

SPRING WORKSHOP – UK

4 MARCH 2021



ON TODAY'S CALL



DR. CHRISTIAN THUN
EUROPEAN DATAWAREHOUSE

✉ christian.thun@eurodw.eu



MARIA GREEN
ALLEN & OVERY

✉ maria.green@AllenOvery.com



JOEL PENN
EUROPEAN DATAWAREHOUSE

✉ joel.penn@eurodw.eu



CAMILLE BOILEAU
KENSINGTON MORTGAGES

✉ camille.boileau@kensingtonmortgages.co.uk



MARKUS SCHABER
EUROPEAN DATAWAREHOUSE

✉ m.schaber@eurodw.eu

ALASTAIR BIGLEY
S&P GLOBAL

✉ alastair.bigley@spglobal.com

YORDANKA PETROVA
S&P GLOBAL

✉ yordanka.petrova@spglobal.com

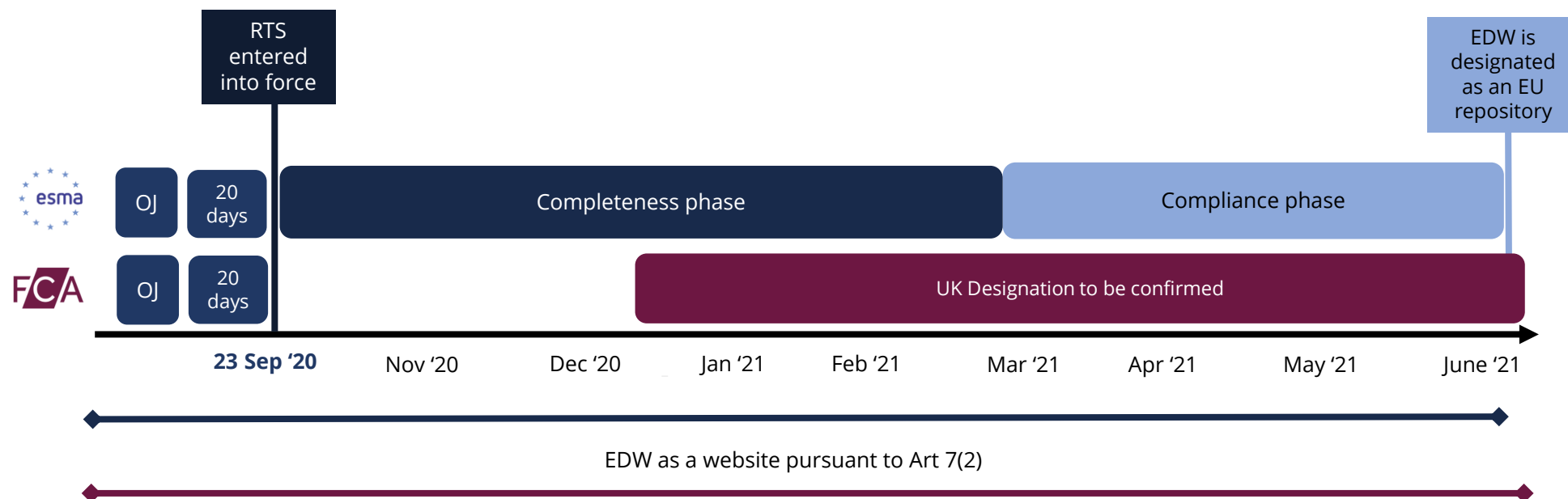
AGENDA

- **WELCOME & INTRODUCTION**
- **REGULATORY UPDATE FOR A POST-BREXIT UK AND EU**
- **EDW COMPANY UPDATES**
- **THE AMBIGUITIES OF UK VS. EU SECURITISATION REGULATION**
 - **MARIA GREEN, ALLEN & OVERY**
- **EDW TECHNICAL OFFERINGS, ENHANCEMENTS, AND ROADMAP**
- **INTRICACIES OF DATA REQUIREMENTS AND THE REGULATION**
 - **ALASTAIR BIGLEY, S&P GLOBAL**
 - **YORDANKA PETROVA, S&P GLOBAL**
- **LOOKING AHEAD: DATA FOR ESG AND GREEN SECURITIES**
 - **CAMILLE BOILEAU, KENSINGTON MORTGAGES**
- **Q&A**

REGULATORY UPDATE FOR A POST-BREXIT UK AND EU

JOEL PENN, EUROPEAN DATAWAREHOUSE

TENTATIVE APPLICATION TIMELINE IN EU AND UK



BREXIT – KEY REGULATORY POINTS FOR UK ISSUERS

- **ESMA out, FCA in:** As of January 1st 2021 Securitisation Regulation under FCA jurisdiction
- **Transitional Period:** In the absence of a repository, issuers are free to use a UK or EU domiciled hosting site for their reporting obligations
- **Securitisation Repositories:** Once named for public transactions, issuers must use an FCA-registered securitisation repository
- **Reporting Now:** For the moment, ESMA templates should be used for Article 7 disclosure requirements with the FCA version of the templates to be released in the near future

TECHNICAL STANDARDS (SPECIFYING THE INFORMATION AND DETAILS OF A SECURITISATION TO BE MADE AVAILABLE BY THE ORIGINATOR, SPONSOR AND SSPE) (EU EXIT) INSTRUMENT 2020

The published TS on disclosure requirements including the following changes:

- The use of the most recent EU NUTS3 version prior to IP completion date for all new exposures acquired after the IP completion date
- Use of the UK's Standard Industrial Classification (SIC) used by UK Companies House instead of NACE codes
- The SA classification instead of the European System of Accounts Secure Codes
- Retain the references to MARP in the NPE add-on templates
- Retain the EU classification of SME
- A new UK definition for leverage transaction
- UK CLO definition instead of EU CLO definition

https://www.handbook.fca.org.uk/instrument/2020/FCA_2020_80.pdf

MARCH 2021

FCA 2020/80

TECHNICAL STANDARDS (SPECIFYING THE INFORMATION AND THE DETAILS OF A SECURITISATION TO BE MADE AVAILABLE BY THE ORIGINATOR, SPONSOR AND SSPE) (EU EXIT) INSTRUMENT 2020

Powers exercised

A. The Financial Conduct Authority (“the FCA”), being an appropriate regulator within the meaning of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (“the Regulations”), with the approval of the Treasury, makes this instrument in exercise of the powers conferred by regulation 3 of the Regulations.

Pre-conditions to making

B. The FCA and the Prudential Regulation Authority are the appropriate regulators for the EU Regulations specified in Part 4 of the Schedule to the Regulations.

C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with regulation 5 of the Regulations.

