



UKML Webinar Investor Presentation

February 2021

Agenda

1. Executive Summary

2. Market Update

- a. Housing and Mortgage Markets
 - i. Payment Holidays
- b. RMBS and Funding Markets

3. Keystone Securitisation Review

4. Portfolio Update

5. Cashflows

- a. Income Generation
- b. Dividend Cover

6. Portfolio Milestones

7. Summary



Executive summary

1

Executive Summary

- Revision of strategy with the intention of enhancing liquidity and dividend coverage and a focus on higher yielding assets (e.g. Keystone) voted overwhelmingly in favour in Dec 2020
- In the 2 months since then optimisation of this has either begun or already been achieved on all possible investments
 - > First Keystone securitisation (Hops Hill No.1) successfully completed – on better terms than projected
 - > 2nd Keystone warehouse being arranged and will benefit from better terms on Hops Hill 1 = better returns + lower capital
 - > Discussions for realisation of Coventry pools under way
 - > TML warehouse ramp-up completed – term-out optimisation under consideration

This means:

- Income is locked in, or about to be
 - > At compelling levels in an environment where sourcing new income is scarce
- Portfolio value has increased materially
 - > Banks are now competing with asset managers for assets and likely to be the strongest bid
 - > But we own our assets and our immediate origination prospects
 - > No need to chase assets
- Highly competitive environment for asset acquirers



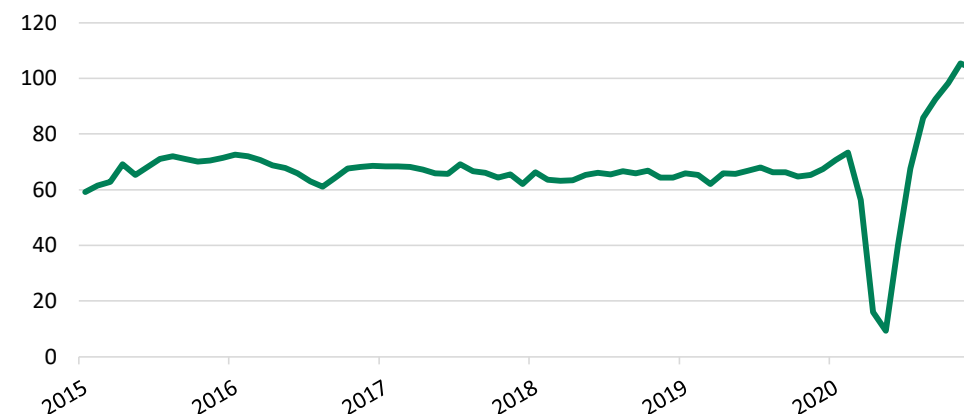
Market Update

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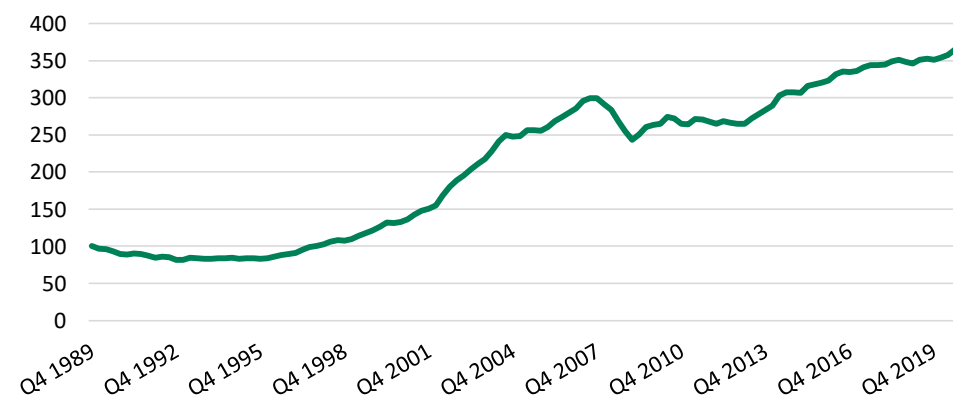
Mortgage & Housing Markets

