



Cymdeithas Adeiladu

**Principality**

Building Society

# Investor Presentation

**January 2026**

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# Transaction Overview



Issuer	Principality Building Society
Guarantor	Principality Covered Bonds LLP
Format	UK Regulated Covered Bond
Expected Issue Ratings	Aaa/AAA (Moody's / Fitch)
Size	GBP 500m (Will Not Grow)
Maturity	5 year (soft bullet)
Coupon	Floating / Compounded Daily SONIA with a 5 day observation lag / Quarterly
Denominations	£100,000 and integral multiples of £1,000
Listing / Law	London / English
Documentation	€5 billion Global Covered Bond Programme dated 19 December 2025

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# **1. Strategic Overview**

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# Our Business



**165** years old



**£14.1 billion** in total assets



**Mutual** (member owned)



**450k** savers across the UK



**6<sup>th</sup>** largest building society  
in UK by assets



**Broker led** lending network



**53** branches across Wales






**89k** homeowners in the UK

# Our Business Model



→ Three core business units delivering customer value

<b>Mortgage</b> 	<b>Retail Savings</b> 	<b>Commercial</b> 
<p>New mortgage business is achieved through three avenues:</p> <ul style="list-style-type: none"> <li>• Broker</li> <li>• Direct</li> <li>• Branch</li> </ul> <p>Investment in Mortgage Sales and Originations (MSO) platform has enabled greater volume and efficiency of new mortgage business</p> <p>Strategy prioritises margin-enhancing products &amp; specialist lending capabilities</p> <p>Continue to enhance affordability criteria and product propositions in line with five-year strategic plan</p>	<p>Strong branch network in Wales &amp; the borders with a commitment to maintaining a presence on the high street</p> <p>Focus on encouraging regular saving remains a core element of the strategy</p> <p>Retention also a big focus with understanding and increasing efficiency of customers' associated journeys fundamental to this</p> <p>Recognising the 'customer of the future' with significant investment in the digital capability of the Society</p>	<p>Commercial Lending Business comprises of four distinct lending segments:</p> <ul style="list-style-type: none"> <li>• Housing Associations</li> <li>• Portfolio BTL Landlords</li> <li>• Commercial Investment: Retail, Office and Industrial</li> <li>• Residential Development</li> </ul> <p>Aligned to risk appetite where purposeful lending is achieved in selective areas with positive returns</p> <p>Continue to write good quality business that delivers on the right return for the risk</p> <p>Increase footprint within the Housing Association sector across the UK, whilst also supporting the housing/regeneration ambitions of the Welsh Government &amp; Local Councils</p>

*Note: Second charge lending business (Nemo) ceased new business origination in 2016 and is now in run-off (less than £50m balance remaining)*

# Delivering Against Our Strategy



→ Create a society of savers where everyone has a place to call home

## Better Homes *Create a more accessible housing market*

Helped **4,033** first time buyers get the keys to their first home

Increased our total number of home owners to **89,295**

Committed **£300m** of funding to housing associations in Wales

## Secure Futures *Create a Society of resilient savers*

Net increase of **1,452** new savings customers

Increase of **23,403** Members saving regularly with us

Committed to our branch presence until at least **2030**

Launched new website to improve digital experience

## Fairer Society *Tackle social challenges and supporting a fairer, more inclusive Society*

New charity partnership with Barnardo's Cymru, committing over **£100k** at launch

Over **£1.5m** invested since 2022 in community grants & initiatives

Partnering with **OneBanx** to provide access to cash to communities that need it most

