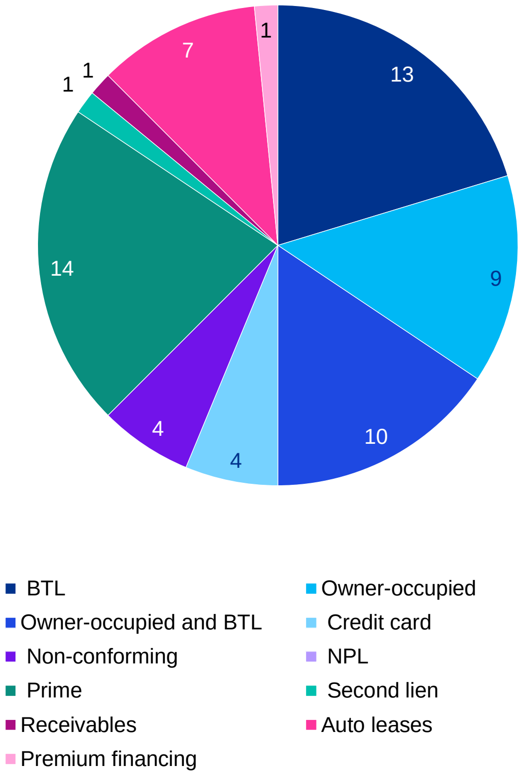
Out of the 37 transactions completed in H1 2024, 81% was mortgaged backed

- **20% were BTL mortgages**
- **17% were Prime mortgages**
- **63% were either OO or OO and BTL**



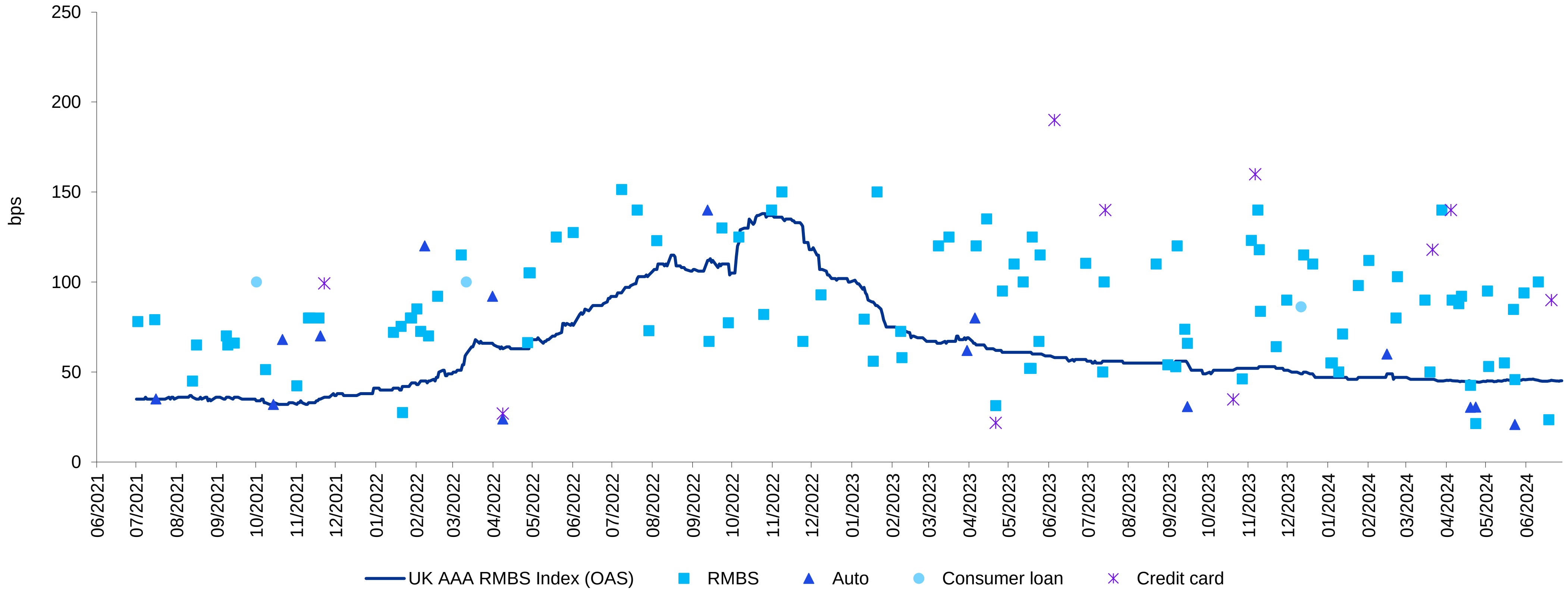
Source: Debtwire EMEA RMBS and ABS activity; Moody's; Fitch Rating; S&P

