

# **Investor Presentation Friary No.9 Plc**

**April 2024**

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# Strategic Overview





Our **vision** is to help build a society of savers where everyone has a place to call home. Our **ambition** is to have impact beyond our scale, ensuring our purpose is at the heart of everything we do.

As a building society and a mutual, we're owned by our members, not shareholders. We're led by member voices, respond to their needs and reinvest our profits for the benefit of our customers, colleagues, communities and wider society, ensuring we continue to be a **responsible, sustainable** and **future focussed** business.

Just as we have for the past **163 years**.

Better Homes

Secure Futures

Fairer Society

We are focussed on **delivering positive outcomes** for our customers, colleagues and communities.



	Better Homes	Secure Futures	Fairer Society
Outcomes	More people living in the home they desire	More people actively saving to achieve their life goals	Deliver Carbon Net Zero
	More people having a home that meets their needs	More people building financial resilience for life's uncertainties	Thriving communities at the heart of a diverse and inclusive society
	More sustainable homes that are low carbon and future proofed	More young people prepared for the future	A trusted business for the mutual benefit of customers, colleagues and communities

# Return to material balance sheet growth through purposeful lending

Total assets



**£12.5 billion**  
2022: £11.3 billion

First time buyers helped



**8,134**  
2022: 4,587

Mortgage balance sheet growth



**£1.1 billion - 13.2%**  
2022: £209 million - 2.6%

Savings balance sheet growth



**£1 billion - 12%**  
2022: £0.2 billion - 2.1%

Net Interest Margin



**1.52%**  
2022: 1.39%

Average interest paid



**2.94%**  
Market average: 2.31%

Commercial lending growth



**£48.6 million**  
2022: ↓£14 million

# Strong financial performance building an even more resilient Society

## Manex



**0.88%**

2022: 0.9%

## Underlying profit before tax



**£60.3 million**

2022: £43.5 million

## Total capital



**£688 million - 21.8% CET1**

2022: £658 million - 26.5% CET1

## Net Promoter Score



**83.9**

2022: 81.6

## Social impact funding



**£1.3 million**

2022: £0.7 million

## Carbon reduction figures



**181 tCO2e**

New key measure for 2023



# Friary No.9 Executive Summary





# Friary No.9 Transaction Overview

Class	Expected Ratings (Moody's/Fitch)	CCY	Size	% of Total <sup>1</sup>	Credit Enhancement <sup>2</sup>	WAL (yrs.) <sup>3</sup>	Step-Up/ Call Date	Legal Final Maturity	Coupon	Issuance Price	Status
A	[Aaa/AAA]	GBP	[●]m	[92.00]%	[10.00]%	[3.42]	[May 2029]	[May 2072]	SONIA + [●] %	100%	Offered
B	Not Rated	GBP	[●]m	[8.00]%	[2.00]%	N/A	N/A	N/A	SONIA + [0] %	100%	Not Offered

## Key Structural Features

- Standalone, static pool, pass-through, RMBS structure with sequential priorities of payments
- Total credit enhancement of [10.0]% on the Class A notes provided by:
  - I. Subordination of the Class B notes ([8.0]% of total issuance)
  - II. Amortising Reserve Fund (fully funded at closing to [2]% of the initial pool balance, amortises subject to certain performance criteria, floored at [1.75]% of the initial pool balance)
- Principal available to pay senior expenses and Class A interest shortfall
- Optional redemption (May 2029 call date)
  - I. 2x margin step-up on the call date with option to call the notes on each IPD thereafter
  - II. 10% clean up call
- First IPD in [August 2024], quarterly thereafter in November, February, May and August .
- The SPV will enter into a balance guaranteed interest rate swap to address the possible mismatch between the fixed rate assets and floating rate notes, whereby:
  - I. The SPV receives daily compounded SONIA plus a margin of [1.15]% from the Interest Rate Swap Provider
  - II. The SPV will pay the WA interest rate of the fixed rate assets to the Interest Rate Swap Provider

## Other Information

- Principality will undertake to retain a material net economic interest of at least 5% by holding the Class B Notes in accordance with Article 6(3)(d) of the UK Securitisation Regulation and EU Securitisation Regulation as if it applied to Principality
- Further advances, product switches, substitutions allowed, subject to certain criteria
- Principality intend to submit an STS Notification to the FCA so that Friary No.9 qualifies as an STS securitisation under the UK Securitisation Regulation; PCS has been appointed as STS verification agent
- The transaction is structured to also comply with UK LCR and UK CRR criteria under the UK Securitisation Regulation
- The Class A Notes are expected to be eligible for Bank of England's Sterling Monetary Framework
- Notes will be listed on London Stock Exchange
- Marketing Materials available on <https://www.euroabs.com/IH.aspx?d=23317>

<sup>[1]</sup> As a % of Current Balance of the Portfolio as at the Cut-Off Date

<sup>[2]</sup> Credit Enhancement provided by Note Subordination and the General Reserve Fund

<sup>[3]</sup> Assumes a PPR of [15]%, zero losses, zero defaults and a call option being exercised by the Issuer in [May 2029], for full list of WAL modelling assumptions please refer to the Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024, Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Pool Collateral Summary

## Provisional Pool Overview

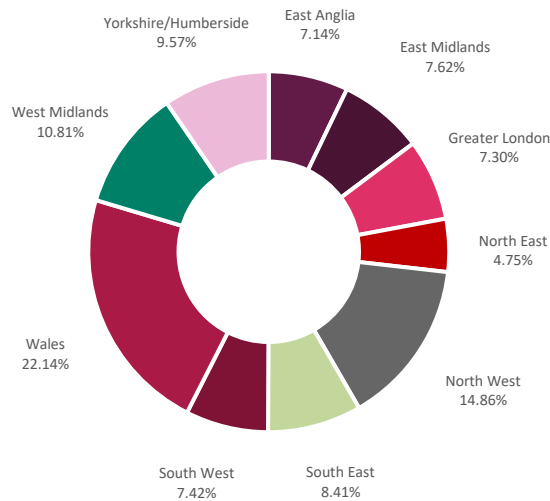
Pool Size:	£787,627,238.84
Average Current Balance:	£129,565.26
WA Indexed CLTV:	57.79%
WA OLTV:	67.87%
WA Seasoning (mths)	31.38
Interest Only:	7.27%
Part & Part Loans:	0.62%

## Eligibility Criteria Exclusions

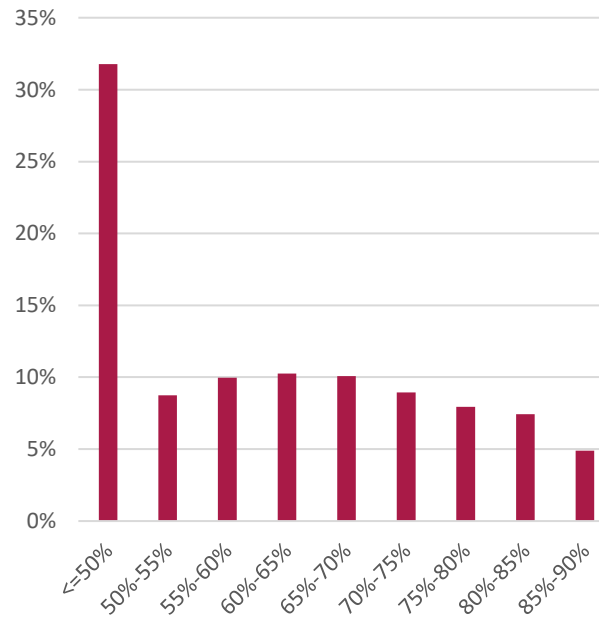
Current Balance <=£1,000,000	No BTL
At least one monthly payment received	No Flexible Loans
Borrower age >= 18 years	No self certified
No more than one instalment in arrears	No equity release
Current indexed LTV <= 90%	No previous bankruptcy or CCJ <sup>[1]</sup>
Remaining term < 40 years	No staff mortgage

## Pool Characteristics

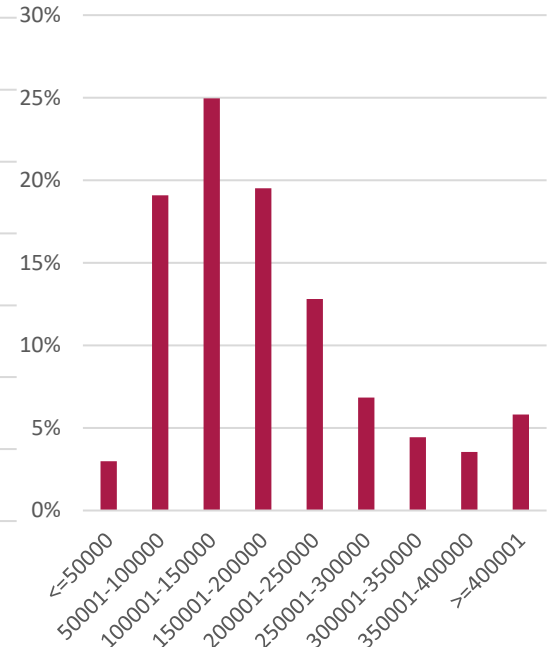
### Split by Region



### Split by CLTV



### Split by Current balance



Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024. <sup>[1]</sup> Within 6 years of origination

# Transaction Comparison

	Friary No.9	Friary No.8	Friary No.7	Friary No.6	Friary No.5	Friary No.4	Friary No.3	Oak No.4	Albion No.5	Economic Master Issuer 2023-2	Bowbell No.3
<b>Originator</b>	Principality BS	Principality BS	Principality BS	Principality BS	Principality BS	Principality BS	Principality BS	Aldermore	Leeds BS	Coventry BS	BOI UK
<b>Pricing Date</b>	[Apr]-24	Sep-23	Sep-22	Nov-19	Feb-19	Jun-17	Feb-16	May-23	Sep-23	Nov-23	Nov-23
<b>Current Originator Rating (F/M/S)</b>	BBB+/Baa1/-	BBB+/Baa1/-	BBB+/Baa1/-	BBB+/Baa1/-	BBB+/Baa1/-	BBB+/Baa1/-	BBB+/Baa1/-	-/-	A-/A3/-	A-/A2/-	BBB+/A3/BBB
<b>AAA Total Credit Enhancement</b>	[10.00]%	10.00%	10.00%	10.00%	11.00%	10.00%	10.75%	10.00%	10.00%	12.00%	10.00%
<b>Aggregate loan balance (£m)</b>	788	638	611	607	536	575	552	441	428	2,133	479
<b>Ave Current Loan Size (borrowers, £)</b>	129,565	132,254	128,666	119,827	118,051	101,289	119,581	174,981	127,180	136,064	155,575
<b>WA Interest Rate</b>	3.55%	2.59%	2.13%	2.15%	2.04%	2.40%	2.93%	3.54%	2.93%	2.64%	3.72%
<b>WA current indexed LTV</b>	57.79%	52.92%	55.71%	61.74%	64.50%	58.99%	65.69%	57.60%	50.10%	44.3%	65.60%
<b>WA Seasoning (yrs)</b>	2.6	3.0	2.7	1.8	1.4	2	1.7	1.9	2.4	3.5	2.2
<b>WA Remaining Term (yrs)</b>	23.5	22.2	23.0	22.9	20.8	19.1	19.9	23.9	21.8	19.4	25.6
<b>Fixed Rate Loans<sup>[1]</sup></b>	90.69%	93.60%	96.50%	94.20%	93.40%	89.10%	88.00%	95.34%	96.70%	94.7%	97.90%
<b>SVR Loans<sup>[1]</sup></b>	0.00%	1.76%	0.00%	1.25%	0.71%	10.90%	12.00%	4.66%	.[ <sup>3]</sup>	0.2%	2.10%
<b>BBR Tracker Loans<sup>[1]</sup></b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	.[ <sup>3]</sup>	2.7%	0.00%
<b>Interest Only<sup>[1] [2]</sup></b>	7.27%	6.36%	4.94%	5.37%	7.84%	11.30%	12.70%	6.36%	14.80%	2.9%	0.00%
<b>Top Region<sup>[1]</sup></b>	Wales 22.14%	Wales 27.9%	Wales 30.2%	Wales 32.0%	Wales 29.0%	Wales 23.4%	Wales 22.8%	South East 21.34%	South East 15.2%	South East 19.4%	South East 16.7%