D. In accordance with regulation 3(2)(b) of the Regulations, the Prudential Regulation Authority has given consent to the modifications in Annexes A and B of this instrument.

E. A draft of this instrument has been approved by the Treasury, the Minister considering that it makes appropriate provision to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law, arising from the withdrawal of the United Kingdom from the European Union.

Interpretation

F. Any reference in this instrument to any EU Regulation or EU tertiary legislation (within the meaning of section 20 of the European Union (Withdrawal) Act 2018) is, unless the contrary intention appears, to be treated as a reference to that EU regulation or EU tertiary legislation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

Modifications

G. The following EU Regulations are amended in accordance with the Annexes A and B to this instrument.

(1)	(2)
Commission Delegated Regulation (EU) 2020/1224 of 16 October 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards specifying the information and the details of a securitisation to be made available by the originator, sponsor and SSPE	Annex A

EDW COMPANY UPDATES

JOEL PENN, EUROPEAN DATAWAREHOUSE

EUROPEAN DATAWAREHOUSE SUBMITS APPLICATION TO FCA TO BE REGISTERED AS A SECURITISATION REPOSITORY

EUROPEAN DATAWAREHOUSE

PRESS RELEASE

European Datawarehouse Submits Application to FCA to be Registered as a UK Securitisation Repository

FRANKFURT, GERMANY – 18 December 2020 – European DataWarehouse (EDW) today announced it has submitted its application to become a Securitisation Repository in the UK registered and supervised by the Financial Conduct Authority (FCA).

The extensive application describes in detail the sound operational and technical aspects of the company and its market-leading reporting solutions which are necessary for EDW to collect and maintain UK securitisation records.

Prof. José Manuel González-Páramo, Chairman of European DataWarehouse stated: "Building on its proven track record as the designated securitisation repository of the Eurosystem, I am confident that EDW will submit a successful application and be named as a securitisation repository with the FCA".

This release follows earlier announcements [from European DataWarehouse regarding the establishment of a UK subsidiary, European DataWarehouse Ltd](#), as well as a UK office. These developments, along with today's press release, demonstrate European DataWarehouse's ongoing commitment to its UK customers before and beyond Brexit.

European DataWarehouse was established as part of the implementation of the European Central Bank's ABS loan-level initiative. Since its inception as an initiative by the leading participants of the European securitisation market, EDW acted as a repository that has collected loan-level data and relevant documentation for over 1,600 transactions.

About European DataWarehouse GmbH

European DataWarehouse (EDW) is the first and the only centralised data repository in Europe for collecting, validating and distributing detailed, standardised and asset class specific loan-level data for Asset Backed Securities (ABS) and private whole loan portfolios. EDW stores loan-level data and

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EUROPEAN DATAWAREHOUSE SUBMITS APPLICATION TO ESMA TO BE REGISTERED AS A SECURITISATION REPOSITORY

EUROPEAN
DATAWAREHOUSE

PRESS RELEASE

European DataWarehouse Submits Application to ESMA to be Registered as a Securitisation Repository

FRANKFURT, GERMANY – 23 September 2020 – European DataWarehouse (EDW) today announced it has submitted its application to become a Securitisation Repository registered and supervised by the European Securities and Markets Authority (ESMA).

The extensive application describes in detail the sound operational and technical aspects of the company and its market-leading reporting solutions.

In January 2018, European DataWarehouse launched its Securitisation Repository under the Securitisation Regulation. The platform for the Securitisation Repository was initially launched to reflect the latest template changes.

Prof. José Manuel González-Páramo stated: "EDW was founded in 2011 to restore the securitisation market and restore its track record as the securitisation market. Hence our continued support that EDW will submit a successful application for registration as a securitisation repository by ESMA."

Steve Gandy, Managing Director of EDW added: "As a founding shareholder, we are committed to promoting best practice in the securitisation market. Hence our continued support tirelessly towards the goal of greater transparency in the securitisation market, and we are confident that the Securitisation Repository services which are a by-product of this successful application".

ESMA RECEIVES SECURITISATION REPOSITORY REGISTRATION APPLICATION

23 September 2020

SECURITISATION

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has received its first application for registration as a securitisation repository (SR) under the Securitisation Regulation.

ESMA, under the Securitisation Regulation, has direct responsibilities regarding the registration and supervision of SRs, who centrally collect and maintain the records of securitisation transactions in the EU.

The reporting obligation for reporting entities will begin with the registration of the first SR. ESMA will announce publicly when the first SR(s) are registered.

If you are interested in applying for a registration, please refer to this guidance, and for further information on the registration process, please contact SR-registration@esma.europa.eu.

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The extensive application describes in detail the sound operational and technical aspects of the company and its market-leading reporting solutions."

EDW LTD

MARKUS SCHABER, EUROPEAN DATAWAREHOUSE

THE AMBIGUITIES OF UK VS. EU SECURITISATION REGULATION

MARIA GREEN, ALLEN & OVERY

DR. CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

BREXIT – KEY REGULATORY QUESTION MARKS

Post-Brexit approach to dual compliance with EU and UK Securitisation Regulation regimes

- Trends on new post-1 Jan 2021 securitisations
 - Pure EU securitisations (all parties - originator/sponsor/SSPE - in the EU)
 - Pure UK securitisations (all parties in the UK)
 - Cross-border securitisations (involving EU and UK parties)
- Issues considered on existing pre-2021 deals

EDW TECHNICAL OFFERINGS, ENHANCEMENTS AND ROADMAP

JOEL PENN, EUROPEAN DATAWAREHOUSE

BREXIT – REPOSITORY SOLUTIONS

	EDITOR UK	EDITOR EU
Related Regulatory Body	FCA	ESMA
Draft stage during file upload	✓	✓
Detailed data quality checks	✓	✓
Data quality tracking system	✓	✓
Private area / restricted access	✓	✓
'on-the-fly' benchmarks	✓	✓
Integrated csv-to-xml converter	✓	✓
Extended template for rating agencies	✓	✓
Sandbox testing environment	✓	✓
Unlimited support from customer service and account management team	✓	✓

EDITOR REPORTING REGIMES

Fulfil regulatory and eligibility reporting requirements under different regimes



- Dedicated website fulfilling the ESMA reporting criteria during the interim period under the ESMA XML reporting regime
- Plan to be an ESMA securitisation repository, submitted application on 23 September 2020
- ECB repository for issuers to fulfil their Eurosystem eligibility requirements for ABS and private whole loan portfolios