Issuance by asset class across H1 of 2023 and 2024



Credit spreads

Average AAA securitisation spreads has broadly remained flat over the course of H1 2024



Source: Bloomberg, Debtwire

Recent UK RMBS Deals

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
Jan-24	Paratus AMC	Chetwood Funding 2024-1 PLC	BTL	£1,120.8m	Oct-59	AAA:S+1.18%
Jan-24	Bank of Scotland	Permanent Master Issuer PLC Series 2024-1	Prime	£700.0m	Jul-73	AAA:S+0.55%
Jan-24	Multiple Lenders	Stratton Mortgage Funding 2024-1 plc	OO and BTL	£1,042.8m	Jun-60	AAA: S+1.15%
Jan-24	Multiple Lenders	Jupiter Mortgage No. 1 Plc - 2024 Refinance	Prime	£1,918.8m	Jul-55	AAA: S+1.00%
Jan-24	Clydesdale Bank Plc	Lanark Master Issuer plc Series 2024-1	Prime	£750.0m	Dec-69	AAA: S+0.50%
Jan-24	Santander UK Plc	Holmes Master Issuer Plc 2024-1	Prime	£750.0m	Oct-72	AAA: S+0.55%
Jan-24	Belmont Green Finance Ltd	Tower Bridge Funding 2024-1 Plc	OO and BTL	£308.5m	Jan-66	AAA: S+1.10%
Jan-24	Charter Court Financial Services Ltd	PMF 2024-1 Plc	BTL	£447.1m	Jun-60	AAA: S+0.98%
Feb-24	Bradford & Bingley Plc and Mortgage Express	Durham Mortgages A Plc	Owner-occupied	£1,289.5m	May-54	AAA: S+0.80%
Mar-24	UK Mortgage Lending Ltd / Pepper Money Limited	Polaris 2024-1 Plc	Non-conforming OO and BTL	£512.2m	Feb-61	AAA: S+1.03%
Mar-24	GMAC-RFC, Irish Permanent Isle of Man, Platform Homeloans and Rooftop Mortgages	Stratton Mortgage Funding 2024-2 Plc	OO and BTL	£314.2m	Jun-50	AAA: S+0.90% AA: S+1.35% A: S+1.50%
Apr-24	GE Money Home Lending Limited and GE Money Mortgages Limited	Trinity Square 2021-1 [2024 Refi] Plc	OO and BTL	£640.0m	Jul-59	AAA: S+1.35%
Apr-24	Equifinance Limited	East One 2024-1 Plc	Non-conforming mortgage	£273.6m	Dec-55	AAA: S+1.40%
Apr-24	Landmark Mortgages Limited	Towd Point Mortgage Funding 2024 – Granite 6 Plc	Owner-occupied	£1,561.6m	Jul-53	AAA: S+1.39%

Source: Moody's, Fitch, S&P

Recent UK RMBS Deals (cont.)

