

Kensington Mortgages



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Overview



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New KMC Ownership Structure

Kensington Mortgages was acquired by Barclays Bank UK & Kayl Holdco/KHL was sold to a third-party asset manager in March 2023

1 KENSINGTON MORTGAGE COMPANY (KMC)

Servicing and lending platform acquired by Barclays Bank UK (BBUK) – the UK ringfenced bank of Barclays Group

BBUK also purchased a £2.2 billion portfolio consisting of unsecured UK mortgages originated by KMC from October 2021

KMC will continue to be legal title holder and servicer of all FSQ and GMG securitisations

Opportunity for BBUK to broaden their existing mortgage product range enhancing their product capabilities by leveraging the expertise of KMC in the specialist lending mortgage market

KMC will remain a separate regulated entity and continue to operate as a specialist mortgage lender under the Kensington Mortgages brand

2 KENSINGTON HOLDCO (KHL) / KAYL HOLDCO (KAYL)

KAYL has been sold to a third party in July 2022 – sponsor entity of RMS32

KHL has been sold to the same third party in March 2023 – sponsor entity of all existing GMG and FSQ deals

Legal title and servicing of RMS 32 has been transferred from KMC to Mars Capital in February 2023

Call rights for all existing RMS, GMG and FSQ were held respectively by KAYL and KHL, therefore they have been transferred from KMC to a third party as part of the sale of those entities

KMC will continue to be legal title holder and servicer of all of the existing FSQ and GMG securitisations



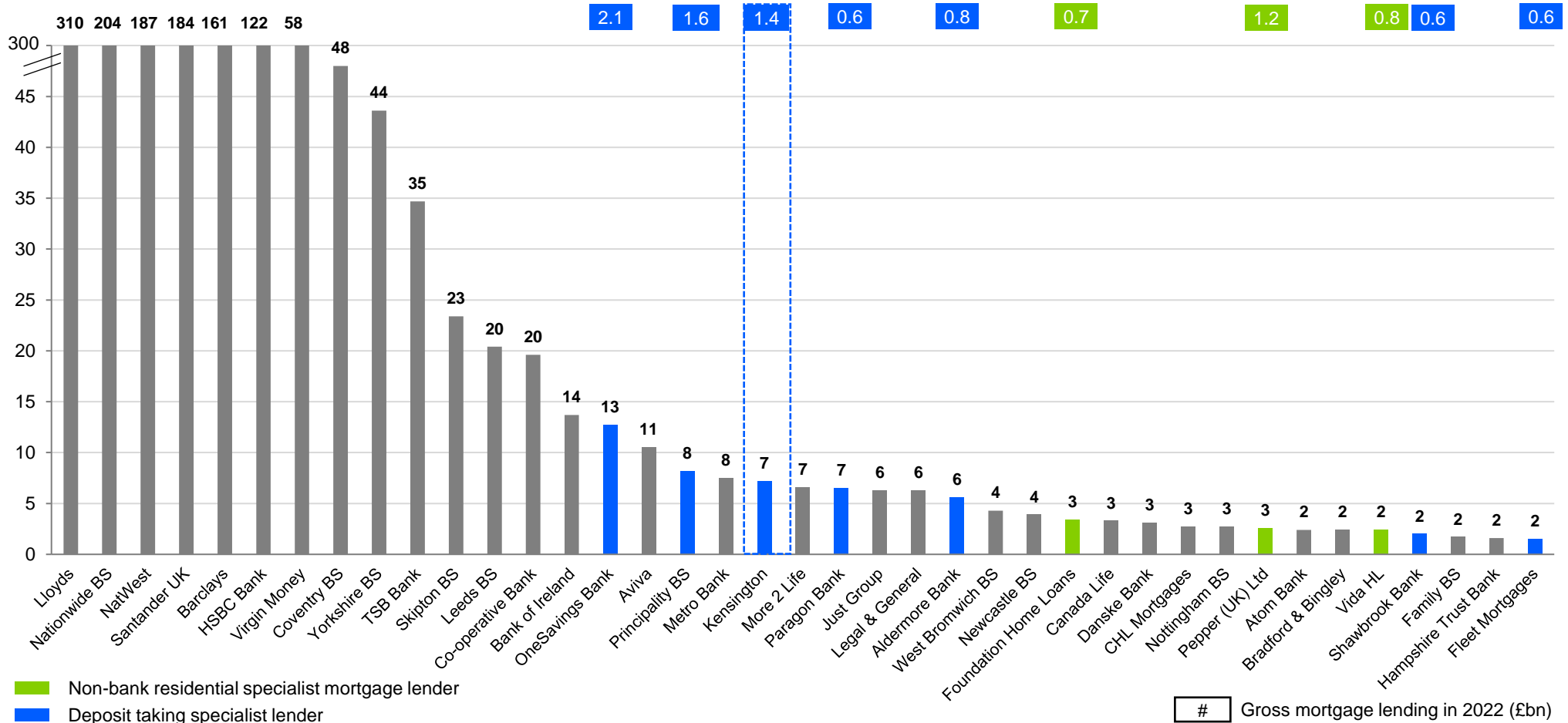
Kensington Highlights

Kensington

Largest mortgage lenders in the UK Mortgage Market

RANKING BY VALUE OF MORTGAGE OUTSTANDING IN 2022 ⁽¹⁾ (£bn)

- In the FY 2022/23, Kensington had a 29% residential and 6% buy to let share of the specialist market. Since the acquisition this has increased to c.35% residential share ⁽²⁾
- Kensington completed just under £1.9 billion of new loans in its FY 2021/2022 and £1.8 billion of new loans in FY 2022/23 (incl. product switches)



Source: UK Finance 2022 data (MM10) – next release July 2024

(1) Includes loans where the lender holds the legal tile but not necessarily the economic interest

(2) Source: 27Tec Data across Specialist peer group

Kensington Business Model

Kensington

Leading UK specialist residential lender focussing on complex cases

SOPHISTICATED UNDERWRITING CAPABILITIES

- Lending decisions are not made on credit score alone – they are tailored to individual borrower circumstances
- Underwriting is not reliant on an automated process
- Established **mandate** structure with 6 tier bandings, rising through:

£200K → £250K → £350K → £500K → £1M → £2M

- Mandate progression based on individual **lending quality performance**
- All current senior mandate holders (£1m+) have **10 years Kensington experience and 20 years+ mandated track record**
- Independent **QA and Training team** with no responsibility for BAU activities

MULTI-CHANNEL LENDER

- Fully intermediated business with broad and long-term intermediary relationships with all major brokers' clubs, networks and packagers



PRIMIS
MORTGAGE NETWORK



Openwork



- Kensington launched its direct channel in 2019 in association with brokerage firm Like



STRICT AFFORDABILITY AND LENDING CRITERIA

Borrower credit history in 24m ⁽¹⁾

- In line with high street banks
 - No bankruptcy / IVA ever
 - No default
 - No missed mortgage payments
 - No CCJ

Full physical valuation by a RICs surveyor (AVMs on some remortgages – certain conditions apply)

Property valuation

Stress rates

- <5y fixed: higher of KSR+1%+rev. margin, relevant forward KSR+ rev. margin or pay rate
- ≥5y<10y fixed: higher of KSR+0.5%+ rev. margin, 5y2y forward KSR +rev. margin or pay rate

OO affordability

- <5y fixed: higher of KSR+1%+rev. margin, relevant forward KSR+ rev. margin or pay rate
- ≥5y<10y fixed: higher of KSR+0.5%+ rev. margin, 5y2y forward KSR +rev. margin or pay rate

BTL affordability

CUSTOMERS

- Focus on high quality borrowers that are overlooked by high street lenders

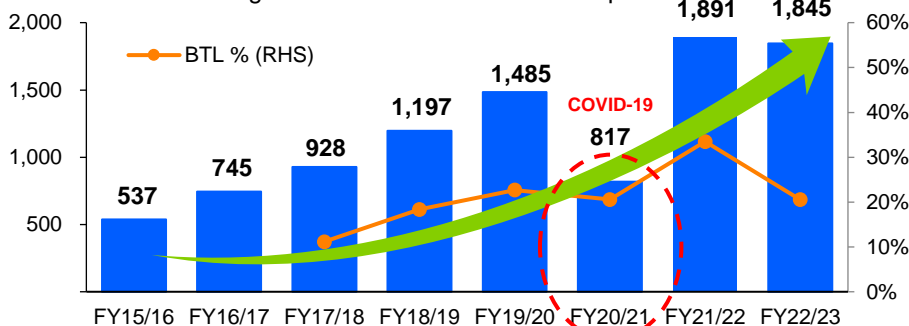
Complex income	~50%	Up to 100% of regular/overtime bonus considered and up to 100% of second job income
Self-employed	~36%	Assessed on a 1-year trading
First time buyers	~31%	Limited or no credit history
Contractors	~3%	Income calculated on current weekly contract with only a 12m minimum history
Later & younger borrowers	~1%	
Mortgage prisoners	~0.02%	Only available to certain legacy Kensington borrowers

- Kensington customers will likely refinance with another lender after the end of the fixed rate period as they would have built sufficient credit history or track record (e.g. self-employed) to attract a cheaper mortgage offer (>50% prepayment rate post reversion)

(1) Except for the 'Resi6' range which comprises less than 2bps of annual originations

KENSINGTON ORGANIC ORIGINATIONS

- Originations pre-COVID of £150m+ per month, these rebounded post-COVID and reached a high of over £185m in one month
- With the global rise in interest rates, mortgage volumes have decreased and have averaged c.£70m per month in 2023, in line with peers
- Track record of steady growth (c.25% pre-COVID-19) while the UK gross residential lending market remained flat over this period



Source: Kensington Mortgages as of FY 22/23 – total volumes incl. Product Switches

CUSTOMER PROFILE

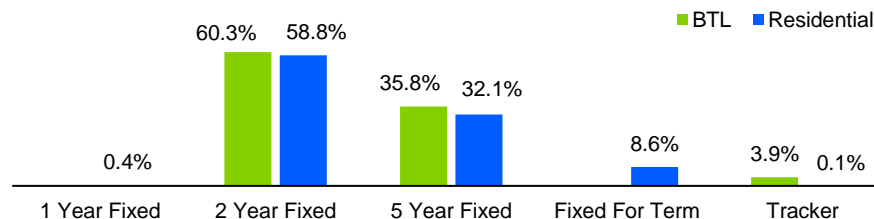
	Owner Occupied	Buy to Let
Average Age	39 years	44 years
Average Gross Income ⁽⁴⁾	£65k	£107k
Average Property Value	£256k	£175k
First Time Buyer ⁽⁵⁾	41% (Average Age:34)	n/a

Source: Kensington Mortgages LTM as of Q3 2023

COLLATERAL STRATS

	LTM
	Sep-23
London & South East	19.0%
BTL	19.8%
WA OLTV	74.5%
WA CLTV ⁽¹⁾	75.1%
Avg current loan size	£153k
WA seasoning	6.1 months
WA interest rate	5.8%
Arrears > 3MIA	0.0%
Help to Buy	2.9%
Shared Ownership	3.8%
Interest Only ⁽³⁾	19.9%
Remo & Debt consolidation	29.2%
Self-employed	33.0%
First Lien	100%

NEW LOANS BY FIXED RATE PERIOD



- All new loans revert to the Kensington Standard Rate (“KSR” – currently at 5.35% as of the last fixing, 8-Dec-23) plus a margin (product dependent) at the end of the fixed rate period. KSR is set quarterly by reference to the 3m forward SONIA. In addition, KSR will never be lower than 0% nor more than 1% above BBR

Source: Kensington Mortgages LTM as of Q3 2023

(1) Current Balance / current indexed valuation amount

(2) Denotes no CCJs in 2 years prior to respective origination dates of loans in pool

(3) Incl. Part & Part loans

(4) Including primary and secondary income

(5) Percentage by balance of loans

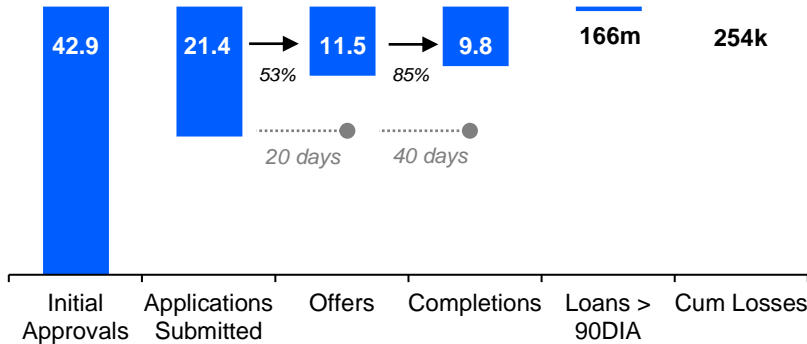


Collateral Performance for post-2010 loans

Kensington **Excellent performance from the new book driven by strict origination criteria**

EXCELLENT COLLATERAL PERFORMANCE

- Of 62,296 Kensington new loans completed since 2010 – (£bn)

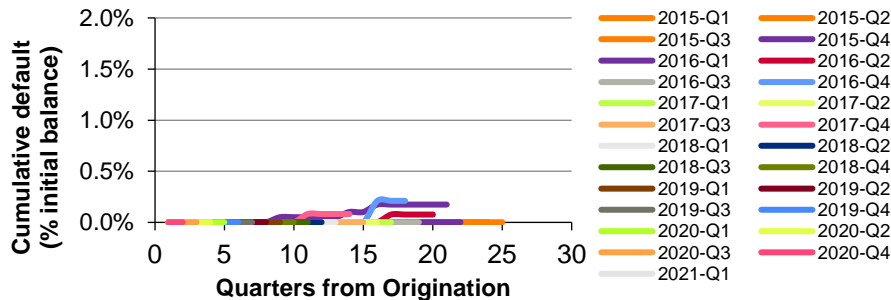


	Total originated	Current	1-3 MIA	3-6 MIA	>6 MIA	Default	Amicable Sale
Residential	46,229	18,968	734	335	448	20	1
Buy to Let	16,067	8,779	128	39	63	10	-

Source: Kensington Mortgages as of Q3 2023

VERY LOW DEFAULT RATE

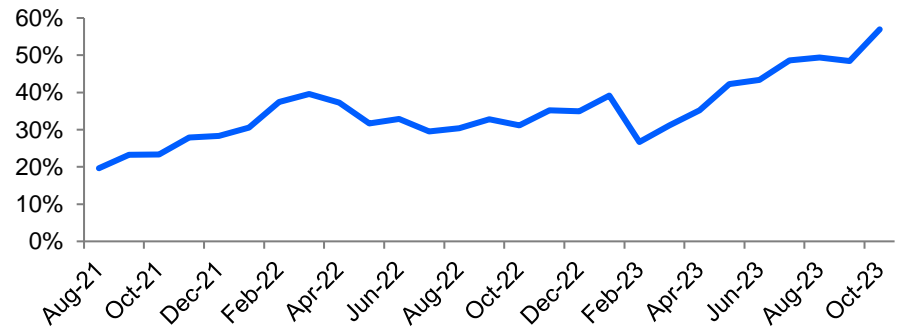
- Only a small number of cohorts of assets originated experienced defaults



Source: Kensington Mortgages

PRODUCT SWITCHES

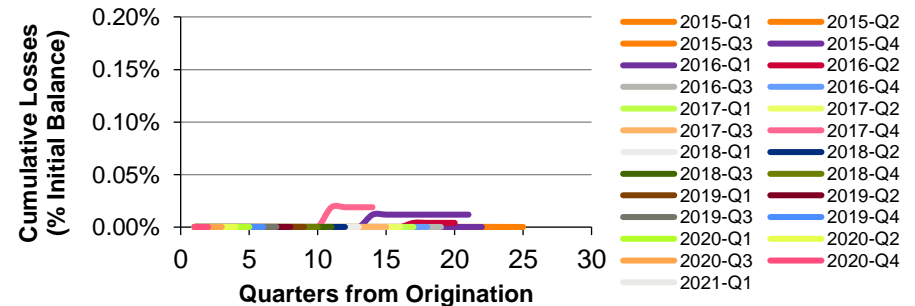
- Kensington significantly increased its Product Switches volumes retaining 50% of its borrowers recently
- Given the current surge in interest rates, borrowers are more likely to stay with their current lender given no new affordability checks are completed when offering a Product Switch



Source: Kensington Mortgages as at October 2023

MINIMAL LOSSES

- Losses have been close to zero for all cohorts



Source: Kensington Mortgages

KENSINGTON INTELLIGENCE



Kensington Intelligence

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- Kensington Intelligence is the data and analytics platform of the Group
- This function provides data science, data visualisation, decision science and models to the group and external clients
- State of the art data and analytics are used throughout the business and integrated into operations and decision making
- The key predictive model developed by Kensington Intelligence is called VECTOR. This is a state transition model used to predict loan level performance of mortgage portfolios
- Kensington Intelligence has developed an extensive database of historical performance data for the UK mortgage market with 4.2 millions of mortgage performance data points which can be used to calibrate VECTOR

VECTOR

- All Kensington mortgages are powered by VECTOR
- VECTOR is supported by a unique dataset comprising over 400k mortgage accounts spanning all UK geographies, housing types, mortgage types and credit loan parameters for the last 26 years, and has driven the development of a number of in-house analytical tools and reporting capabilities that are key to the unique way in which Kensington assesses and manages mortgage credit risk
- Unlimited macro-economic scenarios can be run through VECTOR
- VECTOR is a state transition model, calibrated using machine learning, which looks to forecast not just the propensity to default or redeem, but also the propensity of a loan to move between arrears statuses which means to worsen, to hold or to improve (all of these collectively called roll rates)
- VECTOR can also be used externally by banks or investors to forecast the performance of UK portfolios of mortgage loans of their choice

USE OF DATA & ANALYTICS THROUGHOUT THE PLATFORM



Forecasting

Kensington models can forecast the loan level performance of its own portfolios, as well as any portfolios it may be looking to acquire and originate



Originations

Kensington empowers its sales force with iPad based CRM apps while monitoring market volumes on a daily basis. Live volume available to management over iPhone



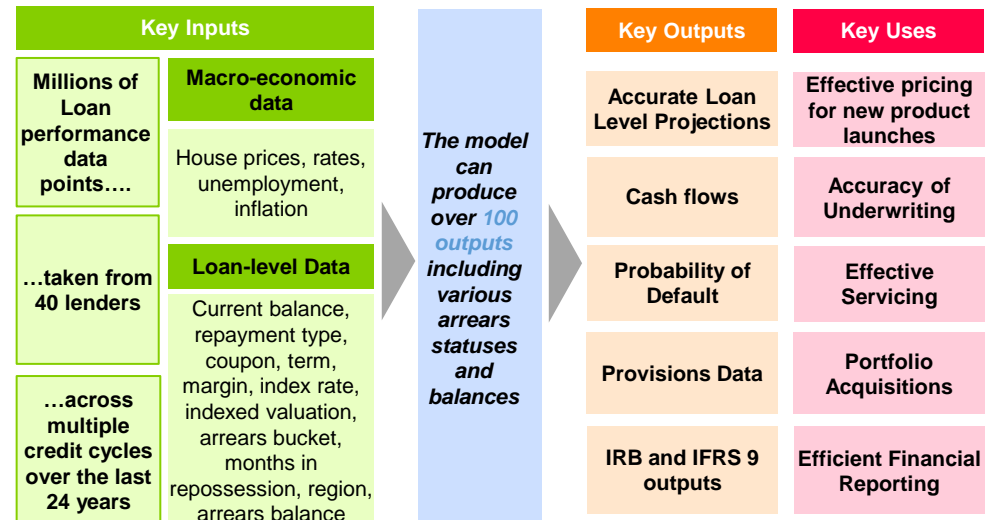
Operational

Efficiency in lending operations and servicing is continually improved through automation and embedding robotics, proprietary applications and third party tools



