

# **LCR ASSESSMENT**

# **KENRICK NO. 4 PLC**



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

23<sup>rd</sup> September 2024

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This is an LCR Assessment.

This LCR Assessment covers the LCR rules and guidelines as at the date of this document. This LCR Assessment must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the materials received by PCS as at the date of this document. Any references in this document are to the prospectus unless otherwise stated.

It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page.

**23<sup>rd</sup> September 2024**

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## PRIME COLLATERALISED SECURITIES (PCS) LCR Assessment

Individual(s) undertaking the assessment	Robert Leach
Date of Verification	23 September 2024
<b>The transaction to be verified (the "Transaction")</b>	<b>KENRICK NO. 4 PLC</b>
Issuer	KENRICK NO. 4 PLC
Originator	West Bromwich Building Society
Lead Manager(s)	Lloyds Bank Corporate Markets plc, Santander Corporate & Investment Banking
Transaction Legal Counsel	Clifford Chance LLP
Rating Agencies	Fitch, Moody's
Stock Exchange	London Stock Exchange
Closing Date	23 September 2024

Please note that this Assessment is in respect of a UK transaction notified as STS to the UK Financial Conduct Authority. As such it cannot be treated as STS within the European Union and therefore, notwithstanding this assessment, is not eligible for inclusion into LCR pools or lower capital requirements under the CRR for financial institutions within the European Union. For more details, we invite you to consult your legal advisers.

PCS confirms that all checklist points have been verified as detailed in the associated comment box in the checklist below.

Within the checklist, the relevant legislative text is set out in grey introductory boxes with specific criteria for our verification listed underneath.

## Legislative Text and LCR Criteria

See Article 13 of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, as amended by the Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018.

<b>1a</b>	<b>LCR Criteria</b> 1. Exposures in the form of asset-backed securities as referred to in Article 12(1)(a) shall qualify as level 2B securitisations where the following conditions are satisfied: (a) the designation 'STS' or 'simple, transparent and standardised', or a designation that refers directly or indirectly to those terms, is permitted to be used for the securitisation in accordance with Regulation (EU) 2017/2402 of the European Parliament and of the Council (*) and is being so used;	<b>Meets Criteria?</b> <b>YES</b>
	<b>PCS Comments</b> <i>PCS is advised that the transaction KENRICK NO. 4 PLC is expected to be designated STS.</i>	
<b>1b</b>	<b>LCR Criteria</b> 1. Exposures in the form of asset-backed securities as referred to in Article 12(1)(a) shall qualify as level 2B securitisations where the following conditions are satisfied: (b) the criteria laid down in paragraph 2 and paragraphs 10 to 13 of this Article are met.	<b>Meets Criteria?</b> <b>YES</b>
	<b>PCS Comments</b> <i>PCS has ticked the questions above as "yes". See the disclaimer above for a fuller analysis of the limitations of PCS's LCR assessment</i>	
<b>2a</b>	<b>LCR Criteria</b> 2. The securitisation position and the exposures underlying the position shall meet all the following requirements: (a) the position has been assigned a credit assessment of credit quality step 1 by a nominated ECAI in accordance with Article 264 of Regulation (EU) No 575/2013 or the equivalent credit quality step in the event of a short-term credit assessment;	<b>Meets Criteria?</b> <b>YES</b>
	<b>PCS Comments</b> See Prospectus. Ratings (Fitch/Moody's) AAAsf / Aaa(sf) <i>PCS notes that the ratings for the Class A notes are AAA/Aaa.</i>	