## Resilient Financial Performance

Credit quality of book remains resilient despite challenging market conditions

NIM stabilised at **1.17%**

HY underlying PBT increased YoY to **£22.5m**

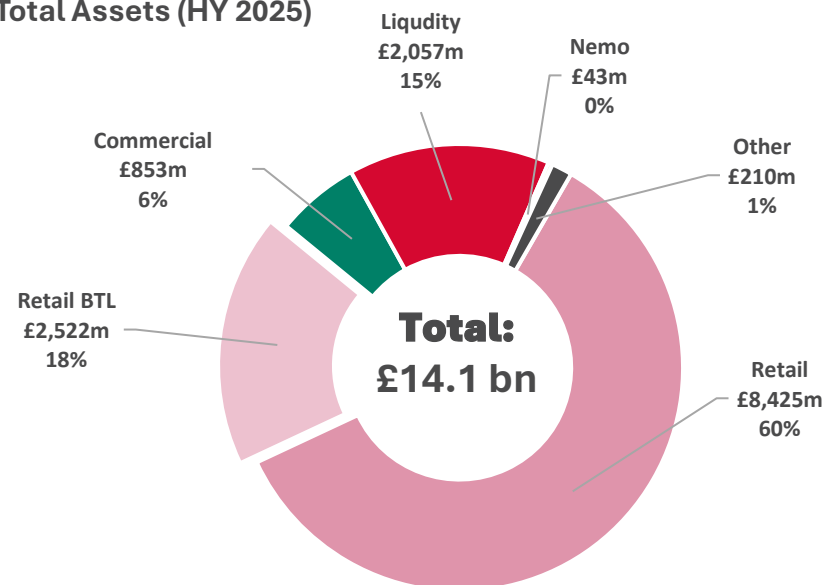
Capital & Liquidity reserves sufficient to meet regulatory requirements and demands

# Asset Composition & Growth

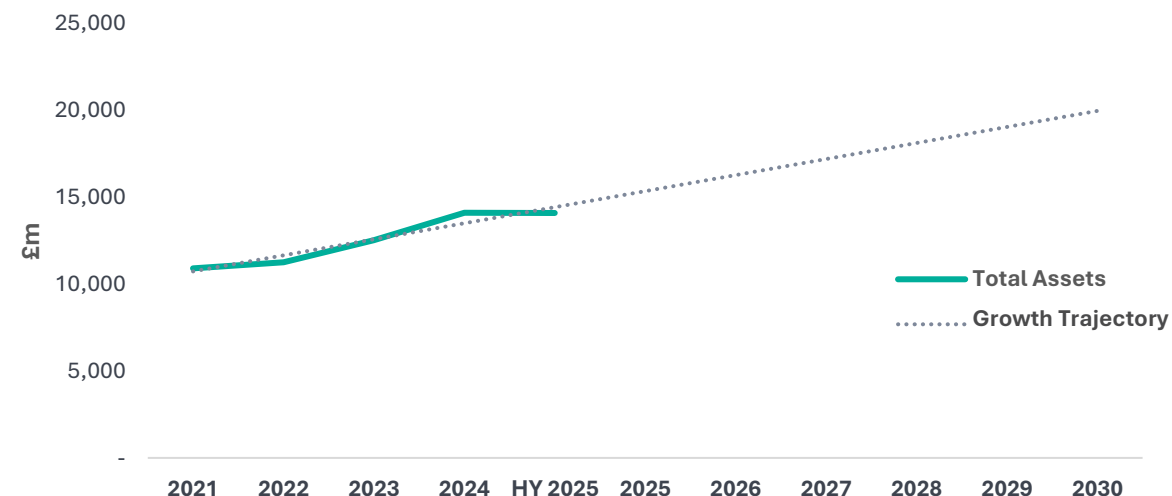


➔ Retail focus with sustainable balance sheet growth

Total Assets (HY 2025)



Society Growth Trajectory



## Total Assets

- c30% growth in total assets from 2021-2024, with continuation of this growth trajectory over the planning horizon

## Focus remains on:

- Sustainable growth through retail mortgages, with commercial growth broadly maintaining asset composition over the medium term
- Improving NIM to enable strategic investment in digital capabilities
- Optimising capital and funding efficiency