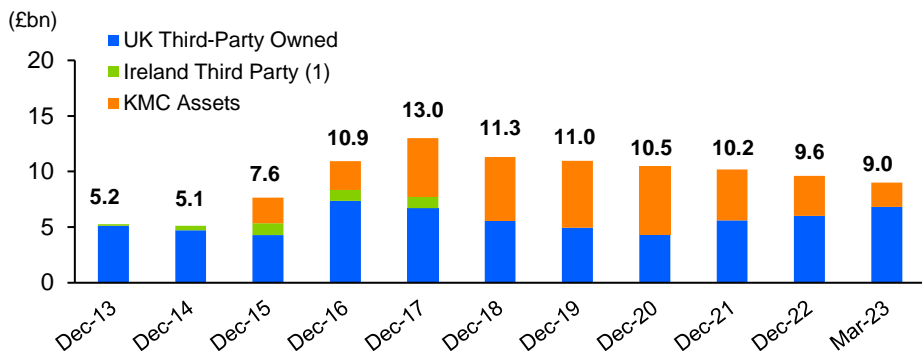
Portfolio Management

Kensington uses machine learning techniques and our 2 terabyte loan performance database to monitor portfolio composition and forecast performance



ASSETS UNDER MANAGEMENT

- The Group also provides an end-to-end servicing solution for third parties
- In March of this year Kensington sold c.£1.8 billion of its older assets to a third party
- As at March 2023, Kensington had £9 billion AUM representing c.71,000 loans



Source: Kensington Group as of FY 2022/23

HEADQUARTERS



- Kensington moved to a fully hybrid working model in November 2021
- Kensington has two office locations with its Head Office located in Maidenhead and also a smaller London office
- Kensington services its own assets as well as third party clients' assets in the same office and shares synergies including staff, analytical tools, IT systems and support functions
- Kensington can organise ad-hoc due diligence meetings for clients to meet the operations team

(1) Acenden exited the Irish market in March 2018

KEY METRICS

	12M to Sep-23	12M to Sep-22
Servicing FTE	226	217
Average number of inbound calls answered per month (primary)	~9,025	~10,690
Average number of inbound calls answered per month (special)	~5,900	~6,300
Abandon rate	5.7%	4.43%
First Point of Contact – Complaint	66%	62%
Complaint Pipeline	155	189
% complaints upheld	32%	22%
Average working days to handle a complaint	14.3 days	18.8 days
Customer satisfaction feedback (out of 5)	4.61	4.56
Average days to sell a property	158 days	162 days
Average loss on property sale	£9,660	£9,556
Number of properties sold	138	148

Source: Kensington Group as of Q3 2023

FORBEARANCE

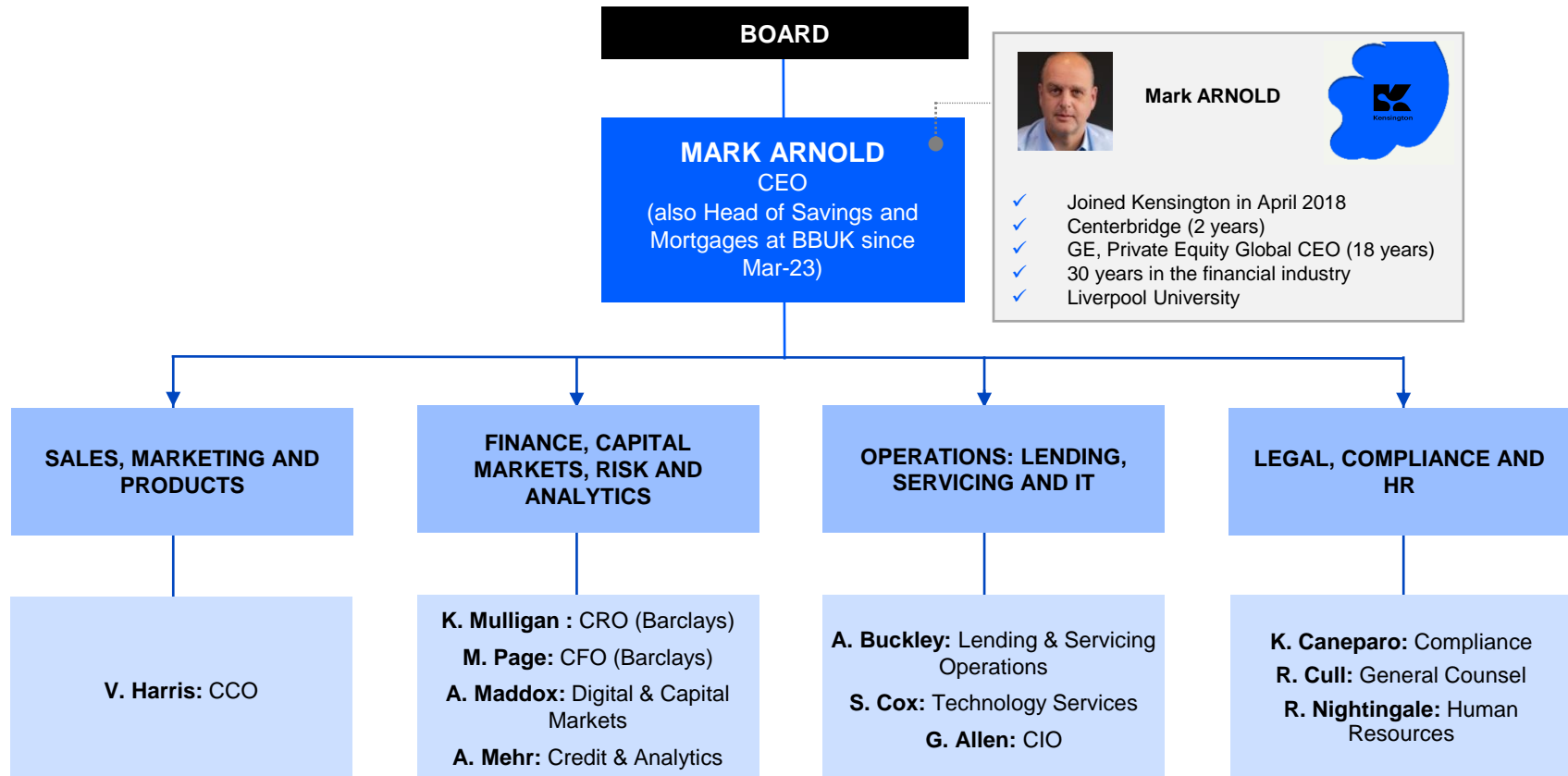
- The below forbearance options can be offered to Kensington borrowers. Temporary and permanent forbearance is only allowed following a careful assessment of the borrower's financial circumstances
 - Contractual Monthly Payment Minus or Plus
 - Floater
 - Interest Only Switch
 - Capitalisation (permanent)
 - Term Extension
 - Assisted Voluntary Sales
 - Receiver of Rent



Management Team

Kensington **Highly experienced team having worked on average 20yrs+ in the financial industry**

- The Executive Management Team has deep experience across the mortgage industry, having all worked with a number of best-in-class investment banks and hedge funds in the principal finance and mortgage trading sector including Barclays, GE Capital, RBS, Deutsche Bank, Lehman Brothers and McKinsey



Source: Kensington Mortgages as of Q3 2023



Libor transition

Kensington

The transition of all customer accounts on Libor has completed

LIABILITIES

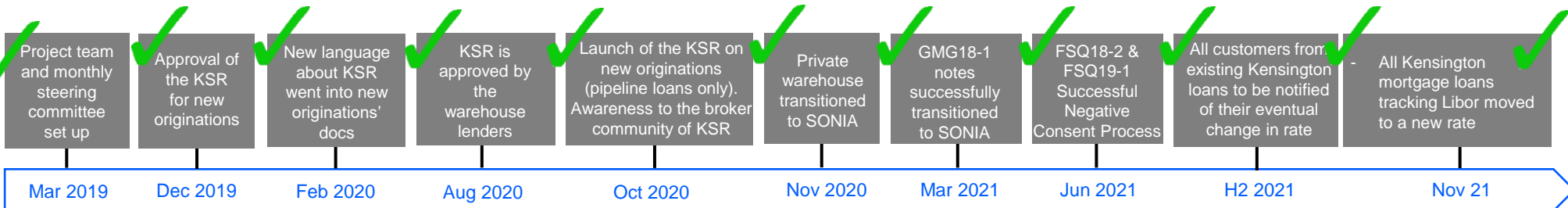
- Since July 2019 (e.g. FSQ19-2), all bonds issued by Kensington have been priced over SONIA
- All Kensington deals with bonds tracking Libor their last Libor fixing before the 31.12.2021 (assuming they are called on their first call date) with the exception of
 - ✓ **LMS1** – The noteholder’s consent solicitation process to change the index rate to SONIA was successfully passed and all bonds transitioned to SONIA on the Jun-22 IPD
 - ✓ **LMS2 & LMS3** – Kensington does not have any residual interest in these transactions and operates as an arm’s length special servicer

ASSETS

- **New originations – Applications post October 2020 (and any product switches)**
 - ✓ New originations revert to the Kensington Standard Rate (KSR) which is set quarterly by reference to the 3m forward SONIA. In addition, KSR will never be lower than 0% nor more than 1% above BBR; at the point of replacement, KSR will not be higher than the variable rate applicable to the mortgage. A contractual reversionary margin is charged over KSR (currently 5.55% as of the last fixing, 8-Sep-23)
- **Existing Loans until October 2020**
 - ✓ Existing loans originated before 01/10/2020 transitioned from 3m LIBOR to KSLR (Kensington Synthetic Libor Rate) at the end of 2021; KSLR is calculated as 3m TSRR (Term Sonia Reference Rate) + 11.93bps (5 year spread adjustment between 3m LIBOR and SONIA) from 31.12.21 (before this date, KSLR was equal to 3m LIBOR)

Overview of Transition

- Kensington managed the Libor transition across its business with a project team comprising of representatives from Capital Markets, Legal, Compliance, Product and Finance
 - All customers were written to in Autumn 2021 and all customers who previously had loans tracking Libor have been moved to a new rate called KSLR (with the exception of any Product Switches, which moved to KSR)



ESG



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HELPING OUR BORROWERS MAKE GREEN CHOICES



- In February 2020, Kensington launched its first range of environmentally friendly products
 - ✓ The **eKo Cashback Mortgage** was the first Green mortgage product offered by a specialist mortgage lender in the UK. This product rewards borrowers that improve the energy efficiency of their home, by granting them a £1,000 cashback if they improve the EPC score of their property by at least 10 SAP points within 12 months of their mortgage completion date
- In May 2021, Kensington launched its next Green mortgage product, the **eKo New Build Reward**, supporting the company's green initiative. This product rewards owner-occupied borrowers for purchasing an A or B EPC-rated New Build property by doubling the cashback fee compared to a regular cashback product – all green products have also now been extended to BTL customers and to also non New-Build properties
- In February 2022, Kensington was recognised at The Money Group Limited Awards for its Green Mortgage range, winning an award for the lender who is 'Leading the Climate Change Initiative'.
- Kensington has financed **£640 million** (as at 31-Apr-23) of **green loans through its FSQ 2021-1 Green bond**, which is now fully allocated

FUNDING, REGULATION & STANDARDISATION



- Kensington designed a Green Bond Framework (that is available at https://investors.kensingtonmortgages.co.uk/rmbs-reports/finsbury-square/FinsburySquare_2021-1_GREEN) to support the achievement of certain **United Nations Sustainable Development Goals** and, to date, Kensington has issued **£640 million of green bonds** through the FSQ21-1 transaction
- In April 2022, Kensington was recognised by Global Capital at the 2022 European Securitisation Awards for its ESG Securitisation programmes by winning **ESG Issuer of the Year**
- Kensington has aligned to the Barclays ambition that by 2030, 50% of homes in its mortgage portfolio, with a known EPC rating, will be rated EPC C or better

MINIMISING OUR CARBON FOOTPRINT




- Kensington is improving its energy performance in line with **carbon reduction commitments** and the firm is engaging itself with a behavioural change programme, space utilisation and energy efficiency projects
- As part of these projects Kensington has **embraced company-wide flexible working**, officially put it in place from November 2020; it has meant a reduction in the carbon footprint of employee commuting and also a reduction in the size of both the London & Maidenhead offices
 - ✓ The London office has great green credentials, with a building **EPC rating of A** and a **BREEAM Excellent Rating**



SUPPORTING OUR CUSTOMERS


- 
 Kensington's specialist mortgage expertise of its underwriters combined with innovative use of data addresses the needs of borrowers with income complexity who are currently **overlooked by high street lenders**; our approach allows us to look beneath the surface, consider complex and multiple income sources (incl. non-recurring income streams) and comfortably lend to a broader range of customers throughout their life cycle than high street lenders will consider
 - ✓ Kensington focuses on **borrowers that are underserved by high street lenders** given they do not fit the 'one size fits all approach' taken by high street lenders which rely on highly automated underwriting models. These include Self-employed, first-time buyers, borrowers with complex and/or multiple income, later life & younger borrowers, contractors, etc...
- Kensington designed a Social Bond Framework (available at https://investors.kensingtonmortgages.co.uk/rmbs-reports/gemgarto/gemgarto_2021-1) to support the achievement of certain **United Nations Sustainable Development Goals** and, to date, Kensington has issued over **£470 million of social bonds** through the GMG21-1 transaction
- Kensington has launched products that support affordable housing initiatives including **Shared Ownership, Right to Buy** and **Help to Buy**

SUPPORTING OUR COLLEAGUES

- 
 Kensington completes the gender pay gap each year with the results published internally and externally. Kensington has a Diversity and Inclusion programme, and included in this programme is a review of the results and **identifying actions that can be taken to reduce the gaps**
- Recruitment targets have been set to **reduce the gender imbalance** of applicants at senior and junior levels; flexibility of working practices has increased which, over time, will also help address this issue
- Kensington actively promotes and supports mental and physical wellbeing; the firm provides a free **24/7 Employee Assistance Programme** and has a Wellbeing Forum that is formed of a broad representation of colleagues, with the aim to **support the workforce** in a multi-location environment and build resilience utilizing the 5 ways to wellbeing:

1. STAY CONNECTED 2. BE ACTIVE & HEALTHY 3. KEEP LEARNING 4. GIVE 5. TAKE NOTICE

SUPPORTING THE COMMUNITY

- 
 Kensington's official Charity partner is CALM (Campaign Against Living Miserably), that **supports the prevention of suicide** through life-saving services, national campaigns, and by building communities.
- Kensington provides each employee with one days paid leave to do voluntary work; In order to encourage more employees to take up their day's volunteering, Kensington is actively engaging with charities in the local community and in October 2020 the firm joined a Business Volunteering Scheme that finds opportunities for groups of employees to **go out and make a difference**
- Kensington promotes **inclusion in the community** through sport by proudly sponsoring local community sport activities, including sponsorship of the Maidenhead Men's & Women's Football teams



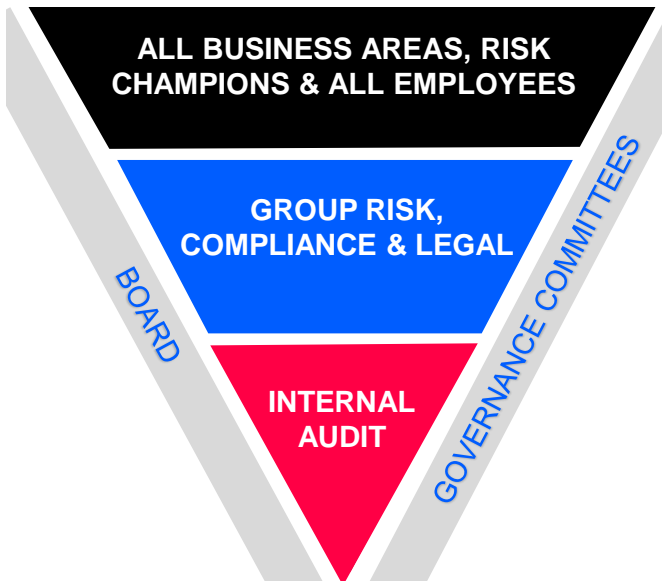
DATA PROTECTION

- Protection of our customer data is vital; Kensington operates a comprehensive data protection framework which is compliant with DPA 2018 and UK GDPR⁽¹⁾ regulation
- Kensington enhanced its protection further and has held ISO 27001 certification for its Information Security Management System since November 2019; Kensington successfully achieved re-certification in October 2022 for a further 3-year period
- Kensington is continuously working on its IT infrastructure for it to be cyber resilient and be able to operate while under persistent threats

REGULATION

- The Kensington Mortgage Company Board (the regulated entity) is composed of 3 Independent Non-Executive Directors; a 1:2 male to female split
- Kensington Board Committee's include an Audit Committee, Risk Committee and Remuneration & Nomination Committee, all comprised solely of 3 Independent non-executive directors
- Kensington complies with the Senior Manager Certification Regime (SMCR) conduct rules from the FCA

RISK MANAGEMENT



- The 3 lines model is the backbone of Kensington's Risk Management framework (RMF)
- **1st Line** – This includes Senior Management and all staff members involved in day-to-day management and running of the business, including Executive Risk Owners (EROs) and Risk Champions. All employees are responsible for understanding and performing their responsibilities relating to the management of risk
- **2nd Line** – All control functions that provide independent advice to/oversight of the day-to-day management and running of the business
 - Group Risk assists the firm to consult, develop, document and embed the Risk Management policies and framework
 - Compliance set policies, monitor, provide advice and perform horizon scanning for upcoming regulatory changes and also provide an independent assessment of Conduct & Compliance risk profiles
- **3rd Line** – Independent assurance of the effectiveness of 1st and 2nd lines of defence
 - Internal Audit – Reviews design & effectiveness of the ERM framework, performs internal audits to determine whether business areas are operating within risk appetite

(1) The framework design and implementation have been subject to satisfactory internal audits in 2019 and 2020 respectively and a recent 2023 audit was undertaken by internal auditors in this area, and concluded KMC has implemented appropriate policies and procedures to evidence compliance with the requirements of UK GDPR



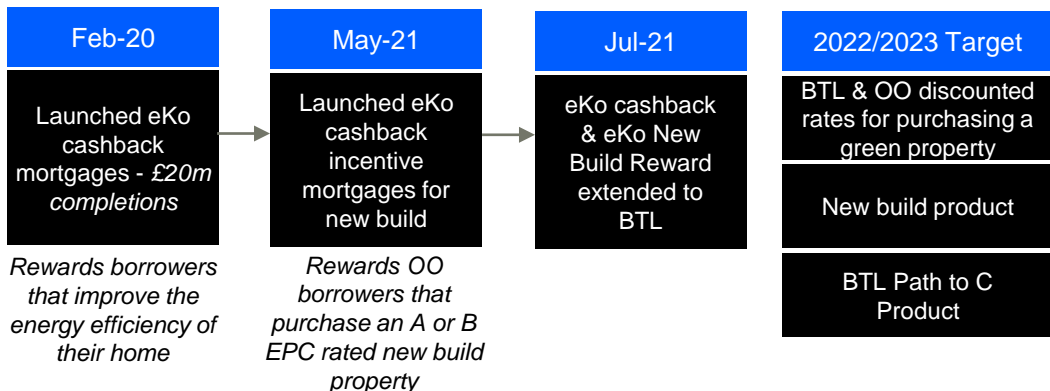
Inaugural Kensington Green Bond



Kensington **FSQ 2021-1 GREEN was the first labelled Green bond from a UK RMBS issuer** ⁽¹⁾

COMMITMENT TO GREEN LENDING

- Kensington’s decision to develop a Green Bond Framework is built **on its commitment to invest more time and resources in projects that promote progress on environmentally sustainable activities** and also to contribute to increasing the amount of capital allocated to sustainable uses of proceeds in the financial sector
 - ✓ Kensington wants to support its customers meet the challenge of decarbonisation and therefore is committed to **lending sustainably**
 - ✓ Kensington intends to develop a range of green products in the next years and targets to allocate more than £800 million to green loans by 2026



- The deal closed on 28th June 2021

ELIGIBLE GREEN PROJECT

- The Finsbury Square 2021-1 Green bond aligns with the **ICMA Green Bond Principles (2018 edition)**
- The Eligible Green Project contributes to the achievement of the UN SDGs 7 (7.3) and SDG 11 (11.3 & 11.6) and aligns to the GBP category of Green Buildings - **UK owner-occupied or buy-to-let home loans secured by a property having currently a minimum EPC B rating as this is currently the minimum EPC rating for a residential property to be considered to have an emissions intensity in the top 15% of residential buildings in England and Wales**

	SDG 7 – Target 7.3 By 2030, double the global rate of improvement in energy efficiency
	SDG 11 – Target 11.3 By 2030, enhance inclusive and sustainable urbanization
	SDG 11 – Target 11.6 By 2030, reduce the adverse per capita environmental impact of cities

UTILISATION OF PROCEEDS

- On the issuance date of the Green Bonds, the Issuer will use the Green Bond proceeds to purchase a specific pool of loans originated by Kensington which will include loans **designated as an Eligible Green Project** and identified ahead of the issue date (“**Eligible Green Projects in Provisional Mortgage Pool**”)
- Given the total amount of Eligible Green Projects on the issue date is expected to be less than that of the GBT proceeds, Kensington intends to originate loans (secured by Eligible Green projects) having an aggregate nominal amount equivalent to the amount of unallocated proceeds **within a maximum of 5 years from the issue date.**

<i>£million</i>	ORIGINAL BALANCE
Eligible Green Projects in Provisional Mortgage Pool ⁽²⁾	68.18
Unallocated Proceeds to Green projects	571.20

- The unallocated proceeds have been calculated as the total Class A-GREEN original size minus the aggregate original balance of the Eligible Green Projects that are in the Provisional Mortgage Pool

(1) Senior Notes Only

(2) Based on the provisional Mortgage Pool as at 30.04.2021



Kensington

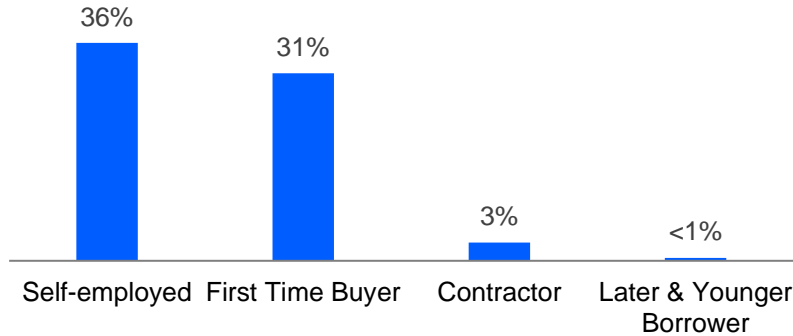
Inaugural Kensington Social Bond

GMG21-1 was the 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



- The deal closed on 24th February 2021

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.

