Financial Services

UK non-banks, challengers, securitisation

Quarterly Market Update

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4Q24

KPMG Financial Services Group

Sector specialisations

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

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Executive summary

Concerns over government borrowing has seen gilt yields hit their highest level since 2008

Resi mortgage lending is up £5bn or 9% quarter-on-quarter

Buy-to-let lenders have adjusted rates following fluctuations in interest rates

Renewed M&A interest in specialist lenders

Corporate insolvencies remain unchanged at 55 per 10,000 firms, well below their long-term average of 100 per 10,000 firms

The big 3 credit agencies all have stable securitisation market outlooks for 2025, due to rate moderation

Non-bank private financing activity remains limited in 4Q24

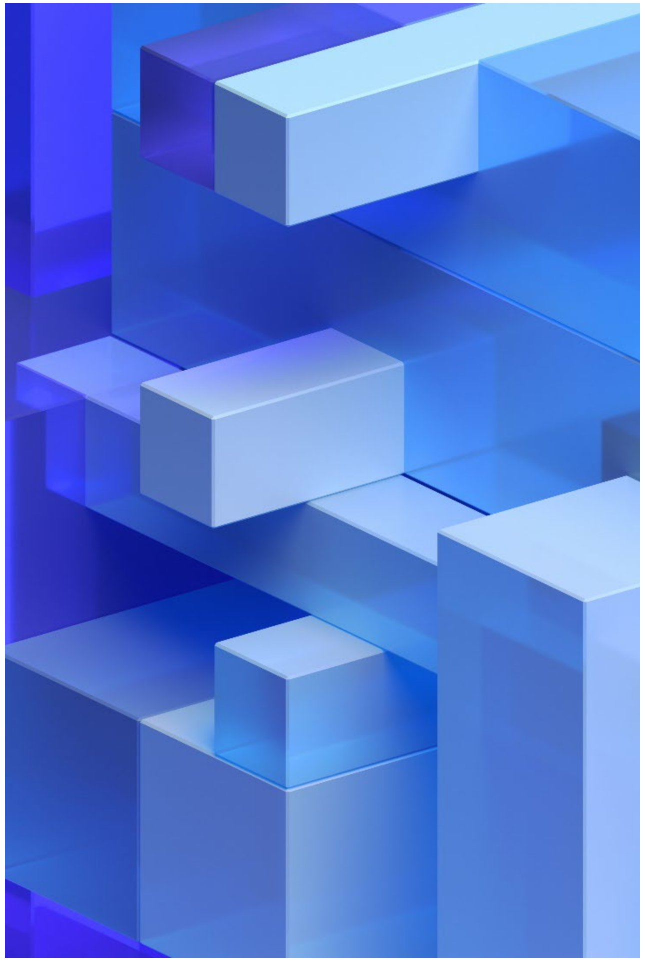
Fixed rate mortgage lending remained stable

Bridge lending is growing solidly by 9% quarter-on-quarter, with completion times at their fastest since 2Q19

Share of households in arrears or with high debt-servicing burdens has remained relatively low

Average AAA spreads continue to tick up in 4Q24

Some deterioration in BTL RMBS arrears, but stability across prime and non-conforming



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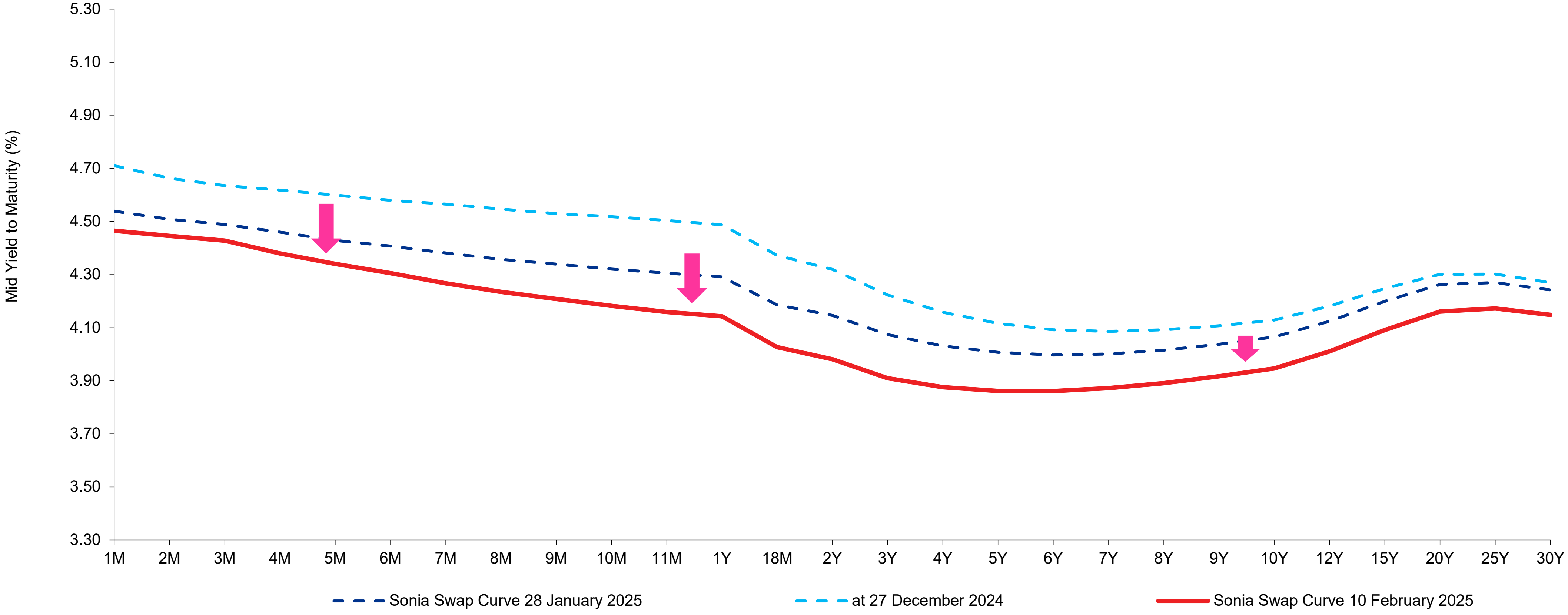
Economy

Sonia swap rates

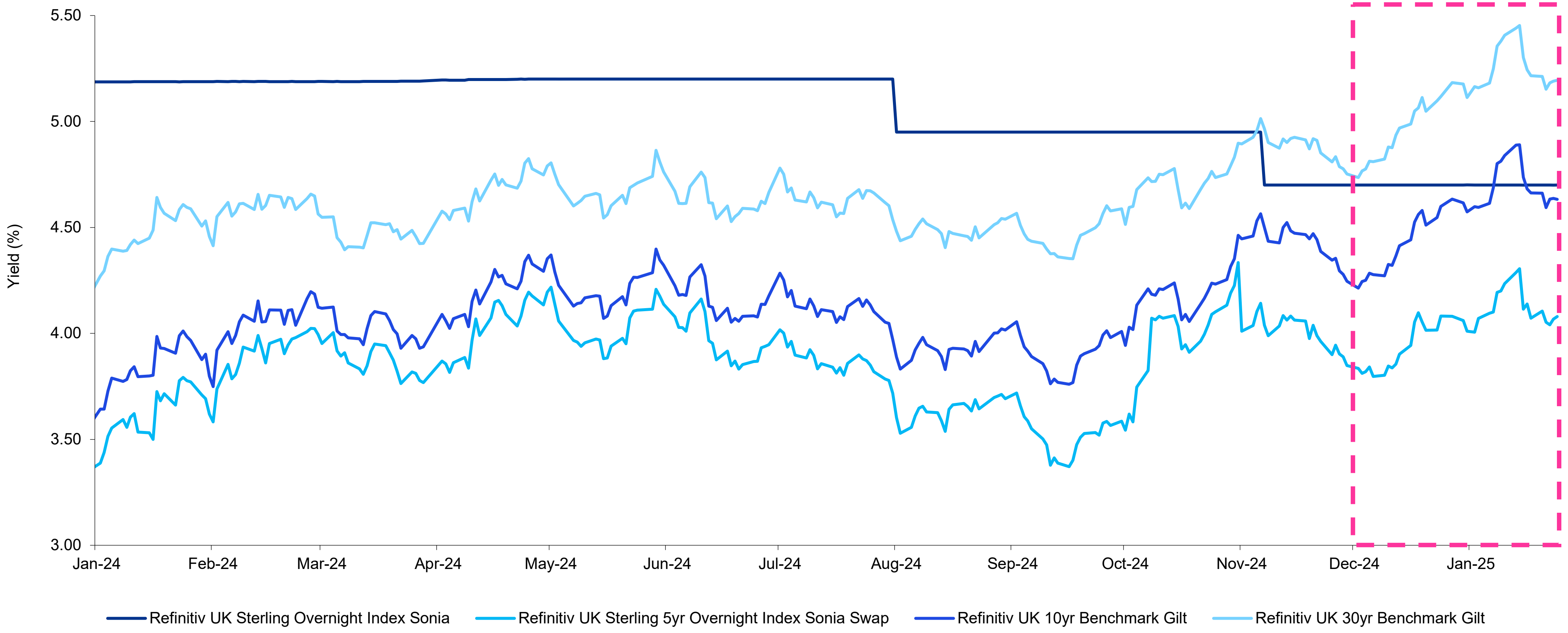
From December 2024, the Sonia curve has fallen across all time periods



Source: Bloomberg

Benchmark rates

Since December 2024, both swap and gilt rates have experienced a substantial rise; however, recent UK inflation news has triggered a slight downward adjustment in these rates. Notably, 30yr gilt yields of 5.19% are trading above the current Sonia rate of 4.7%



Source: Refinitiv

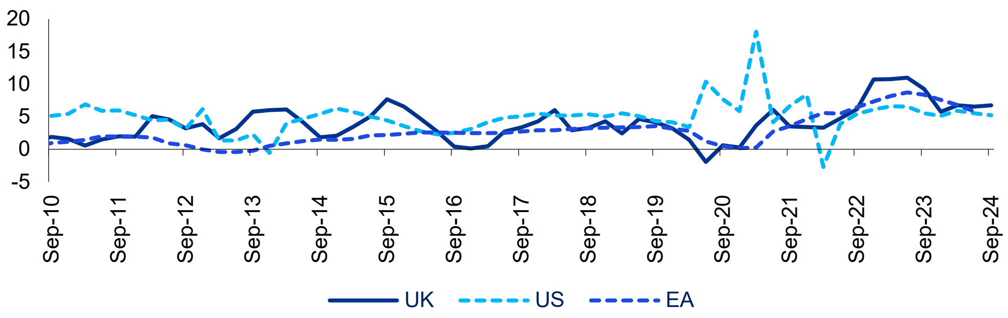
Last mile battle against inflation continues

Inflation

Although 2024 saw inflation overall trend downwards towards target, the last mile battle against inflation continues.