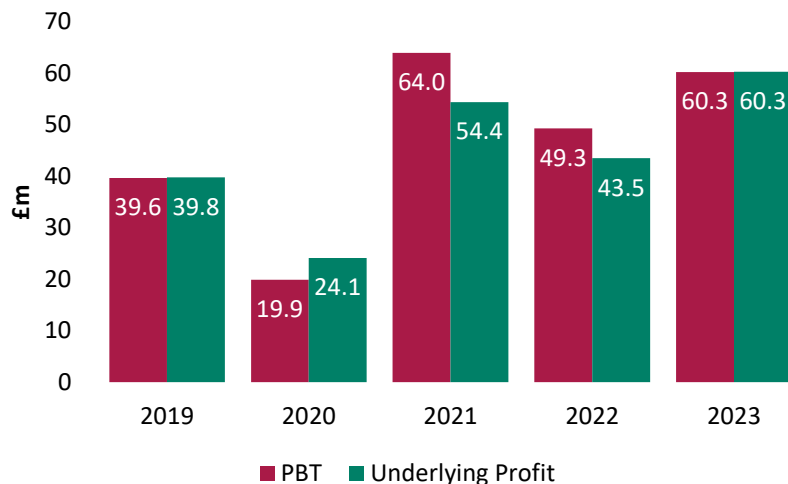
Source: Friary No.9 Preliminary Prospectus 22<sup>nd</sup> April 2024 and prospectuses of relevant transactions. <sup>[1]</sup>As a % of total loan balance, <sup>[2]</sup>IO excludes part & part, <sup>[3]</sup>Transaction Pool comprised of 3.30% of floating rate loans at closing.

# Principality Building Society

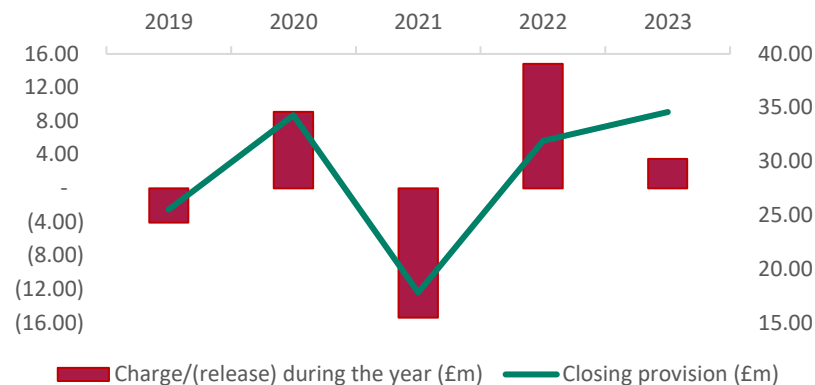


# Strong profits due to increased net interest margin

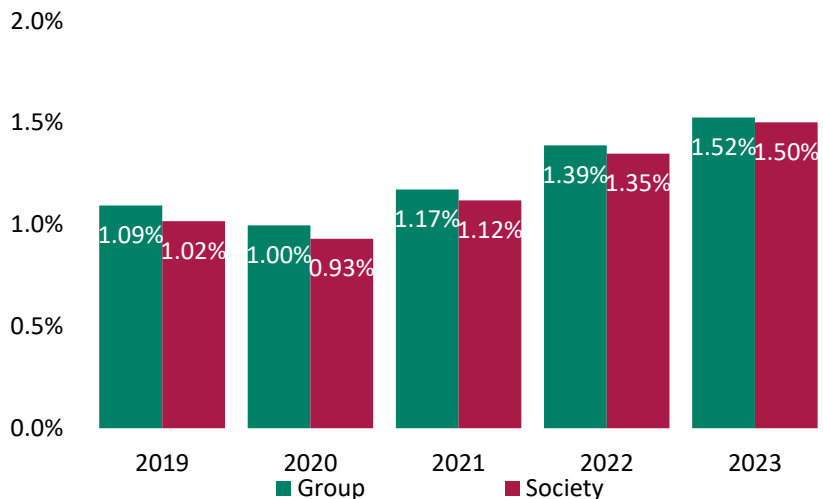
## Profit Before Tax and Underlying Profit



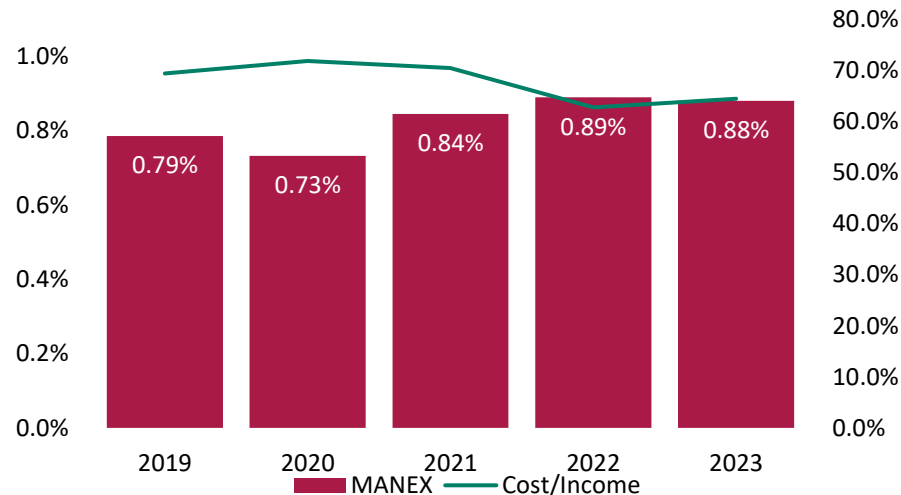
## IFRS 9 Provisioning



## Net Interest Margin

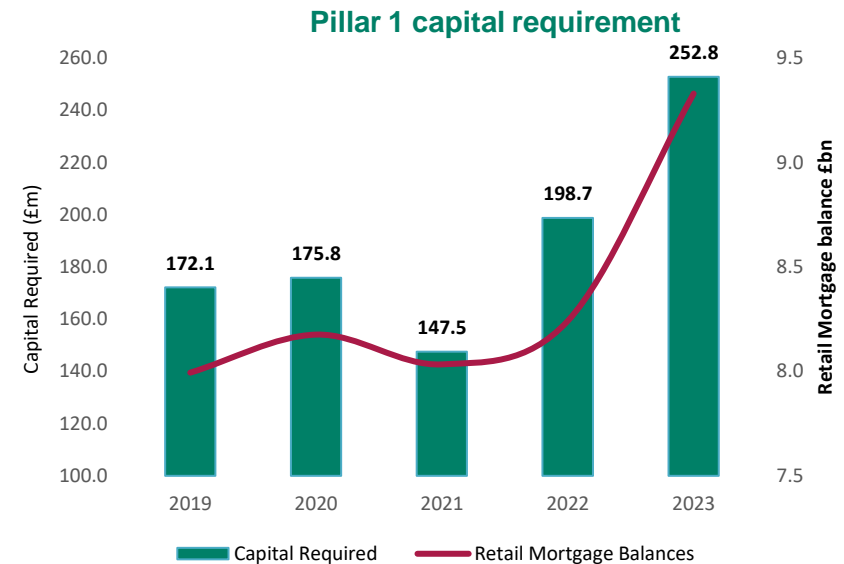
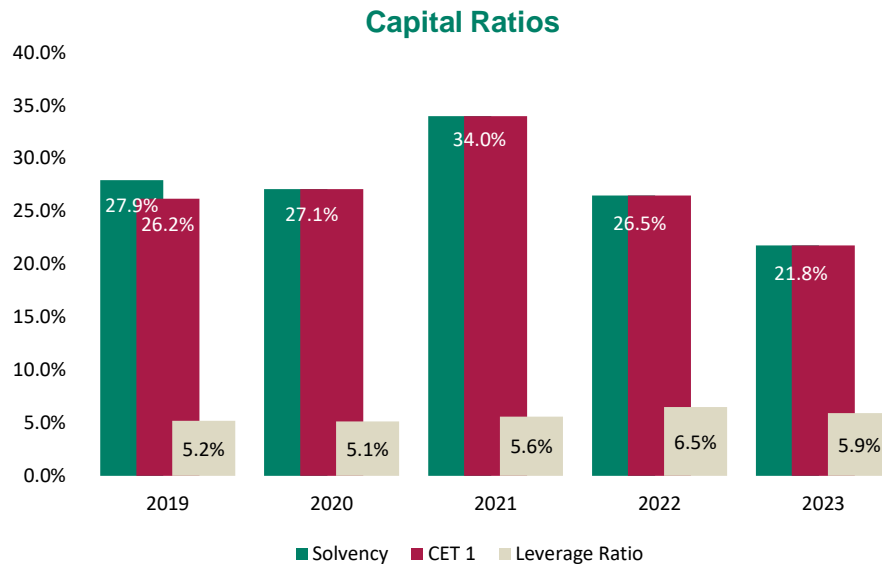


## Admin Expense Ratios\*



\* 2022 and 2023 MANEX exclude strategic and one off spend

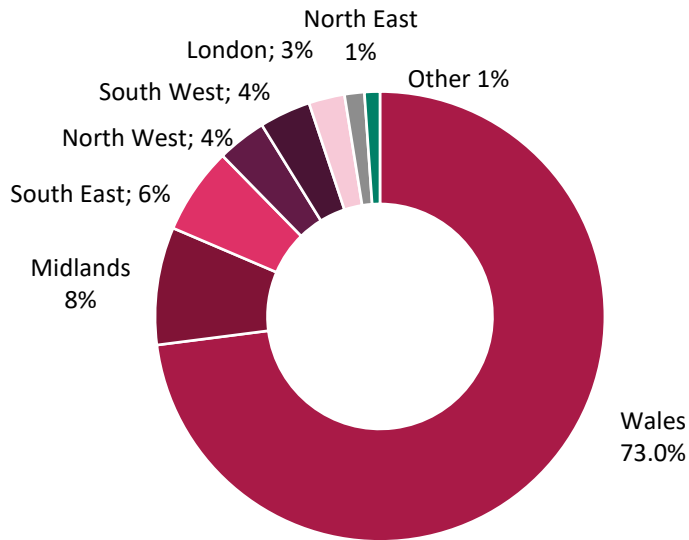
# Capital: Sufficient Capital to withstand an ICAAP Stress