Mortgage Products



POWERED BY





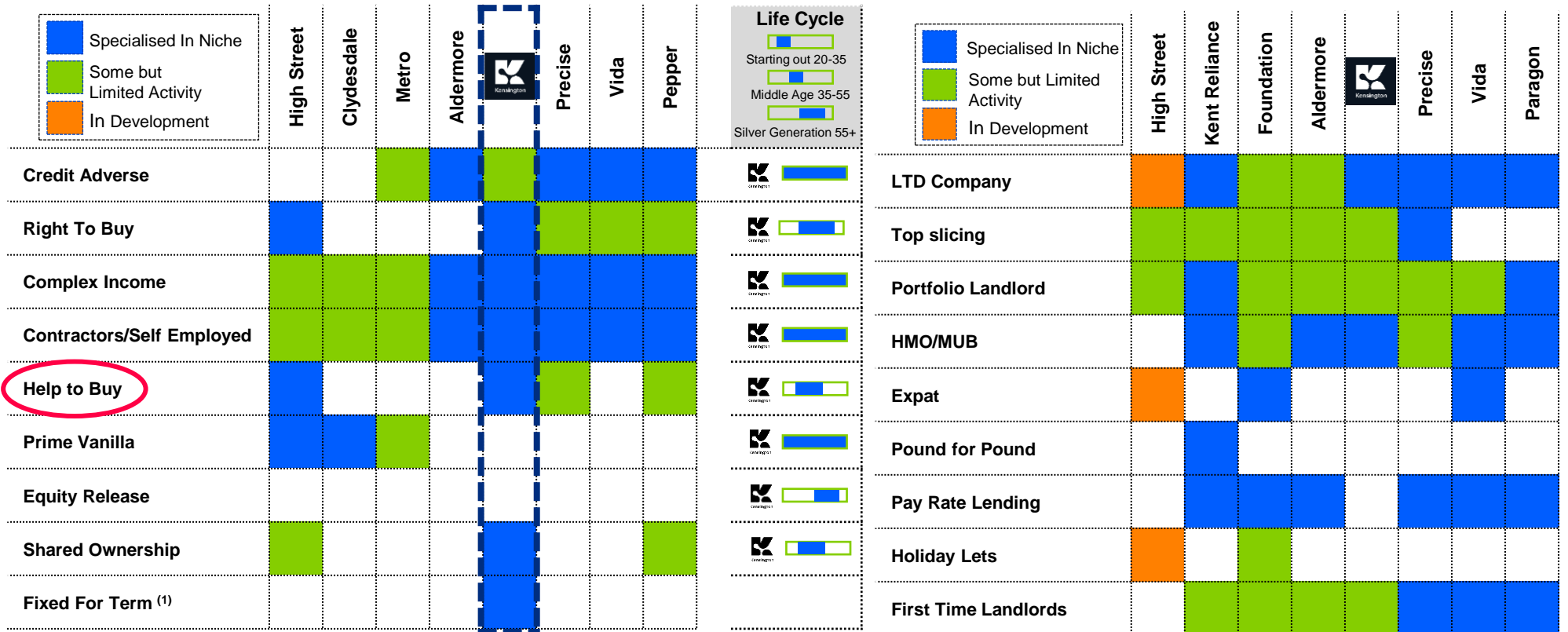
Multi-niche lending strategy

Kensington **Manual underwriting model to focus on high margin complex product niches**

- Kensington's lending is focused on niche product areas which are underserved by high street lenders who cannot provide a similar manual case-by-case approach;
 - ✓ Kensington differentiates its product strategy by focussing on the different life stage of its customers, addressing market segments from young professionals who are just starting out to 55+ and approaching retirement
- Kensington uses data analytics to continuously identify new growth opportunities for niche products within a competitive market environment

OWNER OCCUPIED

BUY TO LET



Source: Public market information as of October 2023

(1) Funded through a forward-flow agreement, not securitisation

*Last HTB England & Scotland loans completed at the end of December 2022 – HTB Wales still active, Precise, Vida, Aldermore only doing HTB remortgage



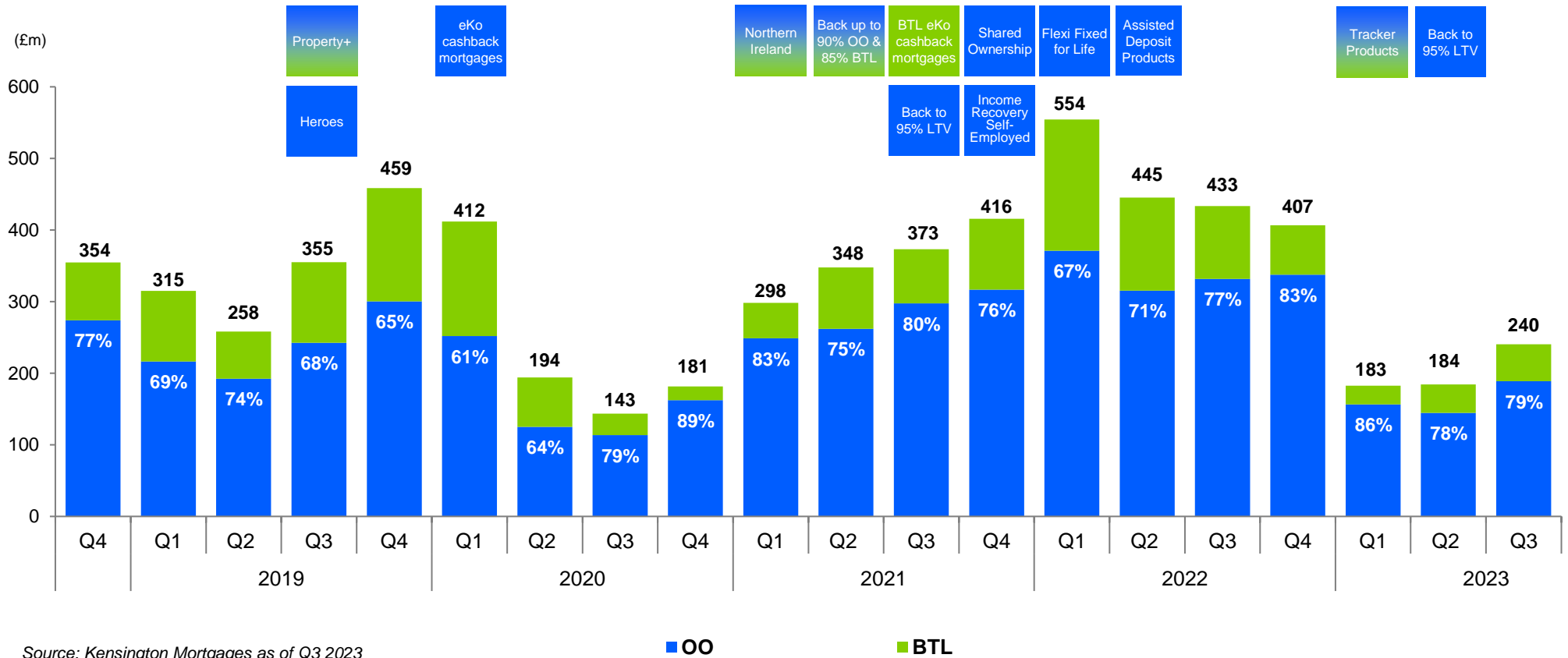
Product Launches

Kensington

Regular expansion of Kensington's product offering

- Kensington is the leading specialist residential mortgage lender in the UK and continues to successfully expand its product range
- Since 2015, Kensington has developed a strong and successful Buy to Let product range that, accounted for c. 30% of its total origination volumes; BTL volumes decreased in the second half of 2021 however have started to recover since
- Kensington completed £1.6 billion of new loans in its FY 2021/2022 and £1.5 billion of new loans in FY 2022/23 (retentions excluded)

QUARTERLY COMPLETIONS, VOLUMES AND KEY PRODUCT LAUNCHES



Source: Kensington Mortgages as of Q3 2023

■ OO

■ BTL



Shared Ownership

Launched in August 2021 with £77m completions to date

Government backed scheme in England and Wales, enabling buyers to purchase a share of the property on a leasehold basis and pay rent on the un-owned share.

Origination

- **Credit criteria** – none in 36 months prior to application on secured arrears, Defaults and CCJs. Max status of 2 in 12 months on unsecured arrears
- **LTV** - Max 75% loan to value and 95% loan to customer share. Minimum customer share 25%
- **Providers** - Government Shared Ownership scheme by registered providers only
- **Shared ownership Lease** – Homes England model lease only with Mortgagee Protection Clause in place and no restrictions on staircasing (verified by solicitors)
- **Affordability** – Standard affordability (max DTIR 60%, LTI 4.49x) Stressed rental amount factored in to committed expenditure
- **Property type** – 86% New Build
- **Customer type** – 12% Self Employed, 82% FTB

Servicing

- **Performance** – based on completions to date (£69m since August 2021) there is no evidence that Shared Ownership products would perform any worse compared to the wider Owner-occupied portfolio
- **Staircasing** – these loans do not allow for further advances so if a customer wished to increase borrowing in order to staircase they would need to remortgage
- **Repossessions** – In the event of repossession, the property would be staircased to 100% and Kensington would be entitled to full proceeds from sale of property, only paying the housing association after mortgage repaid. Kensington will not lend on Shared Ownership if the lease does not permit staircasing to 100%

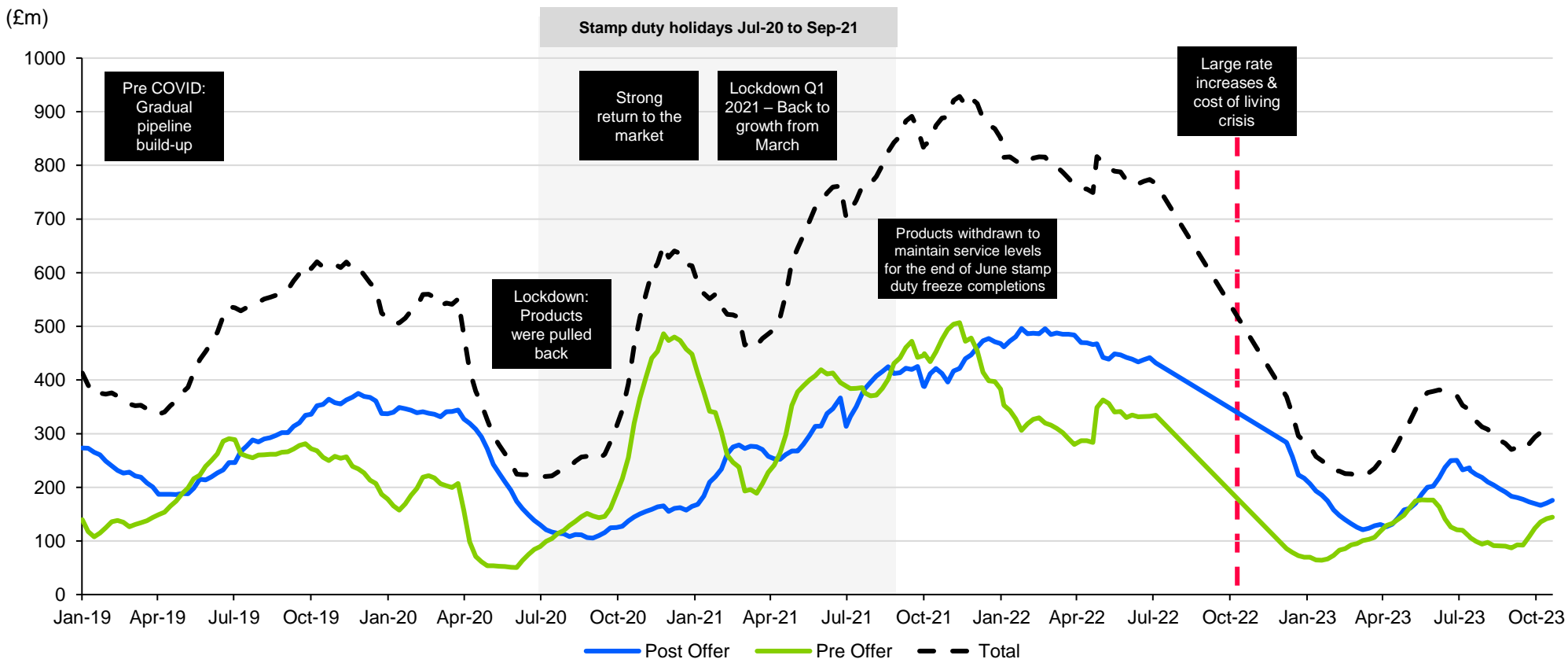


Volumes Dip in Rate Rising Environment

New business volumes have decreased across the market, however Kensington increases its market share

- With the increases in the Bank of England Base Rate, the number of new mortgage applications substantially decreased with customers choosing not to move due to being unable to afford higher mortgage payments on the new higher rates
- As a result, all mortgage providers have seen a significant reduction to their pipeline
- Kensington currently has a pre-offer pipeline of £144m and a post-offer pipeline of £176m

PRE- AND POST-OFFER PIPELINE



Source: Kensington Mortgages as of October 2023

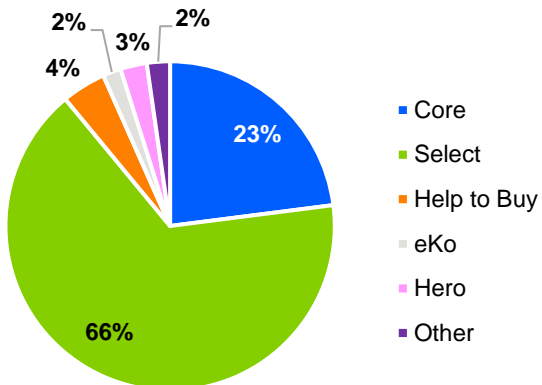


Origination Levels – Last 12 Months (LTM)

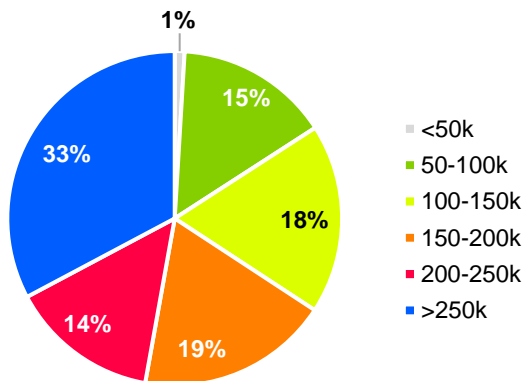
Kensington

By Original Loan Balance

OWNER OCCUPIED

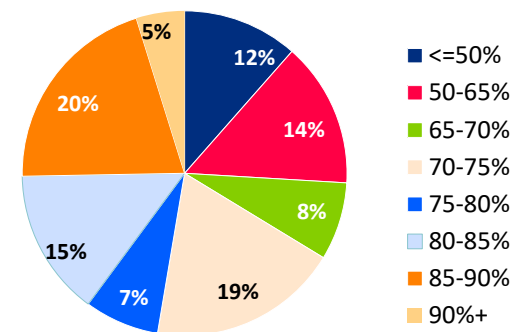


LOAN BALANCE (£)



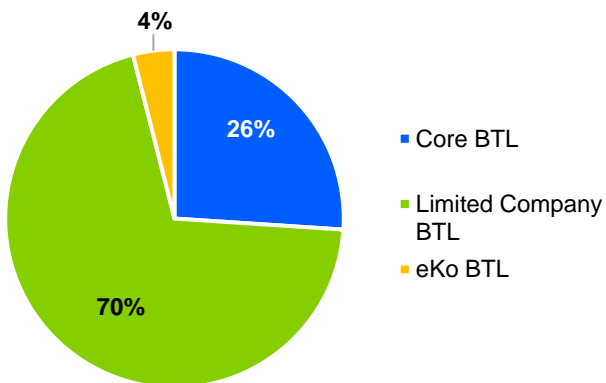
Average of £158K

ORIGINATION LTV

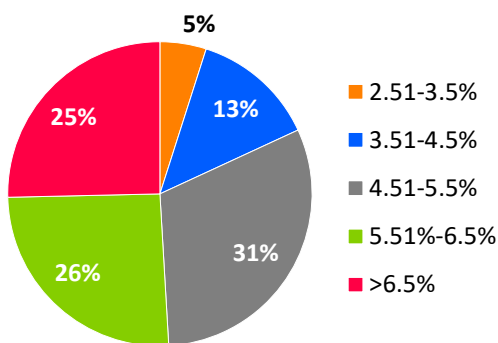


Average of 73.3%

BUY TO LET

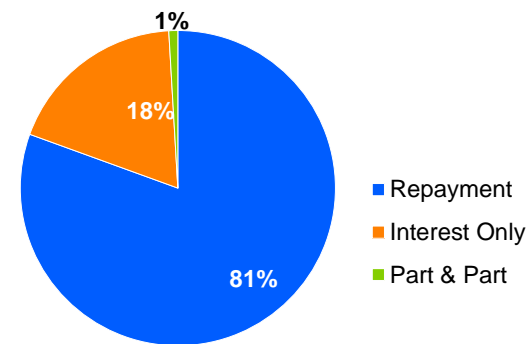


INITIAL INTEREST RATE



Average of 5.65%

REPAYMENT TYPE





Lending Activities & Credit Risk

Kensington

Owner Occupied - as of October 2023

Criteria	Select	Core (Residential)	Help To Buy (now offered in Wales only)
Time of Launch Total Completions since Jan 2015	May 2017 £3.5 billion	2010 £2.5 billion	Jun 2017 £494 million (All Help to Buy)
Secured Arrears	None in 36 months prior to application	None in 24 months prior to application	None in 24 months prior to application
Defaults	None registered in 36 months prior to application	None registered within 24 months of application	None registered in 24 months prior to application
CCJ's	None registered in 36 months prior to application (72 months for 95% LTV)	None registered within 24 months of application	None registered in 24 months prior to application
Unsecured Arrears	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)
Max LTV ^{(1) (2)}	95%	90%	75%
Max Loan ⁽³⁾	£1.5M up to 85% LTV / £1M for FTBs / £1M 90% LTV / £500K to 95% LTV	£500,000	£500,000
Affordability	Standard	Standard	First lien mortgage Assessment takes into account the equity loan provided by the Help to Buy scheme – Wales only remaining
Criteria	eKo Cashback	eKo Reward	Heroes
Time of Launch/Total Completions since Jan 2015	Feb 2020 £73 million	May 2021 £22 million	Jun 2019 £112 million
Secured Arrears	None in 36 months prior to application	None in 36 months prior to application	None in 36 months prior to application
Defaults	None registered in 36 months prior to application	None registered in 36 months prior to application	None registered within 36 months of application
CCJ's	None registered in 36 months prior to application	None registered in 36 months prior to application	None registered within 36 months of application
Unsecured Arrears	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)
Max LTV ^{(1) (2)}	85%	90%	90%
Max Loan ⁽³⁾	£500,000	£500,000	£500,000
Affordability	Standard	Standard	Higher income multiple: up to 5x loan to income, subject to affordability; key workers product