December inflation came in lower than expected in the US and UK. Services inflation remains above 4% in US, UK and Euro Area. Wage inflation continues to be above 5%, close to 7% in the UK driven by talent scarcity and inflation.

Nominal wage (annual growth, %)



Source: Haver Analytics, KPMG Analysis

December (latest) 2024 Inflation (yoy, %)

	US	UK	EA
Headline	2.9	2.5	2.4
Service	4.4	5.4	4.3
Wages	5.2	6.8	5.8

Source: Haver Analytics

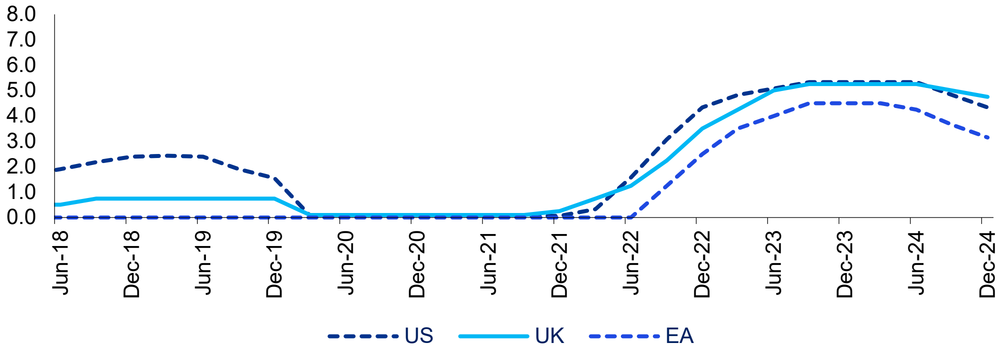
Policy rates

Rate cuts cycle kicked off during second half of 2024 with three rate cuts in EU and US in a row and two in the UK.

Inflation is not forecast to return to pre pandemic levels in the short term. Central banks have made clear its cautious stance about further rate cuts.

With weaker growth in Eurozone, ECB may break away from this pattern, opting to cut faster than peers

Policy rate (%)



Source: Haver Analytics, KPMG Analysis

Policy rates (end of period, %)

	US	UK	EA
2024	4.3	4.8	3.2
2025	3.7	4.1	2.1
2026	3.5	3.9	2.1
2027	3.4	3.7	2.1
2028	3.3	3.6	2.1

Source: Consensus January 2025, BoE OIS

Global growth to remain stable but subdued

Economic growth

Global growth is expected to remain stable but subdued at 3.3% in 2025 per OECD (Dec 2024), slightly up from 3.2% in 2024.

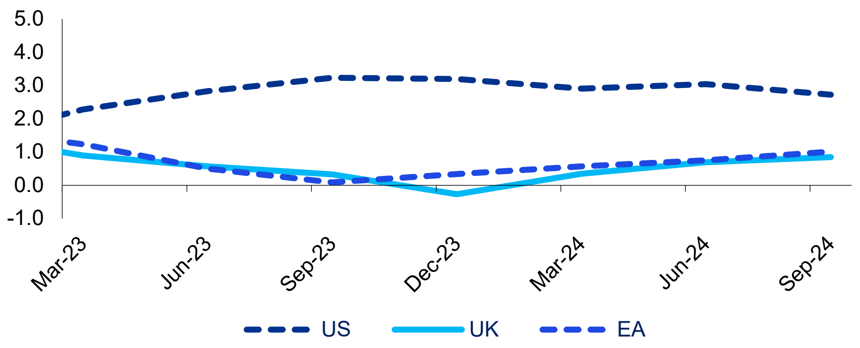
Growth varies across regions; the US has forecasted GDP growth of 2.0% over 2025-2028 (lower than 2.7% in 2024) due to a slowdown in consumer spending and softening of the labour market.

Despite easing inflation and a resilient labour market, growth in the Euro Area is expected to be constrained by weak productivity growth and an aging population.

UK, on the other hand, will see an improvement in growth in 2025 led by government spending. However higher rates and a lack of business investment is expected to hold back growth in the following years.

One of the key risks to global growth is uncertainty on tariffs. The most vulnerable countries are China, Mexico and Canada which each form 15% of US imports. The top three import sectors for the US are electrical products, transportation equipment and chemicals.

GDP (annual growth, %)



Source: Haver Analytics, KPMG Analysis

GDP forecasts (annual growth, %)

	US	UK	EA
2024	2.7	0.9	0.8
2025	2.0	1.4	1.1
2026	2.0	1.5	1.3
2027	2.0	1.6	1.4
2028	2.0	1.6	1.3

Source: Consensus January 2025

Impact of tariffs on prices and growth

China

EIU's baseline assumption for China is that Trump will impose a 30% tariff on Chinese goods by 2026-27, reducing Chinese GDP by 0.6% from 2025-27. It is expected that supply chains will get longer meaning Chinese goods will trade with Western markets via emerging markets. The increased supply chain is likely to increase costs, reduce demand for products, which could in turn drag down investment levels therefore impact economic growth

US

Additional tariffs are negative not just for trading partners but also for US. Taking car manufacturing as an example of an industry that "depends on a supply chain that is spread across the three countries- Canada, Mexico and China." With new tariffs, supply chain disruption will cause higher costs for US auto market hurting sector and economic growth

UK

Trade restrictions and tariffs imposed around the world could lower UK GDP by 0.4%. UK firms that are heavily reliant on exporting to the US expected to face a prolonged period of uncertainty. This will be damaging for confidence and, coming alongside the impact of the NICs increase, means a relatively soft outlook for business investment in 2025

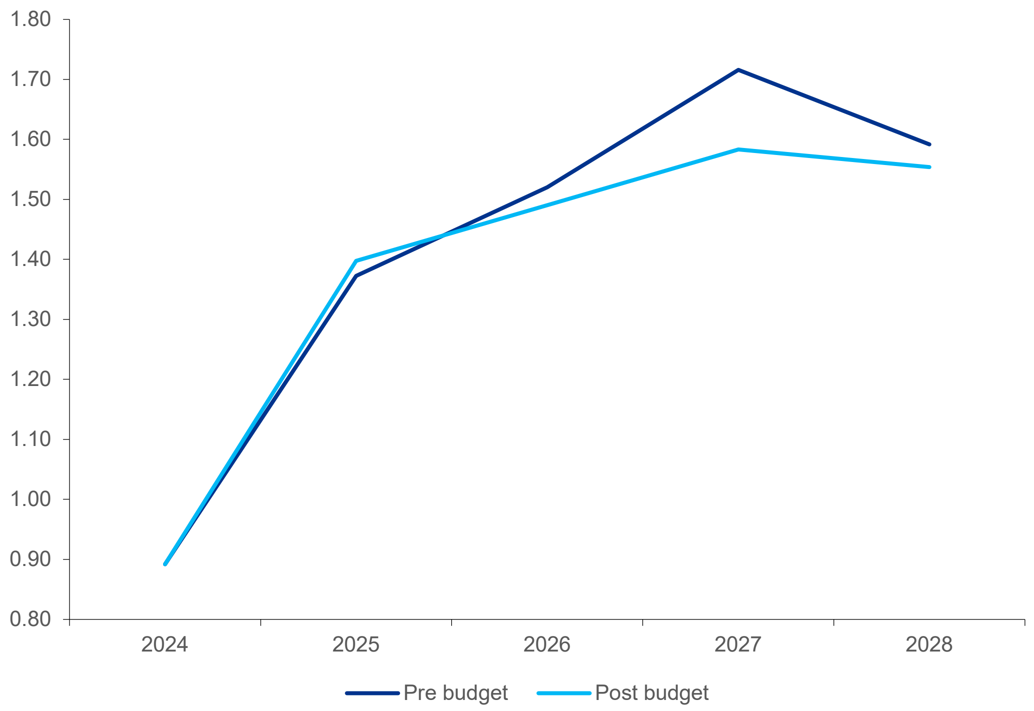
Source: EIU, Peterson Institute for International Economics (2024), KPMG Analysis

UK to see higher growth in 2025 but not without challenges

Supported by a looser monetary and fiscal policy, the UK economy is expected to grow at a faster rate of 1.4% this year compared to 0.8-0.9% (est) in 2024. However, higher inflation, a slower pace of rate cuts and increased trade frictions will continue to pose challenges.