- Mortgage and housing markets continue to recover
 - > Supported by Stamp Duty relief, but much of this is now priced out and demand continues
 - > Activity likely to return to long term trend once SDLT relief is over but no reason to predict a sharp downturn
- House Price performance a strong positive for borrowers refinancing and provides improved LTV protection in existing pools
- Payment Holidays have now diminished to de-minimus levels and applications will cease after next month

Mortgage Approvals '000s (BoE)



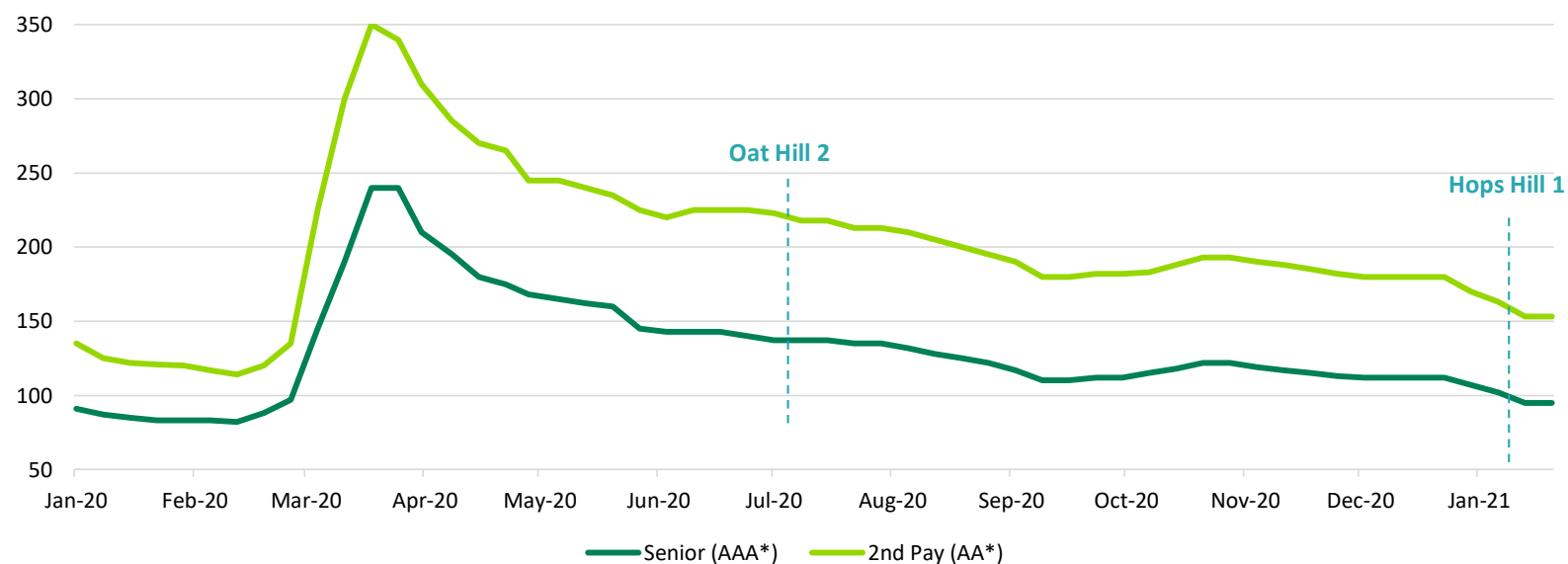
Nationwide House Price Index (rebased Q4 1989)



RMBS & Funding Markets

- RMBS spreads continue to recover

UK Non-bank/BTL RMBS Spreads (bp)



- Now reverted to close to pre-pandemic levels
- Driven by demand/supply technical
 - > Limited bank supply (just one £350m deal since pandemic)
 - > Unlikely to resume whilst central bank policy remains highly accommodative
- And a strong recovery from payment holidays