Product Guides: <https://www.kensingtonmortgages.co.uk/intermediaries/products>

(1) Currently in the market; (2) Northern Ireland capped at 80% LTV; (3) Northern Ireland capped at £500,000



Lending Activities & Credit Risk

Kensington

Owner Occupied - as of October 2023

Criteria	Select Tracker	Young Professional	Property Plus ⁽⁴⁾	Shared Ownership
Time of Launch/Total Completions since Jan 2015	Jan 2023 New Product	Nov 2018 £14 million	Apr 2019 £6.6 million	Aug 2021 £77.5 million
Secured Arrears	None in 36 months prior to application	None in 36 months prior to application	None in 24 months prior to application	None in 36 months prior to application
Defaults	None registered in 36 months prior to application	None registered within 36 months of application	None registered within 24 months of application	None registered in 36 months prior to application
CCJ's	None registered in 36 months prior to application	None registered within 36 months of application	None registered within 24 months of application	None registered in 36 months prior to application (72 months for 95% LTV)
Unsecured Arrears	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)
Max LTV ^{(1) (2)}	90%	90%	75%	75%*
Max Loan ⁽³⁾	£1M / £1.5M up to 85% LTV	£1M	£500,000	£500,000
Affordability	Standard	Higher income multiple: up to 6x loan to income, subject to affordability	Standard	Standard
Additional Criteria	n/a	Suitable for qualified Actuaries, Barristers, Chartered Accountants, Commercial Pilots, Dentists, Doctors & Solicitors	n/a	*Available up to 95% loan to customer share (min. share 25%)

Criteria	Large Loans	Right To Buy	Resi 6	Resi 12
Time of Launch/Total Completions since Jan 2015	Aug 2016 £239 million	Nov 2017 £51.6 million	Jun 2018 £66.5 million	Jul 2023 New Product
Secured Arrears	None in 36 months prior to application	None in 24 months prior to application	0 in 3 months, 1 in last 24 months (worst status)	0 in 12 months, 1 in last 24 months (worst status)
Defaults	None registered within 36 months of application	None registered in 24 months prior to application	0 in 6 months, 1 in last 24 months. Satisfied or unsatisfied. Max £1,500	0 in 12 months, 1 in last 24 months. Satisfied or unsatisfied. Max £1,500
CCJ's	None registered within 36 months of application	None registered in 24 months prior to application	Max of 1 registered in 24 months. 0 in 6 (registered), maximum total of £1000. Need not be satisfied.	Max of 1 registered in 24 months. 0 in 12 (registered), maximum total of £1000. Need not be satisfied.
Unsecured Arrears	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max bureau status of 2 in 12 months (must be up to date at time of application)	Max Status; no max. If current/existing arrears are present all payments must have been made 6 months prior to application.	Max Status; acceptable if accounts now up to date (max status of 2 in last 12 months)
Max LTV ^{(1) (2)}	80%	75%**	85%	85%
Max Loan ⁽³⁾	£2M	£500,000	£500,000	£500,000
Affordability	Standard	**Borrow up to 100% of discounted price, max overall LTV 75%	Standard	Standard
Additional Criteria		Repayment & First Time Buyer Only	Payday loans acceptable if older than 6 months	Payday loans acceptable if older than 12 months

Product Guides: <https://www.kensingtonmortgages.co.uk/intermediaries/products>

(1) Currently in the market; (2) Northern Ireland capped at 80% LTV; (3) Northern Ireland capped at £500,000; (4) Property Plus are loans lent for properties of non standard construction, including pre-fabricated reinforced concrete, poured concrete, steel framed / steel clad (pre 2000), 100% timber framed (post 1980), cob construction, colt construction, concrete block, stone and part rendered breeze block with pebble dashed outer walls



Lending Activities & Credit Risk

Kensington

Buy to Let - as of October 2023

Criteria	Core BTL	Limited Co. BTL	Property Plus ⁽²⁾
Time of Launch/Total Completions since Jan 2015	2010 £1.5 billion	May 2018 £205 million	Apr 2019 £8 million
Secured Arrears	None in 24 months prior to application	None in 24 months prior to application	None in 24 months prior to application
Defaults	None registered within 24 months of application	None registered within 24 months of application	None registered within 24 months of application
CCJ's	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)
Unsecured Arrears	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)
Max LTV ^{(1) (2)}	80%	80%	75%
Max Loan ⁽³⁾	£750,000	£750,000	£500,000
Affordability	125-145% minimum DSCR 5.5% assessment rate (<5yr) or initial interest rate + 2% for >5yr fixed; Top slicing available	125-145% minimum DSCR 5.5% assessment rate (<5yr) or initial interest rate + 2% for 5yr fixed; Not available in Northern Ireland	125-145% minimum DSCR 5.5% assessment rate (<5yr) or 5% for 5yr fixed Top slicing available

Criteria	BTL eKo Cashback & eKo Reward	BTL Core Tracker	HMOs & MUB
Time of Launch/Total Completions since Jan 2015	Jul 2021 £51 million	Nov 2022 New Product	Nov 2016 £195 million
Secured Arrears	None in 24 months prior to application	None in 24 months prior to application	None in 24 months prior to application
Defaults	None registered within 24 months of application	None registered within 24 months of application	None registered within 24 months of application
CCJ's	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)	Satisfied CCJs acceptable if older than 24 months (We are able to accept unsatisfied CCJs that are registered over 24 months ago at the underwriter's discretion)
Unsecured Arrears	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)	Unsecured Credit arrears acceptable if accounts now up to date (max status of 2 in last 12 months)
Max LTV ^{(1) (2)}	80%	80%	80%
Max Loan ⁽³⁾	£500,000	£750,000	£750,000
Affordability	125-145% minimum DSCR 5.5% assessment rate (<5yr) or 5% for 5yr fixed Top slicing available	125-145% minimum DSCR 5.5% assessment rate (<5yr) or 5% for 5yr fixed Top slicing available	130-160% minimum DSCR 5.5% assessment rate (<5yr) or 5% for 5yr fixed Top slicing available

Product Guides: <https://www.kensingtonmortgages.co.uk/intermediaries/products>

(1) Currently in the market
(2) Northern Ireland capped at 80% LTV
(3) Northern Ireland capped at £500,000

(4) Property Plus are loans lent for properties of non-standard construction, including pre-fabricated reinforced concrete, poured concrete, steel framed / steel clad (pre-2000), 100% timber framed (post 1980), cob construction, colt construction, concrete block, stone and part rendered breeze block with pebble dashed outer walls

Underwriting Capability



POWERED BY





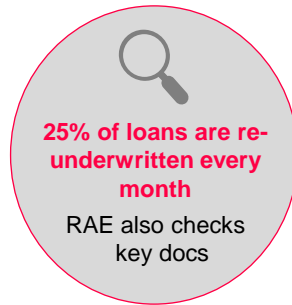
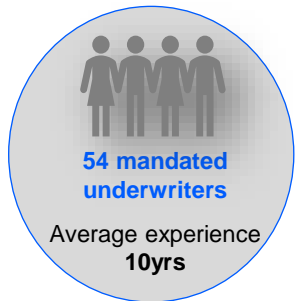
The Lending Operations Team

Kensington

A highly experienced underwriting team

UNDERWRITING CAPABILITIES

- Currently **55 mandated underwriters** compared to an average of 30 in 2021 and 51 in 2022
- 7 Underwriting Team Managers: with an **average of 22 years** FS experience
- Monthly QA assurance oversight on random selection of previous month offers with feedback & coaching
- External re-underwriting by Risk Advisory Europe (RAE) with feedback and coaching



RECRUITMENT

- Transition to Working from home model has resulted in **nationwide recruitment** of experienced Underwriting talent
- All active mandate holders in previous roles – **average mandated experience 10 years**
- Attracted from several different lenders, including Precise, Aldermore, Foundation, Virgin, Platform, Santander, Together, Yorkshire, West Brom, Accord, Principality; All with WFH experience
- Knowledge will help us to further enhance our policies and processes
- Trained on Residential and BTL products – **multi skilled**
- **Time to mandate reduced** to 8 -10 weeks based on strong technical starting point from Underwriter experience

DISTRIBUTION OF UNDERWRITING TEAM ACROSS THE UK





Credit Risk

Kensington

Kensington Underwriting Criteria vs. High Street Lenders

CRITERIA	Kensington Core (Except 'Resi6' product range)	Barclays	Santander	Nationwide	Halifax	Principality BS	
Adverse Credit History	Missed mortgage payment last 24m	0	1 in 6m and 3 in last 24m	0 in last 12m	Rely on credit scores	0	No if =>3months missed payments in 2 yrs
	CCJ last 24m	0	No if >1 & in 3 years and > £200 in 3yrs	Rely on credit scores	Rely on credit scores	0	No if >1 & >£500 in 6yrs
	Last Bankruptcy / IVA	No	6 years	No	3 years	6 years	6 years
	Default last 24m	No	No if >3 and >£200 (in 3 years)	Rely on credit score	Rely on credit scores	Rely on credit score	No if >1 & >£500 in 6yrs
Income	Affordability Assessment	Full affordability assessment	Full affordability assessment	Full affordability assessment	Full affordability assessment	Full affordability assessment	Full affordability assessment
	BTL Affordability rate	Min of 5.5% or the pay rate plus 2% if higher (<5year fixed) or forward KSR + reversionary margin (≥ 5yr fixed rate) managed rate at 125% to 145% DSCR (except HMO)	Assessment of personal and rental income, and relevant landlord costs, applicant level tax liability, credit commitments inc. residential mortgage, all expenditure and living costs	Dependent on tax band and product type, min 125% of 6.09% to max 145% of 7.59% (less than 5yrs). 6.09% rate used for 5yrs fixed	(Through their subsidiary TMW) 125% for lower tax rate payers & Ltd Co's (less than 3 rentals), 145% for higher tax rate payers and those with more than 3 BTL properties. 170% for all HMOs regardless of tax status. Stress rate varies btw LTV and product term	Higher of a notional interest rate or the initial rate +2% at 125%	145% at 7.15% interest rate irrespective of tax band. For pound for pound remortgages where the property was purchased before Jan 2017 a lower stress rate of 125% at 7.15% can be applied
	% regular overtime/Bonus as income	100% (last 3 months' payslips + P60)	50% for affordability (last 3 months' payslips + P60)	100% (regular and consistent), max. 70% (regular but inconsistent)	Yes, but must be evidenced with payslips and last one cannot be £0	Yes, but must be evidenced with payslips	100% Bonus / 50% regular overtime
	Self-certified?	No	No	No	No	No	No
Property	Type of Property	Standard	Standard	Standard	Can accept non-standard construction	Can accept non-standard construction	Standard
	Valuation	Full physical valuation & AVM remortgage with certain criteria	AVM and full physical for specific property types	Full physical valuation but can accept AVM or EIV for certain products	AVM and full physical if AVM is not sufficient	Various levels of physical valuations (AVMs can be used in certain cases)	Full physical valuation but can accept desktop for remortgage and certain criteria
	Scotland	Yes	Yes	Yes	Yes	Yes	No
	Northern Ireland	Yes	Yes	Yes	Yes	Yes	No
	Wales	Yes	Yes	Yes	Yes	Yes	Yes

Source: KMC Residential Criteria Jun-23; Barclays lending criteria (website – Jun-23); Santander lending criteria (website - Jun-23); Nationwide lending criteria (website Jun-23); Halifax lending criteria (website Jun-23); Principality BS lending criteria (website – Jun-23)



Affordability Model

Kensington Owner Occupied

- The borrower affordability calculation is based on a robust income and expenditure review which we believe is a key driver of performance;
- The calculation is compliant with regulatory requirements (MMR/MCOB).

<u>Calculation</u>	<i>Per Year</i>	Typical Borrower	% Gross Income	Underwriting Criteria and Limit
A	Gross Income ¹	£65,000	100.0%	Can include secondary income, up to 100% bonus, overtime
B	Less Tax & National Insurance	£13,400	20.6%	
C = A - B	Net Income	£51,600	79.4%	
D	Less Financial commitments	£2,400	3.7%	Personal Loans, Credit cards, This is checked against Credit reference Agencies
E = C - D	Net Income (After Council Tax and Financial Commitments)	£49,200	75.7%	
F	Less Living Costs	£17,500	26.9%	Childcare, bills, food, transport, and council tax. This is checked against demographic database
G = E - F	Affordability (Expenditure Method)	£31,700	48.8%	Net Income (After Income Tax and Financial Commitments) minus Living Costs
H = E * 60%	Affordability (DTIR Method)	£29,520	45.4%	Net Income (After Income Tax and Financial Commitments) multiplied by an indicative DTIR limit of 60% Max DTIR ranges from 47% to 70% income depending on applicant income and credit profile
	Assessable Affordability	£29,520		Minimum of Affordability (Expenditure Method) And Affordability (DTIR Method)
	Stressed Mortgage Payment	£19,968	44.5%	Based on total rate of 9.85% i.e reversionary margin (3.5%) + KSR (5.35%) + Rate Stress of 1%
	Net Affordability After Stressed Mortgage Payment	£9,552		Assessable Affordability, Minus Stressed Mortgage Payment. Must be >0
	Loan to Income (LTI)	3x	n/a	Loans are limited to 6x time income depending on applicant income and credit profile
	Mortgage Payment	£14,940	23.0%	Based on an average house purchase of £256k with a 75% LTV repayment loan, current rate of 6.75% and term 360 months

Source: Kensington Mortgages; Based on average Kensington customers and national averages and estimates

¹ Based on the average gross income of Kensington customers over the last 6 months

Affordability Model

Kensington **Buy to Let**

- Kensington BTL's calculator bases the lending decision on the actual circumstances of both the customer and the property
 - The model has been tested against 12,000 historic lending scenarios. The lending outcome is 'better' in 50% of cases relative to previous BTL affordability model
 - This affordability calculator **gives the maximum amount customers can expect to borrow** based on their personal, property and income details from a minimum ICR of 125%
- The individual borrower and property costs taken into consideration are:
 - Rental income
 - Ground Rent and Service Charge
 - Letting fee proportions and void guarantees
 - Borrower income (to determine tax liabilities only i.e. income is not used towards BTL affordability)
 - Tenancy in Common
 - Tenancy voids assumptions specific to postcode areas
 - Property repairs and insurance specific to property age and residency type (HMO, MUB)

MINIMUM AFFORDABILITY ASSESSMENT

	STANDARD BTL	HMO / MUB
< 5 years	125% of the higher of; KSR+1% + rev. margin; forward KSR + rev. margin; or pay rate	130% of the higher of; KSR+1% + rev. margin; forward KSR + rev. margin; or pay rate
> 5 years	125% of the higher of; KSR+0.5%+ rev. margin, 5y2y forward KSR +rev. margin; or pay rate	130% of the higher of; KSR+0.5%+ rev. margin, 5y2y forward KSR +rev. margin; or pay rate

BUY TO LET CALCULATOR

Calculate your Debt Service Coverage Ratio (DSCR) to give you an indication of the amount we are willing to lend.

Product Guide

Simple

Full

Applicant Type

Individual

Company

What type of mortgage will it be?

Purchase

Remortgage

Is any applicant a higher rate tax payer?

Yes

No

Is the property a Multi-Unit Block?

Yes

No

DSCR

125%

To find out how much your customer could borrow, if their existing portfolio is acceptable and whether we can improve on this DSCR figure using top-up income.

Full BTL Calculator

Sales & Distribution Model



POWERED BY





Sales Strategy

Kensington Sales strategy centred around the use of data analytics to identify opportunities in the market

TEAM STRUCTURE AND SALES STRATEGY

- Kensington’s business is fully intermediated via mortgage brokers
- We have developed a fully digital sales model which enables us to reach our entire addressable broker market consistently and ensures that activity is maximized to deliver relevant messaging across a variety of platforms and distribution in both Field and Telephony operations
- The structure of the teams has been organised to take into account the different nature and needs of specific broker accounts
- All broker accounts have been segmented according to their volume, type, and the opportunity they present
- Kensington has also added a CRM tool which gives a 360 view of our broker customers.