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
Apr-24	Belmont Green Finance Limited	Tower Bridge Funding 2024-2 Plc	Non-conforming OO and BTL	£310.5m	May-66	AAA: S+0.88%
May-24	Together Financial Services Limited	Together Asset Backed Securitisation 2024-1ST1 Plc	OO and BTL	£383.8m	Aug-64	AAA: S+0.95%
May-24	Principality Building Society	Friary No.9 Plc	Owner-occupied	£706.5m	May-72	AAA: S+0.50%
May-24	ColCap Financial UK Limited	Molossus BTL 2024-1 Plc	BTL	£304.5m	Apr-61	AAA: S+0.95%
May-24	The Mortgage Lender Limited	Lanebrook Mortgage Transaction 2024-1 Plc	BTL	£562.9m	Mar-61	AAA: S+0.80%
May-24	Santander UK Plc	Fosse Master Issuer Plc – Series 2024-1	Owner-occupied	£760.0m	Oct-72	AAA: S+0.52%
May-24	Keystone Property Finance Limited	Hops Hill No.4 Plc	BTL	£566.1m	Apr-56	AAA: S+0.88%
May-24	TSB Bank Plc	Duncan Funding 2024-1 Plc	Residential mortgages	£561.8m	Jul-71	AAA: S+0.55%
May-24	Leeds Building Society	Albion No.6 Plc	Owner-occupied	£383.1m	Jan-67	AAA: S+0.48%
May-24	Charter Court Financial Services Limited	CMF 2024-1 Plc	Owner-occupied	£333.2m	Feb-62	AAA: S+0.60%
May-24	Bank of Scotland Plc	Barrow Funding Plc	Owner-occupied	£1,022.9m	Nov-62	AAA: S+1.00%
May-24	Capital Home Loans Limited	Auburn 15 Plc	OO and BTL	£1,385.2m	Jul-45	AAA: S+0.85%
May-24	Lendco Limited	Atlas Funding 2024-1 Plc	BTL	£404.0m	Sep-61	AAA: S+0.85%
Jun-24	GMAC-RFC Limited, GMAC, Amber Homeloans Limited, Edeus Mortgage Creators Limited, Kensington Mortgage Company Limited and Mortgages 1-2-4-5-6-7 Limited	Stratton Mortgage Funding 2024-3 Plc	OO and BTL	£361.3m	Jun-49	AAA: S+0.98%
Jun-24	LiveMore Capital Limited	Exmoor Funding 2024-1 Plc	Owner-occupied	£210.3m	Mar-94	AAA: S+0.88%
Jun-24	Kensington Mortgage Company, London Mortgage Company and Money Partners Limited	Residential Mortgage Securities 33 Plc	OO and BTL	£412.6m	Jun-48	AAA: S+1.00%

Source: Moody's, Fitch, S&P

Recent UK ABS Deals

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
Mar-24	Volkswagen Financial Services (UK) Ltd	Driver UK Multi-Compartment S.A. – Compartment Driver UK eight	Auto loan	£587.5m	Sep-31	AAA: S+0.60%
Apr-24	NewDay Limited	NewDay Funding Master Issuer Plc – Series 2024-1	Credit card	£350.0m	Mar-32	AAA: S+1.18%
Apr-24	New Wave Capital Ltd	London Cards No.2 Plc	Credit card	£362.3m	Mar-34	AAA: S+1.40%
Apr-24	Mercedes-Benz Financial Services UK Limited	Silver Arrow S.A. Compartment, Silver Arrow UK 2024-1	Auto loan	£530.0m	Jan-31	AAA: S+0.55%
Apr-24	Startline Motor Finance Limited	Satus 2024-1 Plc	Auto loan	£451.5m	Jan-31	AAA: S+0.90%
Jun-24	Premium Credit Limited	PCL Funding IX Plc	Premium financing	£400.0m	Jul-29	AAA: S+0.90%
Jun-24	BMW Financial Services (GB) Ltd	Bavarian Sky UK 6 Plc	Auto loan	£549.4m	Jun-32	AAA: S+0.55%
Jul-24	NewDay Limited	NewDay Funding Master Issuer Plc – Series 2024-2	Credit card	£350.0m	Jul-32	AAA: S+0.90%

Source: *Moody’s, Fitch, S&P*

Securitisation Market Outlooks

Rating agencies remain cautious about market with expectation of deteriorating performance across RMBS and ABS transactions due to high interest rate environment