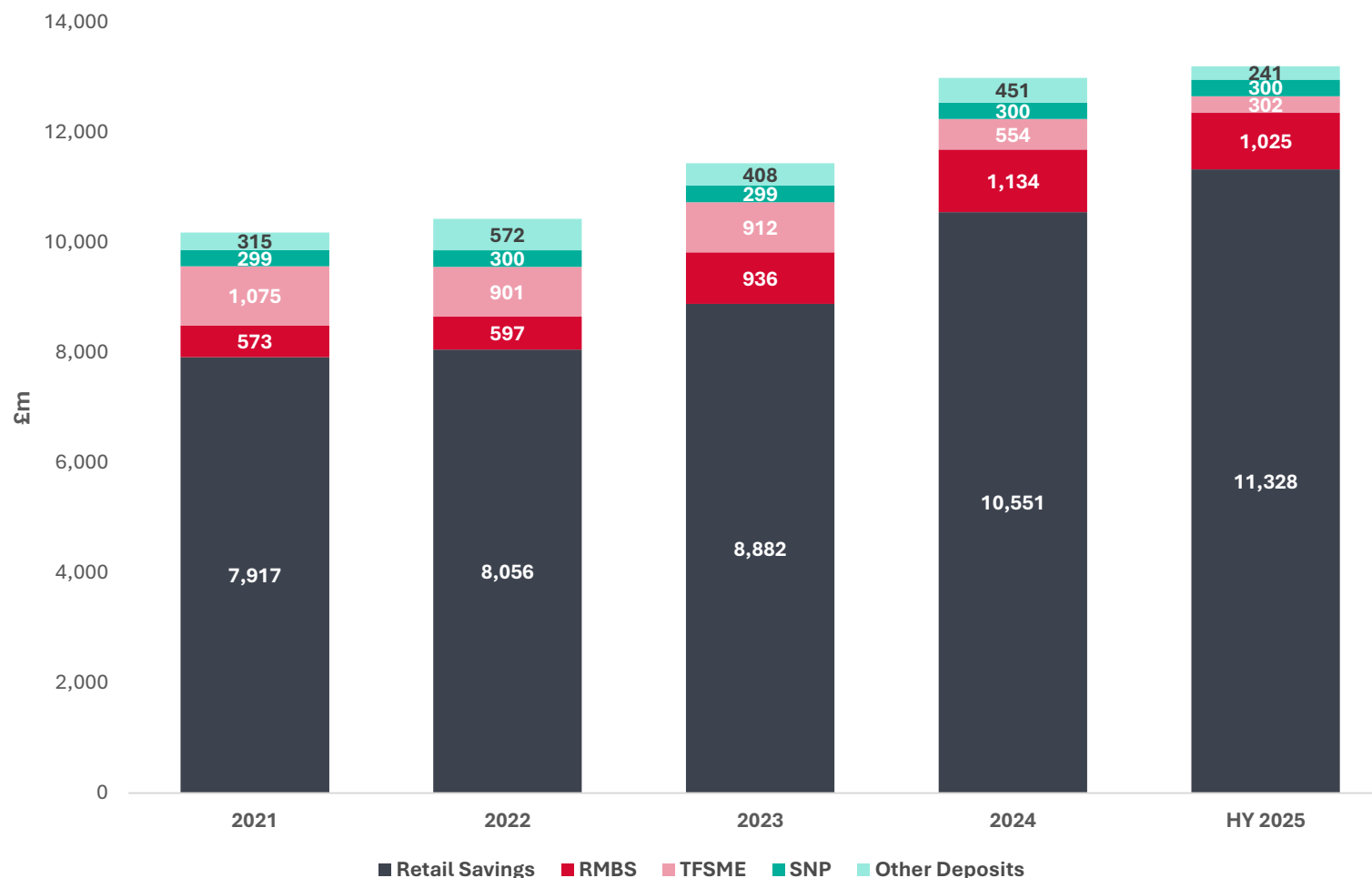
*Note: Nemo in run-off after origination ceased in 2016 (second charge lending business)*



# Funding Profile



 Strong retail savings franchise supported by diverse wholesale funding sources



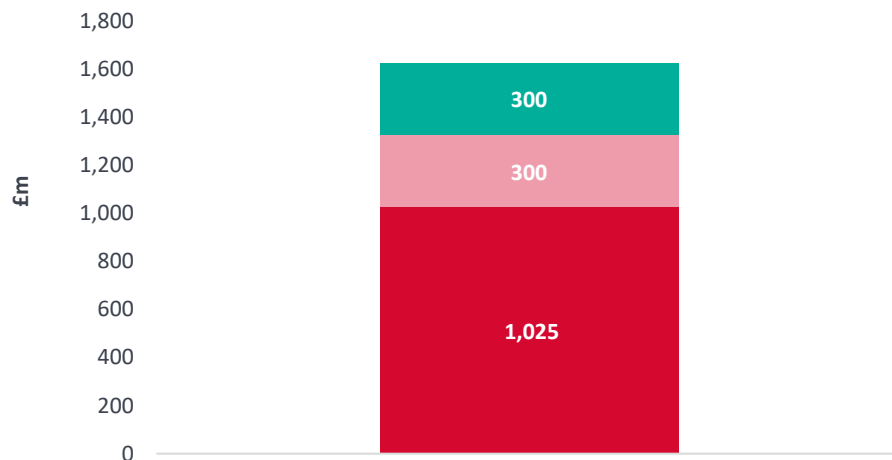
- Growth underpinned by strong retail savings franchise, developing digital footprint and established RMBS franchise (9 issuances to date with 3 remaining in issue)
- Future growth funded through continuing to leverage the brand in Welsh heartlands, improving digital offering and diversifying wholesale funding base
- £900m TFSME funding drawn during COVID
- £300m Senior Non-Preferred debt issued in 2023, replacing £250m unsecured funding