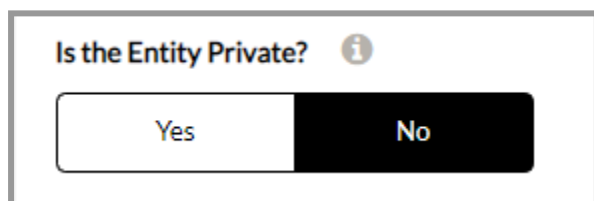


- Issuers are now able to fulfil their Bank of England (BoE) eligibility requirements by reporting their loan-level data, cashflow models and documentation to European DataWarehouse
- ED intends to become a securitisation repository in the UK submitted application on 29 December 2020

PRIVATE DEAL SOLUTIONS

EDITOR offers a dedicated website which allows private transactions to comply with the disclosure requirements under Article 7(1) of the Securitisation Regulation

- Includes features for the controlled transmission of the information to third parties
- Access to the relevant **data is fully managed by the Data Owner (DO)** (sponsor, originator or special securitisation purpose entity (SSPE)). DOs are responsible for authorising access to Data Users (DU).
- The same features in EDITOR that are used in the public area can also be used in the private area



Is the Entity Private? ⓘ

Yes No

**ACCESSIBILITY: EASY
AND USER-FRIENDLY
WEB-BASED ACCESS**

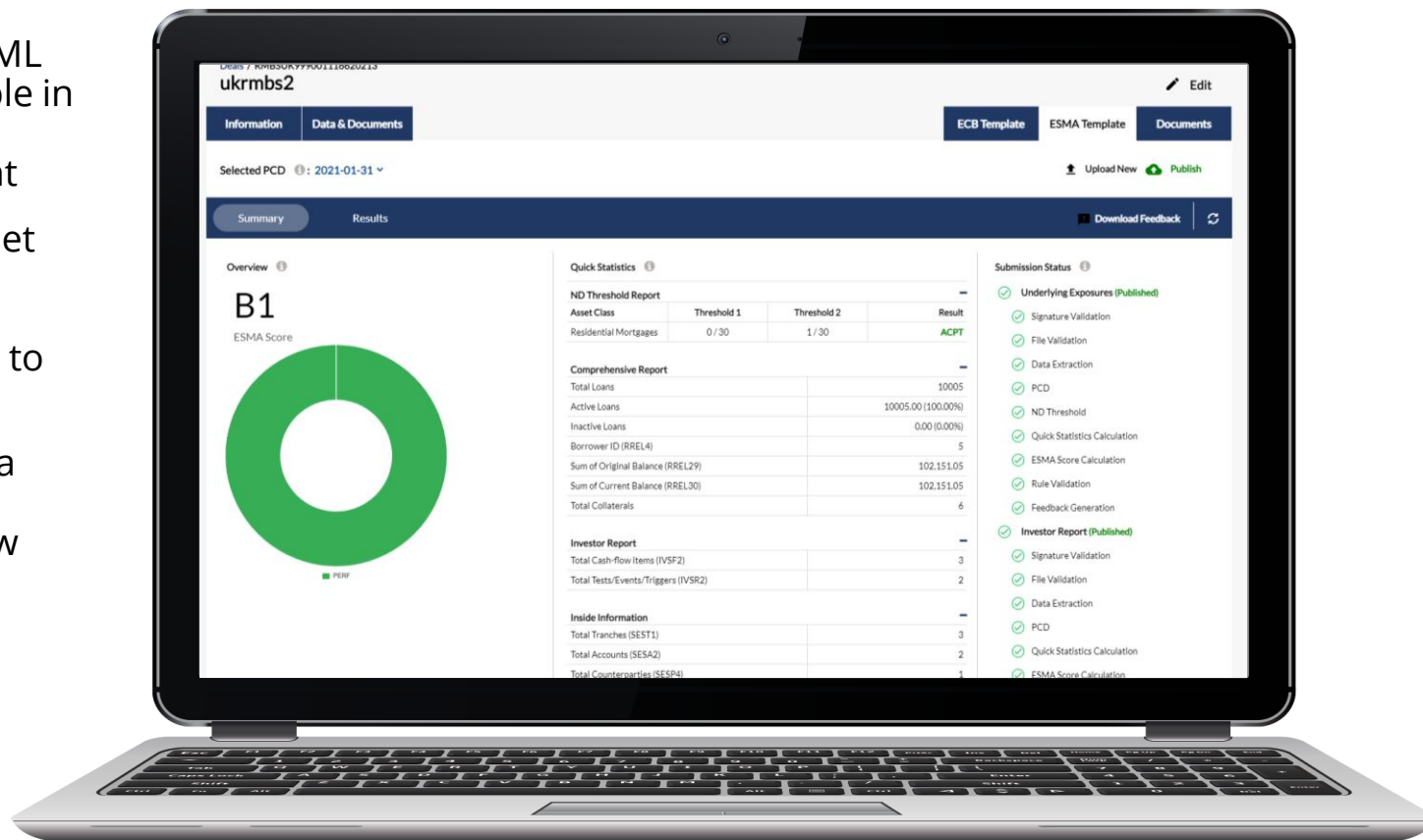
**FLEXIBILITY:
ABILITY TO MODIFY USERS,
DEAL STATUS AND ACCESS
AT DOCUMENT LEVEL**

**INTEGRITY: LEGAL
FRAMEWORK FOR
ACCESSING AND
UPLOADING INFORMATION**

**RELIABILITY: ROBUST
SOFTWARE WITH
ONGOING SUPPORT**

NEW REPOSITORY SOLUTION IN EDITOR

- Structured ESMA XML upload now available in live and Sandbox testing environment
- RMBS and Auto asset classes covered for now with all other major asset classes to follow in April
- ND thresholds, Data Quality Checks and Schema Checks now available



THE EDITOR ROADMAP



	Current Features	April 1 st Week	June
Reporting Entities	<ul style="list-style-type: none"> • Create your securitisation • Upload documentation, incl. all 12 item codes prescribed in the RTS • Structured template upload support for RESI, AUTO, incl. ND and data quality checks • Draft state to preview ND Scores and Data Quality • Separate CSV to ESMA XML Converter 	<ul style="list-style-type: none"> • Structured template upload support for ALL asset classes • All features as required in the RTS for Securitisation repositories (e.g., Written confirmation, EOD Reports, etc.) <p>☆</p>	<ul style="list-style-type: none"> • Data Usability Enhancements, including benchmarking of transactions • Support of FCA template in EDITOR and the CSV to XML converter (<i>once FCA publishes the XML schemas</i>)
Data Users	<ul style="list-style-type: none"> • Access to all uploaded documentation through the EDITOR website and SFTP 	<ul style="list-style-type: none"> • Access structured XMLs also in CSV format 	<ul style="list-style-type: none"> • “ED Insights” add-on in EDITOR with Deal History, Benchmarks and Monitoring Report