Chief Commercial Officer

Head of Telephone Sales

Handle c.1000 broker calls per day through Inbound calls Outbound calls Webchat 24/7 Robochat

Team of 28

Head of Intermediary Sales

Visit top 3000 brokers – consultative based sales – F2F or virtual appointment Present at Broker conferences

Team of 12

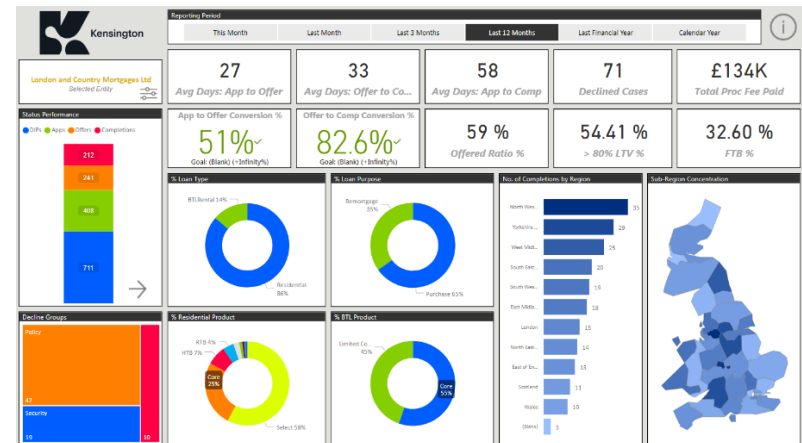
Head of National Accounts

Top 25 Broker Clubs, Networks and Packagers (95% of Brokers) Account Strategy and Marketing

Team of 3

VECTOR’S ANALYTICS-DRIVEN ACCOUNT SEGMENTATION

- Accounts are segmented to allow for more informed conversations between the sales team and brokers, more targeted marketing activity, and more effective outbound call campaigns
 - Internal and external Data is used to create overarching view of broker landscape
 - This is then segmented into 11 regions
 - Broker population is then further subdivided by activity volume and nature of broker firm
- Our sales team uses broker dashboards from the Vector platform which provide data on the business each broker does with KMC as well as with the wider market, allowing us to identify sales opportunities for every account.
- These dashboards can be shared F2F or during video appointments



Source: Kensington Mortgages as of Q3 2023



Driving consideration in 2022

Kensington Building on brand momentum to reach existing and prospective intermediaries

Full year: Product solution to market uncertainty

- ✓ Reacting to the economic conditions with a solution for brokers and their clients.
- ✓ Highlighting key benefits and directing to full landing page with FAQs



March: The Insiders, episode 1

- ✓ Inaugural podcast with 'the people who make things happen at Kensington'
- ✓ Using a new channel to bring Kensington to more people, and showcasing the skills and expertise of our colleagues

May-July: Innovative mortgages campaign: solutions for your clients

- ✓ leveraging our competitive advantage by distinguishing our offering and positioning ourselves as an innovative lender creating solution-led mortgages
- ✓ A creative idea that 'shifts the dial' and stands apart from traditional financial services ads



July-August: Fully digital product transfer portal

- ✓ A seamless, end-to-end digital experience, designed with the broker in mind to be simple and stress-free
- ✓ Messaging focused on easing the strain for brokers, providing a solution to make their lives easier

Full year: Educating and supporting intermediaries through market-leading webinars

- ✓ Giving market insight and featuring industry experts, focusing on topics selected to help brokers
- ✓ Average 52% attendee rate, 99% rate content as excellent/Good and 99% 'would recommend' Kensington webinars



KENSINGTON INTELLIGENCE

Data, Analytics & Research



**Kensington
Intelligence**

POWERED BY

 **vector**



DATA

- Kensington has invested heavily in data for over a decade
- This data is primarily mortgage loan level performance data over a period of **30** years and includes **32** million data points through several macro economic cycles
- This data is complemented by granular third party data on mortgage lending and macro economic conditions

INFRASTRUCTURE

- Kensington's **6** TB enterprise data warehouse runs on a hybrid environment (Cloud and On Premise)
- Power BI applications are developed to allow colleagues and clients access to the data from desktops and mobile devices
- Application Programming Interfaces (APIs) are used wherever possible in order to facilitate integration

TEAM

- Kensington believes that the team are key to developing a best in class data, analytics and research capability
- Key members of this team have spent **10** years developing the analytic tools used by Kensington
- The team have a wide range of skills including dashboard design, SQL, python, database management, econometrics, machine learning & artificial intelligence



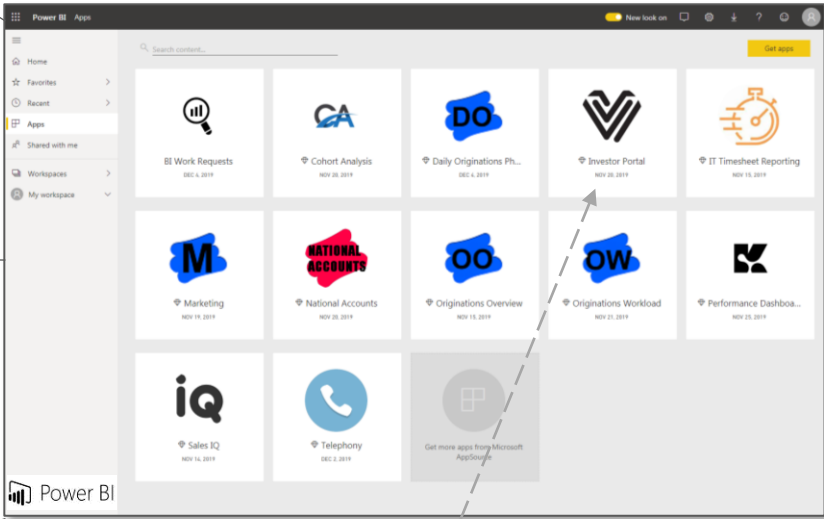
Kensington Intelligence

Data Visualisation

PowerBI applications provide insight to and for all parts of the business



ACCESS TO ACCURATE AND TIMELY DATA HELPS ALL FUNCTIONS WITHIN THE BUSINESS MAKE MORE INFORMED DECISIONS & HELPS TO DELIVER BETTER CUSTOMER OUTCOMES



The investor portal application is available at : investors.kensingtonmortgages.co.uk

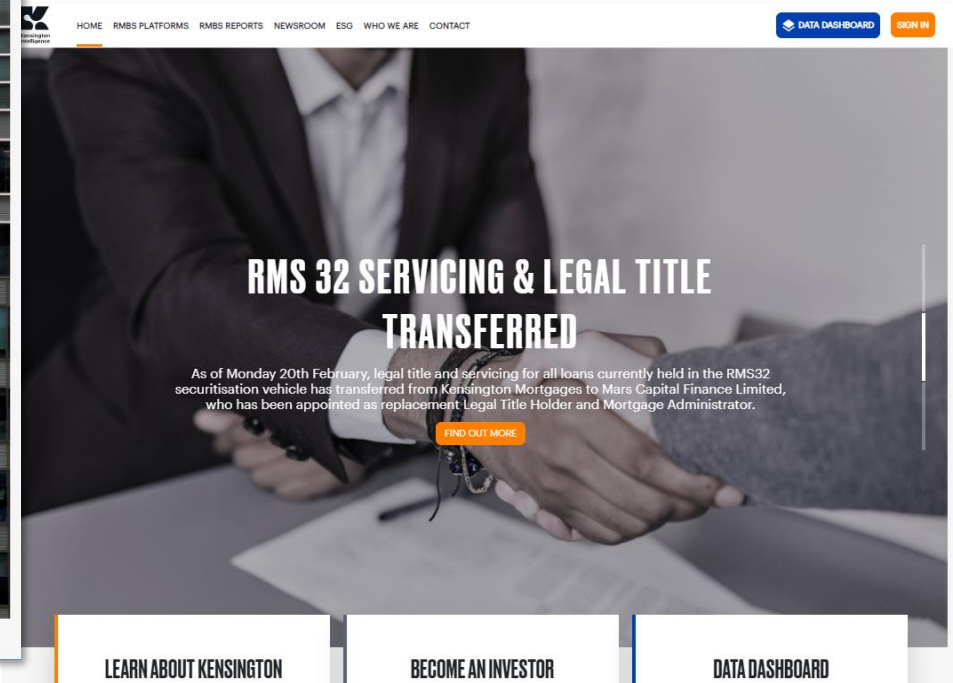
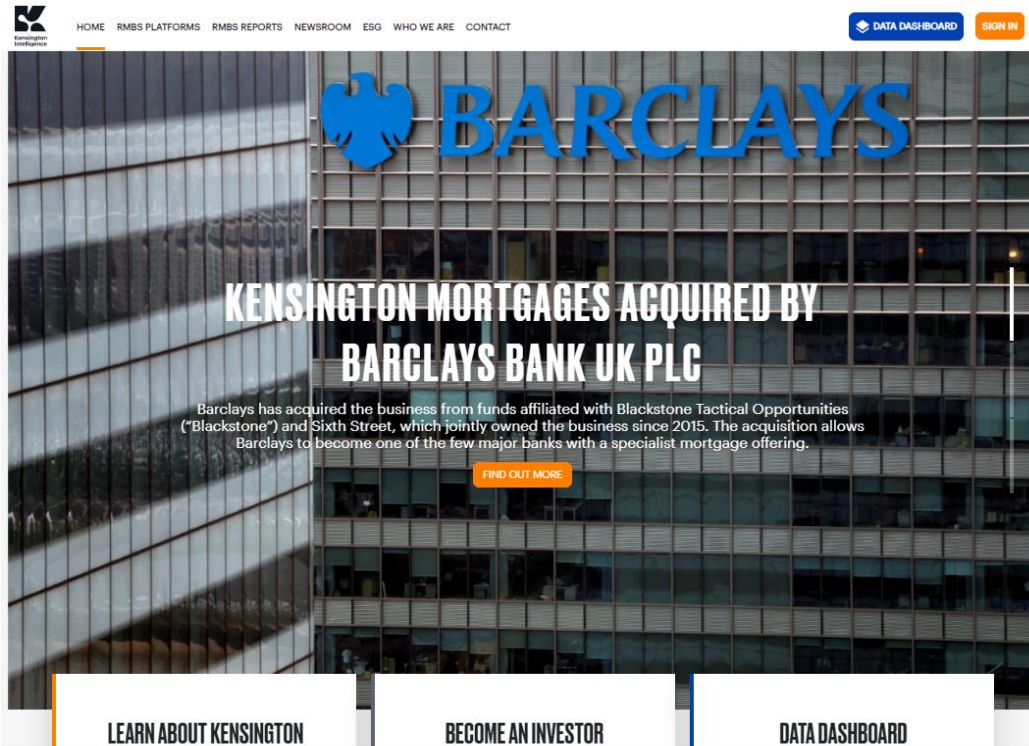




Investor Portal - Overview

Kensington **One-stop portal to access performance of all Kensington securitisations**

- <https://investors.kensingtonmortgages.co.uk>
- A single platform where investors can access:
 - Relevant documentation relating to our existing Kensington bonds (GMG, FSQ & LMS), with the option to either view directly or download transaction documentation, quarterly bond reports, monthly asset reports, investor presentations and quarterly loan level data since the issuance of the deal
 - Latest news in relation to securitisations, ESG, product launches & volume of originations
 - Latest research reports on major themes in the UK mortgage industry and housing market written by the Kensington Capital Markets team
- The investor portal has been created and designed with the aim of improving investor journey when looking for information about Kensington's RMBS transactions and to ensure that Kensington continues to be as transparent as possible



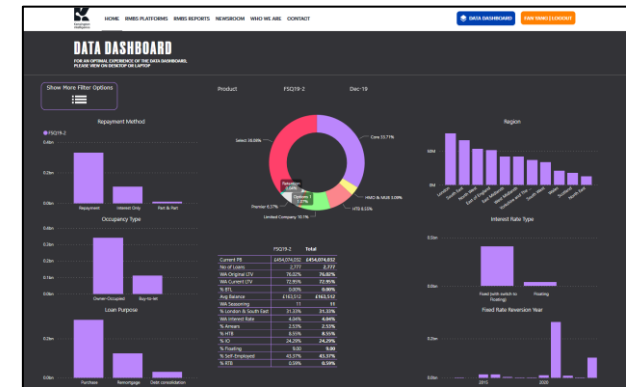
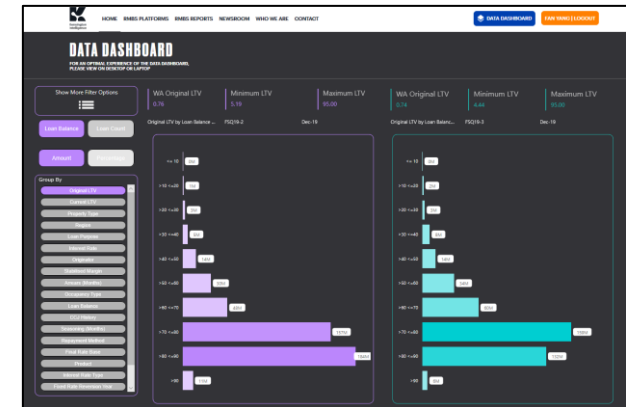
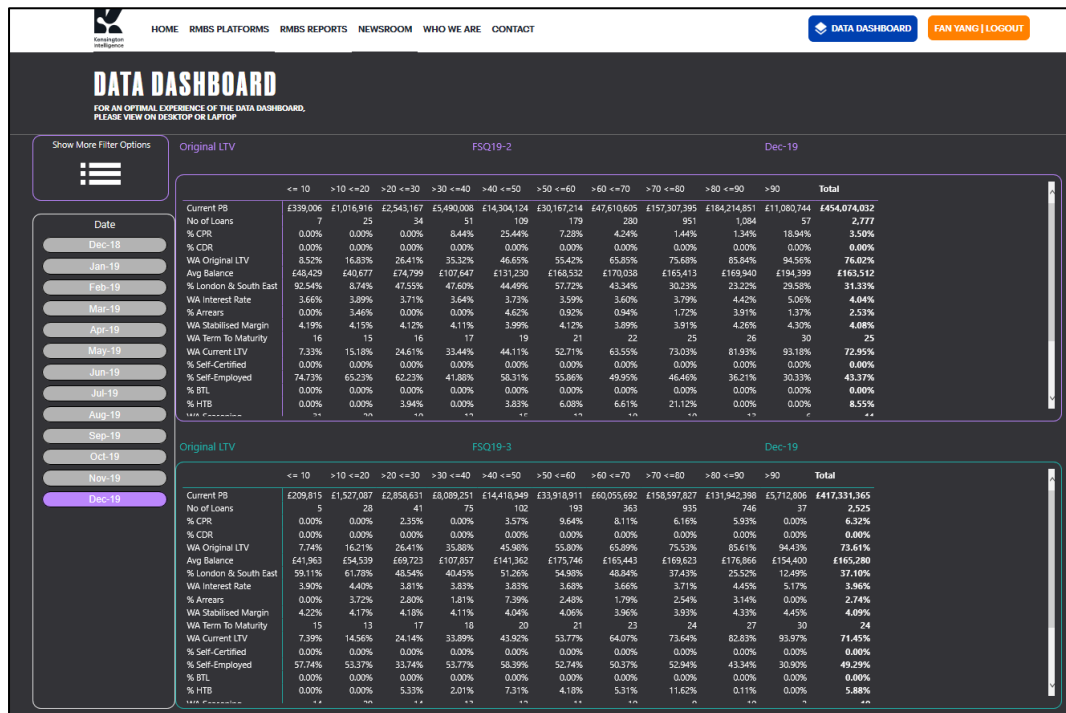


Investor Portal – Data Dashboard

Kensington

State of the art data visualisation application for bond investors

- <https://investors.kensingtonmortgages.co.uk/data-dashboard/report-1>
- The investor portal includes our new market leading data visualization application – the Data dashboard
 - All the underlying historical loan level data from the existing Kensington deals since issuance centralized in one application
 - Users can produce strats for a single or combined deals and visualise historical performance trends
 - Possibility of creating subset portfolios of loans with the option to filter by a variety of borrower, loan or property criteria
- The dashboard allows investors to easily drilldown into characteristics of a chosen portfolio of loans, compare deal transactions and analyse performance of any deal.
 - All data can be exported into an excel spreadsheet





Investor Portal – FSQ 21-1 Green Reporting



Kensington Green Securitisation Allocation Reporting

- As part of the Finsbury Square 2021-1 Green transaction, Kensington reports the total amount of green loans (min EPC B-rated properties) the firm originates every month until full allocation of the green proceeds raised has been met as part of the issuance of the Class A GR bond
- The report is updated every month and available on the following link https://investors.kensingtonmortgages.co.uk/rmbs-reports/finsbury-square/FinsburySquare_2021-1_GREEN (category 'Other')
 - The report shows the green proceeds allocated, the remaining unallocated amount and details on the loans that form part of the allocation to ensure they are not allocated to any other future Kensington's green bond issuance
 - Each loan ID is unique and is allocated only against the Finsbury Square 2021-1 Green GBT
 - Kensington has allocated all of its green proceeds (as at 30th April 2023)**



Green Securitisation Allocation

Finsbury Square 2021-1 Green

Report Date : 2023-04-30

Kensington



Finsbury Square 2021-1 Green		Loan Level Check	Original Balance	Loan Count
Green proceeds allocation in regards to the issuance of the Class A-Green bond				
Original size of Class A:	£639,375,000.00			
Total of Eligible Green Projects refinanced on closing (Original Balance):	£68,176,441.27	Sum of Closing Pool Loan Level	£68,176,441.27	336
Total of unallocated green proceeds to Eligible Green Projects on closing (Original Balance):	£571,198,558.73			
Total of Eligible Green Projects financed since closing (Original Balance) i.e. Kensington originations since 2021-05-01 :	£571,199,679.29	Sum of Post Closing Loan Level	£571,199,679.29	2900
Total of Eligible Green Projects financed (Original Balance) :	£639,376,120.56	Total Closing Pool + Post Closing	£639,376,120.56	3236
Total of unallocated green proceeds still to be allocated to the financing of Eligible Green Projects (Original Balance):	£1,120.56			
Percentage of Eligible Green Projects Allocated :	100.00%			
Percentage EPC rated A :	2.26%	A Rated Loans	£14,470,386.62	62
Percentage EPC rated B :	97.74%	B Rated Loans	£624,905,733.94	3174

Loan Level Data												
LoanID	Originator	Origination Date	Original Balance	Occupancy Type	Original LTV	Geographic Region	Construction Year	Help To Buy	Property Type	EPC Rating	Origination Flag	
9101079660	Kensington Mortgage Company	2023-04-28	£232,195.00	Purchase	90%	South West	2023	N	Terraced House	B	Post Closing	
9101058180	Kensington Mortgage Company	2023-04-28	£238,956.00	Purchase	85%	East Midlands	2023	N	House, detached or semi-detached	B	Post Closing	
9100912107	Kensington Mortgage Company	2023-04-27	£276,296.00	Purchase	90%	Scotland	2022	N	House, detached or semi-detached	B	Post Closing	
9100884651	Kensington Mortgage Company	2023-04-27	£535,455.00	Purchase	90%	East of England	2022	N	Terraced House	B	Post Closing	
9100567448	Kensington Mortgage Company	2023-04-20	£346,495.00	Purchase	90%	North West	2022	N	House, detached or semi-detached	B	Post Closing	
9101058770	Kensington Mortgage Company	2023-04-14	£318,750.00	Purchase	85%	London	2007	N	Flat / Apartment	B	Post Closing	
9100966423	Kensington Mortgage Company	2023-04-14	£242,000.00	Purchase	74%	Wales	2019	N	House, detached or semi-detached	B	Post Closing	
9100819736	Kensington Mortgage Company	2023-04-14	£354,749.00	Purchase	85%	North East	2019	N	House, detached or semi-detached	B	Post Closing	
9101012533	Kensington Mortgage Company	2023-04-13	£70,000.00	Purchase	21%	London	2023	N	Flat / Apartment	A	Post Closing	
9100880302	Kensington Mortgage Company	2023-04-12	£324,700.00	Purchase	85%	Scotland	2022	N	House, detached or semi-detached	B	Post Closing	



Kensington Intelligence

Originations Analytics

Data access via iPad/iPhone gives the origination function unique insight into broker and competitor activity

Proprietary CRM tool showing broker activity

Provides the sales team with an ability to see the volume and quality of business that Kensington has completed with a given broker. It also provides whole of market information on the business that broker has completed over the same time frame

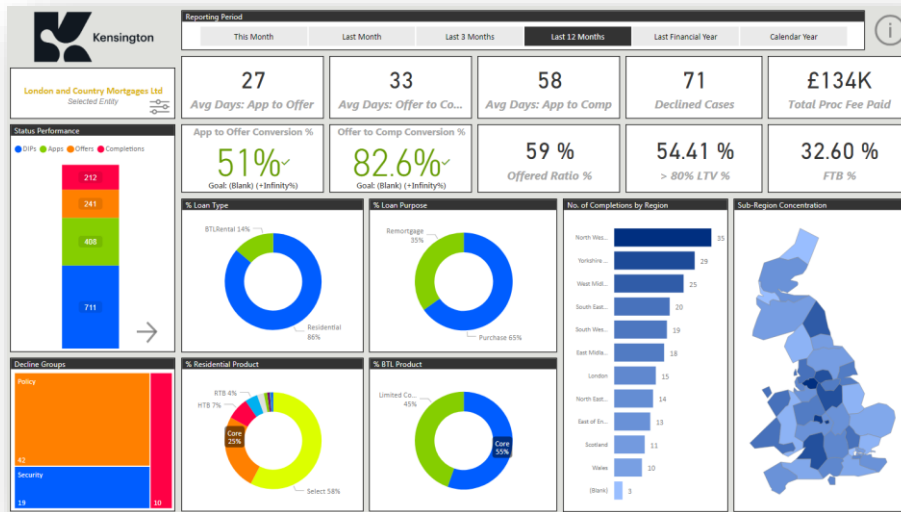
Live data on new business

Live feed provided on key front end business measures like applications, offers and completions in key segments

Competitor activity monitoring

Kensington uses PowerBI to give colleagues direct access to our database on market volume via their iPhones. Database includes almost live data on the sales metrics for other specialist lenders in 18 key product segments