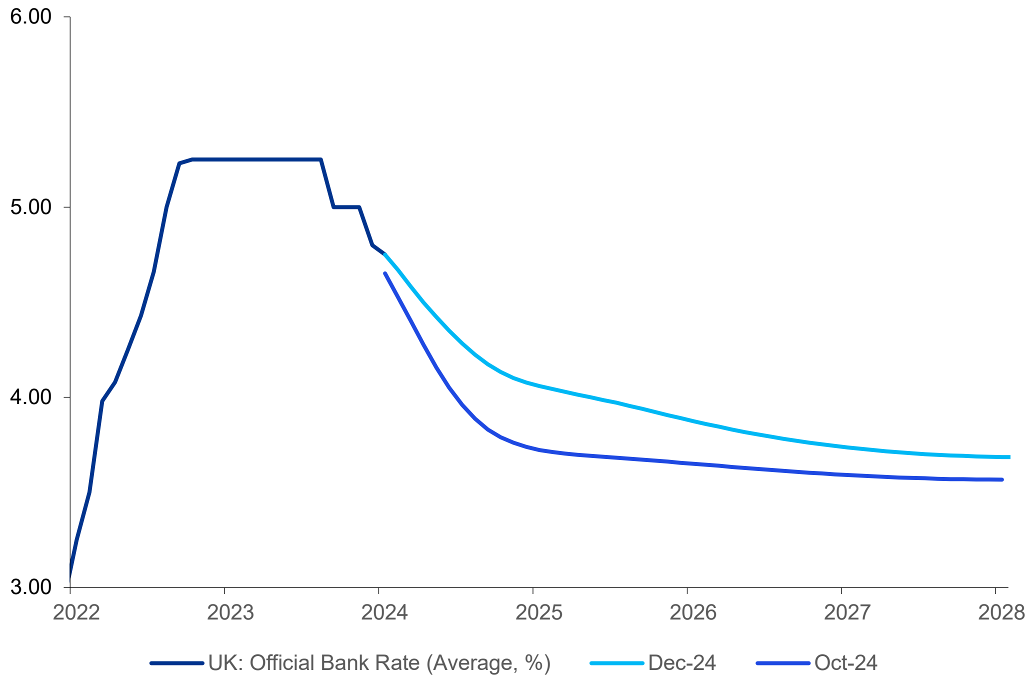
As the short-term positive impact of increased government spending fades, GDP growth is lower than previously expected because of crowding out of private investment (higher tax on businesses reduces their ability to invest) and slower consumption growth on account of rising inflation.

GDP forecast (annual growth, %)



Source: Consensus, KPMG Analysis

Bank rate and OIS forward curves (%)



Source: BoE, KPMG Analysis

Increase in bond yields put UK government's economic plan at risk

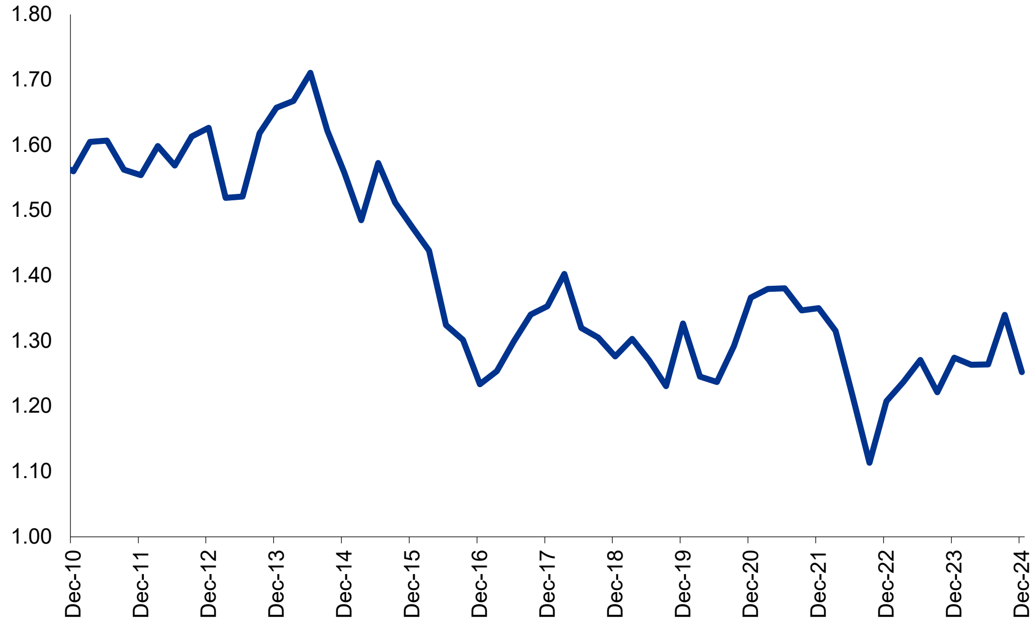
There is raised investor concerns over the high borrowing planned by the UK government. In January 2025 UK 10-year bond yields hit their highest since 2008. Lower than expected inflation data for December brought yields slightly down to 4.73%.

Normally a rising gilt yield is accompanied with a stronger currency. However, this has caused sterling to weaken lowered to 1.25 USD per GBP in Q4 2024 from 1.34 in Q3, as investors are sceptical of the UK budget and subsequently getting rid of sterling bonds. In response to this the government may need to show it is fiscally responsible which risks cutting government spending or further tax rises impacting economic outlook.

United Kingdom: Government Securities: 10-Years [Nominal Par Yields] (% p.a.)

Source: BoE

Exchange Rate (EOP, US$/Pound)



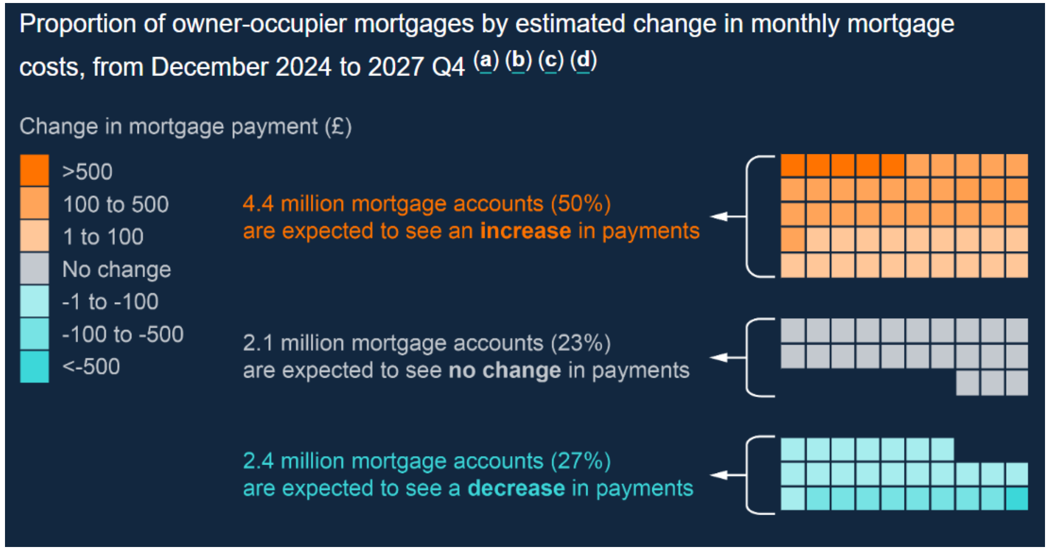
Source: Haver Analytics

Half of UK mortgagors due to see rise in mortgage payments

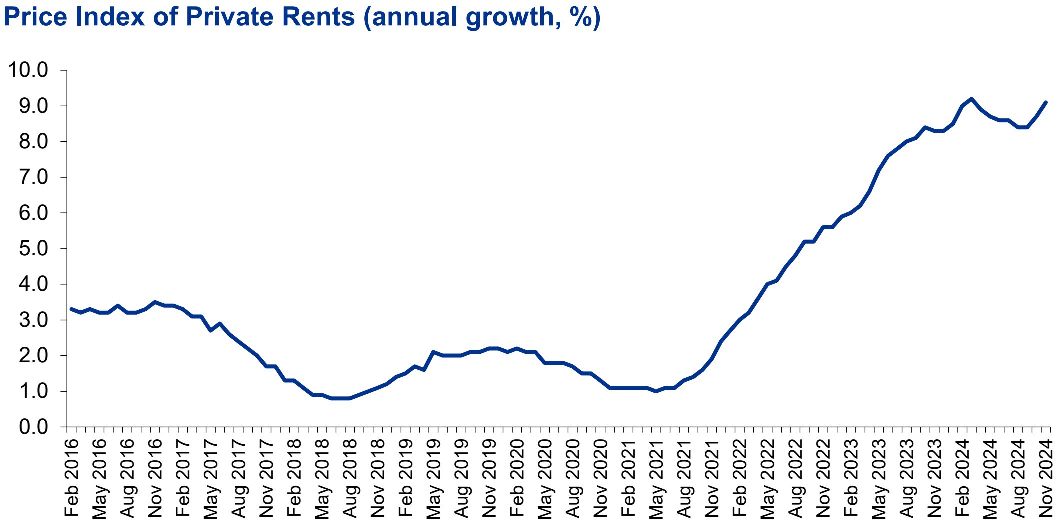
According to the latest BoE Financial Stability Report, the share of households in arrears or with high debt-servicing burdens has remained relatively low.

However, pressure on renters and lower-income households continue. Saving buffers have decreased for lower-income households and share of renters who have fallen behind on payments have risen slightly.

Around half of owner-occupied mortgagors (4.4 million) are likely to experience greater borrowing costs over the next three years as they refinance onto higher rates, around a quarter of borrowers are expected to benefit from lower rates. Of the 4.4 million due to experience payment increase, 2.7 million are expected to refinance onto a rate above 3% for the first time and roughly 440K mortgages will see payments increase by more than £500 per month.



Source: BoE FSR November 2024



Source: ONS

(a) There are around 8,834,000 mortgages in the UK. There are 100 squares, each representing 1% of the total current stock of UK mortgages (around 88,340 mortgages), rounded to the nearest 1%.
(b) The projection uses the overnight index swap (OIS) curve as at 12 November 2024 and the latest available data (2024 Q2) on the stock of outstanding mortgages.
(c) Changes in payments on variable-rate mortgages are calculated using the implied change in the OIS curve, and changes in payment on fixed-rate mortgages are calculated by assuming that mortgagors refinance onto a typical fixed rate implied by the OIS curve at the point that their fixed-rate contract ends.
(d) Mortgages with less than £1,000 outstanding are excluded. These data do not include buy-to-let mortgages or mortgages that are off balance sheet of authorised lenders, such as securitised loans or loans book sold to third parties

UK corporate insolvencies are low but refinancing challenges remain

Refinancing costs

According to the latest BoE Financial Stability report, measures of indebtedness suggest corporate resilience remains strong in aggregate.