# Wholesale Funding

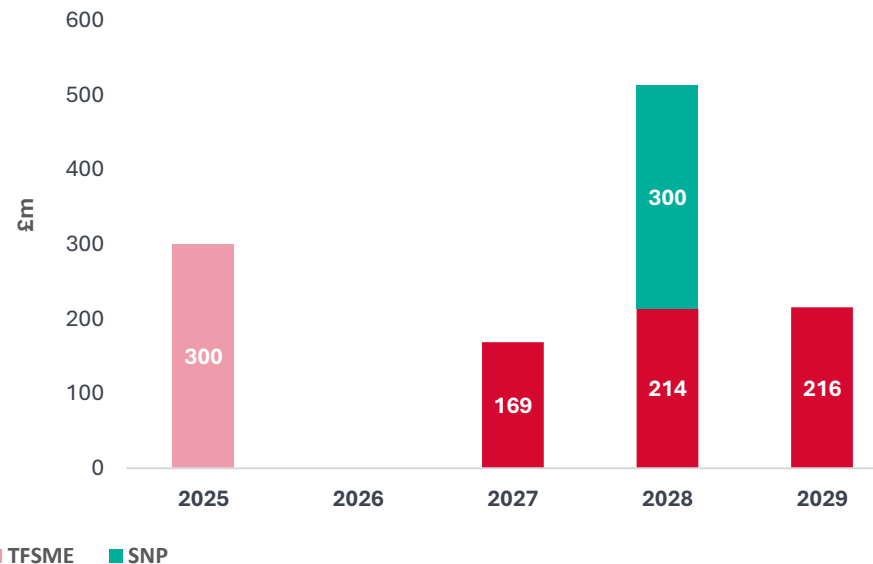


## ➔ Covered Bond programme key to further diversification of wholesale funding

Outstanding Wholesale Funding



Wholesale Funding Maturities



- Diversification of wholesale funding supports our sustainable growth ambitions
- Establishment of a Covered Bond programme will widen our investor base and provide quicker access to markets
- Existing RMBS franchise will remain part of our wholesale funding plans, giving us optionality within Debt Capital Markets
- Outstanding TFSME balance of £300m to be repaid in Q3 2025



## **2. 2025 Results and Performance Update**

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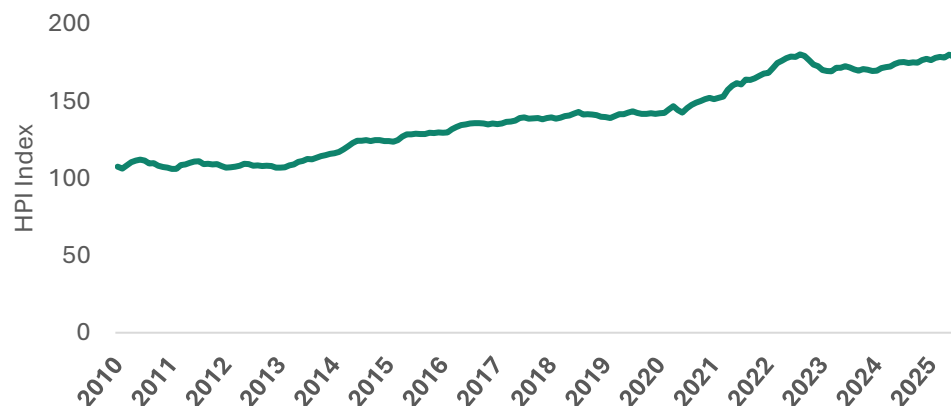