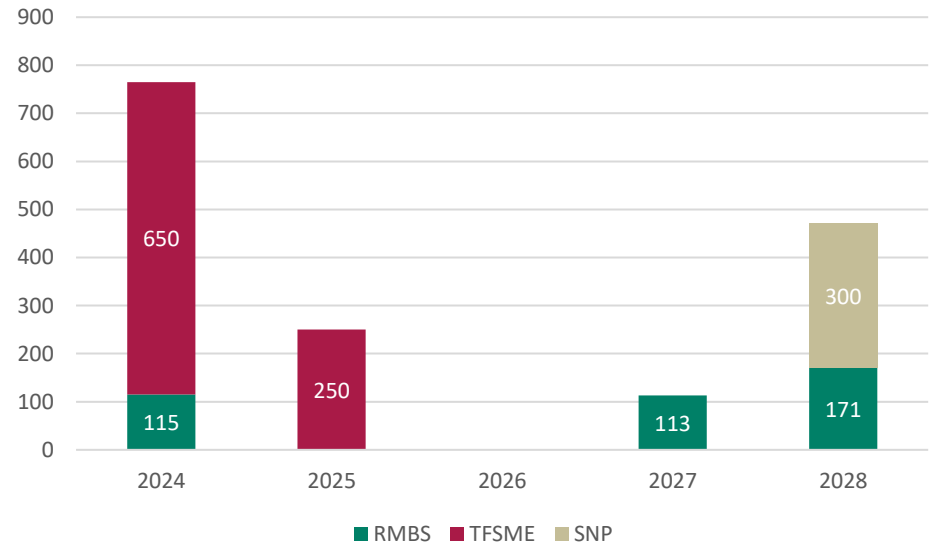
- Well capitalised as at December 2023 with CET1 Ratio of 21.8% and PRA Leverage ratio of 5.9%, both above the regulatory capital requirements. The capital position remains strong and our profitability during the year means that we are continuing to generate sufficient capital through our financial performance to support our future lending to households and businesses.
- Our CET1 ratio has decreased to 21.8% in the year (2022: 26.5%). The decrease is due to a combination of book growth and the economic environment which has resulted in a 4.7% reduction in CET1 and an increase in the PMA applied to the existing IRB model which has seen CET1 drop by a further 1%. The PMA is a result of regulatory changes which came into effect on 1 January 2022. This reduction is offset by a 1% increase in CET1 due to profits increasing in the year.

# Strong retail franchise supported by diverse wholesale funding sources

## Geographical Breakdown



## Wholesale Funding Maturity Profile

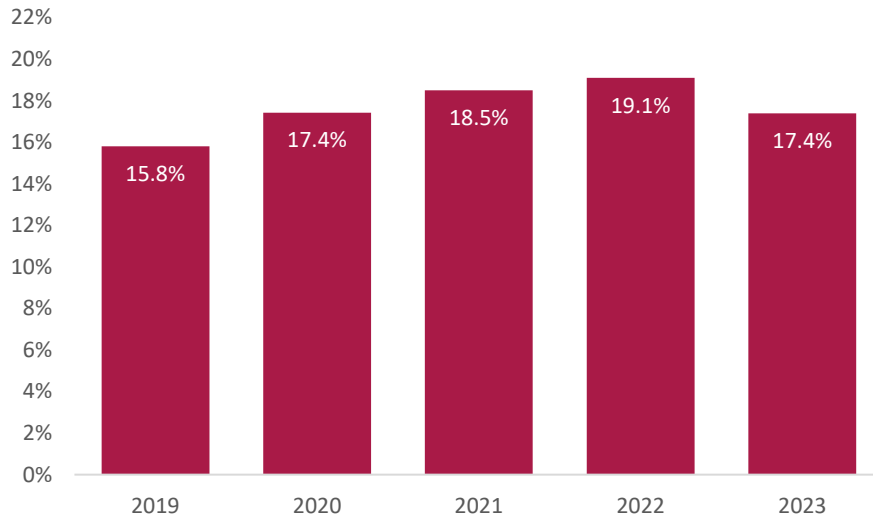


- 89.8% of mortgages funded by savers
- Major share of retail savings sourced in Wales reflecting strong brand loyalty
- Channel distribution: 75% Branch, 3% Direct; 21% Web
- Record savings growth with average savings rates well above market average (2.94% versus high street 2.31%)

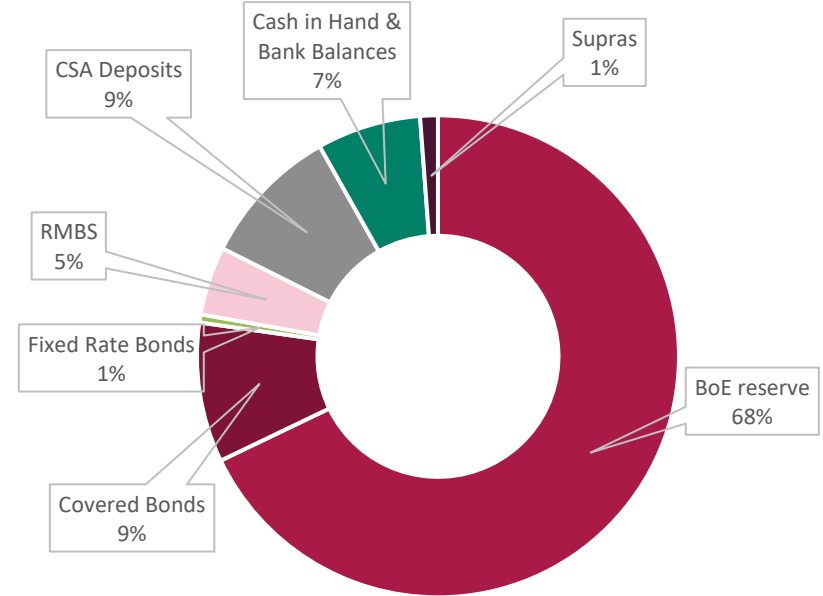
- £900m TFSME drawn at December 2023 - equating to our initial Borrowing Allowance under the scheme – Falls due over 2024/25
- Issued £550m Friary No.8 RMBS in Sep 2023 which has re-established our annual issuance frequency
- Asset Encumbrance ratio of 23.2% at December 2023 (Dec 2022: 22.0%)

# Liquidity of exceptionally high quality and well in excess of regulatory minima

## Liquidity Ratio



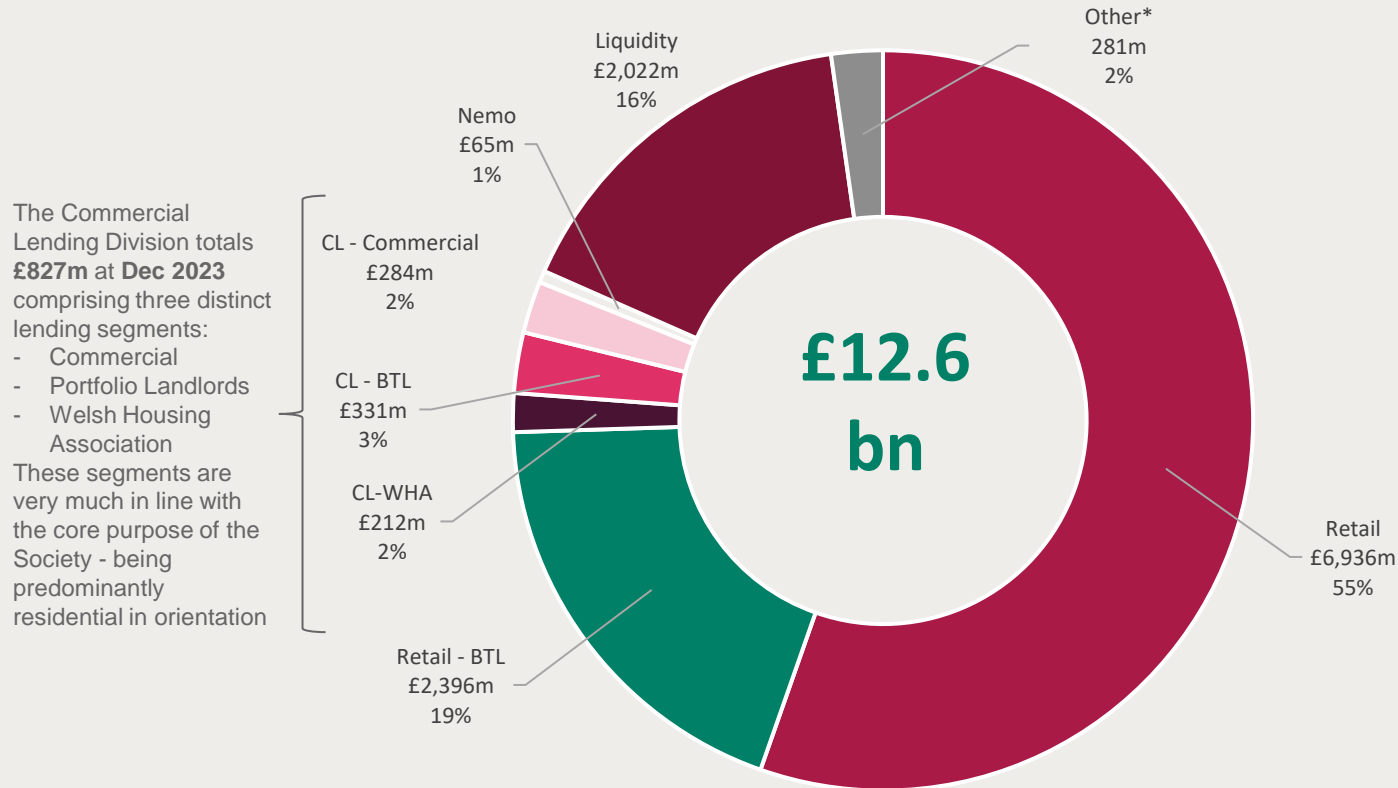
## Composition of Liquidity



- The Liquidity ratio stood at 17.4% at December 2023. The group's Liquidity Coverage Ratio (LCR), a measure of our ability to withstand a short-term liquidity stress, was 203% at the year-end (Dec 2022: 246%), well above the regulatory requirement. The decrease is due to high levels of liquidity being used to fund the mortgage book growth in the year.
- The Society runs a small HQLA investment portfolio comprising Sterling denominated UK issued AAA rated Covered Bonds and RMBS positions as well as Sterling denominated Supranationals Bonds.