However, refinancing challenges remain for larger corporates, particularly for firms using riskier forms of market-based finance, such as leveraged loans and high-yield bonds.

- Bonds, comprise 25% of UK corporate debt, are fixed for 10 years on average meaning issuers are likely to face interest rate increases as they refinance.
- Around 20% of high-yield corporate bonds are due to mature in the next two years.
- Around 25% of firms that need to refinance high-yield bonds over the coming years are private equity backed.

SME

Corporate insolvencies were around 55 per 10,000 firms in the 12 months to September 2024, broadly unchanged on the prior 12 months and well below their long-term average level of around 100 per 10,000 firms.

Insolvencies continue to be driven by very small firms with limited debt and share of employment, with firms formed since the start of the pandemic making up a significant proportion of recent firm exits. A significant further increase in insolvencies to levels beyond historical averages could pose an indirect risk to the ability of households to service their debts as SMEs comprise around 60% of UK employment.

Arrears for commercial loans to SMEs increased slightly from 1.2% in January 2024 to 1.4% in July 2024, and around 10% of SMEs are currently using their overdrafts. This is higher than the 6% seen during the pandemic and close to pre-pandemic averages.

Wage costs

Further, the increase in minimum wages and NIC contributions will impact companies with higher staff at lower salaries. For example, a business with 50 employees earning £9,100 each per year will see an increase in employer NI contributions of £30,750, bringing the total wage bill from £455,000 to £485,750. This equates to a 6.76% increase in payroll costs compared to a business with 50 employees each earning £30,000 will experience an increase in employer NI contributions of approximately £43,300 which represents 2.63% of total payroll costs.

02

Market activity

Buy-to-let product developments – December '24

Lender	Comment
Vida Homeloans	• Increased the maximum loan size for BTL applications to £2m for loans up to 75% LTV. • Reintroduced limited-edition five-year BTL products up to 80% LTV with options at both 4% and 6% lender fees for individual units or HMOs/MUBs.
BM Solutions	• Increased rates of selected BTL products by up to 0.23%. • Increased the maximum LTV to 80% for specific applications, including fees, for purchases, remortgages and further advances.
Aldermore Bank	• Launched new 2-year fixed-rate BTL products for both single and multi-property landlords, including limited-edition options offer rates starting from 4.94% for single properties and 4.89% for multi-properties, both at 75% LTV and improved remortgage criteria for recently purchased properties.
Santander for Intermediaries	• Increased selected BTL fixed rates by up to 0.13% while lowering its affordability rates from 7.31% to 7.15%.
The Mortgage Works	• Adjusted rates across its new business product range, including both rate increases and rate cuts. • Introduced intercompany loans as a deposit option for BTL mortgage applications from limited company landlords.
Paragon Bank	• Launched a limited-time offer of five-year fixed mortgages up to 65% LTV, starting at 4.74% and all products come with a free valuation.
CHL Mortgages	• Launched a new limited-edition range of 2-year and 5-year fixed-rate BTL mortgages for both standard and HMO/MUFB properties, offering competitive rates starting from 4.04% for standard 2-year fixed and 4.74% for standard 5-year fixed, with options for individual and limited company landlords.
United Trust Bank	• Reduced BTL rates by up to 0.5%, offering new five-year fixed rates starting at 4.99% and two-year fixed rates starting at 5.69% for various landlord types, including individual, portfolio, limited company SPV and first-time landlords.
NatWest for Intermediaries	• Increased rates on its 2-year and 5-year fixed-rate BTL mortgages. The 2-year fixed purchase option at 60% LTV with a £995 fee has risen to 4.69%, while the fee-free option has increased to 5.15%. The equivalent 5-year fixed rates have also increased, now sitting at 4.59% and 4.65%, respectively.
Fleet Mortgages	• Reintroduced five-year fixed rate products for landlords with EPC ratings of A-C, offering rates as low as 5.04% for standard and limited company products and 5.44% for HMO/MUB products. • Reintroduced its 65% and 75% LTV five-year fixed rate products with both fixed and zero fee options across its standard, limited company and HMO/multi-unit block ranges.
Foundation Homeloans	• Launched two new fixed-rate mortgage products for holiday let landlords, including a limited-edition 5-year fixed rate at 6.24% up to 75% LTV with a 2.25% lender fee and a semi-exclusive 5-year fixed rate with a 3-year early repayment penalty.
Kent Reliance for Intermediaries	• Launched a sub 4% BTL product as part of two new limited-edition ranges, offering lower rates starting at 3.99% on loans between £100k and £750k, with two- and five-year fixed options and lower ender fees starting at £799, with two- and five-year fixed options between 75% and 80% LTV.

Source: NRLA (National Residential Landlords Association)

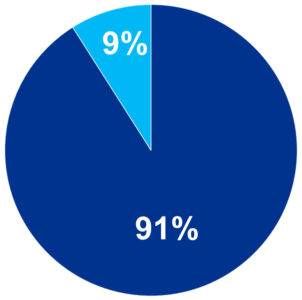
Bridge financing market

Key Points

- Gross lending up by 9% in 3Q24 vs 2Q24
- An investment purchase is the most popular use of bridging loans
- Faster completion times, reaching their best performance since 2Q19
- Demand for both regulated and unregulated refinance (as a loan purpose) saw the biggest jump in 3Q24, rising to 14% from 6% and to 13% from 6%, respectively

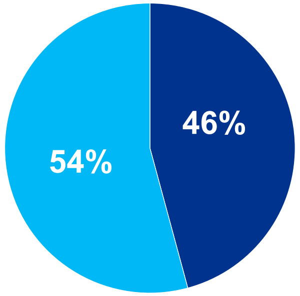
Market averages in 3Q24

Security position



1st Charge 2Q24: 88.4%
2nd Charge 2Q24: 11.6%

Target borrower



Regulated 2Q24: 45.8%
Unregulated 2Q24: 54.2%

LTV

56.8%

2Q24: 59.3%

Gross Lending : up 9% to £220.8m (2Q24: £201.8m)

Monthly interest rate

0.92%

2Q24: 0.86%

Completion timing

46 days

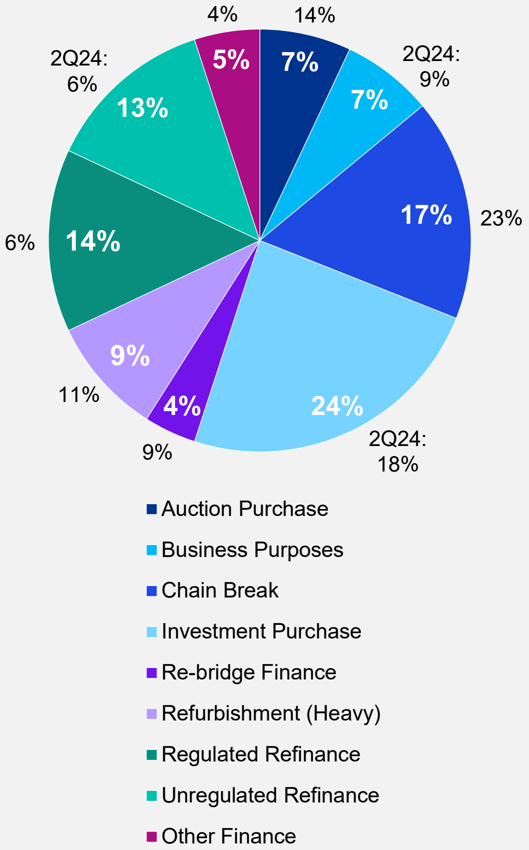
2Q24: 52 days

Term

12 Months

2Q24: 12 months

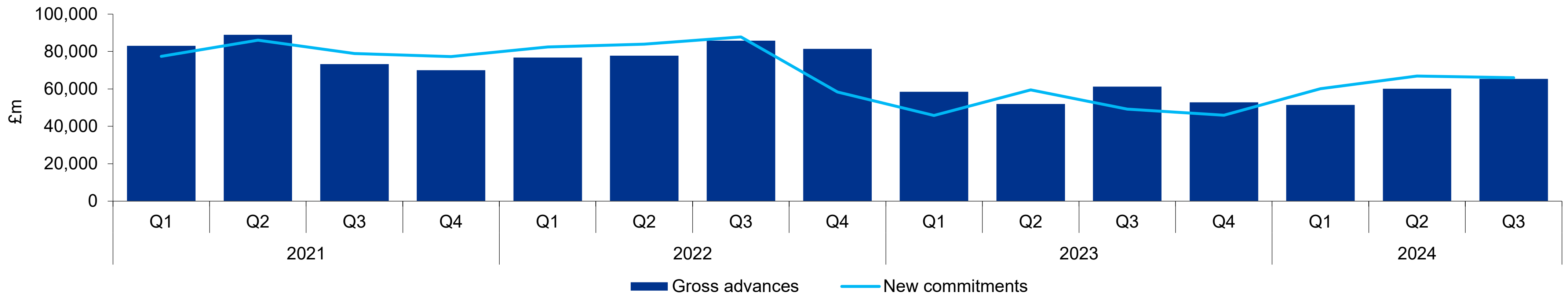
Loan purpose



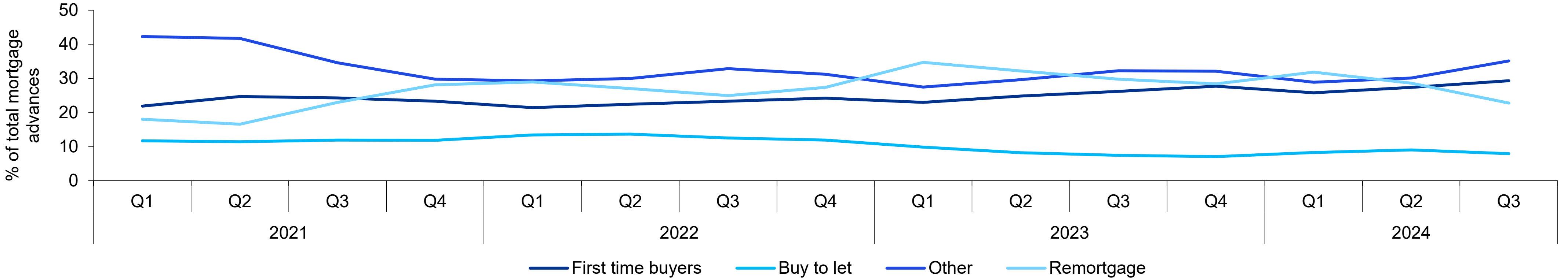
Source: *Bridging* Trends

Residential loan market – volume

The value of gross mortgage advances increased in 3Q24 to £65.5 billion, 8.9% higher than the previous quarter and 6.7% higher than a year earlier