Keystone / Hops Hill 1 Securitisation Review

3

Hops Hill No.1 Securitisation Review

- Tactical decision taken to delay launch until 2021
 - > Avoid late 2020 market uncertainties (Brexit, vaccines etc.)
 - > Build more volume – add more value
 - > New loans at higher yields with lower swap costs
 - > Take advantage of supply demand imbalance
 - > Better pricing = better returns
- 3.4x oversubscribed on senior notes – order book well over £1bn
 - > 6x to 8x oversubscribed on the mezzanine tranches
- Pricing on senior notes improved by 15bps from initial guidance and more than 25bps better on the mezzanine
- Overall improvement in return of between 3% and 4%, with leverage between 15x and 20x
- Outstanding performance for a debut originator
- Sows the seeds for future transactions
- Puts the difficulties of 2020 behind us and cements and enhances UKML's reputation as a UK RMBS issuer

Hops Hill No.1 Securitisation Review

Class	Size	Rating (M/S)	Spread (bp)
A	£332.6m	Aaa/AAA	S+95
B	£26m	Aa1/AA+	S+160
C	£18m	Aa2 /AA	S+185
D	£11.4m	A1 /A	S+235
Residuals	£20m	NR	-

Weighted Senior
Funding Cost
approx.
Sonia+108bps

Compares to Oat
Hill 2 at approx.
Sonia+145bps

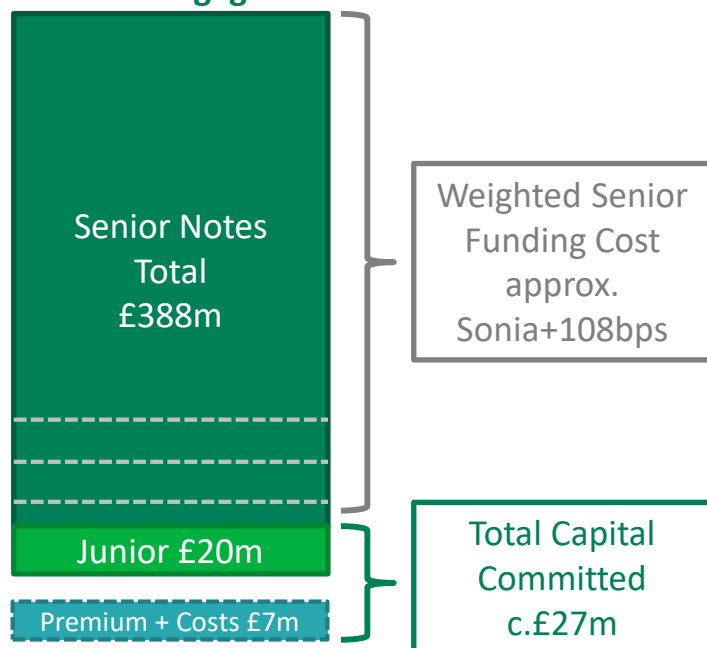
Pool Size (launch)	£337m
Pre-Funding	£63m
Total Pool Size	£400m

Gross Leverage	20x
Net Leverage	c. 15x
Expected Maturity	May-24

- Mezzanine tranches **upgraded** by Moody's after pricing
- Cashflow banked
- Uncertainty removed
 - > Increase in income of c. £2.5m from 2020 pricing
 - > Income will average £4.5m – £5m per annum until May-24
 - > Approaching 50% of current dividend requirement