2b	<p><b>LCR Criteria</b></p> <p>2. The securitisation position and the exposures underlying the position shall meet all the following requirements:</p> <p>(b) the position is in the most senior tranche or tranches of the securitisation and possesses the highest level of seniority at all times during the ongoing life of the transaction. For these purposes, a tranche shall be deemed to be the most senior where after the delivery of an enforcement notice and where applicable an acceleration notice, the tranche is not subordinated to other tranches of the same securitisation transaction or scheme in respect of receiving principal and interest payments, without taking into account amounts due under interest rate or currency derivative contracts, fees or other similar payments in accordance with Article 242(6) of Regulation (EU) No 575/2013;</p>	<p><b>Meets Criteria?</b> <b>YES</b></p>
	<p><b>PCS Comments</b></p> <p>See Prospectus, <i>CASHFLOWS AND CASH MANAGEMENT</i>.</p> <p>APPLICATION OF REVENUE RECEIPTS, PRINCIPAL RECEIPTS AND OTHER MONIES FOLLOWING THE SERVICE OF AN ENFORCEMENT NOTICE</p> <p><i>PCS notes that the Class A Notes meet the required attributes, based on the prospectus that has been reviewed.</i></p>	
3	<p><b>LCR Criteria</b></p> <p>(g) the securitisation position is backed by a pool of underlying exposures and those underlying exposures either all belong to only one of the following subcategories or else they consist of a combination of residential loans referred to in point (i):</p> <p>(i) residential loans secured with a first-ranking mortgage granted to individuals for the acquisition of their main residence, provided that one of the two following conditions is met:</p> <ul style="list-style-type: none"> <li>– the loans in the pool meet on average the loan-to-value requirement laid down in point (i) of Article 129(1)(d) of Regulation (EU) No 575/2013 ( );</li> <li>– the loans were originated in the United Kingdom and the law of the United Kingdom provides for a loan-to-income limit on the amount that an obligor may borrow in a residential loan. The loan-to-income limit is calculated on the gross annual income of the obligor, taking into account the tax obligations and other commitments of the obligor and the risk of changes in the interest rates over the term of the loan. For each residential loan in the pool, the percentage of the obligor's gross income that may be spent to service the loan, including interest, principal and fee payments, does not exceed 45 %;</li> </ul> <p>(iii) commercial loans, leases and credit facilities to undertakings established in the United Kingdom to finance capital expenditures or business operations other than the acquisition or development of commercial real estate, provided that at least 80 % of the borrowers in the pool in terms of portfolio balance are small and medium- sized enterprises at the time of issuance of the securitisation, and none of the borrowers is an institution as defined in Article 4(1)(3) of Regulation (EU) No 575/2013; ( )</p> <p>(iv) auto loans and leases to borrowers or lessees established or resident in the United Kingdom. For these purposes, auto loans and leases shall include loans or leases for the financing of motor vehicles or trailers as defined in points (11) and (12) of Article 3 of Directive 2007/46/EC of the European Parliament and of the Council, tractors as defined in point (8) of Article 3 of Regulation (EU) No 167/2013 of the European Parliament and of the Council (as it had effect immediately before IP completion day), powered two-wheelers or powered</p>	<p><b>Meets Criteria?</b> <b>YES</b></p>

tricycles as defined in points (68) and (69) of Article 3 of Regulation (EU) No 168/2013 of the European Parliament and of the Council (as it had effect immediately before IP completion day) or tracked vehicles as referred to in point (c) of Article 2(2) of Directive 2007/46/EC. ( ) Such loans or leases may include ancillary insurance and service products or additional vehicle parts, and in the case of leases, the residual value of leased vehicles. All loans and leases in the pool shall be secured with a first-ranking charge or security over the vehicle or an appropriate guarantee in favour of the SSPE, such as a retention of title provision;

(v) loans and credit facilities to individuals resident in the United Kingdom for personal, family or household consumption purposes.

### **PCS Comments**

See Prospectus, *THE MORTGAGE PORTFOLIO*.

Origination and Underwriting

Lending criteria

(g) Property – use

[...] The property in relation to which the Mortgage Loan was granted is the Borrower's main residence.

See Prospectus, *STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO*.

Current indexed LTV ratios

Weighted average current Indexed LTV 68.18%

See Prospectus, *ORIGINATOR TRUST*.

Representations and Warranties

(q) each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage over the relevant property, subject only in certain appropriate cases to applications for registrations at the Land Registry which were required to have been made and are pending and (in relation to such cases) the Originator is not aware of any notice or any other matter that would prevent such registration;

(ee) to the best of the Originator's knowledge, at least 100% of each Property was used, or was intended to be used, as or in connection with a dwelling by the relevant Borrower at the time of origination of the Mortgage Loan (or at the time of the Advance Date in respect of a Further Advance Loan);

*For Further Advances:*

See Prospectus, *ORIGINATOR TRUST*. Notice (a "Notice of Non-Satisfaction of Further Advance Conditions") must be given by the Originator to the Issuer if the Originator has identified that any of the following conditions (the "Further Advance Conditions") were not satisfied on the relevant Further Advance Satisfaction Date (as defined below):