PRODUCT COMPARISON: EDITOR VS EDW BASIC (LOW-COST)

	EDITOR	EDW BASIC
ESMA/FCA compliant features	✓	✓
Detailed data quality checks	✓	✓
Unlimited support from customer service and account management team	✓	✓
Seamless deal access via EDITOR for investors	✓	✓
Integrated csv-to-xml converter	✓	Optional
Private area / restricted access	✓	—
Reporting for ECB possible	✓	—
Draft stage during file upload	✓	—
Exclusive resource-saving extended rating agency templates	✓	—
Sandbox testing environment	✓	—

PROXY DATA

JOEL PENN, EUROPEAN DATAWAREHOUSE

PROXY DATA TO COMPLY WITH ARTICLE 22(1) FOR THE STS TRANSACTIONS

European DataWarehouse can help your organisation comply with relevant performance requirements

- With over 1300 transactions, ED offers solutions for the issuers/originators/SSPEs to comply with the STS Requirements relating to transparency
- ED can perform on-demand SQL queries to extract historical performance data from its database across asset classes for a period of at least five years. The performance data includes historical arrears, defaults for exposures similar to those being securitised.

L 347/62 EN Official Journal of the European Union 28.12.2017

Article 22

Requirements relating to transparency

1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period of at least five years.

PERFORMANCE TABLES

5 Years of Historical Arrears of a Sample of Substantially Similar Mortgage Receivables (Source: European DataWarehouse)

Date	Outstanding Balance	0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-180 days	180+ days
31 March 2014	886,240,154	0.50%	0.12%	0.05%	0.02%	0.03%	0.02%	0.23%
30 June 2014	872,109,172	0.74%	0.27%	0.12%	0.14%	0.02%	0.02%	0.18%
30 September 2014	860,784,118	0.25%	0.10%	0.03%	0.00%	0.02%	0.00%	0.00%
31 December 2014	843,694,237	2.92%	0.23%	0.12%	0.06%	0.04%	0.02%	0.13%
31 March 2015	810,849,986	2.09%	0.21%	0.14%	0.01%	0.07%	0.03%	0.13%
30 June 2015	818,402,751	2.90%	0.28%	0.06%	0.03%	0.15%	0.04%	0.11%

PROXY DATA PROCESS

5 Stage process designed for data set optimisation

Initial Communication

ED and the client identify and discuss any extraordinary characteristics of the desired pool to be securitised. For instance:

- Origination years
- Occupancy type
- Interest rate type
- Guarantee type etc.



Deals Selection

ED selects a list of deals based on:

- completeness of data
- results of data quality checks
- the pool characteristics discussed

The list of deals is then shared, and modified based on client feedback



Proxy Loans Selection

A subset of the underlying loans (based on the characteristics portfolio to be securitised) from the selected deals are taken as proxy loans. Their historical performance data is compiled

adcode	deal name	vintage
RMBSXX12345678912XXXX1	ABC 2014	2014
RMBSXX12345678912XXXX1	XYZ 2014	2014
RMBSXX12345678912XXXX1	ABC 2015	2015
RMBSXX12345678912XXXX1	XYZ 2015	2015
RMBSXX12345678912XXXX1	ABC 2016	2016
RMBSXX12345678912XXXX1	XYZ 2016	2016
RMBSXX12345678912XXXX1	ABC 2017	2017
RMBSXX12345678912XXXX1	XYZ 2017	2017
RMBSXX12345678912XXXX1	ABC 2018	2018
RMBSXX12345678912XXXX1	XYZ 2018	2018
RMBSXX12345678912XXXX1	ABC 2019	2019
RMBSXX12345678912XXXX1	XYZ 2019	2019



Result: Proxy Data

Final Performance Dataset

The final performance dataset includes static Default/Loss and Dynamic Arrears information

- Static pools are based on the year of securitisation
- Since each portfolio to be securitised has a unique set of characteristics, ED applies principles of good judgement while being transparent



Adjustments to the data

Dataset from each selected deal is scrutinised further for quality

Any idiosyncratic reporting practices in a deal are adjusted to one standard.