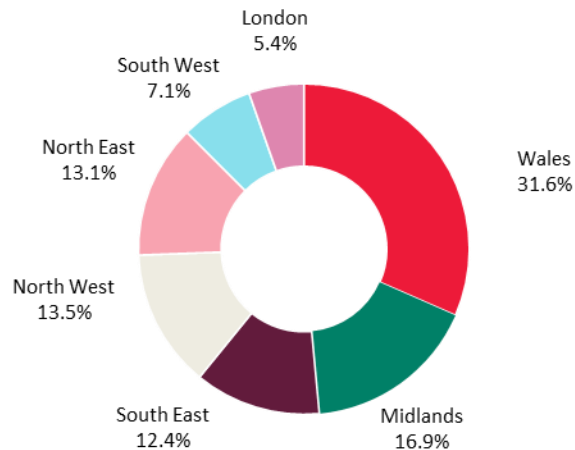
# £12.6bn Assets focussed on Prime Residential Lending



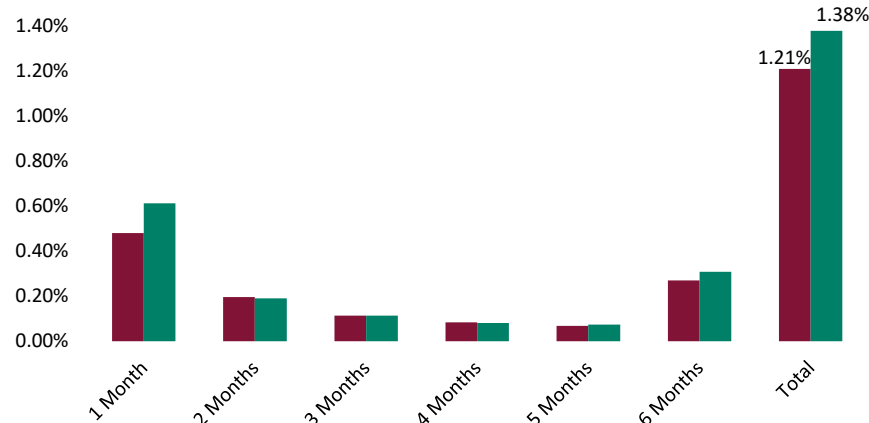
\* Other includes mortgage provisions, EIR and FV

# Strong Owner Occupied book reflecting prudent lending policy

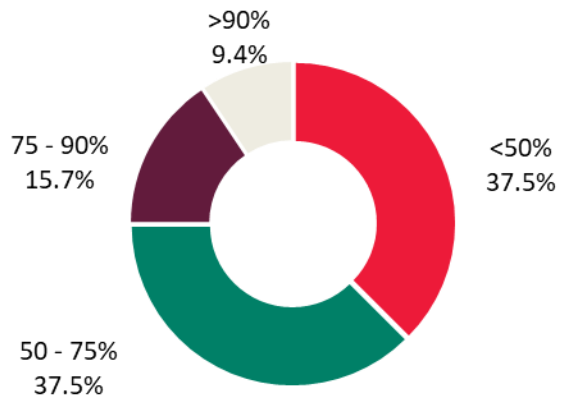
Where we lend - % of book by value



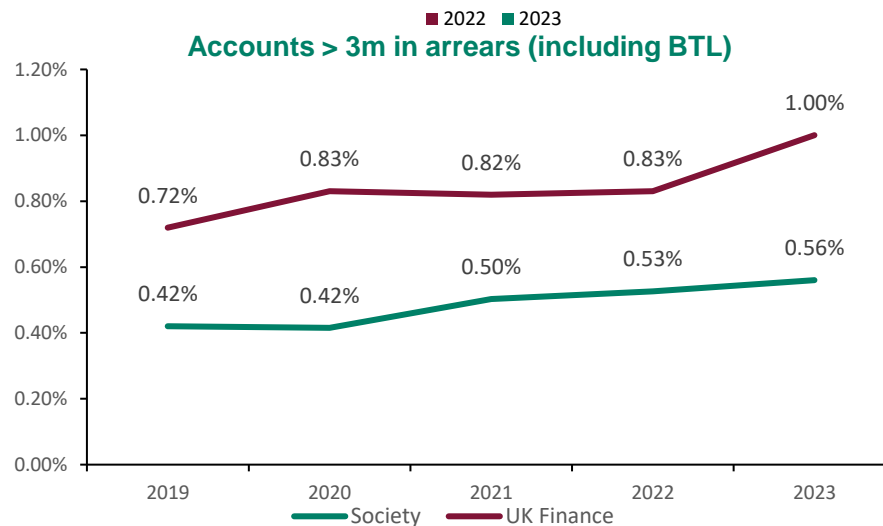
Accounts in arrears on owner occupied mortgages by number of months in arrears (by value)



Indexed LTV (Weighted Avg. 58.4%, 2022: 53.0%)



Accounts > 3m in arrears (including BTL)



## IFRS 9 provisions increased to £34.6m: reflecting a more conservative economic outlook due to actual house price falls and the increasing rate environment

Dec '23 (Actual)	Retail	Commercial	Nemo	Total
Exposure (£m)	9,964	944	65	10,973
ECL (£m)	20.4	11.6	2.6	34.6
Coverage (%)	0.20	1.23	4.00	0.32

Dec '22 (Actual)	Retail	Commercial	Nemo	Total
Exposure (£m)	8,708	945	82	9,735
ECL (£m)	15.4	12.8	3.7	31.9
Coverage (%)	0.18	1.36	4.51	0.33

- The group's IFRS 9 loan loss provisions are separately determined for the Retail, Commercial and Nemo business segments, incorporating base model assumptions, forward looking macroeconomic scenarios and post model adjustments
- Macroeconomic forecasts are sourced from a third party and are based on Moody's scenarios, which are updated monthly
- Loan loss provisions have stabilised during the year with a charge of £3.4m compared to £14.8m in the previous year
- Provisions increased to **£34.6m** as at December 2023 (Dec 2022: £31.9m), reflecting a more conservative outlook for house prices in 2024 due to actual HPI falls in the year and an increase in the severity of our economic forecasts
- A cost of living Post Model Adjustment (PMA) has been recognised, increasing the provision allocated for customers most susceptible to rising prices, by **£1.3m** (Dec 2022: £1.5m). A refinancing risk PMA has also been overlaid to capture additional affordability pressures on customers due to refinance within the next 60 months caused by the base rate increases and inflation. A PMA of **£3.0m** (Dec 2022: £2.9m) has been applied in respect of this risk.
- The coverage ratio (provision over exposure) for each portfolio is as follows: Retail 0.20%; Nemo 4.00%; Commercial 1.23%. Across all portfolios, provisioning coverage is **0.32%**

# Mortgage Underwriting



# Minimal Changes to credit Policy Since Friary No.8



## Notable changes to credit policy:

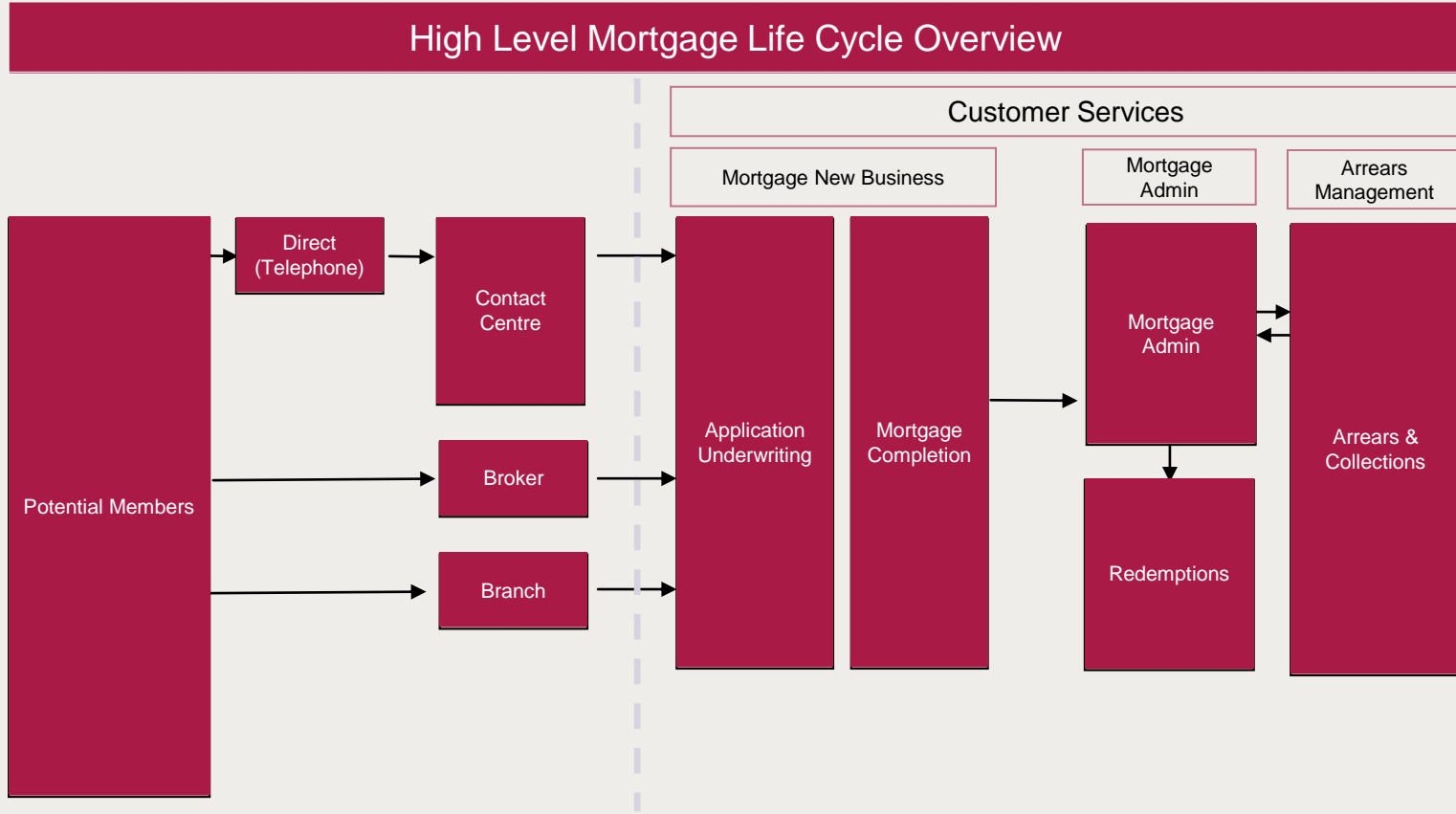
- Updates to acceptable security properties, subject to good quality, high demand, and accommodation being considered desirable:
  - I. Flat blocks up to 10 storeys, by an established and recognised developer will now be considered, previously up to 6 was considered.
  - II. Flats above commercial premises are now assessed on a case-by-case basis.
  - III. Ex-local Authority or Housing Association flats are now considered.
- Amendments to the minimum requirements of acceptance for non-EEA nationals.
- Maximum LTV on new build houses increased from 90% to 95% LTV <sup>[1]</sup>. Maximum LTV on new build flats and apartments remain unchanged at 90% LTV.

## Changes to affordability approach and calculations:

- Stress rate increased from 7.95% to 8.10%.
- Proportion of second income allowable (PAYE) increased from 50% to 100%.