Securitisation Overview

£400m Mortgage Pool

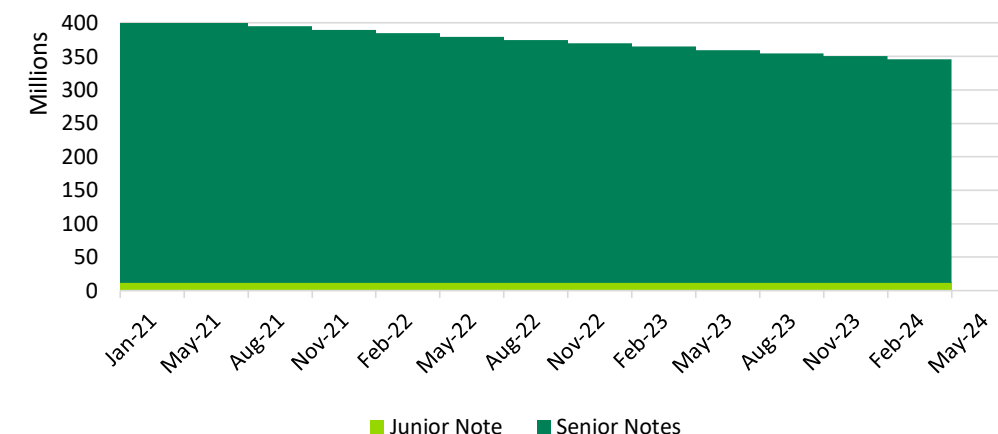


Average Lending Rate*	3.58%
Funding and Swap Costs*	1.49%
Servicing, Purchase & Costs	1.00%
Net Interest Margin	1.09%
Leverage	14.8x
Net Yield	c.16%

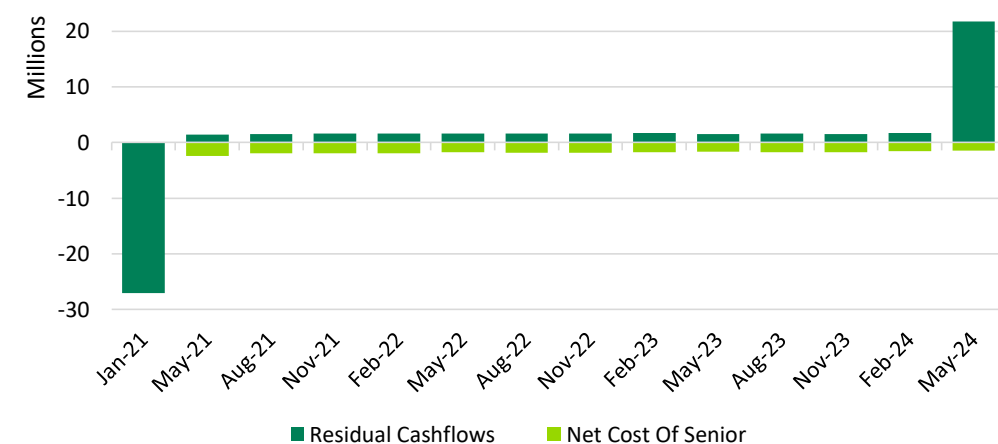
* Estimated average over the life of the transaction.