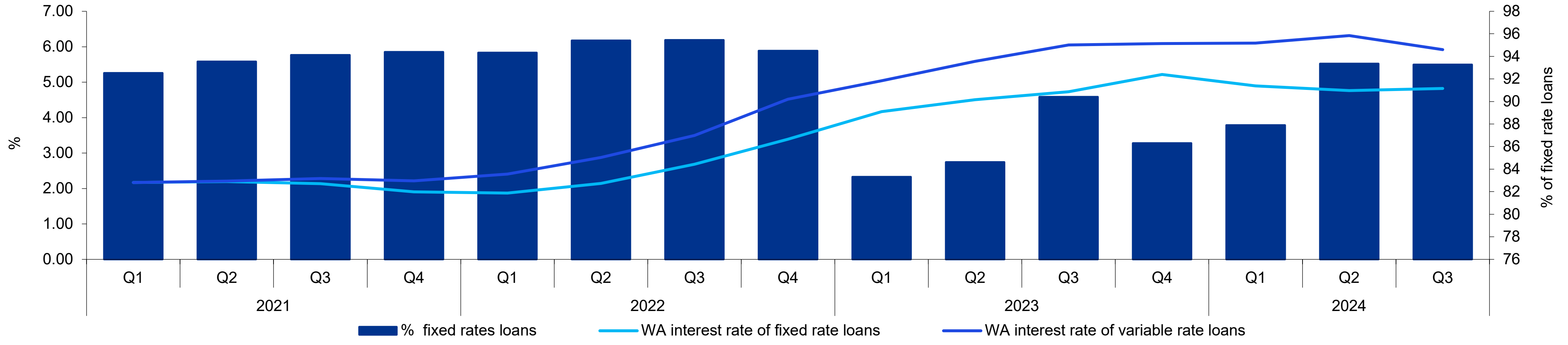
In 3Q24, by purpose of loan, home movers increased by 5.0pp compared to last quarter to 35.1%; lending to first-time buyers increased by 1.9pp to 29.3% (the highest share since reporting began in 2007); remortgaging activity decreased by 5.9pp to 22.8%; while BTL comprised 7.9% of mortgage advances



Source: Bank of England

Residential loan market – Rates

Fixed rate lending has broadly remained the same as compared to the last quarter at ~93% all lending



UK house prices are forecast to increase by 2.1% over 2024. driven by strong performance in the first half with prices rising by 3.4%. Over the five years to 2028, an 18.9% compound increase is expected in UK house prices

Region	2023 (actual)	2024	2025	2026	2027	2028	2024-28 Compound Total
UK house price change	**-2.8%**	**2.1%**	**3.5%**	**4.2%**	**3.7%**	**4.3%**	**18.9%**
London house price change	-4.0%	0.7%	3.1%	6.2%	5.5%	6.3%	23.7%
West Midlands house price change	-2.2%	2.6%	3.9%	3.9%	3.5%	4.0%	19.1%
East Midlands house price change	-3.8%	2.5%	3.6%	4.3%	3.8%	4.4%	19.8%
Scotland house price change	1.0%	2.4%	2.8%	2.8%	2.5%	2.9%	14.1%

Source: Bank of England, CBRE

Recent representative private debt transactions

1Q24

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

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

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

Praetura Commercial
Secured a £200m asset-based lending securitisation facility with Barclays to help SMEs with their funding needs

2Q24

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

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

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

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

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

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

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

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

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

3Q24

MFS
Renewed and upsized multiple institutional funding lines of over £1bn to fuel the growth of its loan book

Spring Finance
Secured a new funding line with Shawbrook to support development finance product range, which launched to the market in June 2024

Alternative Bridging Corporation
Secured a £200m warehouse facility from a high-street bank to lower cost funds to grow its specialist property financing products

MT finance
Secured £40m in corporate revolving credit facilities to support its lending growth in the UK property market

Completed a £275m multi-year funding deal with funds affiliated with Centerbridge Partners to strengthen its position in the bridging finance market

4Q24

Gatehouse Bank
Entered a forward flow arrangement with ColCap Financial UK for more than £550m in Sharia-compliant home finance over 2 years.

Together
Increased its Lakeside securitisation program from £825m to £1bn. The facility primarily supports the group's unregulated and regulated bridging lending.

Lendco
Renewed its £400m BTL warehouse line with HSBC and BNP Paribas as senior lenders.

Sancus Lending Group
Secured £10m in junior funding from majority shareholder Somerston to support loan financing facilities that it has and plans to expand into.

Source: KPMG, public sources

Recent representative M&A transactions

Sep – 2023
Perenna Bank raises £43m of new equity investment led by SilverStripe (part of Silver Stripe IAG Capital)
Silverstripe
Perenna

Oct – 2023
Spaldy Investments (owned by Jaime Gilinski Bacal) invests £102m in Metro Bank taking shareholding to 53%
Metro Bank

Feb – 2024
Barclays acquires Tesco Bank (including credit cards, loans and savings portfolios) for £600m
Barclays
Tesco Bank

Mar – 2024
Nationwide acquisition of Virgin Money UK plc for £2.9bn
Nationwide Building Society
Virgin Money

May – 2024
Coventry Building Society acquisition of the Co-op Bank for £780m
Coventry Building Society
The Co-operative Bank

May – 2024
Chetwood acquires CHL Mortgages for Intermediaries Ltd, the UK buy-to-let lender
Chetwood Financial Limited
CHL mortgages

May – 2024
GB Bank secures £85m of additional capital from Hera Holdings (Jersey) and Teesside Pension Fund
GB Bank
Hera, Teeside Pension Fund

Jun – 2024
Shawbrook Bank acquires JBR Capital, a UK specialist motor finance lender
Shawbrook
JBR Capital

Jun – 2024
NatWest acquired the core banking business (personal loans, credit cards + deposit portfolios (£3.9bn)) from Sainsbury's
NatWest
Sainsbury's Bank

Jul – 2024
NatWest acquired £2.5bn residential mortgages portfolio from Metro Bank for up to £2.4bn
NatWest
Metro Bank

Aug – 2024
Allica Bank acquires Tuscan Capital Ltd., a UK bridge lender
Allica Bank
Tuscan Capital

Aug – 2024
Colcap acquires the remaining 20% of UK mortgage broker, Molo Tech
ColCap
Molo Finance

Dec – 2024
Warburg Pincus acquires a minority equity interest in United Trust Bank
Warburg Pincus
United Trust Bank