[1] Loans with OLTV of more than 90% to be excluded from the Friary No.9 portfolio

# Mortgage Life Cycle – An integrated approach



# Mortgage Application Process



## Robust rules driven methodology

- Mortgage applications are accepted via three main channels using the MSO system
  - Intermediary
  - Branch
  - Direct
- Automated / rule driven process to maximise efficiency – all applications are reviewed by the Underwriting team
- Appraisal requirements:
  - Identification and address verification
  - Credit score and credit search
  - Income verification
  - Bank statements
  - Affordability Model/ stressed interest rate (MMR)
  - Satisfactory valuation
  - Other supporting documentation (as requested)
  - Repayment strategy for Interest Only
  - Review of future income if lending into retirement
  - Underwriter decision

# Residential Underwriting Criteria: Strict limits in place



## **Owner Occupied – All**

- Maximum LTV 95% (new builds: 95% Houses; 90% Flats/Apartments) Friary No.9 Plc will include lending based on a
- Maximum LTV of 90%
- Maximum advance (Depends on product, subject to affordability model and LTI maxima)
- Full physical valuation for all loans other than loans below 75% LTV under certain conditions

## **Owner Occupied - Interest Only**

- Maximum LTV 50%
- Credible / proven repayment vehicle with £150k minimum equity buffer
- Affordability model calculation assessed on a capital repayment basis over max. 25 years
- Loan to be repaid prior to the borrower's 70<sup>th</sup> birthday

## **Buy-to-Let (Friary pools do not include BTL)**

- Max LTV 75%
- Rental income - minimum of 145% of monthly interest payment at product rate or standard variable rate 5.5%
- Minimum age of applicant – 21
- Maximum portfolio 3 mortgaged BTL properties



# Responsible Lending



## A well established affordability model

- Lending Policy & risk appetite is owned by the Board, Credit Risk Committee are able to make changes and the Society's principles of responsible lending are approved by Customer & Conduct Committee
- Affordability Model replaced traditional income multipliers in October 2007. Consistent with FCA 'Best Practice' - maximum loan amount tailored to individual circumstances:
  - Credit Score
  - Annual Income
  - Includes ONS data to validate applicant expenditure from MMR onwards
- 'Interest only' applicants (and mid-term switchers) must evidence credible repayment strategy. Maximum 50% LTV and minimum equity buffer of £150k, Max Term 25 years and max age 70 at end of term

# Residential Underwriting Criteria



## Lending Mandates

Loan Amount	Mandate
Less than £350k	Underwriter
£350k - £650k	Senior Underwriter
£650k - £750k	Underwriting Manager
Greater than £750k	2 from Mortgage Lending Panel
Greater than £1.5m	Reported to Board

## Maximum Loan Sizes

Maximum LTV	Maximum Loan Size
65%	£1,000,000
75%	£750,000
90%	£650,000
95%	£500,000

## Eligibility Criteria

Criteria
<p><b>Employment</b></p> <ul style="list-style-type: none"> <li>• Applicant must be in employment</li> <li>• Income must be verifiable (source and amount)</li> <li>• Applicants must have been in permanent employment for 12 months</li> <li>• Fixed Contracts must be 12 months or more with 6 months remaining</li> </ul> <p><b>Age</b></p> <ul style="list-style-type: none"> <li>• Maximum 75 for residential loans (85 subject to further criteria)</li> <li>• Loan must be repaid before eldest applicant's 76<sup>th</sup> birthday</li> </ul> <p><b>Term</b></p> <ul style="list-style-type: none"> <li>• Minimum Term of 5 Years</li> <li>• Maximum Term of 40 Years</li> </ul>

## Affordability

Criteria
<p><b>Income</b></p> <ul style="list-style-type: none"> <li>• Income defined as: <ul style="list-style-type: none"> <li>- 100% of Salary and Guaranteed Income such as pensions</li> <li>- 50% of Overtime</li> </ul> </li> </ul> <p><b>Expenditure</b></p> <ul style="list-style-type: none"> <li>• Since July 2017 the Society relies on ONS average expenditure data rather than the detailed expenditure captured from the customer</li> <li>• These averages are then flexed for Region, Household Composition and Gross Income</li> </ul> <p><b>LTI</b></p> <ul style="list-style-type: none"> <li>• Income minus Expenditure gives maximum allowable mortgage payment which is converted in to a maximum loan advance (subject to restrictions on term and stressed rate account term and stressed rate)</li> <li>• LTI capped at 4.75 sole and 4.75 joint (limited exception by product)</li> <li>• All mortgages stressed at between 1%-2% over the reversion rate</li> </ul>

# Mortgage Product Range



## Mortgage Product Range

- Re-mortgage or purchase
- Fixed rate (5 years) – Revert to SVR or opt for new product
- Fixed rate (2 - 3 years) – Revert to discounted SVR (or customer can opt for new product), then revert to SVR
- Discount (2 - 3 years) – Discount on SVR then revert to discounted SVR (or customer can opt for new product) then revert to SVR
- Base Rate Tracker Mortgage
- Capital repayment or interest only (credible repayment vehicle / max LTV / minimum equity buffer)
- Further advances (subject to overall LTV limits and underwriting)

# Underwriting team: Driven by quality



- Experienced team & Managers with knowledge of PBS and other lenders
- Senior Underwriters with average 11 years experience
- Junior Underwriters with average 4 years experience
- Awarded a lending mandate when fully trained and competent – competency maintained and recorded by QA team
- Staff turnover is low amongst Underwriters – extensive training programme for new hires in team
- Management information - to monitor scorecard performance, quality of new business, and Underwriter decision-making
- Relationship approach - Intermediaries, Branches & telephone Team can speak to an Underwriter
- Trained to spot fraudulent applications



# Quality & Fraud Control: A multi-layered approach

- Principality operates a 3 lines of defence model
- T&C scheme in place for all Regulated colleagues including full QA function (1<sup>st</sup> line)
- Routine Compliance & Internal Audit reviews/reports (2<sup>nd</sup> and 3<sup>rd</sup> line)
- Customer Outcomes regularly tested independently
- Scorecard Override Reports
- Know your Broker activity supports our monitoring of Broker introduced business quality and verification of Brokers during on boarding stage
- Know your Broker Review (AIP activity, cancellation rates, probability of default & arrears rates for individual brokers)
- Regular Complaint Reporting & operational meetings
- Conduct & Operational Risk Registers – data in relation to those risks identified by the business are captured in the risk management tool, Magique.
- Fraud control systems / tools used (CIFAS, National Hunter 2, Q- Guard)
- Suspicion Reports



# Arrears & Possessions Policy: A proactive approach



- Principality policy is to treat those borrowers in financial difficulty fairly, ensuring good outcomes where possible, whilst complying with the requirements of MCOB 13
- Recommend sources of free, independent advice:
  - Shelter/Shelter Cymru
  - Citizens Advice
  - Step Change Debt Charity
  - Money Advice Service
- Explore all options to find a satisfactory long term resolution – trained Customer Support Consultants & Midterm Specialist (expired IO mortgages).
- Legal action and repossession only as a last resort
- However, where there is an inevitability about a situation, PBS will act quickly in everyone's best interests in order to minimise potential losses and to protect its position / minimise fees etc.
- Quality / Conduct Risk oversight
- Ministry of Justice – Pre-action protocols

# Forbearance & Loan Modification Options: Strict Criteria and mandated controls in operation



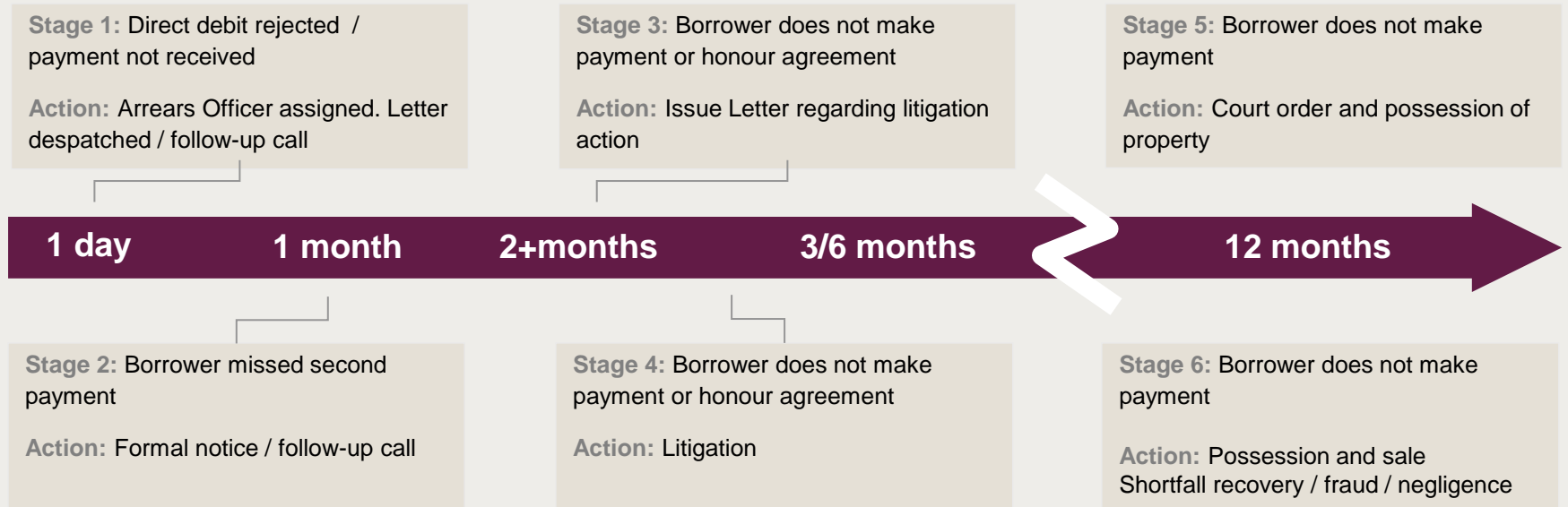
All agreements are reached by completing income and expenditure reviews with all customers to ensure the appropriate solutions are discussed. Forbearance options include:

- Arrangement to underpay
- Arrangement to overpay
- Product switches (new rates)
- Switch to interest only (temporary)
- Term extension (temporary)
- Assisted Sale
- Payment holidays
- Interest waivers

all are subject to strict criteria and mandate controls



# Default Timeline: A transparent and well managed timeline



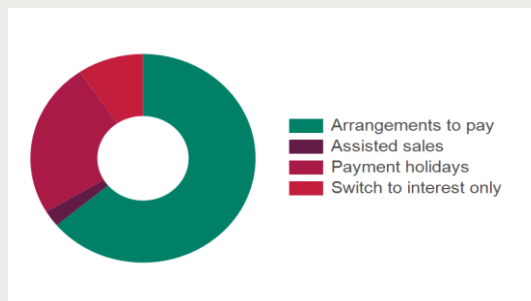
## Regular contact with Borrower – explore all options:



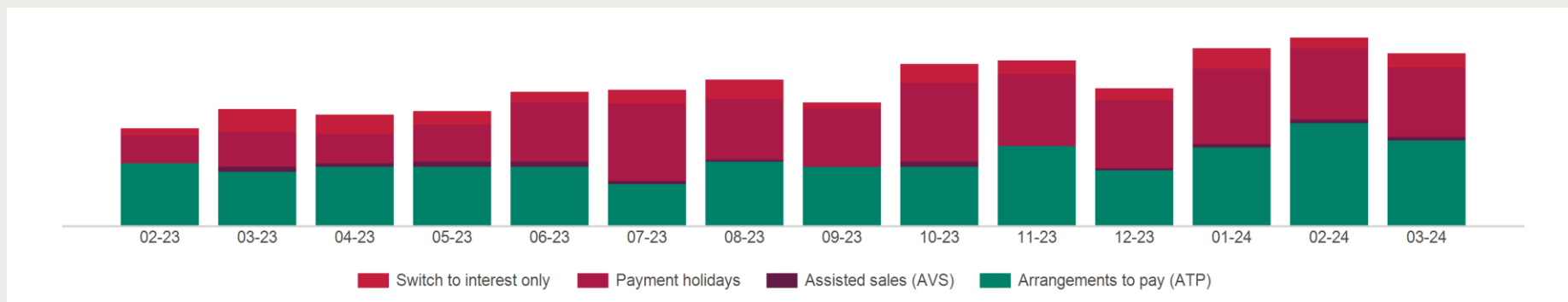
# Forbearance Activity 2023/24: Clearly defined and well controlled forbearance management



Outstanding Activities (#)	
Arrangements to pay (ATP)	202
Assisted sales (AVS)	8
Payment holidays	76
Switch to interest only	30
<b>Total</b>	<b>316</b>