Sources: TwentyFour; 1 February 2021

Securitisation paydown



Cashflows



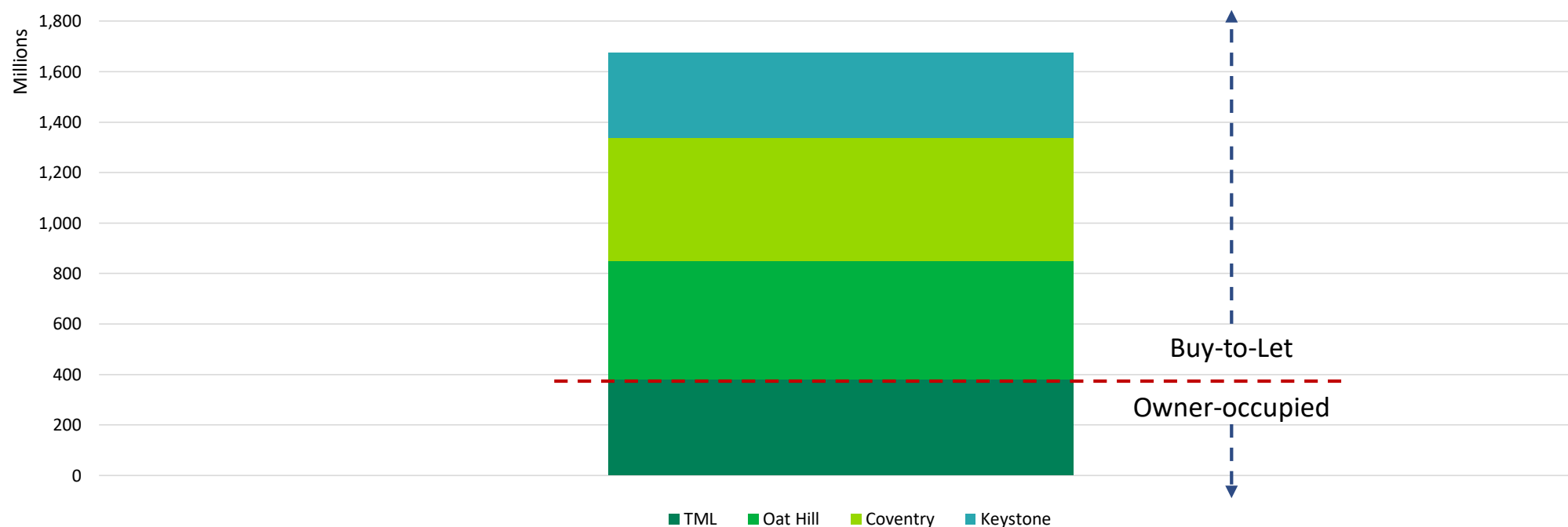


Portfolio Update

4

Portfolio Update

UKML Portfolio by Originator



- Nearly £1.7bn of loans
 - > Ongoing growth from second Keystone forward flow portfolio – securitisation term-out
 - > Will replace lower yielding Coventry pools to be realised
 - > TML now fully ramped and BTL portfolios will amortise slowly

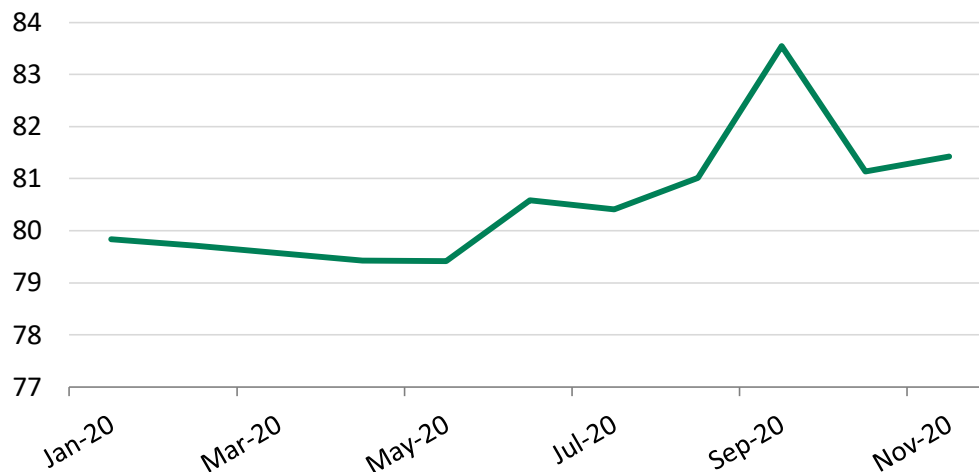
Significant Revaluation

- Pricing and structure of Hops Hill can be applied to all assets – increasing the fair value of the fund
- This will be captured in the new Keystone portfolio immediately
 - > Warehouse terms will reflect market pricing and terms
- Other portfolios can be refinanced or termed out or even renegotiated as timing permits and opportunities are available
 - > Payment Holidays virtually a thing of the past
- Long term portfolios likely to benefit at next refinancing
 - > Take advantage of revised investment mandate from 2019 which only began to be implemented last year
 - > Was always expected to be a medium term roll-out due to staggered asset refinancing dates
- The hunt for assets has resumed – fuelled by low rates and accommodative financing terms
 - > Banks are now the best bid – but are reluctant to give up lending margin
 - > e.g. NatWest paid a premium for a £3bn portfolio of low-yielding prime owner-occupied loans from Metro Bank
 - > TFSME – “Use it or lose it”
 - > Difficult to originate that volume