Kensington's database includes data on over 630k competitor products that have been in the market in the last two years



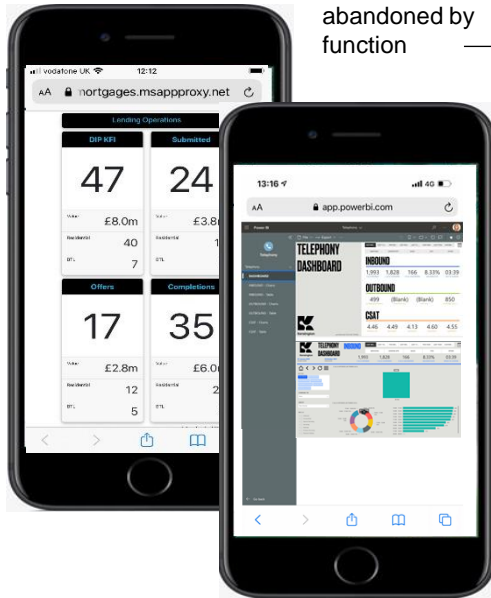


Kensington Intelligence

Operational Analytics

Analytics enhance operational efficiency as well as providing live performance monitoring

Performance Monitoring



Live data on calls answered and abandoned by function

Power BI

CEO dashboard provides senior management with live reporting on a number of operational performance metrics across lending and post completion operations

Operational efficiency

AVMs



All loans <80% LTV that are originated by Kensington receive an audit valuation using AVMs provided by Rightmove

I&E TOOL



Proprietary affordability model used in forbearance process which builds a detailed borrower profile using regional demographic and lifestyle information

QBEST



Forbearance Tool which determines the optimal forbearance option for a loan in arrears (permanent and temporary modifications) together with the affordability tool

LOAN SCORE



Credit Score tool built internally using the Group's extensive loan data base

POD



Predictive payment tool that is used to prioritise outbound call activity to maximise effectiveness of Call Centre staff

Portfolio Management

Analytics and almost real time reporting provide the origination function with unique insight



- Using Power BI, we have developed a customized portal to monitor all of our mortgage assets in real time
- Data can be viewed on a loan level, product level, or by portfolio, and comparisons can be made across different books and securitisation programmes
- Key performance trends on all portfolios can be viewed via App or through the intranet
- We use our proprietary vector model to forecast future performance

VIEW OPTIONS: Loan Balance, Loan Count

FORMAT OPTIONS: Amount, Percent

COLUMN VARIABLES: Original LTV, Interest Rate, Stabilised Margin, Areas (Months), Loan Purpose, Current LTV

Page 2

Report

Strats

vector

FSQ 2019-1

SUMMARY	<= 10.00	10.01 to 20.00	20.01 to 30.00	30.01 to 40.00	40.01 to 50.00	50.01 to 60.00	60.01 to 70.00	70.01 to 80.00	80.01 to 90.00	90.01 >=	Total
Current Principal Balance	£274,481	£1,199,719	£2,648,704	£6,574,204	£14,113,429	£29,544,583	£51,258,166	£121,339,822	£153,588,017	£3,551,434	£384,092,560
Number of Loans	7	24	43	59	100	187	304	775	888	24	2,411
WA Original LTV	7.78	16.65	25.92	34.64	45.47	55.55	65.50	75.35	85.68	94.79	74.45
Average Balance	£39,212	£9,988	£6,598	£11,427	£14,134	£157,992	£168,612	£156,568	£172,959	£147,976	£159,308
WA Interest Rate	4.35	4.01	3.96	3.76	3.85	3.94	3.89	3.93	4.20	4.87	4.08
WA Stabilised Margin	4.04	4.03	4.07	4.10	4.08	4.07	4.06	3.97	4.17	4.20	4.08
WA Term to Maturity (Years)	15.12	14.19	15.86	20.84	20.23	20.74	22.02	24.27	27.41	31.61	24.72
WA Current LTV	7.08	15.29	23.36	33.08	42.79	51.79	62.69	72.25	82.74	95.64	71.48
% Self-Certified	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% Self-Employed	60.30	39.91	52.92	44.88	54.82	42.02	58.23	49.60	40.63	19.63	46.42
% BTL	0.00	3.46	12.53	29.84	16.81	30.96	35.07	41.53	5.37	0.00	23.55
% HTB	0.00	0.00	0.00	1.22	2.49	5.17	3.40	10.27	0.00	0.00	4.21
WA Seasoning (Months)	17.35	13.36	14.20	10.37	14.87	16.31	12.32	11.28	9.23	0.40	11.03
% Bankrupt/IVA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Largest Loan Balance	£62,833	£115,000	£174,600	£560,000	£777,000	£808,516	£2,000,000	£1,002,500	£981,000	£371,500	£2,000,000

DETAIL	Account Number	Originator	Principal Balance	Repayment Type	Current Coupon	Reversion Date	Final Rate Base	Stabilised Margin	Months in Arrears	Occupancy Type	Product Offering	P ₁
	C07900488	Kensington Mor...	777,000.00	Interest Only	5.10		3 month LIBOR	4.1	0.00	Owner-occupied	Fill	
	C8729C17AA	Kensington Mor...	2,000,000.00	Interest Only	5.10		3 month LIBOR	4.1	0.00	Owner-occupied	Te	
	C4A4AC3D162	Kensington Mor...	32,309.39	Interest Only	5.10		3 month LIBOR	4.1	0.00	Owner-occupied	Hi	
	CC2A790399E	Kensington Mor...	89,995.30	Interest Only	2.89	01 November 2020	3 month LIBOR	4.1	0.00	Owner-occupied	Hi	
	C8FF34939D	Kensington Mor...	626,061.25	Interest Only	3.04	01 February 2021	3 month LIBOR	4	0.00	Owner-occupied	Premier	Hi
	C849A49051	Kensington Mor...	207,110.00	Interest Only	2.84	01 February 2021	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	CF83E800C	Kensington Mor...	174,600.00	Interest Only	3.14	01 February 2021	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	CF2D0E6469	Kensington Mor...	568,494.00	Interest Only	3.24	01 January 2022	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	CEBA196C7A	Kensington Mor...	899,944.00	Interest Only	3.59	01 January 2024	3 month LIBOR	4	0.00	Owner-occupied	Premier	Hi
	C8D0C666AA	Kensington Mor...	667,925.62	Interest Only	3.59	01 February 2024	3 month LIBOR	4	0.00	Owner-occupied	Premier	Hi
	C249687438	Kensington Mor...	576,437.50	Interest Only	3.59	01 February 2024	3 month LIBOR	4	0.00	Owner-occupied	Premier	Hi
	C20477C880	Kensington Mor...	208,426.00	Interest Only	4.09	01 February 2024	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	C7582A2237	Kensington Mor...	97,000.00	Interest Only	4.09	01 February 2024	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	C8027E7628	Kensington Mor...	188,999.00	Interest Only	3.89	01 February 2024	3 month LIBOR	4	0.00	Owner-occupied	Select	Hi
	Total		384,092,559.85		4.15				0.09			



Publication of regular research on the mortgage and property market (during 2020/21 we published several special COVID 19 editions - available on the Kensington portal)

- Kensington Intelligence publishes detailed insights reports on current issues in the UK mortgage market. Recent topics have included Mortgage Prisoners, Pay Rate Lending, the end of the Term Funding Scheme and more recently payment holidays within our special COVID-19 edition
- Each report is distributed to c. 1000 industry participants, and is followed by a breakfast discussion (or a webinar during the COVID-19 period) to which a small group of specialists (including banks, rating agencies, investors, and regulators) are invited to delve into the topic in more detail
- For any request regarding our research or to be added to the distribution list please contact Alex Maddox (alex.maddox@kensingtonmortgages.co.uk)

SEPTEMBER 2023

MORTGAGE AND PROPERTY REPORT

Kensington

Welcome to the September 2023 edition of the Mortgage and Property Report. In this issue, we look at the market for long term fixed rate mortgages in the UK. We compare the supply and demand of these products in the UK to other countries and discuss the role funding and regulations plays in this.

Key Highlights

- Unlike other developed countries, the UK mortgage market has for decades been dominated by short term fixed rate mortgages which customers regularly refinance for a new short term fixed rate product
- The dominance of these products makes UK mortgage customers much more susceptible to rate shocks and has a knock-on effect on house prices
- High street banks are not well suited to fund longer term fixed mortgages, and regulations makes it unattractive for insurance companies to fund them, despite their similar asset and liability maturities
- The market works very differently in other countries, where long term fixed loans are far more prevalent

Introduction

The UK mortgage market is unusual amongst developed economies in that products with short fixed rate periods dominate the market. This is in sharp contrast to many European countries and the United States, where it is common for the interest rate on mortgages to be fixed for a longer period, if not the full term of the loan. In this newsletter, we look at the key reasons for the difference, exploring both the supply and the demand side of the market, and discuss what changes could be made and how these would benefit customers and potential funders, as well as how this compares to other countries.

The UK Mortgage Market

The UK's affinity for short fixed-rate mortgages dates back decades. Customers take out loans with short tenor periods with the expectation that they will easily refinance onto a new tenor rate once the previous one ends. While in recent years there has been an increase in the percentage of customers taking loans with fixed rate periods of up to 5 years, anything longer than that remains extremely uncommon (Fig 1). Customers favour short fixed rate products, as in a normal rate environment, they are usually the cheapest. Fixed rate loans also almost always come with early repayment charges (ERCs), which are typically highest for longer fixes. Opting for short term fixed rate loans allows customers to retain the flexibility to refinance if rates come down or they want to sell the property without paying higher ERCs.

On the supply side, the key reason for the prevalence of these products is that the mortgage market is dominated by high street banks who are primarily funded by retail deposits. Wholesale

mortgages which customers regularly refinance for a new short term fixed rate product

- The dominance of these products makes UK mortgage customers much more susceptible to rate shocks and has a knock-on effect on house prices
- High street banks are not well suited to fund longer term fixed mortgages, and regulations makes it unattractive for insurance companies to fund them, despite their similar asset and liability maturities
- The market works very differently in other countries, where long term fixed loans are far more prevalent

Fig 1: Fixed Rate Period for New UK Regulated Mortgages

Fig 2: Mortgage Rates by Fixed Rate Period

Fig 3: Initial Mortgage Rate Type in Selected European Countries for New Lending (Q1 2023)

Fig 4: Contribution to Growth in the Dutch Mortgage Market by Funder

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SEPTEMBER 2023

MORTGAGE AND PROPERTY REPORT

Kensington

mortgages in the UK, including a product launched by Kensington (but funded through an insurer) in 2021. It remains difficult for these to compete with shorter-dated products on pricing.

While long term fixed rate products are not common in the UK, they do have the advantage of being very easy for consumers to understand and for brokers to explain. This is important as brokers play a very important role in the UK Mortgage market with over 80% of loans sold via intermediaries in 2022. There is a risk however, that mortgage advisers may be cautious about recommending long term fixed rate loans due to the perceived likelihood of future customer complaints if rates subsequently decrease, and the concern around possible penalties for terminating the mortgage early if the customer's circumstances change and they need to sell the property. It's important that the other characteristics, beyond price, that make the product suitable for customers, including the increased affordability arising from there being no requirement to stress the loan at a possible higher future variable rate, and the lower risk of payment shocks, are also considered in the advice process. Currently, there is a possible mismatch between broker interests and customer interests as the former's businesses depend on the repeat custom of mortgage holders since each new mortgage comes with a procurement fee. Together these factors create a structural obstacle to these products being sold and raise the question of whether changes to regulation on mortgage advice should be made.

Nevertheless, while interest rates were at record low, the strategy of refinancing every few years generally worked well for customers, especially as short fixed-rate products, which are priced attractively over swaps, offered the cheapest rates (Fig 2). Their continued availability meant little consideration was given to other products, and changes in teaser rates from one loan to the next were normally minimal. However, the recent rapid increase to interest rates has revealed the downside of this approach, and UK mortgage holders have been impacted by rate shocks in an outsized way compared to borrowers in countries where longer fixed rate products are more prevalent. These rate shocks have fundamental impacts on borrower affordability, and have passed through implications to house prices, leading to greater volatility than seen in countries with mortgages fixed for longer periods.

There is a range of reasons for this, as mortgage regimes vary across countries and in many cases reflect historical developments and cultural preferences. For example, in the Netherlands, mortgage insurance is very common. The Nationale Hypotheek Garantie (NHG), provided by a government backed foundation, guarantees repayment of the mortgage to the benefit of the lender with costs for this insurance paid by the borrower. This guarantee increases availability of mortgages as well as reducing the risks to banks and thereby the cost of loans. There has also been a significant increase in the role insurance firms and pension funds have played in funding the Dutch mortgage market in recent years, with institutional investors accounting for 87% of the total increase in mortgage lending between 2014 and 2021. Over that period, bank's mortgage portfolios grew by €12 billion vs €82 billion for institutional investor portfolios (Fig 4).

Comparison to Other Countries

The mortgage landscape in the UK is very different to that of both the United States and many countries in Europe. Most European countries have a mix of variable and fixed rate products, with a large share of the latter fixed for long durations, as seen in Figure 3. While the numbers vary across countries, the UK really stands out for not having any apparent volume of loans fixed for greater than 10 years.

Fig 3: Initial Mortgage Rate Type in Selected European Countries for New Lending (Q1 2023)

Fig 4: Contribution to Growth in the Dutch Mortgage Market by Funder

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SEPTEMBER 2021

MORTGAGE AND PROPERTY REPORT

Kensington

COVID-19 Update Series Number 7

Welcome to the seventh edition of Kensington's Special COVID-19 Update Series. In this newsletter, we look back on the COVID-19 crisis and the impact it has had and continues to have on the mortgage industry. We focus on the mortgage payment holiday scheme which has now come to an end, the government's two income support schemes and the end of the repossession moratorium.

Key Highlights

- Mortgage Payment Holidays (MPHs) which were used by close to 2 million mortgage customers in the UK during the pandemic, have ended, and Kensington has exited the last of its MPHs
- Despite initial concerns, the impact on loan performance to date has been limited, but the impending end of the income support offered by CJRS and SEISS could change this
- The moratorium on repossessions has led to an increase in late stage arrears in UK mortgage portfolios and this is expected to take some time to reverse as the backlog of cases is dealt with

Introduction

Eighteen months after COVID-19 first hit the UK, weakening havoc on the mortgage market, the wider economy and most aspects of day-to-day life, it seems we have at last turned the corner. The roll out of the vaccine programme is largely considered to have been a success, all restrictions on daily activities and the operation of businesses have been lifted, and a cautious sense of normality is returning. In this edition of our special COVID-19 newsletter series, we look back in detail on how the crisis has impacted the mortgage industry, the extent to which we have emerged from it and what we can expect going forward.

Mortgage Payment Holidays

One of the first and most significant impacts of COVID-19 on the mortgage industry was the introduction in March 2020 of payment holidays to help alleviate the financial impact of the virus and resulting restrictions on customers. Within weeks, more than 1.8 million (c. 16% of the market) MPHs were taken by customers in the UK, and Kensington saw close to a quarter of its serviced book opting for a payment deferral by June. Starting in the later summer months however, we saw these numbers decrease heavily, and despite several extensions to the scheme (from an initial period of 3 months), few MPHs continued to reduce steadily. A small rise was experienced at the start of the first winter lockdown in November 2020, but new take ups remained low (possibly in part due to the fact that new MPHs and extensions to existing ones could not exceed a total period of 6 months). The scheme closed fully at the end of July this year, and Kensington exited its last payment holiday at the beginning of August. Data for the wider UK market mirrors that of the Kensington portfolio, with a sharp initial take up followed by a steady decline (but is not available for publication).

Fig 1: KMC Total Live Payment Holidays

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Mortgage Servicing Platform



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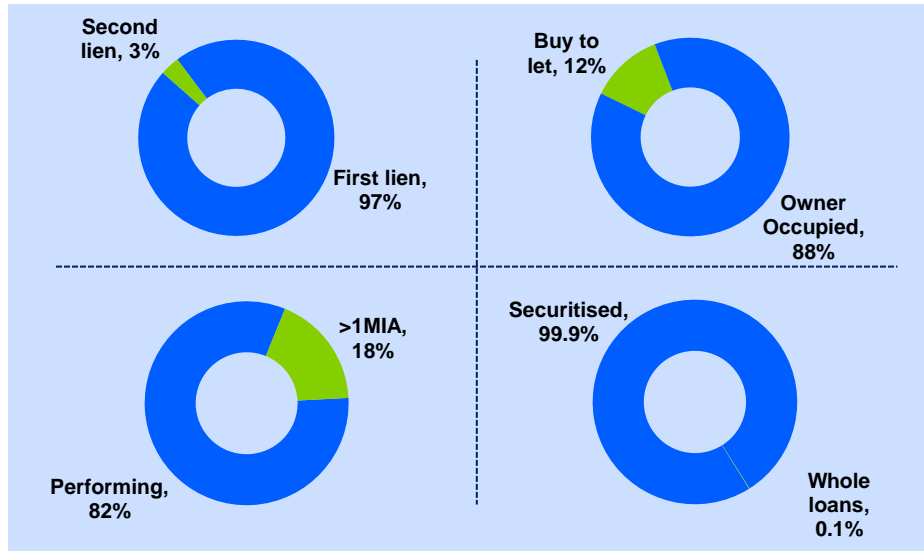
Servicing Platform Portfolio

Kensington

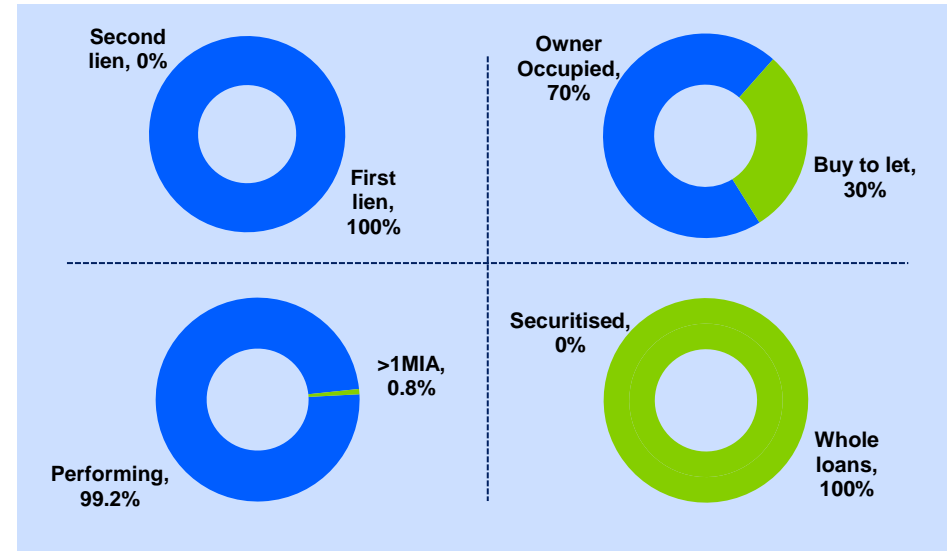
Track record of servicing a wide range of mortgages assets

- Kensington's servicing platform provides servicing to:
 - ✓ Third party-owned loans to which it also holds legal title under the Kensington brand
 - ✓ Kensington's own legacy assets and all its new originations
- The Group services a total of c. £8.7bn mortgages, which is split c. 68/32 (by balance) across third party and Kensington-owned mortgages
 - ✓ Kensington holds legal title to c.39,000 loans to which third parties hold beneficial interest

THIRD PARTY-OWNED PORTFOLIO BY LOAN COUNT
(£5.9BN / c.57,900 LOANS)



KENSINGTON-OWNED PORTFOLIO BY LOAN COUNT
(£2.8BN / c.17,350 LOANS)