Source: KPMG, public sources

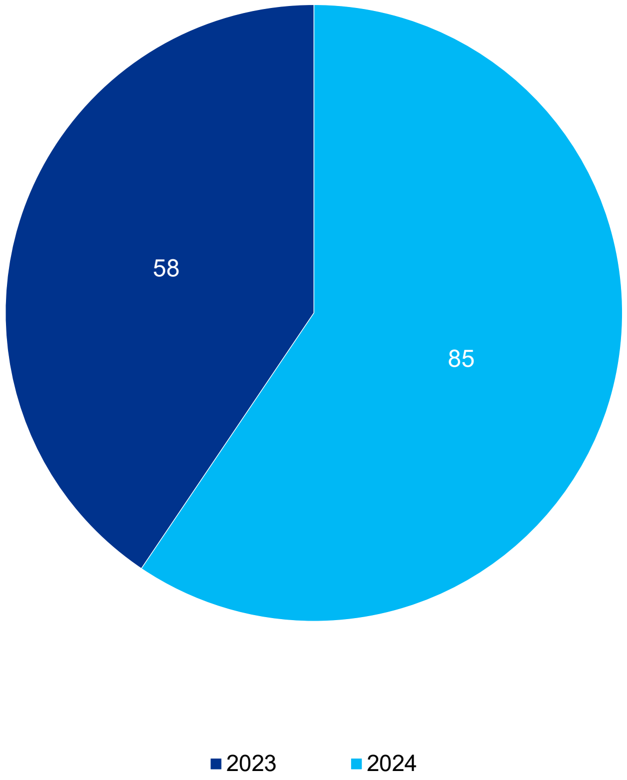
03

Securitisation

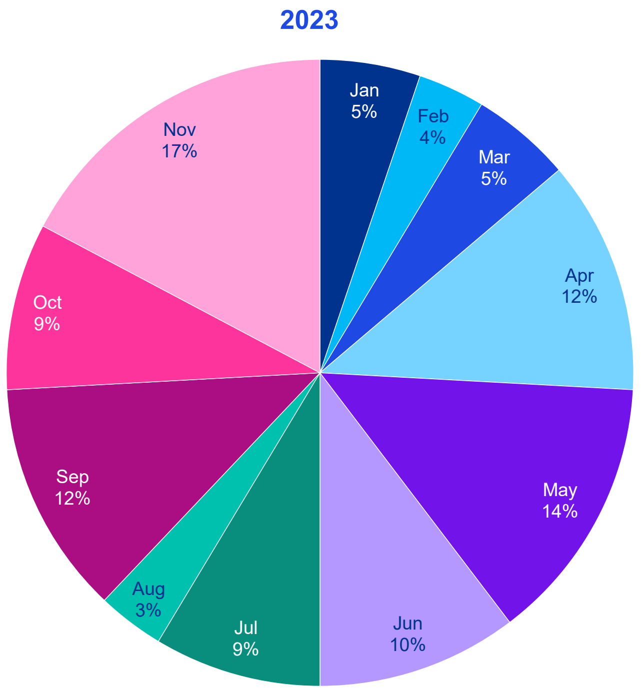
UK Public market issuance

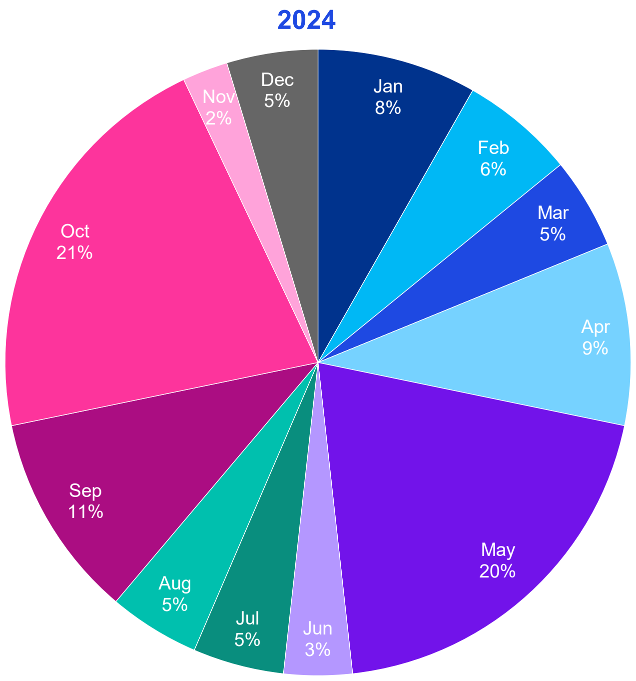
Listed securitisation deal volumes increased in 2024 with overall issuance of 85 deals vs 58 the prior year. Peak market activity occurred in May and October

Number of GBP ABS and RMBS Deals



Timing of the issuance



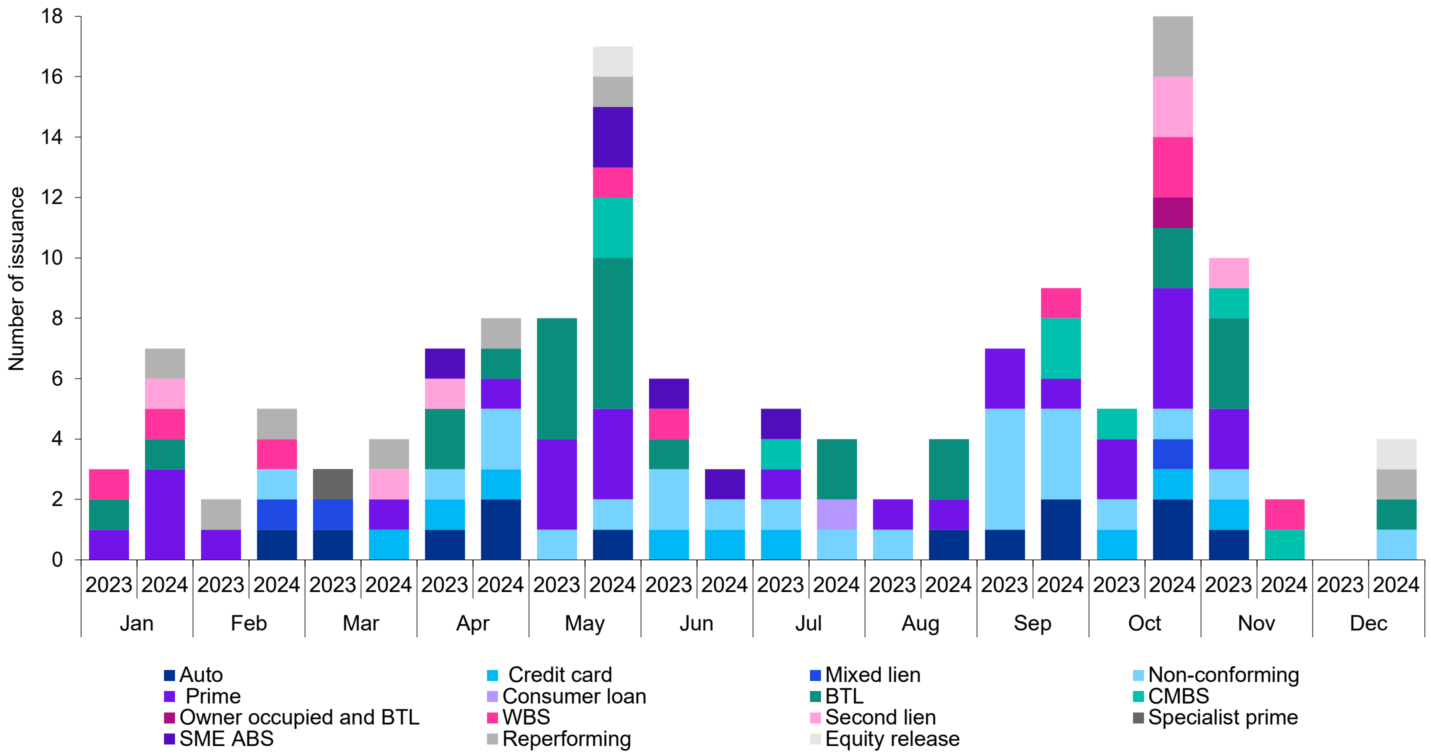


Source: Debtwire

UK Public market issuance by asset class

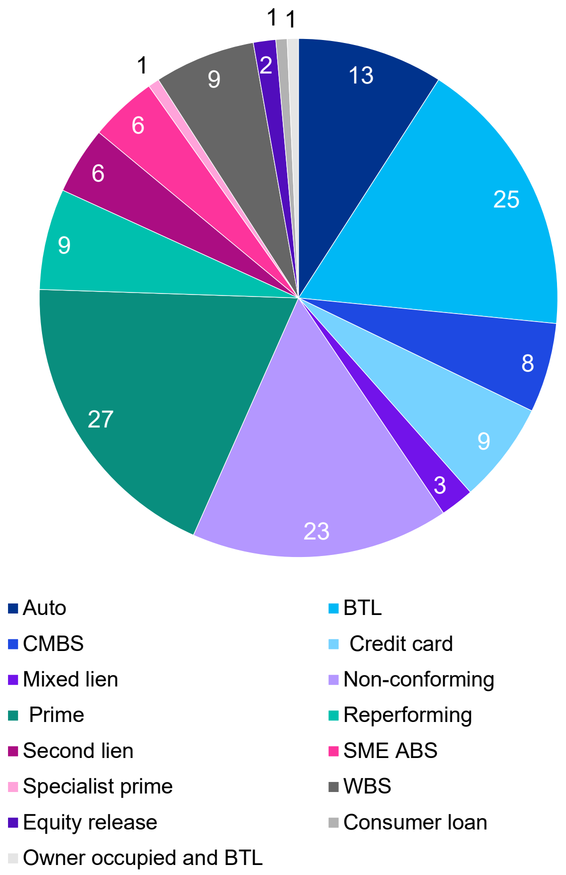
Out of the 85 transactions completed in 2024, 66% were mortgaged-backed

- 17% were BTL mortgages
- 17% were Prime mortgages
- 13% were Non-conforming mortgages



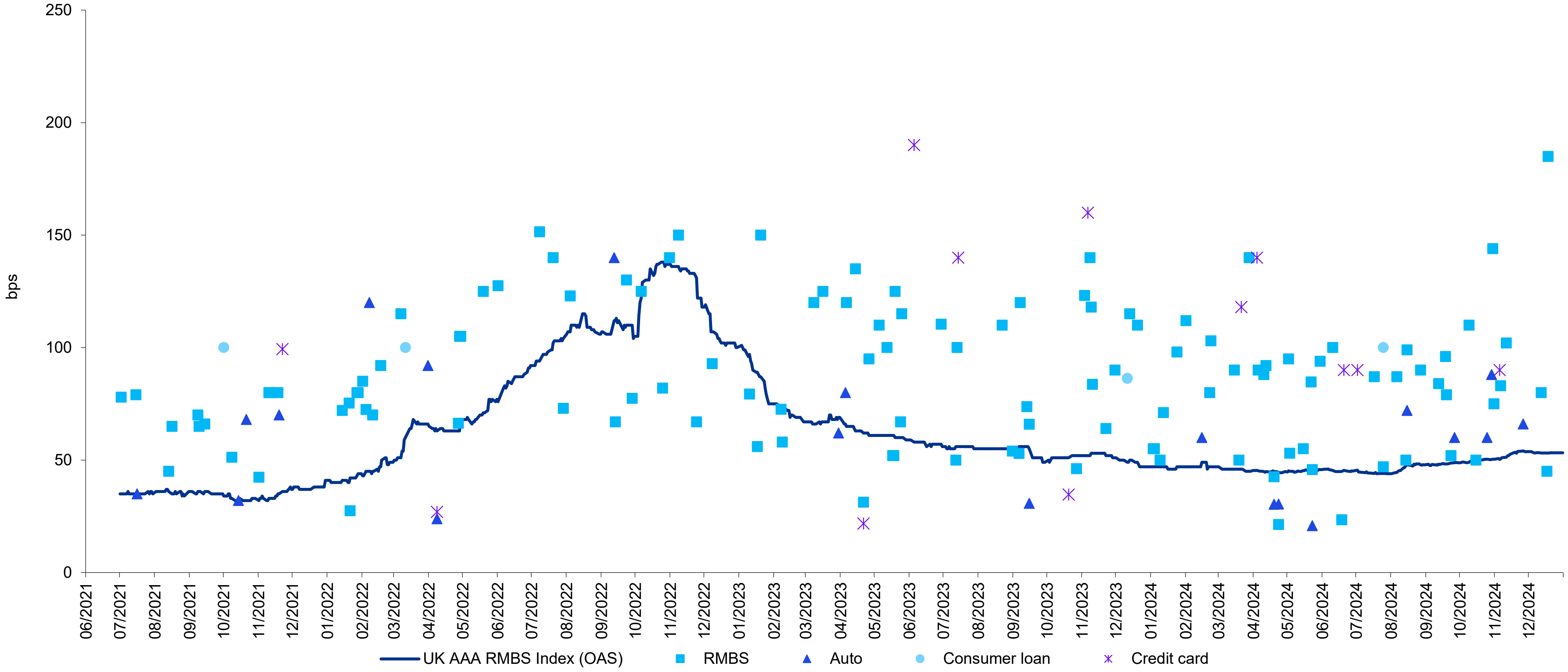
Source: Debtwire

Issuance by asset class across 2023 and 2024



Credit spreads

Average AAA securitisation spreads have continued to tick up slightly in 4Q24



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%
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%

Source: Moody's, Fitch, S&P

Recent UK RMBS Deals (cont.)