# Operating Environment

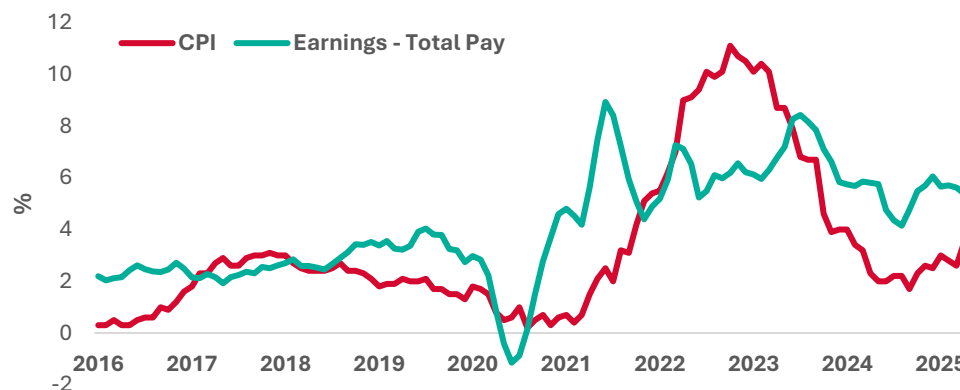


➔ Interest rate environment and competitive mortgage and savings markets have resulted in market-wide margin compression

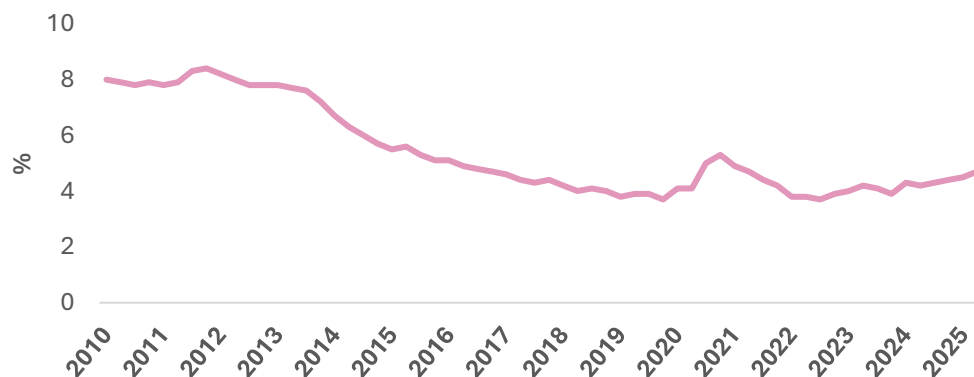
Nationwide House Price Index\*



Inflation & Earnings (Including Bonuses)



Unemployment Rate



- 2025 has seen heightened competition and margin compression across the market. An increase in lending activity has been supported by lower interest rates and easing inflationary pressures
- The requirement to generate funds needed to meet the significant levels of TFSME repayments has increased levels of competition for retail savings deposits from other lenders, leading to NIM pressures across the sector
- In the UK labour market, the unemployment rate has increased modestly this year, and whilst wage growth remains robust, in real terms wages remain lower than pre-cost-of living crisis levels
- Rate of inflation has increased from December 2024 to 3.6% in June 2025, primarily due to higher utility prices. Significant fall from the peak of 11.1% in Q4 2022, the cost of living remains a significant challenge for many UK households

Source: Nationwide, Bank of England, ONS (as at Q2 2025)

\*Rebased at Q1 2005

# Results Highlights



## Lending



Mortgage Growth  
**£406m**  
(HY 2024: £605m)



Net Lending\*  
**£1.2bn**  
(2023: £1.1bn)

## Profitability



Underlying Profit Before Tax (PBT)  
**£22.5m**  
(HY 2024: £20.1m)



Net Interest Margin (NIM)  
**1.17%**  
(HY 2024: 1.22%)

## Capital



CET1 Ratio  
**18.9%**  
(2024: 19.8%)



UK Leverage  
**5.3%**  
(2024: 5.5%)

## Savings



Savings Growth  
**£535m**  
(HY 2024: £832m)



Average Savings Rate  
**3.98%**  
(Market Average: 3.18%)

## Liquidity



Liquidity Coverage Ratio (LCR)  
**168%**  
(2024: 231%)



Net Stable Funding Ratio (NSFR)  
**147%**  
(2024: 137%)

## Engagement



Customer Experience  
**70%**  
(HY 2024: 69.4%)



Broker Experience  
**82.4%**  
(HY 2024: 85.8%)

- Underlying PBT increased by 12% YoY as NIM stabilises and mortgage growth continues
- Capital remains in excess of regulatory requirements and is being deployed to support growth in returns enhancing business

- Mortgage growth supported by strong retail franchise and improving digital footprint
- Member focus reflected in average savings rates and customer engagement
- Key Funding & Liquidity ratios remain in excess of regulatory requirements with improved liquidity efficiency reflected in half year results