New Activities (#)	02-23	03-23	04-23	05-23	06-23	07-23	08-23	09-23	10-23	11-23	12-23	01-24	02-24	03-24
Arrangements to pay (ATP)	36	31	34	34	34	24	37	34	34	46	32	45	59	49
Assisted sales (AVS)	-	3	2	3	3	2	1	-	3	-	1	2	2	2
Payment holidays	16	20	17	21	34	44	35	33	45	41	39	43	41	40
Switch to interest only	4	13	11	8	6	8	11	4	11	8	7	12	6	8
<b>Total</b>	<b>56</b>	<b>67</b>	<b>64</b>	<b>66</b>	<b>77</b>	<b>78</b>	<b>84</b>	<b>71</b>	<b>93</b>	<b>95</b>	<b>79</b>	<b>102</b>	<b>108</b>	<b>99</b>





# Friary No.9 Transaction Overview

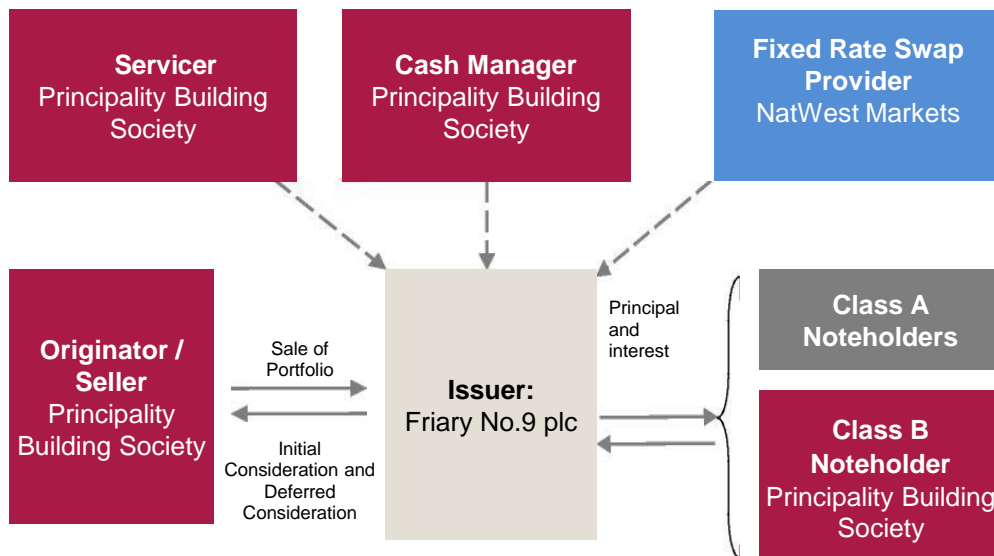


# Structural Comparison: Friary No 7 & 8 vs. Friary No.9 Plc

	Friary No.7 Plc	Friary No.8 Plc	Friary No.9 Plc
<b>Closing Date</b>	Sept-22	Sept-23	[May]-24
<b>Rated Notes</b>	Class A	Class A	Class A
<b>Class A Issuance Amount (GBP)</b>	£450m	£550m	[•]
<b>Class A Coupon(s)</b>	SONIA+0.67%, subject to 2x margin step-up	SONIA+0.55%, subject to 2x margin step-up	SONIA+[•], subject to 2x margin step-up
<b>Payment Dates</b>	Quarterly	Quarterly	Quarterly
<b>Step-Up Date/Call Option Date</b>	IPD Falling in Jan 2023	IPD Falling in October 2028	IPD Falling in [May 2029]
<b>Redemption</b>	Pass-through amortisation	Pass-through amortisation	Pass-through amortisation
<b>Swaps</b>	Fixed rate swaps only	Fixed rate swaps only	Fixed rate swaps only
<b>Credit Enhancement and Liquidity Support</b>	<ul style="list-style-type: none"> <li>• Subordination of the Class B Notes Notes</li> <li>• Amortising General Reserve Fund of Fund of 2.0% of the outstanding A Notes</li> </ul>	<ul style="list-style-type: none"> <li>• Subordination of the Class B Notes Notes</li> <li>• Amortising General Reserve Fund of Fund of 2.0% of the outstanding A Notes</li> </ul>	<ul style="list-style-type: none"> <li>• Subordination of the Class B Notes Notes</li> <li>• Amortising General Reserve Fund of Fund of [2.0]% of the outstanding A Notes</li> </ul>
<b>Swap Provider</b>	NatWest Markets	NatWest Markets	NatWest Markets
<b>Seller, Servicer and Cash Manager</b>	Principality Building Society	Principality Building Society	Principality Building Society
<b>Account Bank</b>	HSBC	HSBC	Citi
<b>Back-up Servicer Facilitator</b>	Maples Fiduciary	Maples Fiduciary	Maples Fiduciary
<b>Back-up Servicer</b>	n/a	n/a	n/a
<b>Back-up Cash Manager</b>	n/a	n/a	n/a

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024; Friary No.7 Friary & No.8 Prospectuses

# Structure Summary



## Servicing & Cash Management

- Principality acts as Servicer and Cash Manager

## Interest rate risk hedging

- Balance guaranteed interest rate swap provided by NatWest Markets for fixed rate mortgages only ([90.69]% of the pool at the Cut-Off Date)

## Credit Enhancement & Liquidity Support for Class A notes

- Amortising General Reserve Fund
- Principal can be used to pay interest
- Excess spread
- Subordination of Class B notes

## OTHER PARTIES

**Trustee:** Citicorp Trustee Company Limited

**Account Bank:** Citibank N.A., London Branch

**Swap Collateral Account Bank:** Citibank N.A., London Branch

**Back-up Service Facilitator:** Maples Fiduciary Services (UK) Limited

**Corporate Services Provider:** Maples Fiduciary Services (UK) Limited

**Collection Account Bank:** Barclays Bank PLC

**Subordinated Loan Provider:** Principality Building Society

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Criteria for New Loans and Reserve Fund Amortisation

## Pool Criteria

- **Further Advances / Product Switches / Substitute Loans are allowed in the pool, subject to, inter alia, to the following conditions (and further specific conditions as relevant):**
  - Occurs before the Step-Up Date
  - No Event of Default / Seller Insolvency Event
  - Seller Solvency Certificate provided if Seller rated below F2 / P-2 (cr) by Fitch / Moody's respectively
  - All Fixed Rate Loans to be included in the Fixed Rate swap
- **Further conditions specific to Further Advances:**
  - No Class A PDL
  - Balance of mortgages 3m+ in arrears < 3% of current balance
  - Balance of IO loans <= 20% of current balance
  - WA original LTV <= 72.5%
  - Max Further Advance balance of all Further Advances purchased by the Issuer <=5% of initial note balance
  - Current LTV of all Further Advances loan is < 90%
- **Further conditions specific to Product Switches:**
  - No Class A PDL
  - Balance of mortgages 3m+ in arrears < 3% of current balance
  - Balance of IO loans <= 20% of current balance
  - Will be effected by such means as would be adopted by the Seller if the loan were not in the Portfolio
  - Will be similar to switches offered to the Seller's mortgage borrowers whose loans do not form part of the portfolio
- **Further conditions specific to Substitute Loans:**
  - Will constitute the same ranking and priority security over the property as the security for the repurchased loan
  - No loan, so far as the Seller is aware, is a loan to a borrower who is a "credit-impaired obligor" as described in the UK LCR regulation or UK CRR
  - If these conditions are breached, the loan and its related security must be repurchased or replaced with substitute loan collateral
  - Substitute Loans may be purchased by the Issuer in consideration for the repurchase of a loan that is in breach of the representations and warranties

## Changes from Friary No.8

- No material changes in structure or pool criteria from Friary No.8

## Reserve Fund Amortisation Conditions

- **General Reserve Required Amount:**
  - Fully funded from Subordinated Loan on Day 1 to [2.0]% of initial mortgage balance
  - Amortise down to [2.5]% of the then current Class A note balance, subject to complying with the conditions below
  - Floored at [1.75]% of initial mortgage balance
- **Reserve Fund amortises subject to certain conditions including, inter alia:**
  - No Event of Default
  - No Class A PDL balance
  - Balance of mortgages 3m+ in arrears < 3% of current balance
  - Cumulative losses < 1% initial mortgage balance

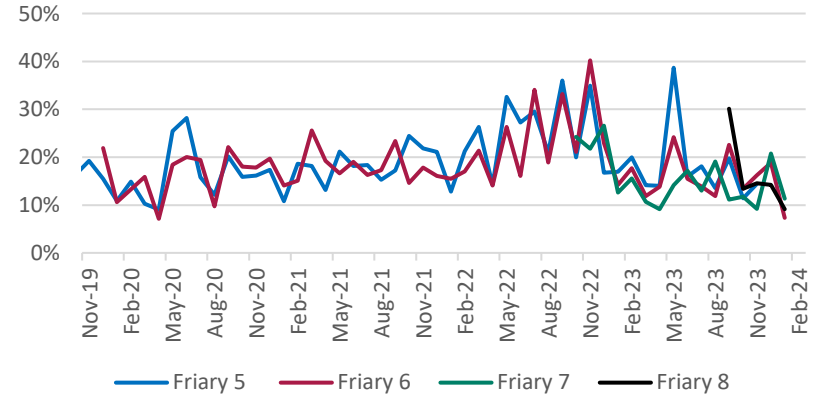
# Friary No.9 Note WAL

Annual Repayment Rate	5%	10%	15%	20%	25%	30%	35%
Class A WAL with Issuer Call executed (yrs)	4.44	3.9	3.41	2.98	2.6	2.27	1.97
Class A WAL without Issuer Call (yrs)	15.4	7.59	4.98	3.68	2.89	2.37	1.99

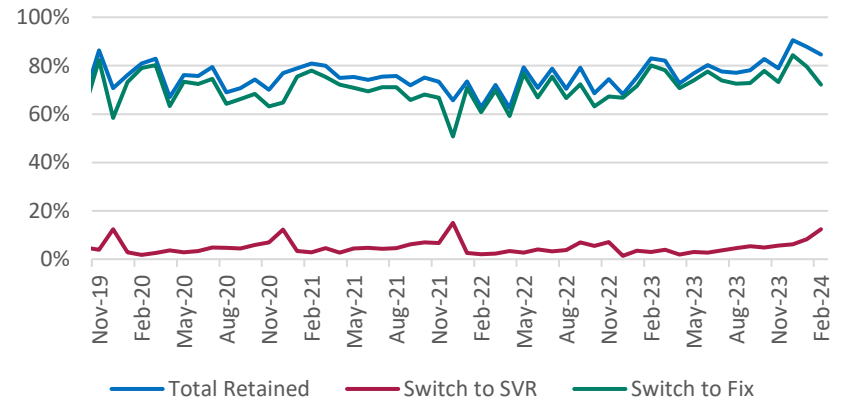
**Key Assumptions<sup>[1]</sup>**

- Issue Date [May 2024]
- Loans are subject to a constant annual rate of repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5 and 35 per cent. per annum as shown in the table above
- Step-Up Date in [May 2029]
- No Loan is repurchased by the Seller
- No Substitute Loans are purchased
- No Further Advances
- No Enforcement Notice
- The Loans continue to be fully performing