Any outlying results are investigated and discussed with the relevant ED analyst

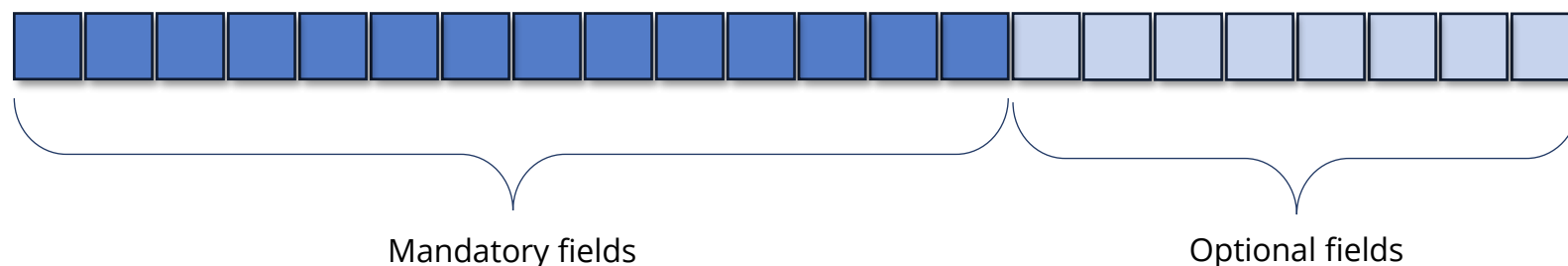


EDW EXTENDED REPORTING TEMPLATES

DR. CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

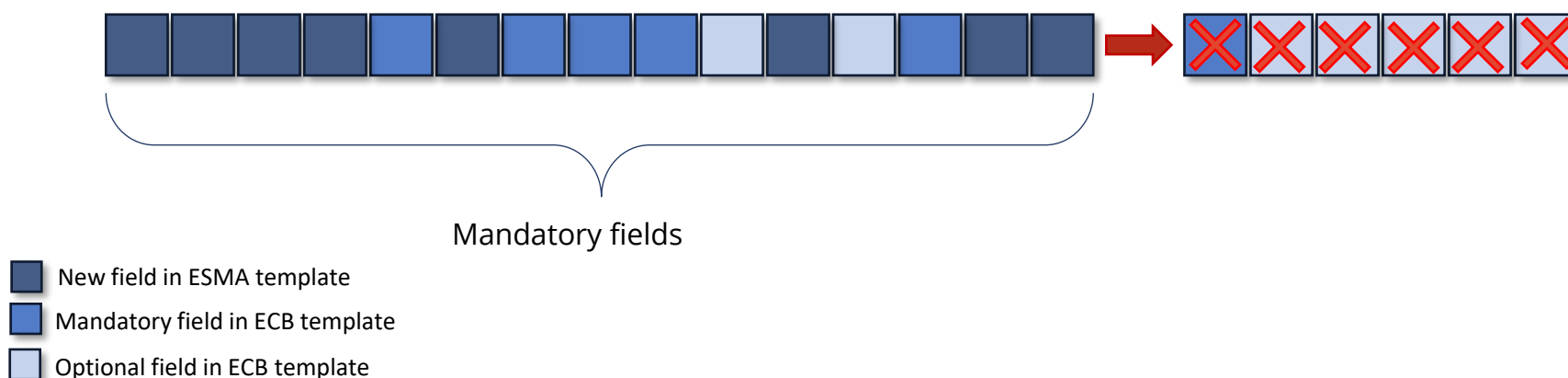
ECB TEMPLATES 2012 – TODAY

- Between December 2012 and September 2013 the European Central Bank (ECB) published a series of reporting templates that were intended to improve transparency, give investors access to loan-level data, as well as ensure that rating agencies and other market participants have the information they need to update their credit and cash flow models.
- The reporting templates consist of various sets of fields. While all of the data fields requested are in principal relevant to Asset Backed Securities, the Eurosystem decided that only a subset of those fields should be mandatory. Still counterparties were encouraged to include information in optional data fields in the template.



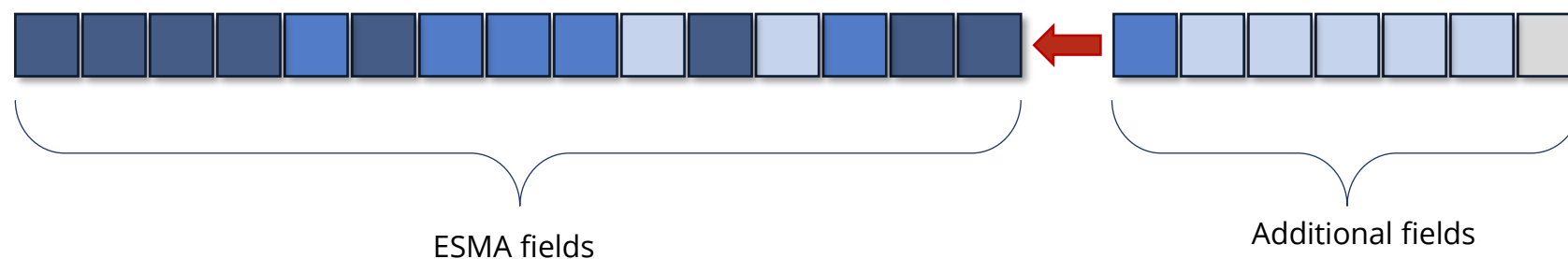
ESMA TEMPLATES 2018 AND GOING FORWARD

- In August 2018 the European Securities and Market Authority (ESMA) published the draft underlying exposure templates published in the first report by ESMA, and the subsequent versions published by ESMA, are based on the European Central Bank (ECB) Asset-Backed Securities (ABS) loan-level data templates and are taking into account other data reporting standards (Bank Integrated Reporting Dictionary) and the reporting under different regulations such as MiFID II and MiFIR.
- Compared to the ECB templates there are a series of key differences between the ESMA templates and the existing ECB templates.
- A key difference is the removal of fields. The ESMA templates include only mandatory fields. Some of the optional fields in the ECB templates were converted to mandatory fields and other optional fields have been removed from the ESMA templates.



EDW EXTENDED TEMPLATES

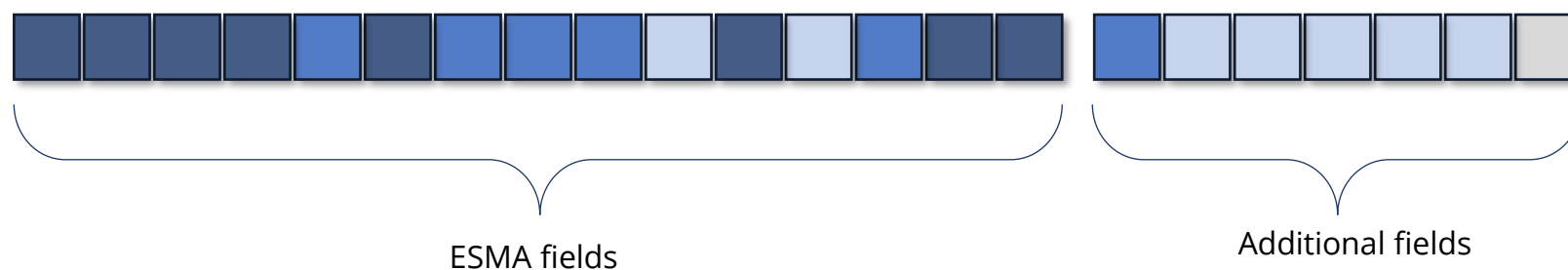
- The ESMA templates no longer comprise data fields containing valuable information that rating agencies and other market participants need to update their credit and cash flow models.
- European DataWarehouse (EDW) launched a project with the four leading rating agencies (Moody's, S&P, Fitch, DBRS) to extend the ESMA templates with the additional data fields containing the missing information.
- The result are the EDW Extended Templates comprising all data fields required to meet the regulatory disclosure requirements while at the same time providing all the information required by rating agencies and other market participants.



- New field in ESMA template
- Mandatory field in ECB template
- Optional field in ECB template
- Additional field required by rating agency