(k) the resulting weighted average indexed LTV of all Mortgage Loans, including the relevant Further Advance, does not exceed 80 per cent.;

4	<p><b>LCR Criteria</b></p> <p>10. The underlying exposures shall not have been originated by the credit institution holding the securitisation position in its liquidity buffer, its subsidiary, its parent undertaking, a subsidiary of its parent undertaking or any other undertaking closely linked with that credit institution.</p>	<p><b>Meets Criteria?</b> YES</p>
	<p><b>PCS Comments</b></p> <p><i>The investor should confirm that it is not a group entity of the Originator to meet this point. We have ticked this point positive but ultimately it is the investors responsibility to confirm.</i></p>	
5	<p><b>LCR Criteria</b></p> <p>11. The issue size of the tranche shall be at least EUR 100 million (or the equivalent amount in domestic currency).</p>	<p><b>Meets Criteria?</b> YES</p>
	<p><b>PCS Comments</b></p> <p>See Prospectus.</p> <p>Initial Principal Amount</p> <p>Class A: GBP 450,000,000</p> <p><i>PCS notes that the Class A note size exceeds £100 million.</i></p>	
6	<p><b>LCR Criteria</b></p> <p>12. The remaining weighted average life of the tranche shall be 5 years or less, which shall be calculated using the lower of either the transaction's pricing prepayment assumption or a 20 % constant prepayment rate, for which the credit institution shall assume that the call is exercised on the first permitted call date.</p>	<p><b>Meets Criteria?</b> YES</p>
	<p><b>PCS Comments</b></p> <p>See Prospectus, WEIGHTED AVERAGE LIFE OF THE NOTES</p> <p>Weighted average life of the Notes <i>[table]</i></p> <p>Assuming the Issuer exercises the Call Option on the Step-Up Date</p> <p><i>The Prospectus indicates that the weighted average life of the Class A Notes assuming exercise of the call option ranges from 4.44 years to 1.88 at PPRs of from 0% to 35%.</i></p>	



<b>7</b>	<p><b><u>LCR Criteria</u></b></p> <p>13. The originator of the exposures underlying the securitisation shall be an institution as defined in Article 4(3) of Regulation (EU) No 575/2013 or an undertaking whose principal activity is to pursue one or more of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU, as that Directive has effect immediately before IP completion day, provided that for the purposes of this paragraph the reference in point 4 of Annex 1 to that Directive to point (3) of Article 4 of Directive (EU) 2015/2366 is to be read as a reference to regulation 2 of the Payment Services Regulations 2017.</p>	<p><b><u>Meets Criteria?</u></b></p> <p><b>YES</b></p>
	<p><b><u>PCS Comments</u></b></p> <p>See Prospectus, <i>WEST BROMWICH BUILDING SOCIETY</i>.</p> <p>General</p> <p>The Society operates in accordance with the Act, regulations made thereunder and the rules and the memorandum of the Society. The principal purpose of the Society as set out in clause 3 of its memorandum is to make loans that are secured on residential property and are funded substantially by its members. The Group's principal operating objective is to be a high-quality provider and servicer of building society services of retail savings and mortgages.</p> <p><i>The originator is an institution as defined in Article 4(3) of Regulation (EU) No 575/2013.</i></p>	
<b>8</b>	<p><b><u>LCR Criteria</u></b></p> <p>Article 37 Transitional provision for securitisations backed by residential loans</p> <p>1. By derogation from Article 13, securitisations issued before 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2), shall qualify as Level 2B assets if they meet all the requirements set out in Article 13 other than the loan-to-value or loan-to-income requirements set out in that point (g)(i) of Article 13(2).</p> <p>2. By derogation from Article 13, securitisations issued after 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2) that do not meet the average loan-to-value or the loan-to-income requirements set out in that point, shall qualify as Level 2B assets until 1 October 2025, provided that the underlying exposures include residential loans that were not subject to a national law regulating loan-to-income limits at the time they were granted and such residential loans were granted at any time prior to 1 October 2015.</p>	<p><b><u>Meets Criteria?</u></b></p> <p><b>YES</b></p>
	<p><b><u>PCS Comments</u></b></p> <p><i>Points 1 and 2 are not applicable.</i></p>	