Significant Revaluation

- The amortised cost methodology of the Company's NAV does not reflect the marked improvement in funding costs
 - > The >30bps improvement in RMBS spreads alone is worth a significant uptick with an average of 15x leverage
- However that doesn't get reflected in the NAV
 - > Which is now ticking up gently
 - > But only reflects the steady amortisation of the assets to par, plus the income
- And doesn't include the future income about to be locked in by the 2nd Keystone portfolio
- Or the increase in income per share that will result from the Coventry portfolio realisations and buybacks

UKML NAV





Cashflows, Income
and Dividend Cover

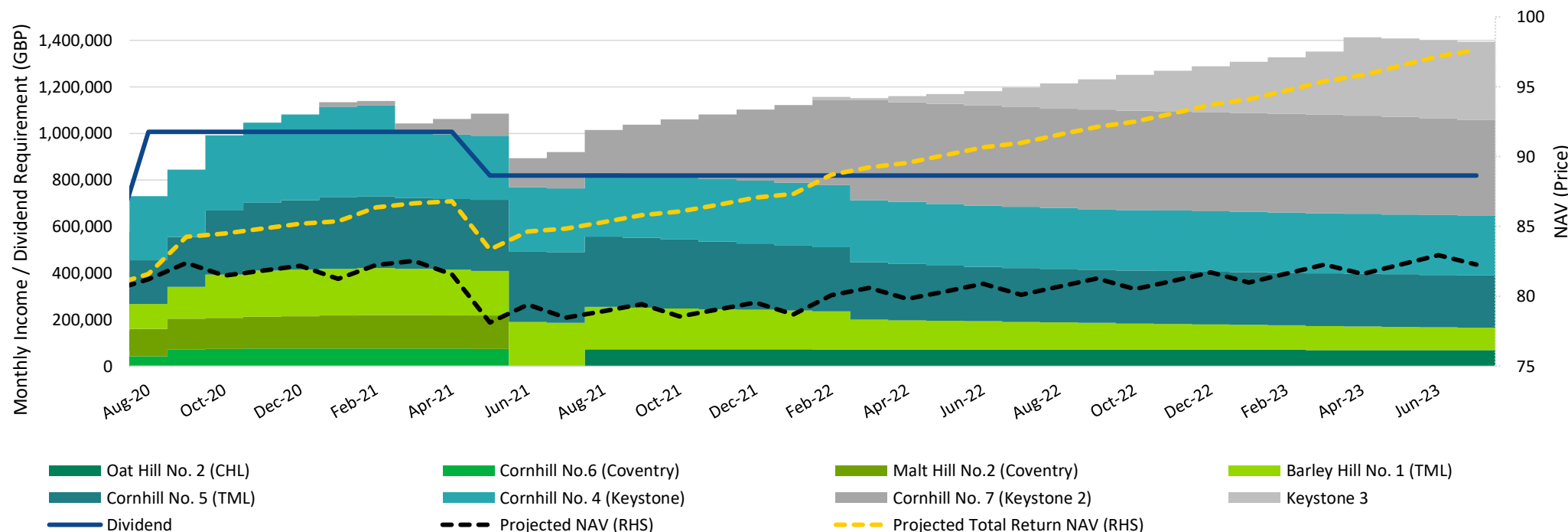
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UKML 2.0 – Previously Projected Income / NAV profile

Where were we last October?