EDW EXTENDED TEMPLATES

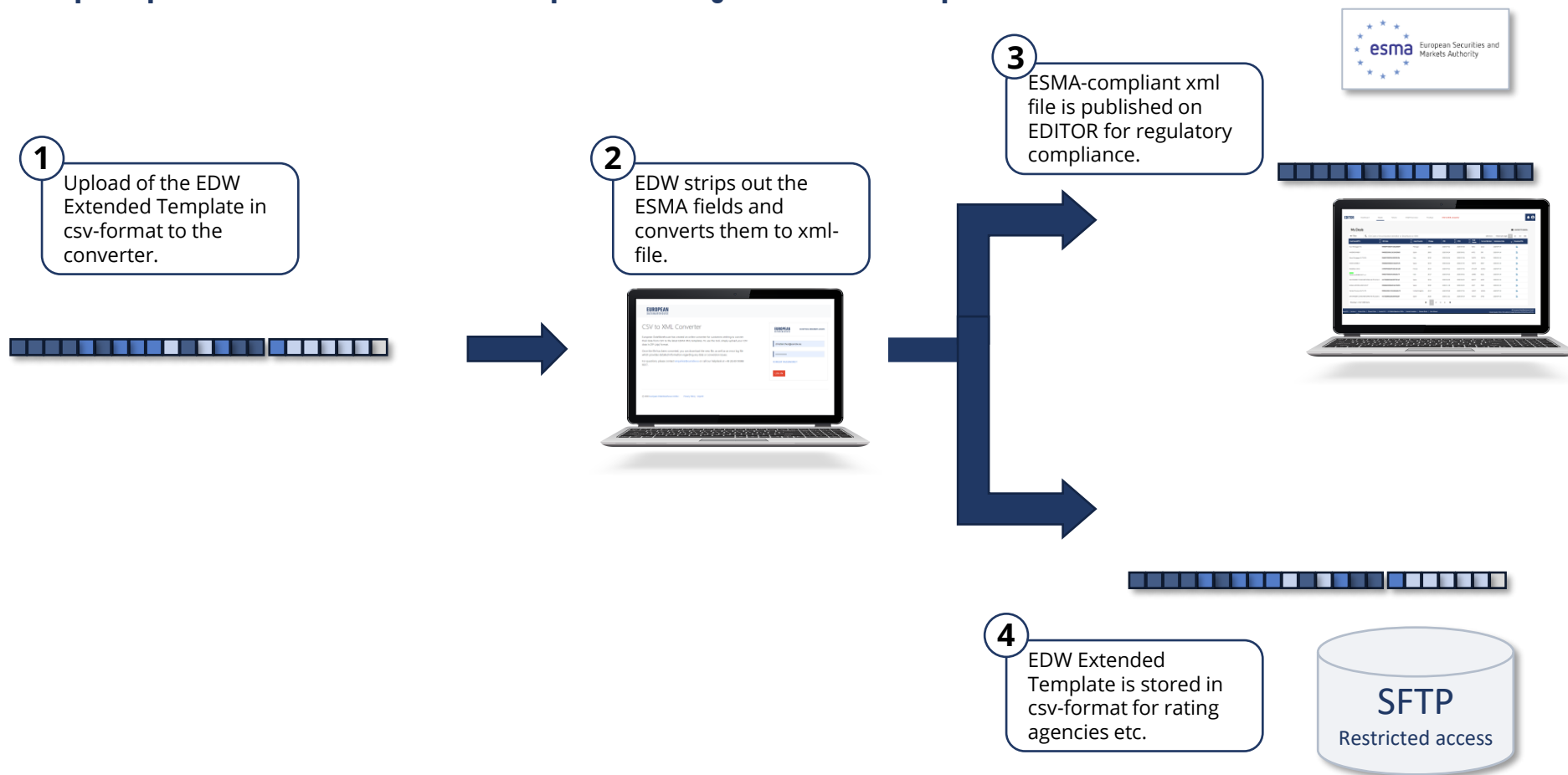
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EDW EXTENDED TEMPLATES – DATA PROCESS

The upload process for the EDW Extended Templates is straightforward and simple.



INTRICACIES OF DATA REQUIREMENTS AND THE REGULATION

ALASTAIR BIGLEY, S&P GLOBAL

YORDANKA PETROVA, S&P GLOBAL

European Structured Finance



S&P Global
Ratings

Alastair Bigley:

alastair.bigley@spglobal.com

Yordanka Petrova:

yordanka.petrova@spglobal.com

Essential / Mandatory Data

- Not everything that is mandatory in templates is mandatory as part of our analytical process.
 - There are certain bare minimum fields that are common between EDW and BoE templates for example, current balance, loan ID.
 - Some that are labelled mandatory are not always mandatory in our analysis. For Example, borrower income, is not used directly in our analysis in all countries.
 - Likewise some fields that are Optional could be viewed as mandatory depending on collateral type and nature of transaction.
- Not everything that is STATIC in templates is STATIC as part of our analytical process.
 - For example Further Advances can make some fields dynamic.
 - Servicing strategies can make some static fields dynamic, for example, loan term.

Data That Helps Tell The Credit Story

- Many Optional Fields do not get completed,
 - For example, the arrears status of a loan that exited a pool is usually not tracked. Not all loans that prepay are current and so, cumulative defaults may be under-recorded.
 - For example, if 6 months ago, 10% of the pool were in arrears, and in the latest pool data all these loans had prepaid. It will not be always apparent if they were current when the prepaid.
 - Likewise loan by loan Loss Severity information is generally not recorded.
 - There is occasion when we may ask for fields not covered by templates.
 - U.K. Second charge loans.
 - U.K. Complex BTL

Other Data and Covid-19 Data

- Not all data is loan by loan.
 - Prepayment
 - Loss severity
 - Default Delinquency
- Covid 19.
 - Loan by loan reporting preferred but not universal.
 - And when reported not in a universal format.
 - Impact of forbearance on reported metrics.

EDW Template in Our Process

- We have been collecting loan level data as part of our ratings and data processes for over 10 years
- The process has evolved over time accommodating market, criteria or model changes and requirements
 - For example, we have recently started collecting data on when a loan has become more than 3 months in arrears
 - We have reclassified fields to mandatory based on new global criteria
- We receive data in multiple formats and templates which we then ingest and standardize in our system

EDW Template

BoE Template

ESMA Template

S&P Template

Deal specific agreed upon format

- Over the last years more banks choose to report in EDW or BoE Templates
- Collaboration with EDW on regulatory driven changes to reporting requirements

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LOOKING AHEAD: DATA FOR ESG AND GREEN SECURITIES

CAMILLE BOILEAU, KENSINGTON MORTGAGES

JOEL PENN, EUROPEAN DATAWAREHOUSE



Inaugural Kensington Social Bond

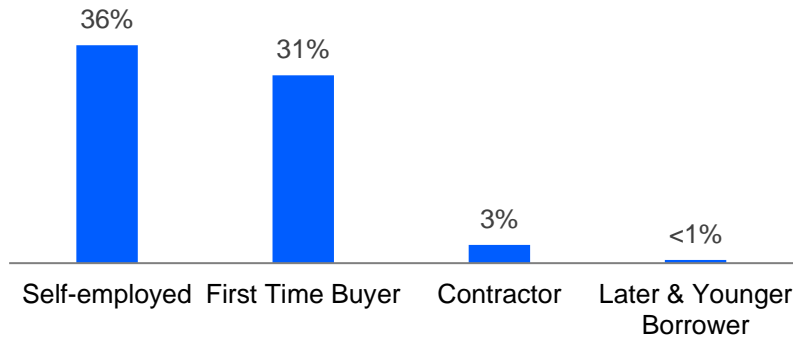
Kensington

First labelled Social bond from a UK RMBS issuer



LENDING TO SOCIAL BORROWERS

- Kensington is providing loans to owner-occupied borrowers with income complexity who are underserved by high street banks
 - ✓ Kensington addresses the needs of borrowers with complex incomes that need manual underwriting as they do not fit the 'one-size fits all approach' taken by mainstream banks which relies on highly automated underwriting models
- The social objective of Kensington is **to improve access to home loan finance and facilitate home ownership for a target population**
- **Target populations** comprise viable borrowers that are underserved by high street banks despite their high quality profile – borrowers with multiple and/or complex incomes, self-employed, contractors, first-time buyers, later life & younger borrowers and borrowers looking to purchase affordable housing
- Kensington's owner occupied borrowers - % measured by origination volume over total originations from Jan-19 to Nov-20