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
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 RMBS Deals (cont.)

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
Jul-24	CHL Mortgages for Intermediaries Limited	Edenbrook Mortgage Funding Plc	BTL	£471.3m	Mar-57	AAA: S+0.87%
Jul-24	Coventry Building Society	Economic Master Issuer PLC Series 2024-1	Residential mortgages	£500.0m	Apr-75	AAA: S+0.47%
Aug-24	Santander UK Plc	Holmes Master Issuer Plc –Series 2024-2	Residential mortgages	£500.0m	Oct-72	AAA: S+0.50%
Aug-24	Fleet Mortgages Limited	London Wall Mortgage Capital Plc Series 2024-01	OO and BTL	£367.3m	May-57	AAA: S+0.99%
Aug-24	Multiple Lenders	Durham Mortgages B Plc	BTL	£1,085.7m	May-55	AAA: S+0.90%
Sep-24	Paratus AMC Limited	Braccan Mortgage Funding 2024-1 Plc	Non-conforming OO and BTL	£566.5m	Feb-67	AAA: S+0.84%
Sep-24	Together Financial Services Limited	Together Asset Backed Securitisation 2024-1ST2 Plc	OO and BTL	£451.3m	Oct-65	AAA: S+0.96%
Sep-24	Belmont Green Finance Limited	Tower Bridge Funding 2024-3 Plc	Non-conforming OO and BTL	£310.5m	Dec-66	AAA: S+0.79%
Sep-24	West Bromwich Building Society	Kenrick No. 4 Plc	Residential mortgages	£495.3m	Oct-74	AAA: S+0.52%
Oct-24	Skipton Building Society	Darrowby No. 6 Plc	Owner-occupied	£777.8m	Sep-71	AAA: S+0.50%
Oct-24	Bluestone Mortgages Limited	Ealbrook Mortgage Funding 2024-1 Plc	Non-conforming OO and BTL	£399.1m	Aug-66	AAA: S+0.92%
Oct-24	Yorkshire Building Society	White Rose Master Issuer Plc	Residential mortgages	£1,309.7m	Apr-73	AAA: S+0.52%
Oct-24	Barclays Bank UK Plc	Pavillion Mortgages 2024-1 Plc	Owner-occupied	£930.8m	Jan-76	AAA: S+0.75%
Nov-24	LendInvest	Mortimer 2024-Mix Plc	OO and BTL	£289.1m	Sep-67	AAA: S+0.83%
Nov-24	Hampshire Trust Bank Plc	Winchester 1 Plc	BTL	£305.2m	Oct-56	AAA: S+0.89%
Nov-24	LendInvest BTL Limited and MTF (LE) Limited	Pierpont BTL 2024-1 Plc	BTL	£302.7m	Sep-61	AAA: S+0.84%
Nov-24	Pepper Money Limited	Citadel 2024-1 Plc	Non-conforming	£301.6m	Apr-60	AAA: S+1.02%
Dec-24	Aviva Equity Release UK Limited	Lifetime Mortgages Funding 1 Plc	Residential mortgages	£1,059.5m	Dec-90	AA: 4.75%

Source: Moody's, Fitch, S&P

Recent UK ABS Deals

Date	Borrower	Issuer Name	Asset class	Size	Maturity	Coupon
Dec-24	Landmark Mortgages Limited	Towd Point Mortgage Funding – Granite 7 Plc	Residential mortgages	£357.1m	Apr-51	AAA: S+0.85%
Dec-24	Nationwide Building Society	Silverstone Master Issuer PLC 2024-1	Residential mortgages	£1,500.0m	Jan-79	AAA: S+0.45%
Dec-24	Charter Court Financial Services Limited	PMF 2024-2 Plc	BTL	£1,263.2m	Jan-60	AAA: S+0.80%
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%
Jul-24	Haydock Finance Limited	Hermitage 2024 Plc	Equipment finance	£330.6m	Apr-33	AAA: S+0.90%
Jul-24	Plata Finance Limited	Asimi Funding 2024-1 Plc	Consumer loan	£253.6m	Sep-31	AAA: S+1.00%
Aug-24	Black Horse Limited	Cardiff Auto Receivables Securitisation 2024-1 Plc	Auto loan	£1,250.0m	Aug-32	AAA: S+0.72%
Oct-24	Oodle Financial Services Limited	Dowson 2024-1 Plc	Auto lease	£367.5m	Aug-31	AAA: S+0.88%
Nov-24	NewDay Limited	NewDay Funding Master Issuer Plc – Series 2024-3	Credit card	£300.0m	Nov-32	AAA: S+0.90%
Nov-24	Arval UK Limited	Pulse UK 2024 Plc	Auto lease	£402.3m	May-36	AAA: S+0.66%

Source: Moody's, Fitch, S&P

Securitisation Market Outlooks

Rating agencies expect resilience in the RMBS and ABS markets for 2025

Rating Agency	Outlook	Comments
Moody's	Stable (upgrade from deteriorating in last outlook)	• The credit quality and performance of European RMBS and ABS are expected to remain stable in 2025, driven by positive shifts in collateral forecasts, particularly for UK prime RMBS, which are moving from negative to stable. • European Prime RMBS witnessed stable 60-90 day arrears, while UK BTL experienced an increase in 60-90 day arrears and UK Non-conforming saw a rise in 90+ day arrears. • UK mortgage borrowers are refinancing at higher rates, leading to declining affordability, especially for BTL and Non-conforming loans. • UK auto ABS market is expected to experience a temporary slowdown as auto financiers adjust to the implications of a recent Court of Appeal decision regarding broker commissions. • UK housing market is showing signs of recovery, driving continued issuance momentum in the securitisation market, with house prices expected to continue recovering in 2025, while other European markets exhibit varied dynamics, ranging from continued appreciation to price drops and rebounds.
S&P	Stable (upgrade from deteriorating in last outlook)	• European securitisation issuance is booming, hitting a multi-year high of €127.0bn year-to-date. Strong UK RMBS and CLO activity are driving this surge, with UK RMBS issuance reaching €40.2m and UK ABS at €8.0m. • UK RMBS issuance surged in 2024, reaching a record high driven by legacy collateral refinancings and increased issuance from banks and building societies. This trend is expected to continue into 2025, suggesting a robust market. • Prime and Owner-occupier mortgage pools backing RMBS have seen limited impact from rising interest rates, with arrears remaining relatively stable. • Delinquencies have risen in the UK nonconforming and legacy BTL RMBS subsectors, driven by the prevalence of floating-rate and interest-only loans, coupled with limited refinancing options, which have exposed borrowers to higher payments.
Fitch	Stable	• European structured finance asset performance is expected to remain stable in 2025, supported by a favourable macroeconomic environment. Improved credit conditions and rising wages, while falling interest rates are easing refinancing risks for both businesses and households. • While eurozone RMBS asset performance is expected to benefit from limited interest rate falls and continued home price growth, the UK market faces a more nuanced outlook. Falling interest rates will support Prime and BTL sectors but non-conforming borrowers will continue to struggle. • UK ABS asset performance is expected to improve in 2025, driven by stable unemployment and falling interest rates. While this will support borrower incomes, non-prime borrowers remain vulnerable. High household savings and improving real incomes will provide some cushion, but EV price concerns persist in the autos sector.