UKML 2.0 Previously Projected Scenario

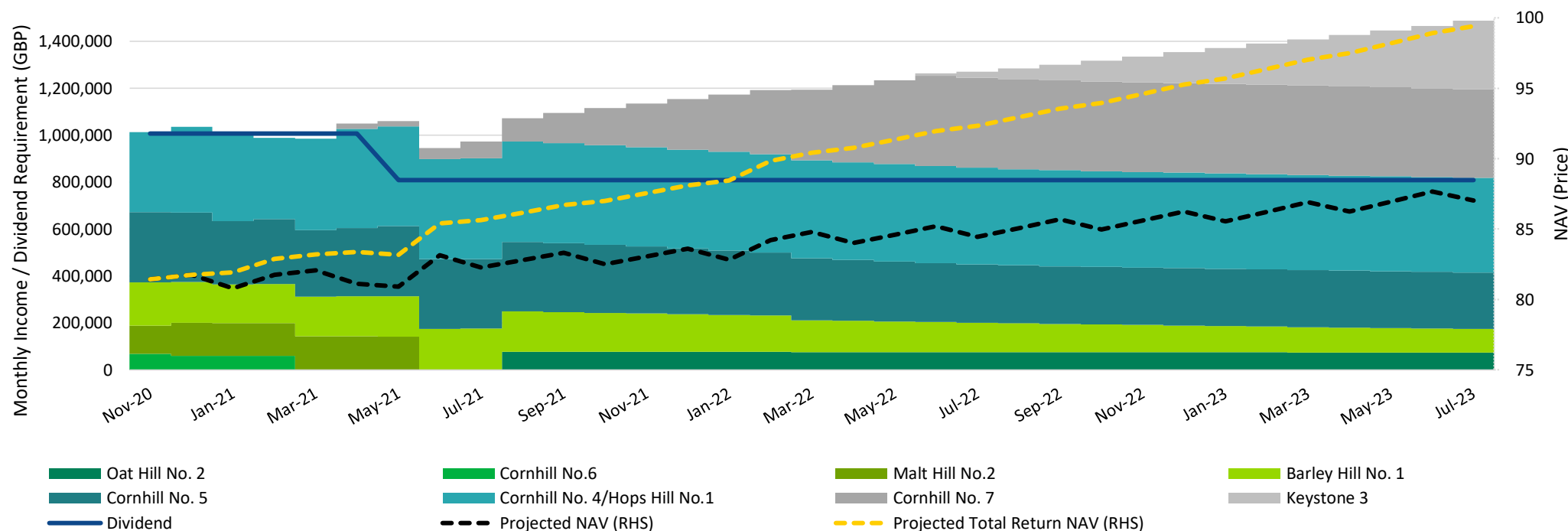


- Combination of portfolio evolution and further significant return of capital was projected to create:
 - > IRR: 11.5-13.5%
 - > Enhanced dividend cover from Q4 2020
 - > Gradual NAV Recovery

Income Overview – Now mostly Locked In

Where are we now?