Rating Agency	Outlook	Comments
Moody's	Deteriorating	• While the BoE base rate remains at 16-year high at 5.25% despite inflation has fallen, it is expected that it will decline slowly and remain above 3.0% for the next two years • In the UK, nonconforming RMBS arrears have increased significantly more than in other RMBS transactions in the 1Q24 due to continued high rates and inflation – The 90+ days arrears in UK NC RMBS rose to 13.9% in March 2024 from 8.4% in previous year • ABS performance has deteriorated in some countries including the UK, where 60-90+ days arrears increased during the 1Q24, compared to the previous year • BoE base rate hikes over recent years will gradually impact the UK mortgage borrowers transitioning away from low-cost fixed-rate agreement, raising risks for loans backing RMBS and covered bonds
S&P	Stable	• Effects of higher interest rates and cost of living has started to fade, raising expectations of BoE lowering interest rates gradually from August onwards. The improving terms of trade have boosted the UK economy which is expected to remain strong for the year ahead • YTD (June 2024) securitisation issuance in Europe witnessed a multiyear high of €64 billion, backed by strong UK RMBS and CLO activity contributing €22 billion • Q-o-Q total delinquencies were stable in most indices, with notable exceptions being UK nonconforming asset class • Despite challenging macroeconomic conditions in 2023 and into 2024, the credit performance rated credit card ABS transactions remained mainly stable in Q1 2024 YoY – Total delinquencies in the UK increased by 0.1% Q-o-Q and payment rates increased by 0.2% Q-o-Q in the UK credit card ABS index
Fitch	Stable	• BoE has signaled interest rates have likely peaked and policy rates are expected to be cut in 3Q24, with further cuts in 2024 and 2025 • UK non-conforming RMBS transactions has deteriorated considerably this year, with 90+ day arrears reaching to 17.9% in April 2024, above than the global financial crisis levels – Arrears are expected to peak in 2025 and hence, asset performance outlook for UK NC RMBS in 2024 remains deteriorating • Arrears are rising in Auto ABS but remain low in absolute terms. Performance is anticipated to stabilise in the second half of the year – Last 12 months delinquencies in 1Q24 in the UK for 30+ days and 60+ days was 0.5% and 0.3% respectively • Despite the sharp increases in living costs and interest rates during 2022-2023, EMEA consumer ABS has performed better than expected this year, leading to an upgrade in its performance outlook from deteriorating to neutral