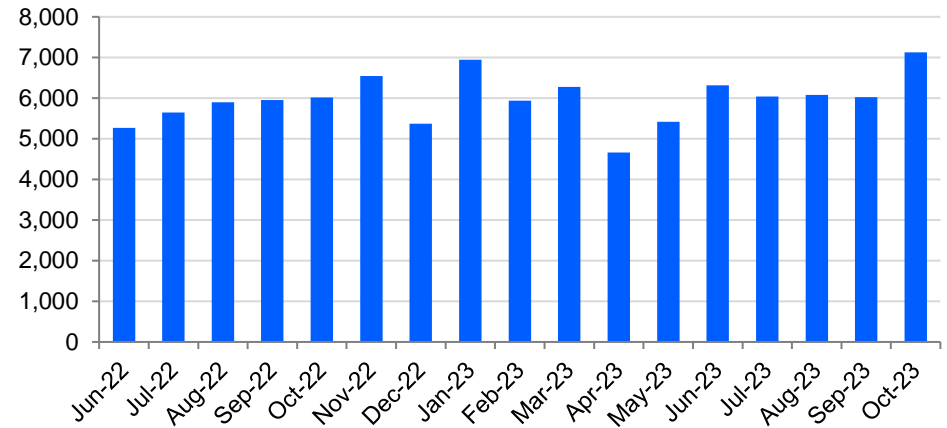
Servicing Book Performance & Arrears

Kensington

Arrears increased slightly in the last 12 months

- Since the beginning of the surge in interest rates 18 months ago, we have started to see a gradual increase of the number of borrowers going into arrears.
 - For new originations, the number of arrears remains low by historical standards
- Inbound calls to the special servicing team have remained consistent at about ~5,000-6,000 calls per month answered
- The number of customers taking up forbearance options, such as payment arrangements has also been broadly flat over the last year
- However, the type of arrangement that the customers are taking, that are already in arrears, has changed, with more customers taking an arrangement to pay less than their contractual monthly payment, evidencing some sensitivity to their monthly expenditure

INBOUND CALLS TO SPECIAL SERVICING



NEW ORIGINATIONS – GMG21-1

	SEP-23	SEP-22	Δ
<i>Arrears Status – By Loan Count %</i>			
Current	92.25%	97.65%	
1-5 MIA	4.11%	1.50%	
5-10 MIA	1.68%	0.47%	
>10 MIA	1.96%	0.39%	
<i>Arrears Status – By Loan Count #</i>			
			<i>Annual Δ</i>
Current	1,221	2,120	
1-6 MIA	58	33	+25
>6 MIA	34	15	+19
Repossession	0	0	

LEGACY – SPML / PML

	OCT-23	OCT-22
<i>Arrears Status – By Loan Count</i>		
Current	71.96%	77.50%
1-3 MIA	9.22%	7.23%
4-6 MIA	5.66%	3.41%
7-12 MIA	4.90%	3.63%
>12 MIA	4.81%	4.75%
Possession	0.25%	0.20%
No CMI	0.30%	0.28%
Term Expired	2.91%	3.01%



Mortgage Charter

Kensington

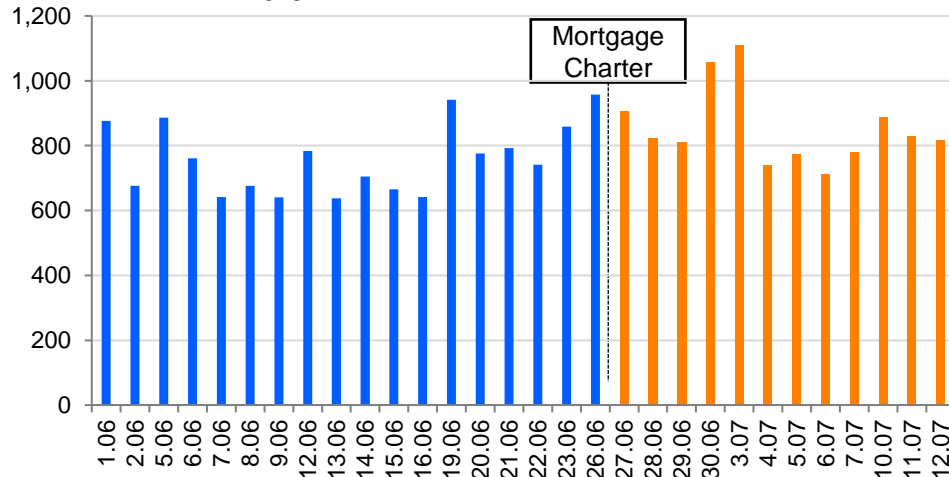
UK Mortgages Support Measures

Kensington has signed up to the Mortgage Charter measures in June 2023

- In June 2023, the Chancellor announced that lenders comprising 85% of the UK market had agreed to a new Mortgage Charter providing support to mortgage borrowers
- Given the gradual surge in mortgage interest rates for the last 18 months coupled with the higher costs of living, the Mortgage Charter is designed to give struggling borrowers temporary options to deal with their mortgage payments
- New measures to support borrowers include the option of temporarily switching from a repayment mortgage to an interest only loan for 6 months, extending the term of their mortgage (with the flexibility to revert to original mortgage arrangement within 6 months) and locking a new fixed rate up to 6 months before the end of the fixed rate period (without another affordability checks)
- Furthermore, repossession procedures can only start after a minimum of 12 months from the first missed payment
- These measures will not impact the credit score of borrowers that are current and is only applicable to Owner Occupied borrowers (i.e. excl. BTL loans)
- If the borrower is in arrears, KMC will undertake an I&E and utilise the forbearance toolkit as detailed by the FCA tailored support guidance in the normal way

DAILY INBOUND CALLS TO KMC's SPECIAL SERVICING

- There has not been a significant increase in the volumes of inbound calls KMC received when Mortgage Charter has been announced



IMPACT TO DATE

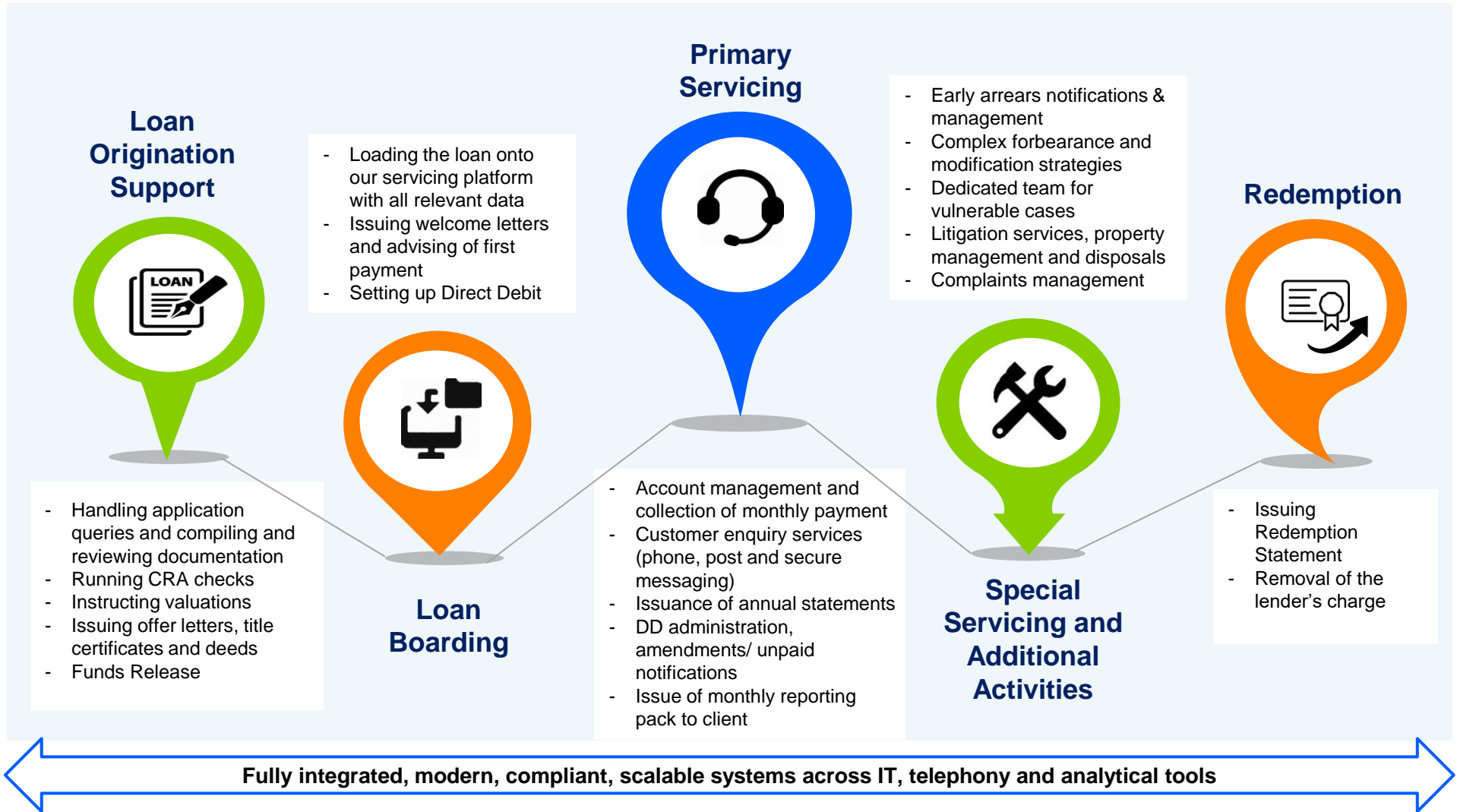
- Since it has signed up to Charter late June, the number of proactive inbound calls from borrowers calling for support has been fairly minimal
- This is across all Kensington serviced and Kensington owned accounts
- When a customer call KMC to discuss the Charter's available options
 - If the borrower is current, no need to undertake an I&E (unless Term Extension would take the borrower beyond retirement's age i.e. 70yrs)
 - If the borrower is in arrears, KMC will undertake an I&E following the traditional servicing process for borrowers in arrears
- Since it has signed up to Charter late June, the number of proactive inbound calls from borrowers calling for support has been fairly minimal; Indeed, KMC has offered – *across all KMC serviced loans*
 - 252 temporary IO
 - 11 term extensions



Mortgage Servicing End to End Solution

Customised end to end servicing solution from origination of new loans through to redemption

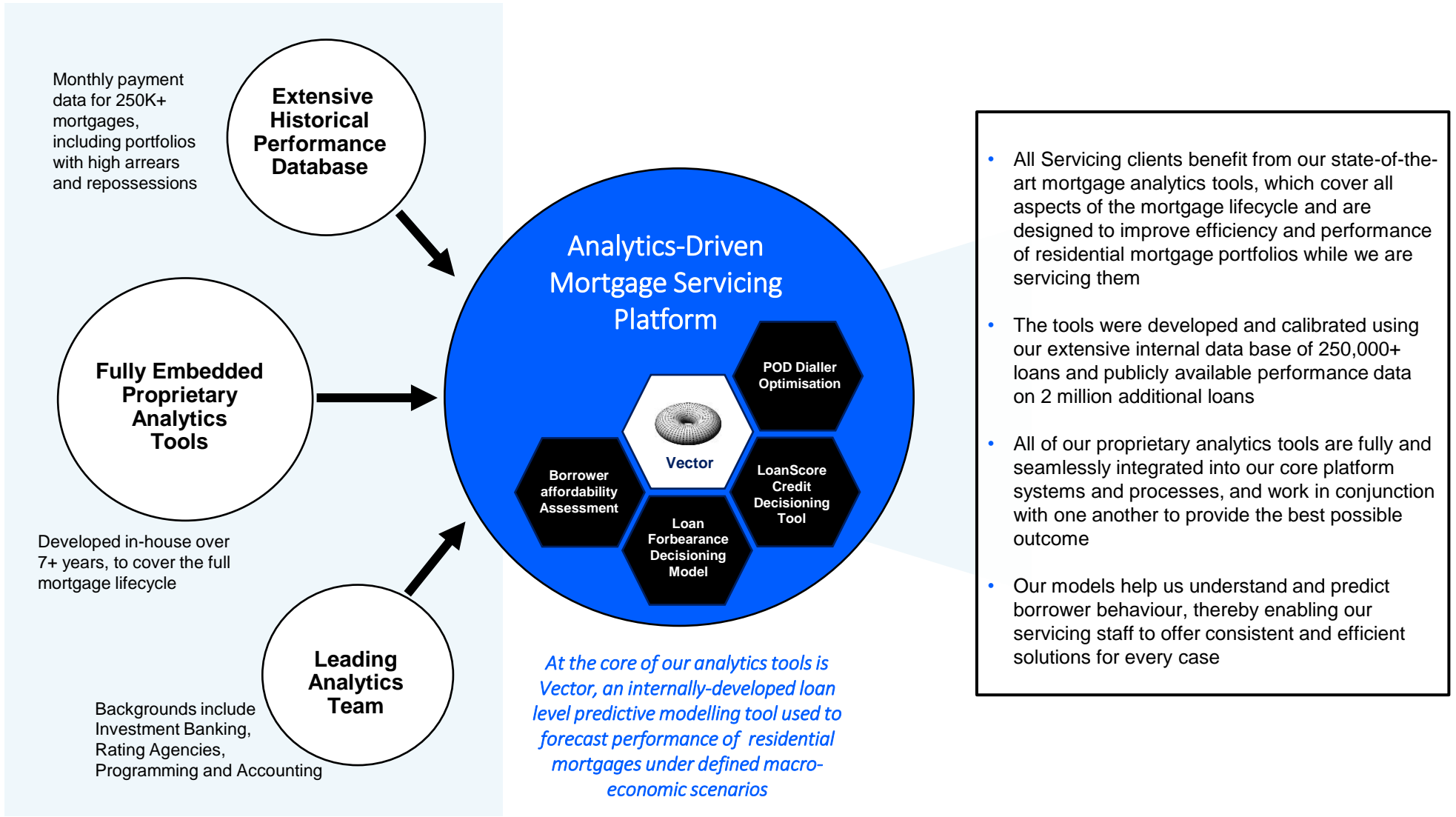
Kensington





Analytics-Driven Servicing Platform

Kensington **A robust Analytics Platform is at the core of the Group's servicing strategy**





Vulnerable Customers

Kensington

Dedicated staff to manage any “vulnerable” cases



Vulnerable Customers

- We have trained our Special Servicing specialists to identify and deal sympathetically and appropriately with customers who may be deemed as “vulnerable”, and have established special policies for these cases
- We recognize that vulnerabilities can stem from a range of circumstance and conditions, and a case can be considered “vulnerable” if a customer named on the account is experiencing any of the following:

- Impaired mental health
- Terminal illness
- Critical illness that affects their ability to manage their finances
- Death or imminent death of a partner, dependant or child
- Hospitalisation of over 6 weeks
- Disability suffered since having taken out the mortgage
- Age-related circumstances
- Suicide threat or notice of an attempt
- Victim of domestic violence
- Move from paid work to that of a permanent registered carer to look after an immediate family member

Procedure:

- If during a conversation with a borrower, a specialist identifies one of the above situations/characteristics, they would note it on the account after gaining explicit consent, if unable to gain explicit consent we can note in the best interest of the customer. If the vulnerability impacts the customers’ affordability, the case would be referred to the Vulnerable Forbearance Team through a referral form with details of the case
- A customer does not need to have financial impact to be referred to the Vulnerable Forbearance Team. A vulnerable customers is someone who, due to personal circumstances, is especially susceptible to harm
- The Vulnerable Forbearance team then undertakes a full review of the account, including a check of whether the account has been flagged as vulnerable in the past, whether it has previously been referred to the lender, whether there is a court hearing or eviction pending, and whether there is a third party that can be contacted
- Based on the information, they then speak with the borrower and offer them the most appropriate solution for their situation. This could be compassionate forbearance or a payment break
- The specialist will also request any necessary supporting documentation, and will monitor the case to ensure the arrangement is appropriate and there are no further changes to their circumstances



Oversight and Servicing

Kensington **Forbearance**

- In the interest of aiding borrowers who have either fallen into arrears or are at risk of doing so to repair their mortgage, forbearance options are offered in specific circumstances
- Forbearance is only allowed following a careful assessment of the borrower's financial situation to allow borrowers who have fallen into arrears for valid reasons to get back on track
- The majority of forbearance options are offered on a temporary basis and are reassessed in light of the borrower's circumstances
- The forbearance options used at present are as follows and they can be used individually or in concert:
 - **Contractual Monthly Payment Minus or Plus** – Borrower is allowed to make payments below their contracted monthly payment or agrees to make payments in excess of their contracted monthly payment
 - **Floater** – A borrower who is up to date at month end but misses the contractual payment date at the start of the following month and has a one-off arrangement to bring their account up to date by the end of the month
 - **Interest Only Switch** – Borrowers in arrears are changed from capital and interest to interest only on a temporary basis
 - **Capitalisation** (permanent) – Borrower is allowed to capitalise arrears based on positive payment performance; strictly used where demonstrably in the customer's best interests
 - **Term Extension** – generally agreed for borrowers in arrears in conjunction with another forbearance strategy
 - **Assisted Voluntary Sales** – Kensington aids the borrower in finding a suitable buyer for their property in order to relieve them of their mortgage obligations to Kensington
 - **Receiver of Rent** – Kensington uses a Receiver of Rent for BTL loans when the customer does not engage with the servicer (generally appointed after 3-4 months in arrears). The Receiver of Rent's role covers 1/ putting a tenant in the property (if the property is not tenanted) 2/ collecting rent from the existing tenant 3/ making a recommendation to sell the property
- Further forbearance options may be introduced in the future in consideration of Kensington's position as a prudent mortgage lender

Property Management

Kensington Dedicated Property Management Team

- Repossession is always the last resort, however when a property is taken into possession the Property Management Team seek to obtain the best sale price in the shortest possible timeframe



Customer contact relates to property access, clearance and next steps. Confirmation of possession is received within two hours of the eviction and updated onto the system immediately, initiating vacant property insurance



Two RICS valuations, estate agents' appraisals, comparable evidence and local area demographics are obtained and captured on Collect. Internal and external photographs of the property are also stored on the document imaging system.



Clearance completed. Estate Agent attends the property to sign a "Fit To Market" Certificate. Two like-for-like quotes are obtained for all essential works required for either health and safety or maintenance reasons



A detailed review is completed and the marketing price set. The property is then placed on the market. Lender mandates for setting market prices, reductions and offers are built into the system and all referrals are made electronically. The property is reviewed every 14 days using system generated worklists and a full report is undertaken on a monthly basis detailing viewings, feedback, offers and internet traffic against the agent's average.



At completion of sale, a detailed review is completed and a letter is sent to the customer to advise the sale has concluded



Full exchange & completion checks are undertaken to ensure all costs are approved prior to exchange



Offers are received and reviewed. Offers are either accepted or declined with full reasoning



Interest Only Strategy

Kensington

Pro-active approach to customers on interest only mortgages

INTEREST ONLY MORTGAGES

- We believe that active engagement with borrowers well before they come to the end of their IO mortgage term is key to ensure they have a suitable repayment strategy at maturity
- We assess customer circumstances in order to offer appropriate forbearance, and in cases where the customer's strategy or repayment vehicle is unrealistic, or the I&E review shows no current or prospective affordability to make mortgage payments or pay towards principal, litigation and repossession may be deemed to be the most appropriate outcome
- The customer contact strategy used by KMC is set out below

Time to Term Expiry	Contact Strategy	
10 - 15 yrs	A letter is sent at 15yrs and again at 10yrs before expiry	<ul style="list-style-type: none"> • The letters will detail the customer's obligation to repay the loan at the end of the term and will either note that the customer has advised that they have a repayment strategy in place or set out options that the customer may have for repaying the loan, including signposting to external sources of assistance if a customer has not advised of their repayment strategy or if it is not acceptable.
6 yrs – 3 months	Customers are contacted by phone and by letter at 6yrs, 3yrs, 2yrs, 1yr, and 3months before expiry	<ul style="list-style-type: none"> • Calls are placed to the customer in order to understand what their repayment plan is (if it has not been established previously) or, if the servicer already has these details, to review and reconfirm that the strategy is still in place and is still reasonable. • Where there may be a shortfall or no repayment strategy is in place, the servicer will set out the customer's options for repaying the loan, including signposting to external sources of assistance, such as seeking independent financial advice or assistance from a debt advisory service like the Citizens Advice Bureau (CAB), National Debtline or AdviceUK, for further assistance with repayment options. • Where no contact has been made with the customer 1yr prior to term expiry, a Field Agent is instructed in order to make contact or obtain further details of the customer's circumstances and intentions to repay the loan at term expiry.
Post Expiry	Ongoing contact	<ul style="list-style-type: none"> • If no contact is established with the customer and the loan is not redeemed in full 3 months after term expiry, the customer will receive a 'letter before action' notification advising of the commencement of litigation proceedings. • If customer contact is made with satisfactory evidence provided as to how the loan will be repaid or the customer is identified as vulnerable, litigation proceedings are stopped.