UKML 2.0 New Projected Scenario



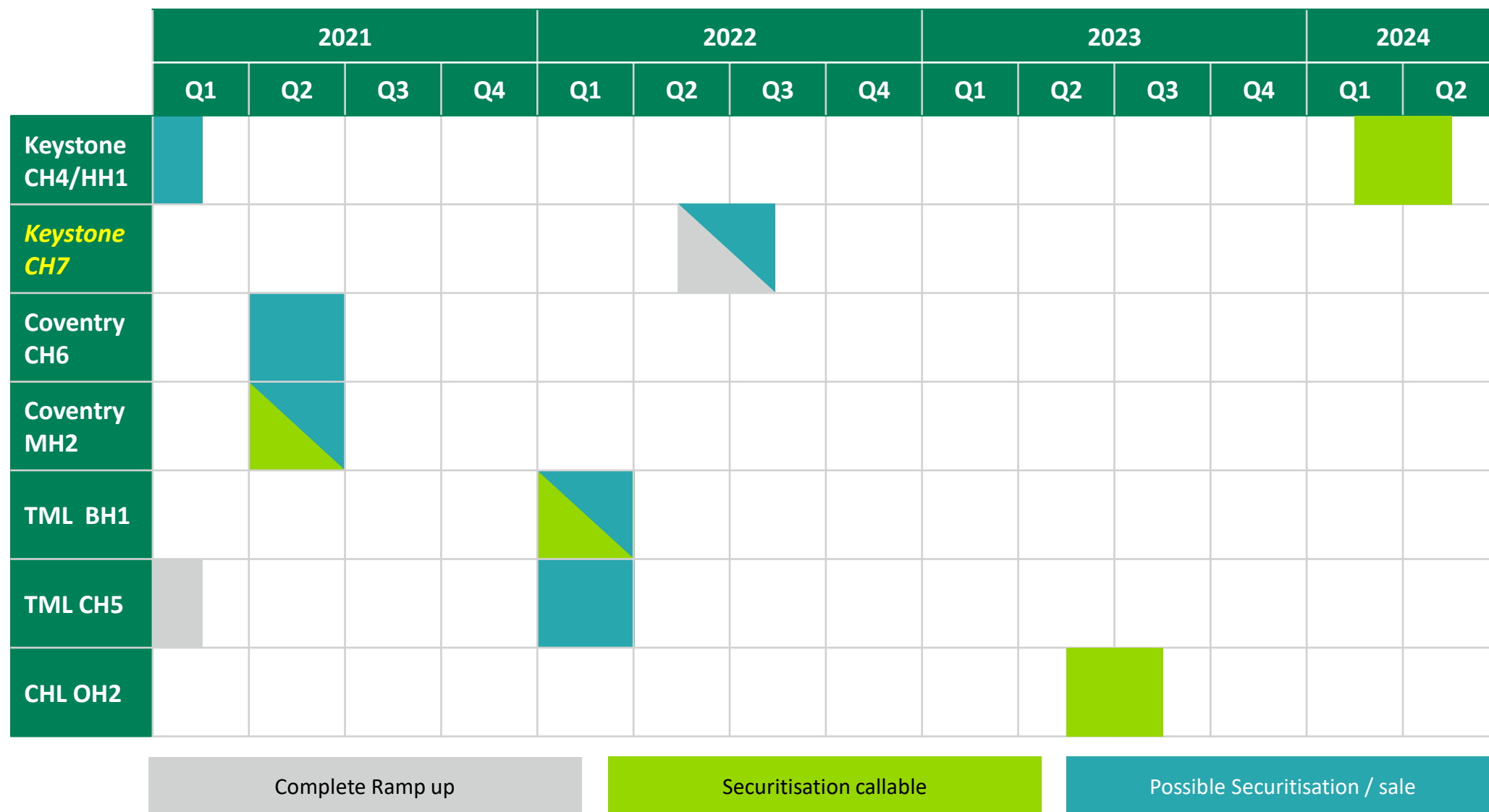
- Dividend essentially covered
- Tenders from realisation of Coventry portfolios will reduce dividend requirement
 - > Whilst income from second Keystone portfolio builds to healthy coverage
- NAV can then rebuild steadily



Portfolio Milestones

6

Future Milestones





Summary

7

Conclusion – The Future

- Uncertainty removed – across the board
 - > All portfolios essentially now have locked-in funding in order to deliver desired income and returns
 - > Hops Hill was a clear demonstration of investor demand for quality assets
 - > Creates an optimal foundation for programmatic issuance with Keystone loans and other UKML portfolios
 - > UKML now has a strong hand to negotiate warehouse funding terms and execute RMBS deals
- Portfolio fair value has grown and continues to do so although the NAV accounts for this over a longer time
 - > Pre-pandemic levels restored in debt markets and much of future income now assured
 - > Revaluation not recognised in share price
 - > NAV will recognise future income over time but not upward valuation
 - > Liquidity from lower yielding Coventry realisation will add to income per share
- Post-Coventry portfolio realisations we will have delivered on further liquidity
- Allowing us to continue to focus on the goals we set out last year:

Delivering consistent, sustainable returns with covered dividends

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