**Principality Building Society Mortgage Book Historical PPR<sup>[2]</sup>**



**Principality Building Society Mortgage Book Historical Retention Rate<sup>[3]</sup>**



**Distribution of Reversion Date for Fixed Rate Mortgages in the Preliminary Pool**

Fixed Rate Loans - Reversion Date	% of Total
2023 to 2024	19.09%
2024 to 2025	33.88%
2025 to 2026	15.44%
2026 to 2027	16.83%
2027 to 2028	13.60%
>= 2029	1.17%
<b>Total</b>	<b>100.00%</b>

- Principality’s historical rate of retention of mortgage balances coming to the end of the fixed term has been consistently at circa [76]% for a number of years

<sup>[1]</sup> For full list of WAL modelling assumptions please refer to the Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024, <sup>[2]</sup>Fitch surveillance report, <sup>[3]</sup>PBS data

# Friary No.9 Provisional Pool





# Friary No.9 Provisional Pool

Current Balance (£)	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50,000	23,429,533.16	2.97%	721	11.86%
50,000 to 100,000	150,298,536.03	19.08%	1,943	31.96%
100,000 to 150,000	196,676,362.14	24.97%	1,597	26.27%
150,000 to 200,000	153,790,535.55	19.53%	891	14.66%
200,000 to 250,000	100,857,673.34	12.81%	454	7.47%
250,000 to 300,000	53,926,568.15	6.85%	197	3.24%
300,000 to 350,000	34,917,550.38	4.43%	109	1.79%
350,000 to 400,000	27,900,952.23	3.54%	75	1.23%
> 400,000	45,829,527.86	5.82%	92	1.51%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6079</b>	<b>100.00%</b>

Min	283
Max	851,271
Average	129,565

Original Balance (£)	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50,000	12,593,134.06	1.60%	429	7.06%
50,000 to 100,000	118,271,444.95	15.02%	1,726	28.39%
100,000 to 150,000	197,508,583.44	25.08%	1,789	29.43%
150,000 to 200,000	158,988,500.90	20.19%	1,004	16.52%
200,000 to 250,000	112,832,198.65	14.33%	547	9.00%
250,000 to 300,000	60,821,617.23	7.72%	242	3.98%
300,000 to 350,000	43,345,190.52	5.50%	145	2.39%
350,000 to 400,000	26,517,765.47	3.37%	76	1.25%
> 400,000	56,748,803.62	7.21%	121	1.99%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6079</b>	<b>100.00%</b>

Min	5,000
Max	884,339
Average	143,319

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Original Loan to Value	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50%	149,809,158.84	19.02%	1,572	25.86%
50% to 55%	29,620,986.57	3.76%	240	3.95%
55% to 60%	47,447,598.39	6.02%	367	6.04%
60% to 65%	70,589,753.89	8.96%	523	8.60%
65% to 70%	56,866,790.10	7.22%	400	6.58%
70% to 75%	84,567,094.17	10.74%	602	9.90%
75% to 80%	113,618,449.14	14.43%	770	12.67%
80% to 85%	87,356,800.41	11.09%	600	9.87%
85% to 90%	147,750,607.33	18.76%	1,005	16.53%
90% to 95%	0.00	0.00%	0	0.00%
95% to 100%	0.00	0.00%	0	0.00%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,079</b>	<b>100.00%</b>

<b>Min</b>	1.33%
<b>Max</b>	90.00%
<b>Weighted Average</b>	67.87%

Current Loan to Value	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50%	250,389,000.89	31.79%	2,642	43.46%
50% to 55%	68,810,431.71	8.74%	502	8.26%
55% to 60%	78,398,724.72	9.95%	551	9.06%
60% to 65%	80,710,050.72	10.25%	547	9.00%
65% to 70%	79,377,156.76	10.08%	503	8.27%
70% to 75%	70,435,676.74	8.94%	425	6.99%
75% to 80%	62,512,136.96	7.94%	364	5.99%
80% to 85%	58,533,092.86	7.43%	328	5.40%
85% to 90%	38,460,967.48	4.88%	217	3.57%
90% to 95%	0.00	0.00%	0	0.00%
95% to 100%	0.00	0.00%	0	0.00%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,079</b>	<b>100.00%</b>

<b>Min</b>	0.13%
<b>Max</b>	89.95%
<b>Weighted Average</b>	57.79%

Note - the table above shows the range of LTV ratios, which express the Current Balance of the aggregate of Loans in a mortgage account in the Provisional Portfolio as at the Portfolio Cut-Off Date or the date of origination of the Loan, as applicable, divided by the valuation as at origination of the Loan or the most recent valuation there of divided by the latest valuation of that Property increased or decreased as appropriate by the increase or decrease in the UK House Price Index since the date of that latest valuation

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Repayment Type	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
Interest Only	57,250,155.42	7.27%	435	6.70%
Repayment	725,497,701.89	92.11%	6,020	92.70%
Part & Part	4,879,381.53	0.62%	39	0.60%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,494</b>	<b>100.00%</b>

Months in Arrears	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
0	787,627,238.84	100%	6,494	100%
<b>Total</b>	<b>787,627,238.84</b>	<b>100%</b>	<b>6,494</b>	<b>100%</b>

Geographical Distribution	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
East Anglia	56,200,949.01	7.14%	318	5.23%
East Midlands	60,038,777.55	7.62%	459	7.55%
Greater London	57,459,684.26	7.30%	222	3.65%
North East	37,406,736.66	4.75%	368	6.05%
North West	117,011,680.60	14.86%	973	16.01%
South East	66,206,407.19	8.41%	368	6.05%
South West	58,430,586.99	7.42%	428	7.04%
Wales	174,371,661.50	22.14%	1,568	25.79%
West Midlands	85,156,422.52	10.81%	700	11.52%
Yorkshire/Humberside	75,344,332.56	9.57%	675	11.10%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,079</b>	<b>100.00%</b>

Interest Rate Type	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
Floating Rate for Life	8,671,855.39	1.10%	130	2.00%
SVR Rate for Life	0.00	0.00%	0	0.00%
Fixed Rate to SVR	714,325,753.11	90.69%	5,864	90.30%
Discount Rate	64,629,630.34	8.21%	500	7.70%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,494</b>	<b>100.00%</b>

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Remaining Term (years)	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 5	14,051,119.67	1.78%	307	4.73%
5 to 10	44,395,479.45	5.64%	654	10.07%
10 to 15	81,270,726.58	10.32%	848	13.06%
15 to 20	128,646,789.55	16.33%	1,124	17.31%
20 to 25	175,903,451.70	22.33%	1,295	19.94%
25 to 30	166,027,894.96	21.08%	1,132	17.43%
30 to 35	139,970,453.50	17.77%	884	13.61%
35 to 40	37,361,323.43	4.74%	250	3.85%
>= 40	0.00	0.00%	0	0.00%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,494</b>	<b>100.00%</b>

<b>Min</b>	0.00
<b>Max</b>	39.00
<b>Weighted Average</b>	23.50

Property Type	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
Residential (House, Detached or Semi-detached)	512,595,897.34	65.08%	3,772	62.05%
Residential (Flat/Apartment)	76,944,912.67	9.77%	608	10.00%
Residential (Bungalow)	29,402,678.15	3.73%	247	4.06%
Residential (Terraced House)	168,683,750.68	21.42%	1,452	23.89%
<b>Total</b>	<b>787,627,238.84</b>	<b>100%</b>	<b>6,079</b>	<b>100%</b>

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Seasoning (months)	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<=12	234,290,068.62	29.75%	1,644	25.32%
12 to 24	191,685,771.33	24.34%	1,427	21.97%
24 to 36	98,729,161.82	12.54%	773	11.90%
36 to 48	77,083,725.86	9.79%	676	10.41%
48 to 60	87,203,259.85	11.07%	778	11.98%
60 to 72	8,072,866.05	1.02%	84	1.29%
72 to 84	29,454,231.01	3.74%	361	5.56%
84 to 96	59,780,832.24	7.59%	734	11.30%
96 to 108	1,327,322.06	0.17%	17	0.26%
>= 108	0.00	0.00%	0	0.00%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,494</b>	<b>100.00%</b>

Min	3.00
Max	97.00
Weighted Average	31.38

Current Interest Rate	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 1.50%	22,269,448.89	2.83%	157	2.42%
1.50% to 2.00%	119,619,432.64	15.19%	1,142	17.59%
2.00% to 2.50%	130,787,150.19	16.61%	1,131	17.42%
2.50% to 3.00%	87,244,502.38	11.08%	691	10.64%
3.00% to 3.50%	20,737,577.42	2.63%	170	2.62%
3.50% to 4.00%	56,668,492.15	7.19%	369	5.68%
4.00% to 4.50%	84,316,320.21	10.71%	696	10.72%
>= 4.50%	265,984,314.96	33.77%	2,138	32.92%
<b>Total</b>	<b>787,627,238.84</b>	<b>100.00%</b>	<b>6,494</b>	<b>100.00%</b>

Min	1.25%
Max	7.60%
Weighted Average	3.55%

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Fixed Interest Rate	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 1.50%	22,269,448.89	3.12%	157	2.68%
1.50% to 2.00%	119,619,432.64	16.75%	1,142	19.47%
2.00% to 2.50%	130,787,150.19	18.31%	1,131	19.29%
2.50% to 3.00%	87,244,502.38	12.21%	691	11.78%
3.00% to 3.50%	20,737,577.42	2.90%	170	2.90%
3.50% to 4.00%	55,143,192.77	7.72%	358	6.11%
4.00% to 4.50%	82,822,502.75	11.59%	682	11.63%
>= 4.50%	195,701,946.07	27.40%	1,533	26.14%
<b>Total</b>	<b>714,325,753.11</b>	<b>100.00%</b>	<b>5,864</b>	<b>100.00%</b>

Min	1.25%
Max	7.60%
Weighted Average	3.55%

Fixed Interest Rate Reversion Year	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 2022	0.00	0.00%	0	0.00%
2022 to 2023	0.00	0.00%	0	0.00%
2023 to 2024	136,353,649.57	19.09%	1,150	19.61%
2024 to 2025	241,992,004.36	33.88%	1,893	32.28%
2025 to 2026	110,261,712.94	15.44%	996	16.98%
2026 to 2027	120,226,531.52	16.83%	1,021	17.41%
2027 to 2028	97,120,424.18	13.60%	719	12.26%
>= 2029	8,371,430.54	1.17%	85	1.45%
<b>Total</b>	<b>714,325,753.11</b>	<b>100.00%</b>	<b>5,864</b>	<b>100.00%</b>

Min	2024
Max	2029

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Floating Rate Interest Rate	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 5.00%	0.00	0.00%	0	0.00%
5.00% to 5.50%	0.00	0.00%	0	0.00%
5.50% to 6.00%	0.00	0.00%	0	0.00%
6.00% to 6.50%	0.00	0.00%	0	0.00%
6.50% to 7.00%	0.00	0.00%	0	0.00%
7.00% to 7.50%	0.00	0.00%	0	0.00%
7.50% to 8.00%	8,671,855.39	100.00%	130	100.00%
8.00% >= 9.00%	0.00	0.00%	0	0.00%
<b>Total</b>	<b>8,671,855.39</b>	<b>100.00%</b>	<b>130</b>	<b>100.00%</b>