IT Systems



POWERED BY





IT Systems and Infrastructure

Kensington Robust IT platform

- The Group has a modern, streamlined, compliant, data- and analytic-rich scalable IT platform, which has been extensively upgraded and is configured to be FCA compliant

SYSTEM	DESCRIPTION
FOP & Activate (Sopra) Core origination platform	<ul style="list-style-type: none"> Kensington moved to Sopra's Front Office Portal and Activate for Loan Originations in October 2020 (replacing DPR) FOP is the web portal used by Brokers to submit applications to Kensington (DIP to FMA) and fully integrates with Activate to provide automated decisioning at various stages of the application process. Activate provides a workflow engine to enable automated underwriting, document generation including compliant ESIS and Offer documents including APRC. Activate integrates with Summit for Servicing and multiple API's to support integrations with third parties. Interfaces with Equifax, Quest, Affordability, Laserfiche
Summit (SOPRA) Core servicing platform	<ul style="list-style-type: none"> Single repository of loan administration information for all portfolios. Summit fully integrates with Activate for loan completions and also Collect to provide a single point of interface of loan data to all downstream finance and reporting systems
Collect (SOPRA) & QBest Arrears management & complaints system	<ul style="list-style-type: none"> The Kensington Group moved to Sopra's Collect system in February 2016 Letters, texts and dialler calls are triggered automatically, and the system enables different rules per client. Collect also has workflow built to handle end to end Complaints processing replacing Charter MMX in June 2020. Best is an application with a statistical engine delivering the most appropriate and affordable arrangement for the customer's circumstances
Avaya Telephony system	<ul style="list-style-type: none"> Telephony system is capable of managing up to 250,000 live accounts and has a call capacity of up to 900 Semafone enabled SIP channels for inbound / outbound calls. IVR provides ability for customers to answer security questions, register and make debit card payments using speech recognition
Finance Systems	<ul style="list-style-type: none"> In house-built systems – BPS, FTA, PMP, ASIR, OPRA, P&I Engine External systems - MS-Dynamics (GL), E Request (Purchase Management), FIS Quantum (Treasury), BottomLine C – Series (BACS), Autorek (Automated reconciliation)
Laserfiche Document Management System	<ul style="list-style-type: none"> System improves infrastructure and operational functionality yielding in faster document retrieval speed and configurable workflow management tool to automate document-based events and processes Integrated with FOP & Activate to allow Brokers to upload documents as part of the underwriting process
Microsoft BI Business Intelligence	<ul style="list-style-type: none"> Provides data warehouse, business dashboards, client and investor reporting, and self-service access to BI for use throughout the group. A flexible Principal & Interest engine for cash distribution down the waterfall for Bond Administration.
Azure / Machine Learning	<ul style="list-style-type: none"> Azure provides us with a robust and scalable infrastructure to deploy machine learning engines such as Vector Allows for faster and more effective deployments of machine learning models to reach a wider audience

APPENDIX: Investor Reporting



POWERED BY





RMBS transactions backed by KMC assets (originated prior to the sale of Kayl and KHL)

Investor reporting – all docs and datatapes are also available on the Kensington investor portal at investors.kensingtonmortgages.co.uk

DEALS	VINTAGE	ISSUANCE	SERVICER	OWNER	CBA	BoE data tape available
LMS1	1.0	Pre-crisis	HML	Third Party	BoNY	n/a
LMS2	1.0	Pre-crisis	HML	Third Party	TMF	n/a
LMS3	1.0	Pre-crisis	HML	Third Party	TMF	n/a
GMG 21-1	2.0	Post-crisis	Kensington	Third Party	Citi – delegated CBA	https://sf.citidirect.com from closing
FSQ 21-1 GREEN	2.0	Post-crisis	Kensington	Third Party	Citi – delegated CBA	https://sf.citidirect.com from closing
FSQ 21-2	2.0	Post-crisis	Kensington	Third Party	Citi – delegated CBA	https://sf.citidirect.com from closing
GMG 23-1	2.0	Post-crisis	Kensington	Third Party	US Bank	http://www.usbank.com/abs from closing

APPENDIX: UK Macro Highlights & RMBS Market



POWERED BY

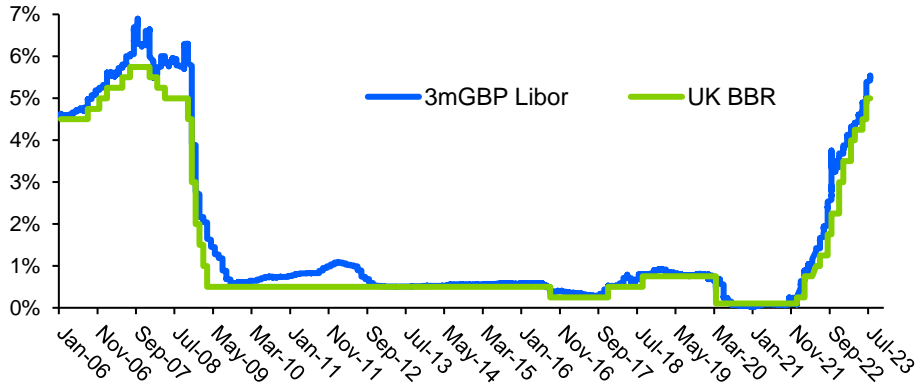


UK Macro Indicators

Kensington

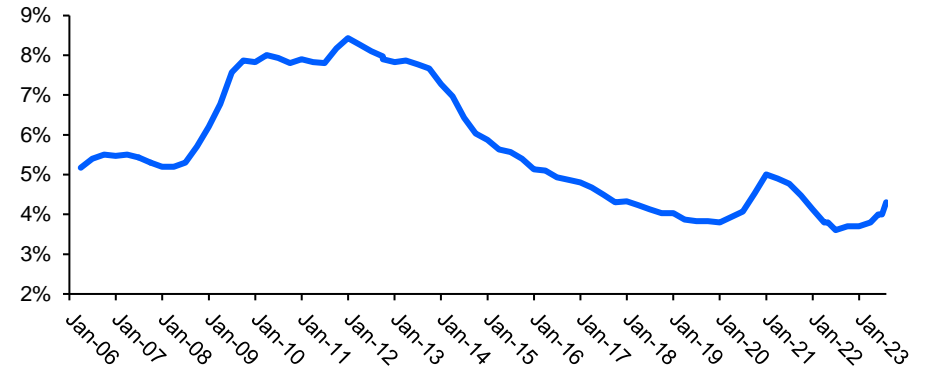
Risk on sentiment due to sustained high inflation

SHARP RATE INCREASES



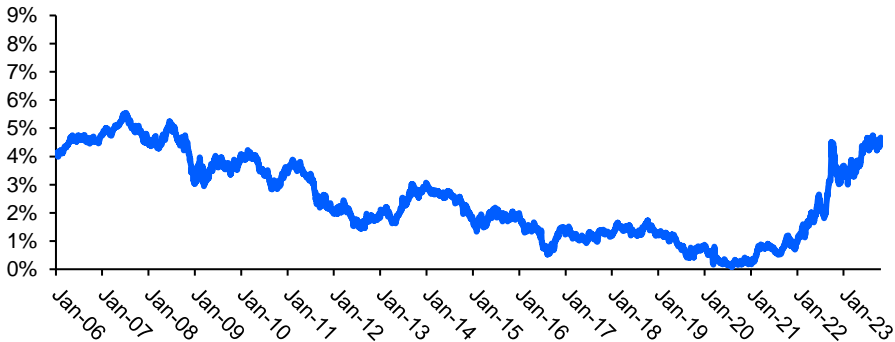
Source: Bloomberg, as of 10/2023

STABLE UNEMPLOYMENT RATE



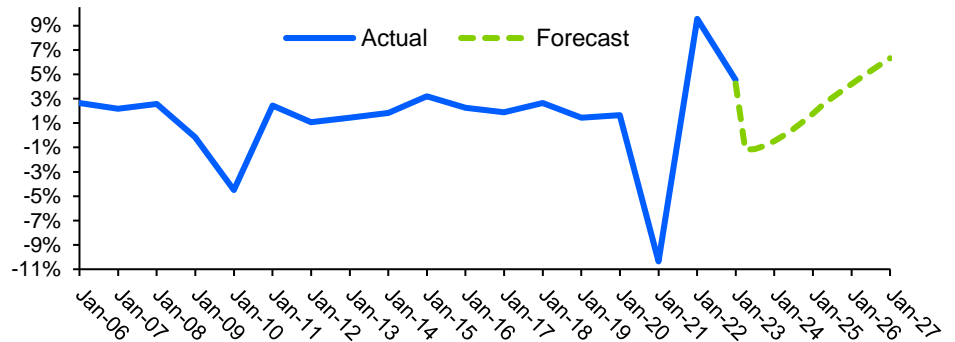
Source: ONS, as of 07/2023

UK 10YR BOND



Source: Bloomberg GUKG10, as of 10/2023

UK GDP ANNUAL GROWTH



Source: OBR Forecasts, as of 03/2023 (No new update available as yet)

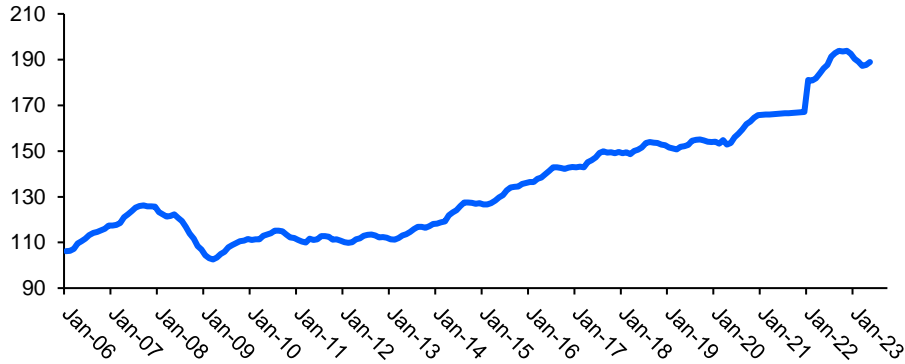


UK Housing Market

Kensington

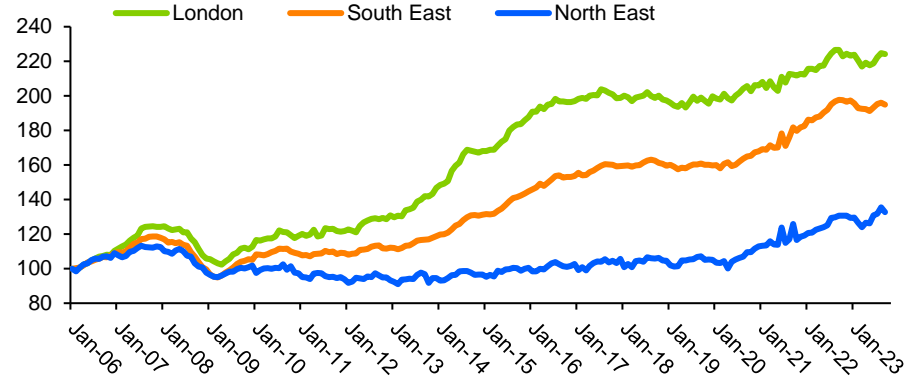
House prices increases have slowed on the back of rate increases

UK HOUSE PRICES



Source: UKF HP12 Land Registry, Rebased to 100 at 01/2006, as of 08/2023 (latest update)

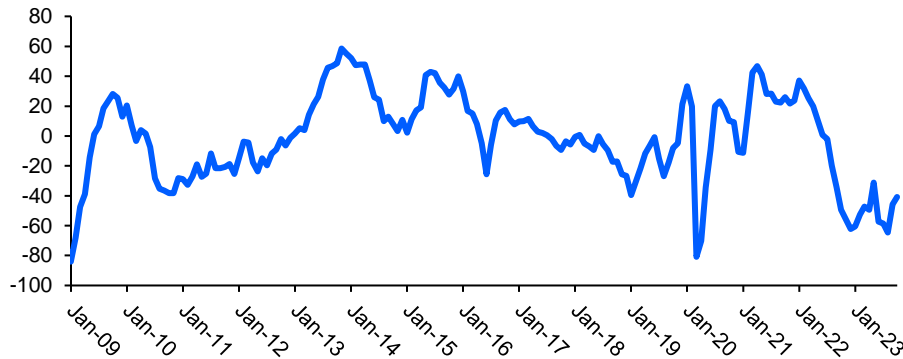
UK REGIONAL PRICE INDICES



Source: Land Registry, Rebased to 100 at 01/2006, as of 09/2023 (latest update)

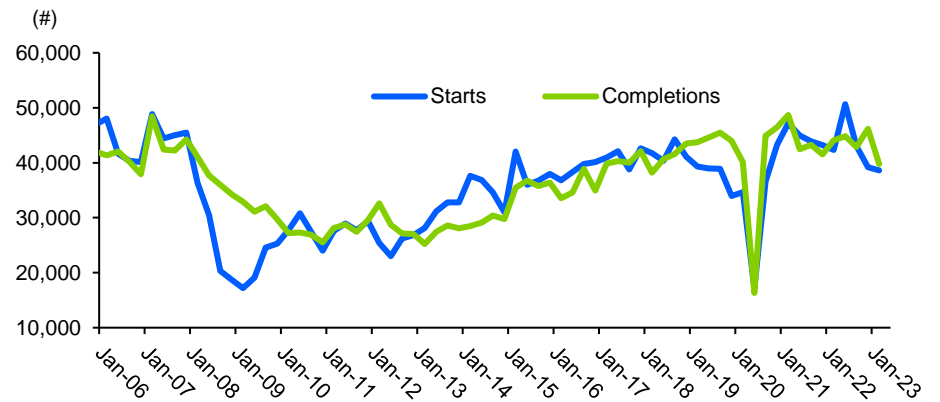
PRICE EXPECTATION NET BALANCE

(number reporting rise minus number reporting fall)



Source: Bloomberg UKRXPRES as of 10/2023 (latest update)

ENGLAND HOUSING STARTS AND COMPLETIONS - Quarterly



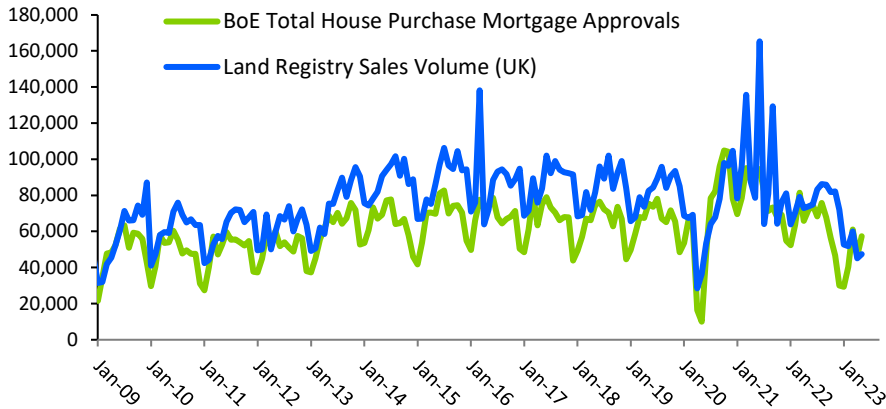
Source: Bloomberg: UKHSECAL, UKHSEALL, as of 06/2023 (latest update)

UK Mortgage Market

Kensington

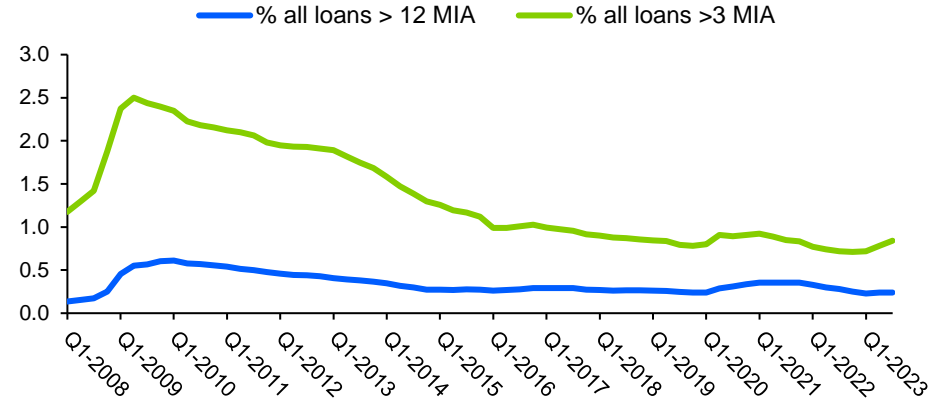
Large rate rises meant mortgage approvals dropped in Q4-2022 & Q1-2023

UK MORTGAGE APPROVALS (#)



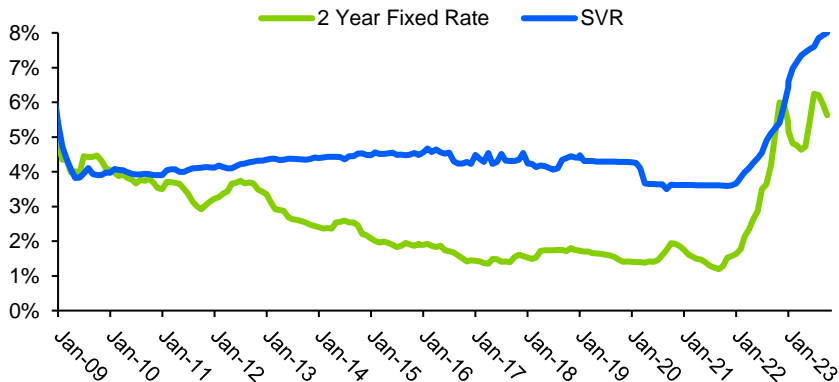
Source: Bloomberg UKVSUK & UKMSVTX as of 09/2023

UK MORTGAGE ARREARS (%)



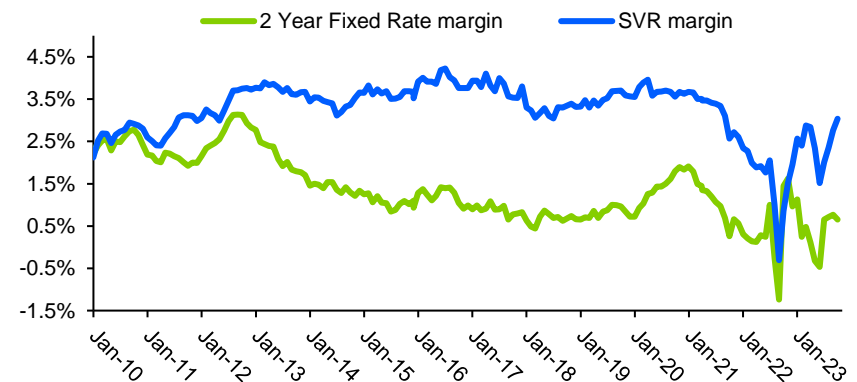
Source: UKF AP1 [Quarterly data], as of Q3 2023 – latest available

UK MORTGAGE RATES



Source: Bloomberg UKMRM2Y & UKMRSVR, as of 10/2023

UK MORTGAGE MARGIN (OVER 2Y SWAPS*)



Source: Bloomberg UKMRM2Y, UKMRSVR, as of 10/2023



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