UTILISATION OF PROCEEDS

- The net proceeds of the GMG21-1 bond issued under Kensington's Social Bond Framework will be exclusively applied to refinance the issuer's purchase of the portfolio of owner-occupied loans (the Eligible Social project) backing the GMG21-1 deal (and other expenses in connection with the deal)

ELIGIBLE SOCIAL PROJECT

- The Gemgarto loans form part of an Eligible Social Project related to the Social Project categories of **Access to Essential Services (Banking)** and/or **Socioeconomic Advancement and Empowerment through equitable access to and control over real estate assets that serve as main residence**
- The Eligible Social Project aligns and contributes to the achievement of the United Nations Sustainable Development Goals ('UN SDG')



SDG 10 – Target 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



SDG 10 – Target 10.3

Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.



SDG 11 – Target 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.



SDG 11 – Target 11.3

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.



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PROCESS FOR PROJECT EVALUATION AND SELECTION

- The evaluation and selection process will ensure that the proceeds of the Social Bonds issued under this Framework will ultimately be used to originate owner-occupied mortgages aimed at the target population.
- This is to make sure the use of proceeds will fulfil the social objectives of improving access to home loan finance and facilitating home ownership for a target population comprising borrowers in the UK who are underserved by high street lenders, despite their high quality profile, as a result of some complexity in their income streams.
- Kensington has formed a Social Bond Working Group to carry out the evaluation and selection process. The Social Bond Working Group consists of representatives from each of the following teams:
 - ✓ Capital Markets
 - ✓ Analytics
 - ✓ Legal

MANAGEMENT OF PROCEEDS

- Kensington has implemented internal accounting and financial management and information systems to track and report on the Eligible Social Project and verify whether the net proceeds of each Social Bond have been fully allocated.
- On the issuance date of the Social Bonds, the Issuer will use the Social Bond proceeds to purchase a specific pool of loans originated by Kensington which has been identified ahead of the issue date ("Initial Loan Pool").
- Depending on the structure of the specific Social Bond issuance, the Issuer may also be permitted to purchase further pools of loans from Kensington or an affiliate of Kensington, either:
 - ✓ During an initial period as specified separately for each Social Bond (but expected to be no longer than two interest periods of the Social Bond), by using Social Bond issuance proceeds which were not used to purchase the Initial Loan Pool ("Prefunding Mechanism"); or
 - ✓ During an initial period as specified separately for each Social Bond (but expected to be no longer than 5 years), by reinvesting principal collections received by the Issuer from the mortgage borrowers ("Revolving Period").

REPORTING

Every year, Kensington will publish an annual Social Bond report describing the allocation and impact of the Eligible Social Project

- The Allocation Reporting will contain at least the following details :
 - ✓ Details of Social Bond(s) issued during the reporting period and outstanding at the reporting date
 - ✓ Aggregated reporting of loans financed by Social Bond proceeds at issuance date and as at the annual reporting date.
- Where possible, qualitative and/or quantitative reporting of the social impacts resulting from loans financed by the Social Bond proceeds including the following potential impact indicators:
 - ✓ # of beneficiaries
 - ✓ Breakdown of loans in portfolio by age of borrower, gross income of borrower, location of property, loan to value ratio and principal outstanding at the reporting date
 - ✓ average gross income of borrowers under loans included in portfolio
 - ✓ average principal balance of loans included in portfolio
- An appropriate external review provider will be engaged to review portfolio data summarised in the stratification tables of the Social Bond Annual Report



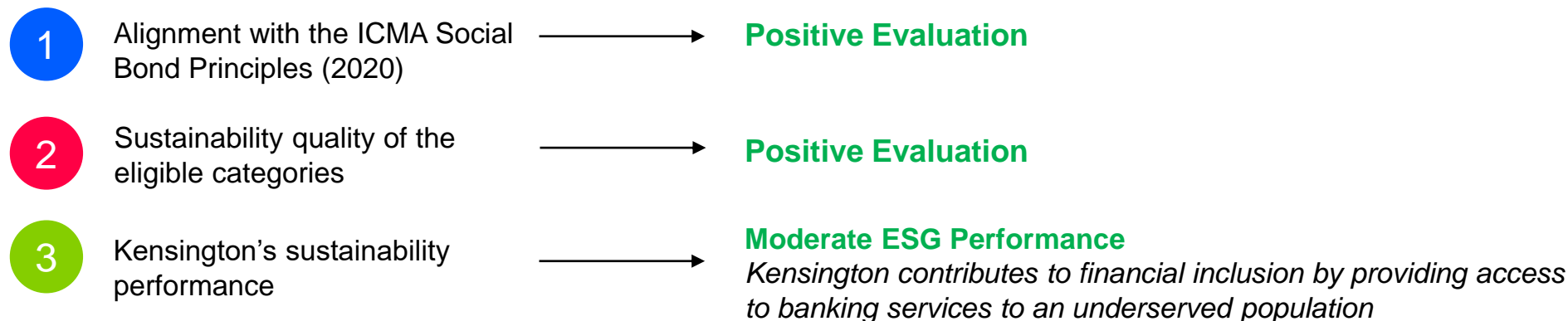
Kensington

Inaugural Kensington Social Bond

External Review – Second Party Opinion

SPO EVALUATION

- ISS ESG was appointed to provide an external review in the form of a Second Party Opinion on Kensington's Social Bond Framework, and to confirm alignment with the ICMA Social Bond Principles and the contribution to UN SDGs
- ISS ESG is a leading provider of corporate governance and responsible investment solutions
- The Second Party Opinion is publicly available on the Kensington investor portal: <https://investors.kensingtonmortgages.co.uk>