Min	7.60%
Max	7.60%
Weighted Average	7.60%

Floating Rate Reversion Year	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 2022	0.00	0.00%	0	0.00%
2022 to 2023	0.00	0.00%	0	0.00%
2023 to 2024	20,464.61	0.24%	3	2.31%
2024 to 2025	150,719.38	1.74%	6	4.62%
2025 to 2026	28,097.86	0.32%	3	2.31%
2026 to 2027	63,729.42	0.73%	3	2.31%
2027 to 2028	31,244.71	0.36%	6	4.62%
>= 2029	8,377,599.41	96.61%	109	83.85%
<b>Total</b>	<b>8,671,855.39</b>	<b>100.00%</b>	<b>130</b>	<b>100.00%</b>

Min	2024
Max	2060

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

# Friary No.9 Provisional Pool

Discount Interest Rate	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 2.50%	0.00	0.00%	0	0.00%
2.50% to 3.00%	0.00	0.00%	0	0.00%
3.00% to 3.50%	0.00	0.00%	0	0.00%
3.50% to 4.00%	1,525,299.38	2.36%	11	2.20%
4.00% to 4.50%	1,493,817.46	2.31%	14	2.80%
4.50% to 5.00%	16,399,519.52	25.37%	115	23.00%
5.00% to 5.50%	29,727,098.75	46.00%	232	46.40%
>= 5.50%	15,483,895.23	23.96%	128	25.60%
<b>Total</b>	<b>64,629,630.34</b>	<b>100.00%</b>	<b>500</b>	<b>100.00%</b>

Min	4.00%
Max	6.85%
Weighted Average	5.24%

Discount Rate Reversion Year	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 2022	0.00	0.00%	0	0.00%
2022 to 2023	0.00	0.00%	0	0.00%
2023 to 2024	17,913,779.62	27.72%	127	25.40%
2024 to 2025	35,375,610.51	54.74%	275	55.00%
2025 to 2026	4,262,079.09	6.59%	40	8.00%
2026 to 2027	470,248.93	0.73%	5	1.00%
2027 to 2028	1,302,362.41	2.02%	14	2.80%
>= 2029	5,305,549.78	8.21%	39	7.80%
<b>Total</b>	<b>64,629,630.34</b>	<b>100.00%</b>	<b>500</b>	<b>100.00%</b>

Min	2024
Max	2029

Source: Friary No.9 Preliminary Prospectus dated 22<sup>nd</sup> April 2024

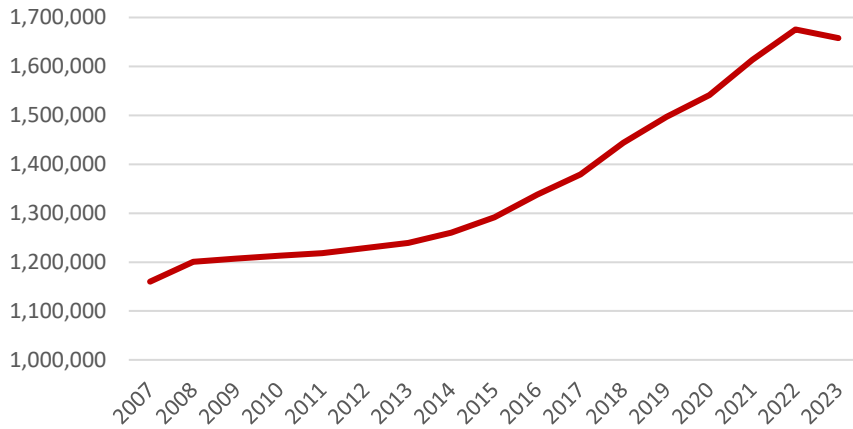


# Appendix 1: UK Mortgage Market Data

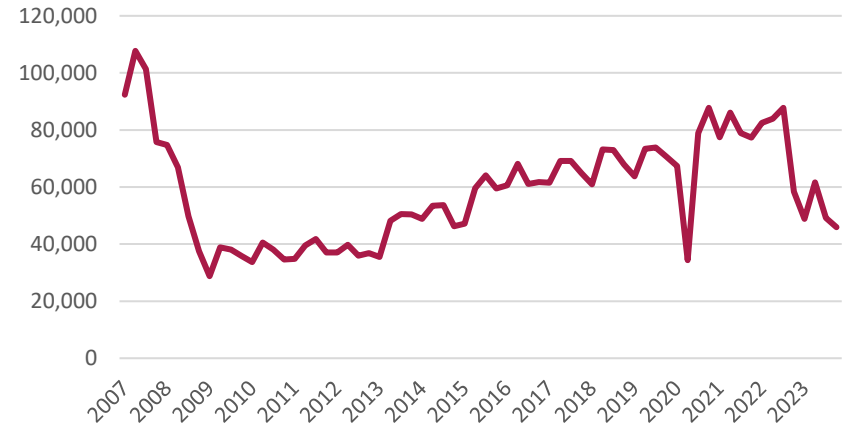


# UK Mortgage Market

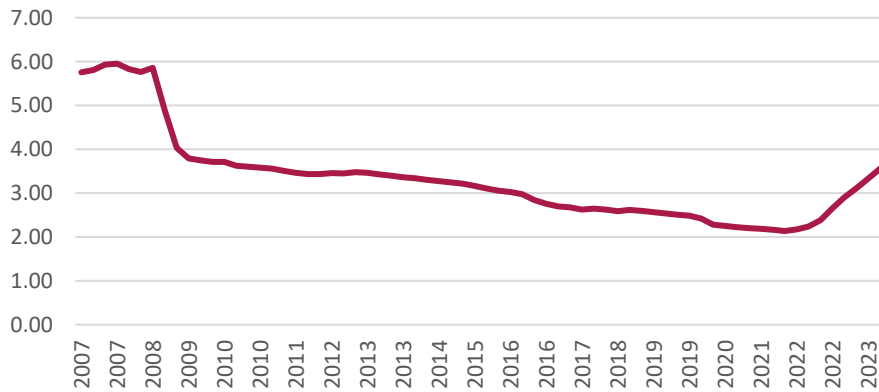
UK outstanding mortgage debt (£m)



UK Mortgage Approvals (Quarterly, £m)



UK Mortgage Interest Rates (Outstanding Loans, %)



UK Unemployment Rate\* (monthly, %)

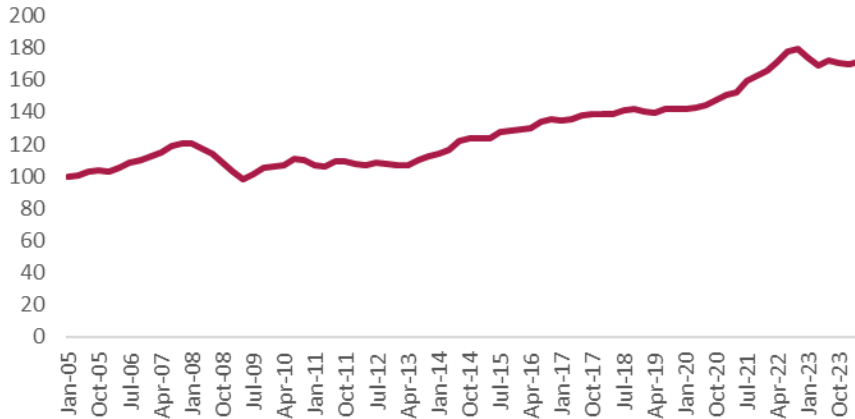


Source: Bank of England, ONS (as at Q1 2024)

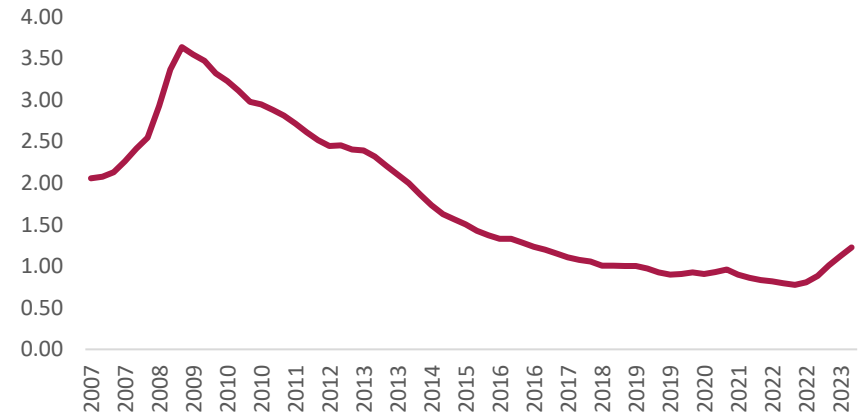
\*Seasonally adjusted

# UK Mortgage Market

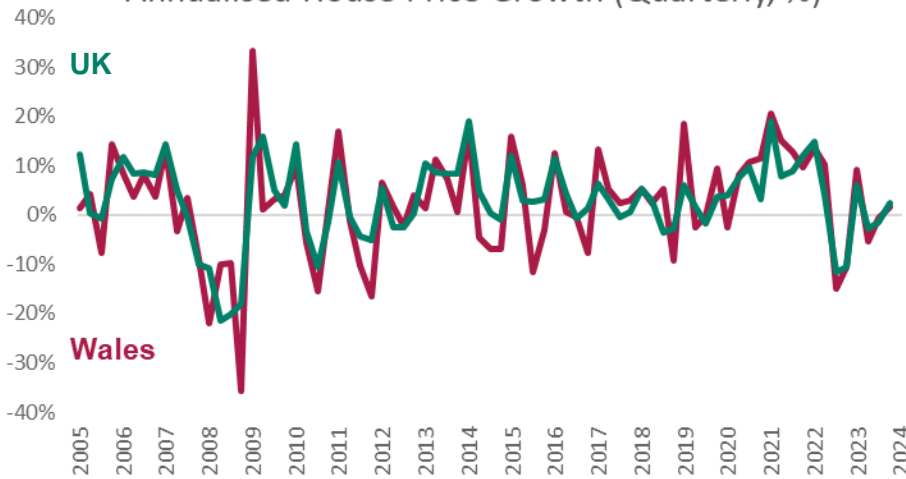
Nationwide House Price Index\*



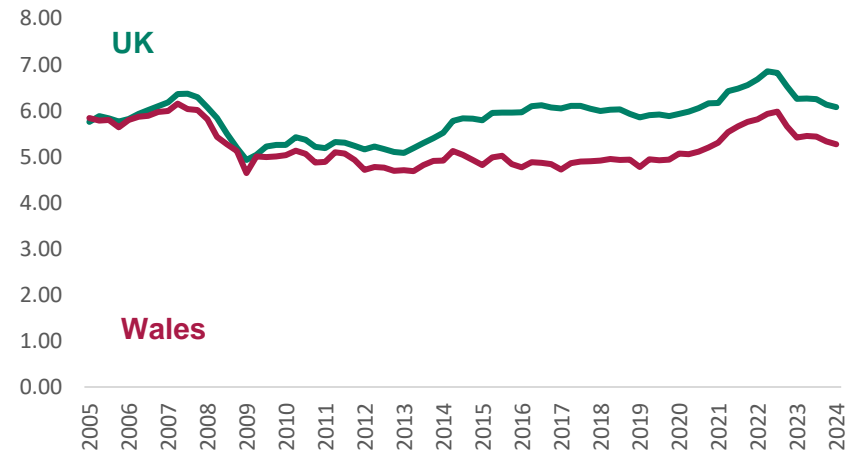
Arrears (% of total outstanding balance)



Annualised House Price Growth (Quarterly, %)



House Price To Earnings Ratio



Source: Nationwide, Bank of England (as at Q1 2024, Q4 2023)

\*Rebased at Q1 2005

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**Thank you for  
your time**