Source: Moody's Investors Service, Fitch Ratings, S&P Global Limited

04

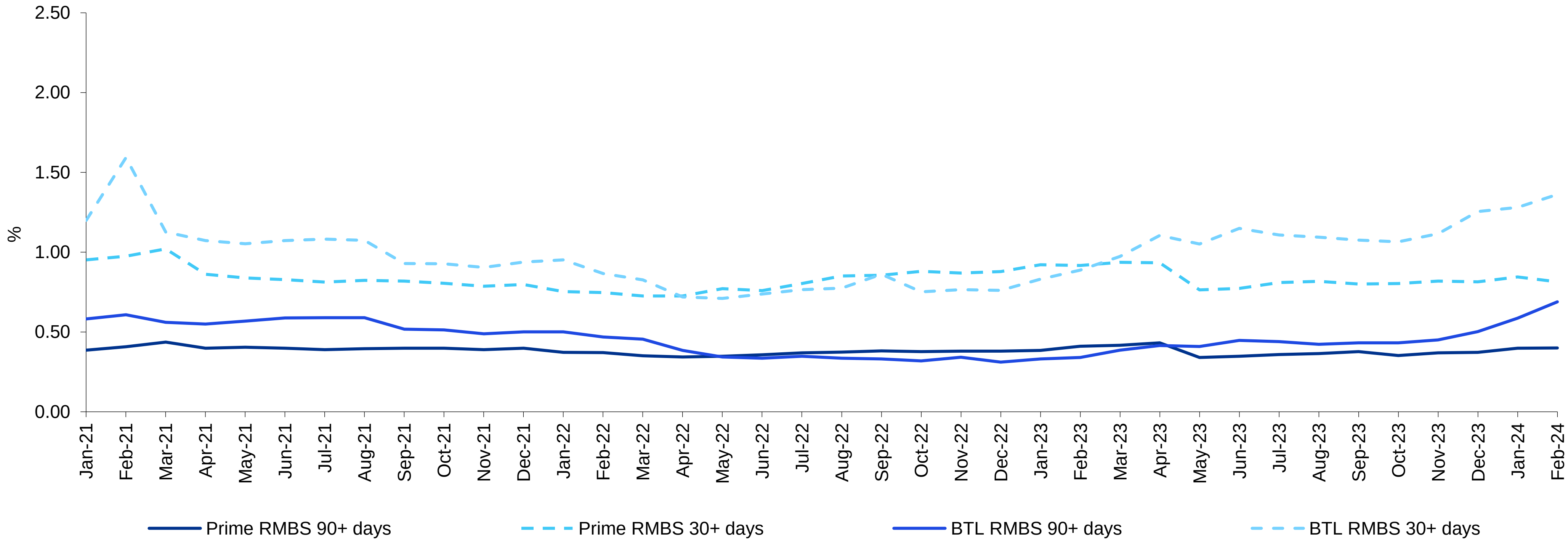
Asset performance

30+ and 90+ UK Prime and BTL RMBS arrears

Prime mortgage arrears have been majorly flat from 4Q23 through to February 2024

BTL arrears have sharply ticked up from December 2023 onwards

UK RMBS 30+ and 90+ days arrears for Moody's-rated securitisations

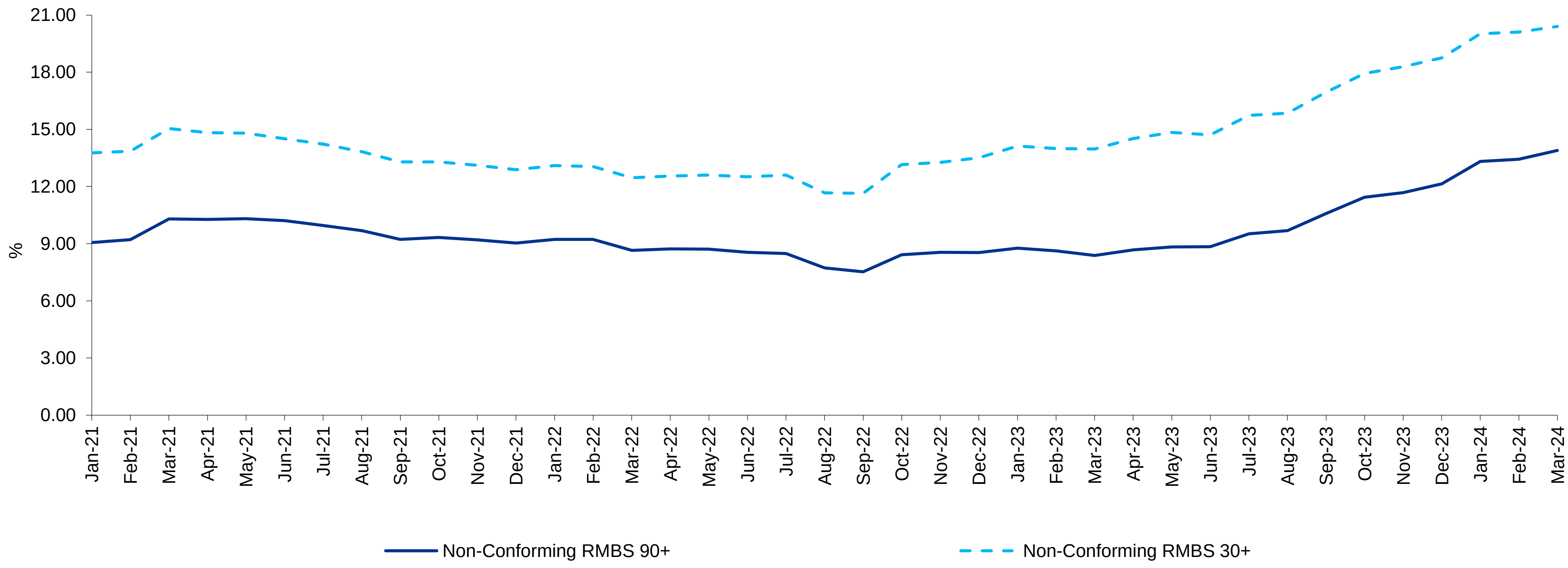


Source: Moody's Investors Service

30+ and 90+ UK Non-conforming RMBS arrears

Non-conforming RMBS 30+ and 90+ days arrears increased materially through to 1Q24. 2Q24 data is expected to show this trend continuing through the mid of the year

UK Non-conforming RMBS - 30+ and 90+ days arrears for Moody's-rated securitisations



Source: Moody's Investors Service

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