RATIONALE FOR KENSINGTON TO ISSUE SOCIAL BONDS

- Kensington sees ESG factors as key to its long-term performance and is looking to integrate ESG initiatives into its business (first specialist lender to publicly release its corporate ESG targets in August 2020)
 - ✓ Kensington is developing its funding strategy to better reflect this ambition; Social Bonds will form a clear part of its future securitisations
- Labelled Green, Social and Sustainability Bonds have become more attractive to investors that have increased their commitment to responsible investment, including assets that have a clear social benefit
- The Social Lending activity of Kensington contributes to the achievement of the UN SDGs notably SDG 10 and SDG 11
- Kensington supports the sharing of reliable ESG information to provide more transparency in the UK RMBS market (Kensington is one first UK issuers to share EPC data when marketing a new public deal)



Kensington's Corporate ESG Targets

Kensington **FY 20/21**

ENVIRONMENTAL



CONTROL CARBON EMISSIONS

Implementation of energy saving initiatives to reduce our carbon emissions. **Target reduction of 20% by 2025 (vs 2019)** across both London and Maidenhead offices. This will be achieved through better electricity consumption and water usage. Increase paperless working to **reduce paper waste** generated by the Group by **a minimum of 20% by 2025 (vs 2019)**

RECYCLING

Reduce the amount of landfill waste generated **by recycling at least 30% of all waste** (including paper)

ENVIRONMENTAL FRIENDLY MORTGAGE PRODUCT – eKo CASHBACK MORGAGES

Target to **give £1,000 cashback to at least 30% of borrowers** that selected the eKo cashback mortgage to help drive energy improvements in existing UK homes

SOCIAL



LENDING PLATFORM – MORTGAGE PRODUCTS THAT TARGET SOCIAL BORROWERS

Continue to provide mortgage financing to an underserved population of UK home owners in line with the definition from the Social Bond Principles (SBP) 2018 from ICMA. **Aim for at least 50% of our owner occupied lending to be to social borrowers** including self employed, later life, young professionals and heroes (key workers)

CHARITY

Each employee receives one day per year for volunteering. Our aim is **for at least 10% of staff to take up this volunteering day**

GENDER DIVERSITY

Gender diversity in senior roles is important to Kensington and so we will aim **to shortlist an equal proportion of female and male candidates for senior manager and executive roles**

EMPLOYEE WELLBEING

Target an average 85% score for the Well Being section of the annual employee engagement survey

GOVERNANCE



DATA PROTECTION

Protection of our customer data is key. To ensure this we will **comply with GDPR and DPA2018**. Maintain the **ISO 270001 certification** (last received in December 2019). Cyber security is key to the operation of the firm and protection of data. We aim to achieve and maintain the **'Cyber Essentials Plus'** accreditation

GOVERNANCE STRUCTURE

Kensington's Board will continue to consist of a majority of **independent non-executive directors**. External auditors (currently KPMG) will undertake an annual audit of Koala Cayman (parent company of Kensington); No unqualified opinion received from auditors in the last 5 years

CORPORATE RISK MANAGEMENT

Continue to have an **independent risk management function** and a 'three lines of defence' governance model which is best practice. Compliance with the **SMCR** (Senior Managers & Certification Regime) conduct rules from the FCA

Kensington will monitor frequently and publicly report at the end of its FY 20/21 the levels for each of its Environmental, Social and Governance targets



Q&A

UPCOMING RESEARCH WEBINARS

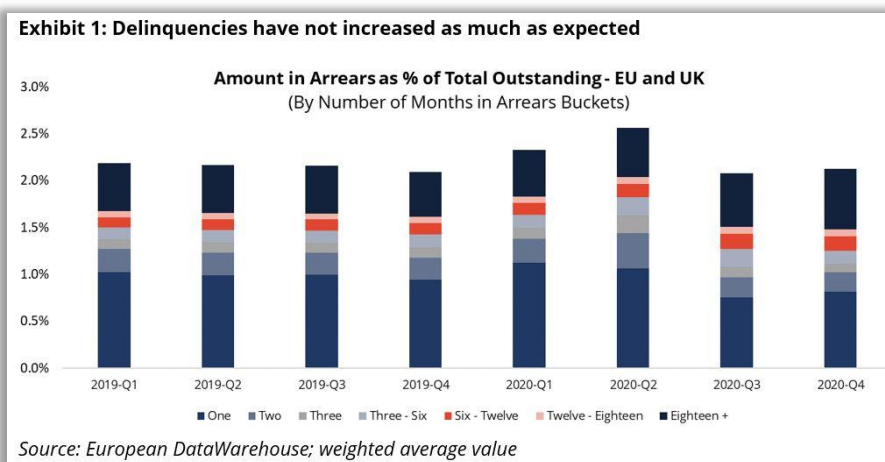
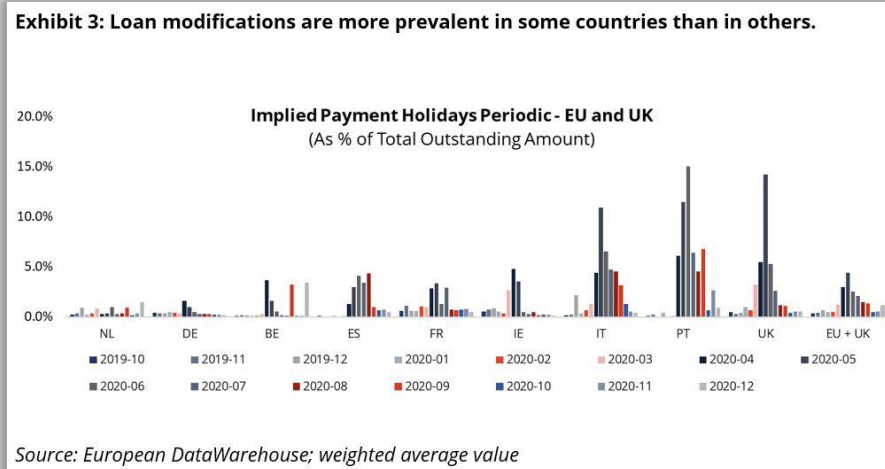
Register now at www.eurodw.eu

6 May 2021 @ 16:00 CEST :

COVID-19 Spring Research Update

This webinar will address EDW's latest insights into COVID-19.

Our February 2021 RMBS COVID-19 Tracker focuses exclusively on our mortgage data. In terms of delinquencies, the impact of the crisis on mortgages is muted overall, with a visible increase in delinquencies in Q2 2020, followed by a return to pre-crisis levels for Q3 and Q4 2020. In some countries, values can be significantly different and show different trends. In any case, we do not see a surge of similar magnitude as that observed during the financial crisis of 2008-2009.



THANK YOU//CONTACT US

EUROPEAN DATAWAREHOUSE GMBH

Walther-von-Cronberg-Platz 2

60594 Frankfurt am Main

www.eurodw.eu

enquiries@eurodw.eu

+49 (0) 69 50986 9017

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