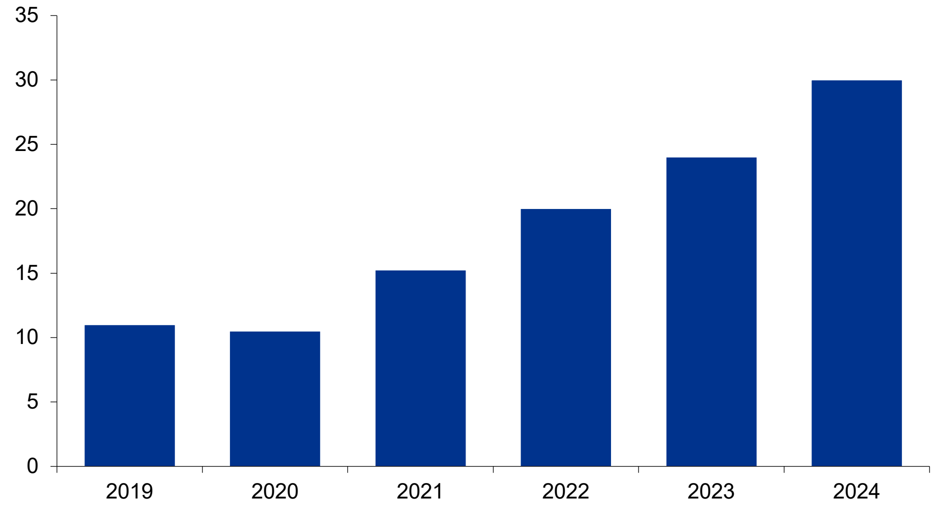
Source: Moody's Investors Service, Fitch Ratings, S&P Global Limited

SRT Market Update (UK / Europe / US)

SRT has emerged over the last 10 years as a key asset class in Europe and the UK (and more recently in the US as well)

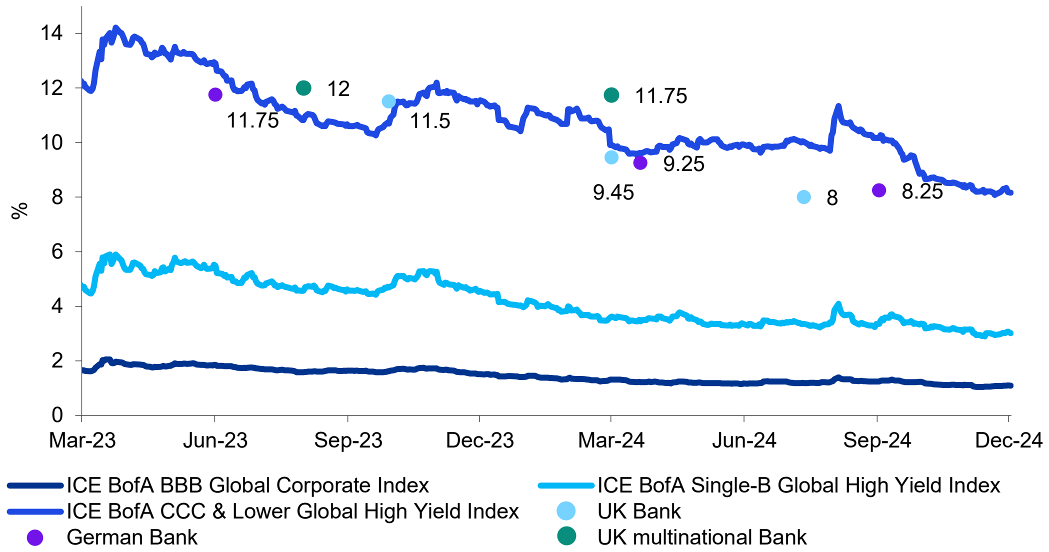
- **Volumes:** 2024 issuance was another year of growth for the SRT market both in terms of volumes and number of issuers coming to market (see chart on LHS); volumes hit the $30m mark in 2024 (in terms of tranches placed).
- **Pricing trends:** In Q3 2024 we had commented on the strong tightening of spreads (i.e. 50 – 100bps between end of 1Q24 and up until end of 3Q24). Our discussions with SRT market participants in Q4 2024 indicated a marginal tightening of spreads over the last quarter of the year. There was a consensus amongst investors that such tightening trend was slowing down with the spread possibly bottoming out.

SRT Volumes ($m)



Source: Chorus Capital

High Yield indices and SRT junior coupons (Global portfolios)



Source: ICE, RTRA, KPMG Analysis
**price guidance communicated to prospective investors; the transaction was executed for commercial reasons at a higher coupon for investors that had not been allocated on the previous transaction executed in Q1"*

Note: Significant Risk Transfer ("SRT") or Credit Risk Transfer ("CRT") transactions are financial transactions undertaken by banks to release capital; when we refer to pricing this is for traditionally placed tranches, i.e. a First Loss Piece (junior) or Lower Mezzanine unless mentioned otherwise

04

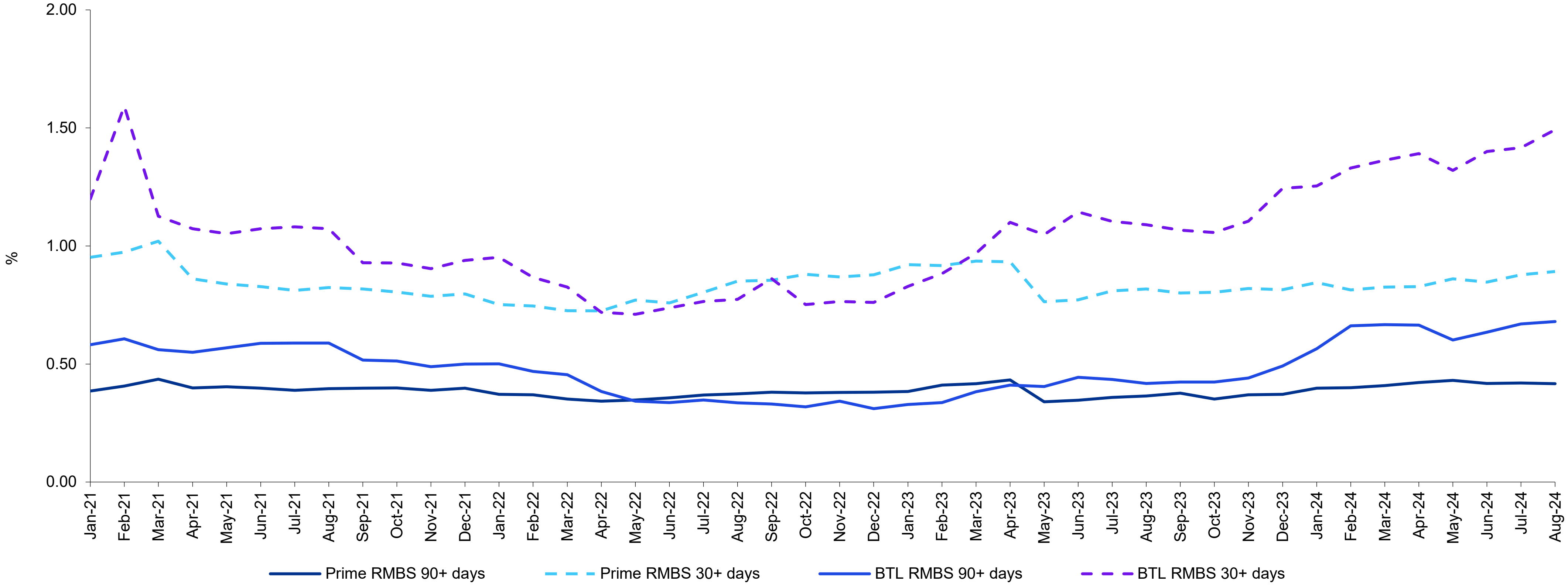
Asset performance

30+ and 90+ UK RMBS: Prime and BTL arrears

BTL arrears continued to deteriorate somewhat in 3Q24 as high-quality borrowers refinance, leaving more vulnerable borrowers behind

Prime mortgage arrears were largely stable, with only a slight uptick in 30+ arrears

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

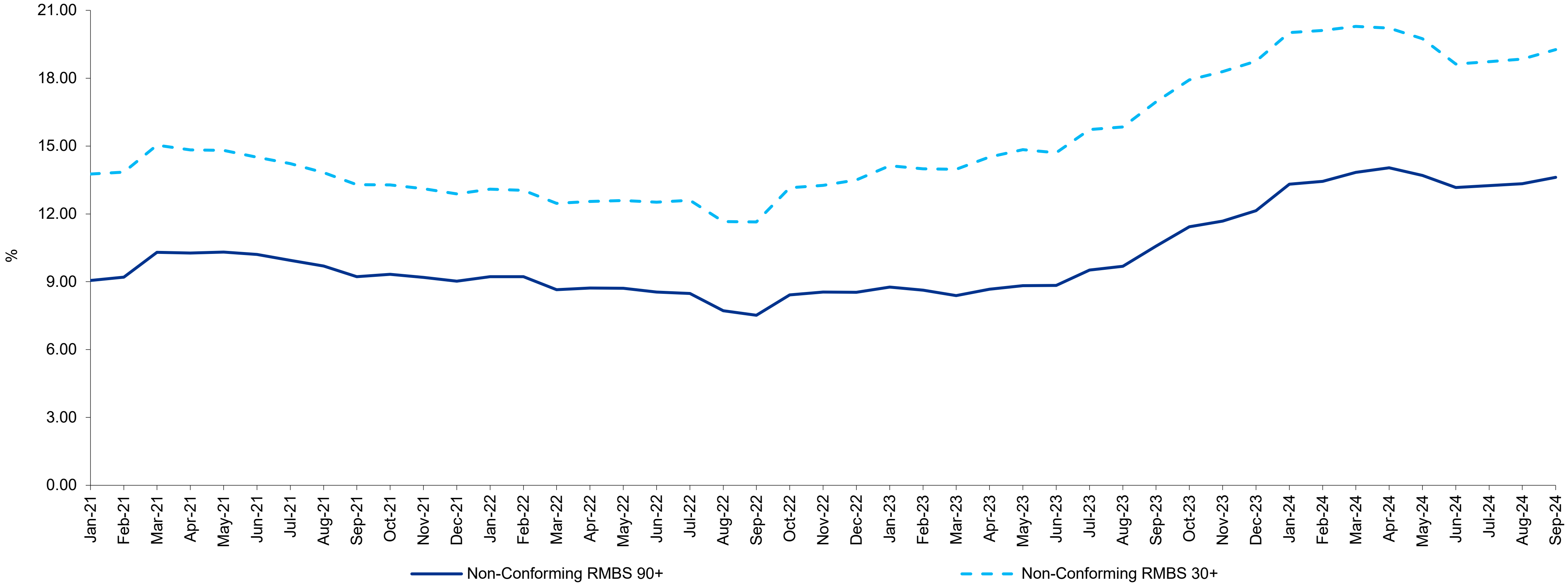


Source: Moody's Investors Service

30+ and 90+ UK RMBS: Non-conforming arrears

Non-conforming RMBS 30+ and 90+ days arrears stabilised in 3Q24, remaining below their 2Q peak

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



Source: Moody's Investors Service

KPMG

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