

Provisional
CRR ASSESSMENT
LACE FUNDING 2025-1 PLC



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

21st January 2025

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This is a Provisional CRR Assessment (UK Version).

This Provisional CRR Assessment must be read together with the PCS Procedures Manual. This document is based upon the draft materials received by PCS as at the date of this document. Any page references in this document are to the prospectus unless otherwise stated.

Any references in this CRR Assessment to any EU regulations are meant to refer to such EU regulations as amended and incorporated into United Kingdom law by the Withdrawal Act 2019.

This Provisional CRR Assessment is not the final CRR assessment and it based on the draft documents and information provided to PCS by or on behalf of the originator as of the date of this assessment. It is anticipated at the date of this Provisional CRR Assessment that a Final CRR Assessment will be made available at or around closing of the transaction. However, such Final CRR Assessment will be based upon the final materials received by PCS and will only be made available on a fully ticked basis if no material adverse changes have been made to the transaction or the relevant material which, upon becoming known to PCS, would not adversely change our analysis. Therefore, no guarantees can be provided that such Final CRR Assessment will be made available on a fully ticked basis.

It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page. Note that all comments on the disclaimer relate to both Provisional CRR Assessments and Final CRR Assessments.

21st January 2025

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PRIME COLLATERALISED SECURITIES (PCS) CRR Assessment

Individual(s) undertaking the assessment	Robert Leach
Date of Verification	21 January 2025
The transaction to be verified (the "Transaction")	LACE FUNDING 2025-1 PLC
Issuer	LACE FUNDING 2025-1 PLC
Originator	Nottingham Building Society
Lead Manager(s)	Lloyds Bank Corporate Markets PLC
Transaction Legal Counsel	Clifford Chance
Rating Agencies	Fitch, Moody's
Stock Exchange	London Stock Exchange
Closing Date	[TBD]

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 light blue introductory boxes with specific criteria for our verification listed underneath.

Legislative Text

Article 243 ⁽¹⁾

2. Positions in a securitisation, other than an ABCP programme or ABCP transaction, that qualify as positions in an STS securitisation, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:

1a	CRR Criteria (a) at the time of inclusion in the securitisation, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2 % of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor.	Meets Criteria? YES
	PCS Comments See Prospectus, <i>STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO</i> . Outstanding Current Balances The following table shows the range of current balances by Mortgage Loan (including capitalised interest, capitalised arrears, capitalised high LTV fees, insurance fees, booking fees and valuation fees but excluding accrued interest). Loan size of largest loan 711,280.79 <i>The transaction is structured as a static pool, with no revolving period.</i>	
1b	CRR Criteria In the case of securitised residual leasing values, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1);	Meets Criteria? YES
	PCS Comments <i>Not applicable.</i>	

¹ REGULATION (EU) 2017/2401 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

2	<p><u>CRR Criteria</u></p> <p>(b) at the time of their inclusion in the securitisation, the underlying exposures meet the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than:</p> <ul style="list-style-type: none"> (i) 40 % on an exposure value-weighted average basis for the portfolio where the exposures are loans secured by residential mortgages or fully guaranteed residential loans, as referred to in point (e) of Article 129(1); (ii) 50 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage; (iii) 75 % on an individual exposure basis where the exposure is a retail exposure ⁽²⁾; (iv) for any other exposures, 100 % on an individual exposure basis; 	<p><u>Meets Criteria?</u></p> <p>YES</p>
	<p><u>PCS Comments</u></p> <p>See Prospectus, <i>THE MORTGAGE PORTFOLIO</i>.</p> <p>Other characteristics</p> <p>For the purposes of Article 243 of the UK CRR, at the time of inclusion in the Transaction each Mortgage Loan has a standardised risk weight equal to or smaller than 40 per cent. on an exposure value-weighted average basis for the Mortgage Portfolio as such terms are described in Article 243 of the UK CRR.</p>	
3	<p><u>CRR Criteria</u></p> <p>(c) where points (b)(i) and (b)(ii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the securitisation where all loans secured by prior ranking security rights on that asset are also included in the securitisation;</p>	<p><u>Meets Criteria?</u></p> <p>YES</p>
	<p><u>PCS Comments</u></p> <p>See Prospectus, <i>THE MORTGAGE PORTFOLIO</i>.</p> <p>Representations and Warranties</p> <p>On the Closing Date, the following asset warranties described below (the "Asset Warranties") will be given to the Issuer by the Seller, in relation to the Mortgage Loans and their Related Security, in each case as of the Closing Date: [...]</p>	

² See article 123, "Retail exposures" of the Regulation (EU) No 575/2013; for Consumer loans see the amendments to article 123 in (59) REGULATION (EU) 2019/876 and REGULATION (EU) 2020/873, article 2 (1) (a). See article 501 on "Adjustment of risk-weighted non-defaulted SME exposures for "SME Loans" of the Regulation (EU) No 575/2013, as amended in Regulation (EU) 2019/876 and Regulation 2020/873 in (19) and Article 2.1(b).

	(bb) 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, where required, have been made and are pending and (in relation to such cases) the Seller is not aware of any notice or any other matter that would prevent such registration.	
4	<p>CRR Criteria</p> <p>(d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100 %, at the time of inclusion in the securitisation, measured in accordance with point (d)(i) of Article 129(1) and Article 229(1).</p>	<p>Meets Criteria? YES</p>
	<p>PCS Comments</p> <p>See Prospectus, <i>STATISTICAL INFORMATION ON THE PROVISIONAL MORTGAGE PORTFOLIO</i>.</p> <p>Current indexed LTV ratios</p> <p>The following table shows the range of current indexed LTV ratios, which express the aggregate outstanding current balance of all sub-accounts in a Mortgage Loan (including capitalised interest, capitalised arrears, capitalised high LTV fees, insurance fees, booking fees and valuation fees but excluding accrued interest) as at the Portfolio Reference Date divided by the indexed valuation at the same date (such indexed property valuation being obtained by indexing the actual valuation at origination or, if later, the most recent actual valuation obtained). All indexations are based on the non-seasonally adjusted index from the UK House Price Index.</p> <p>Maximum current Indexed LTV 83.95%</p>	