Source: Principality Building Society Annual Report and Accounts 2024; Interim Results 2025

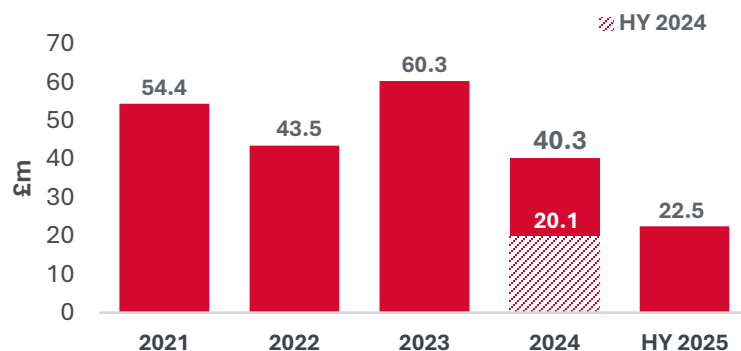
\*FY24 vs FY23

# Profitability

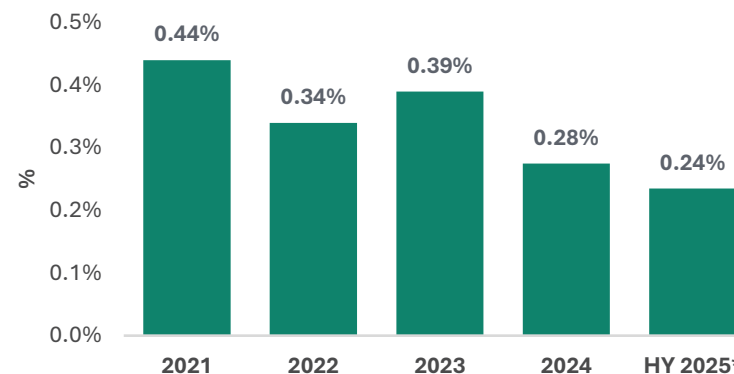


➔ HY Underlying PBT increased 12% YoY as NIM stabilises and mortgage growth continues

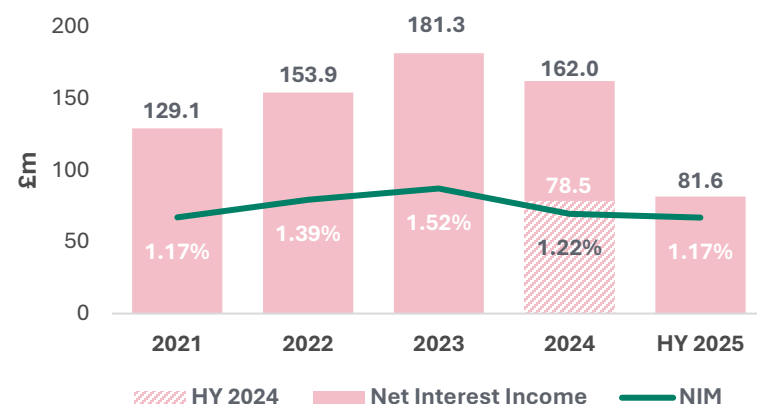
## Underlying Profit Before Tax



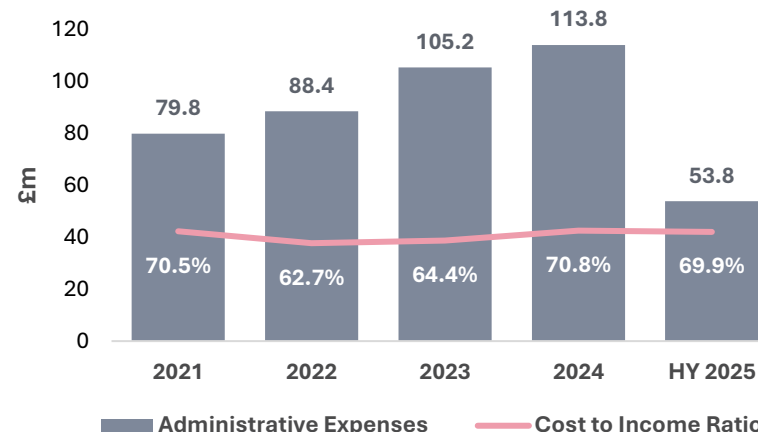
## Return on Assets



## Net Interest Income & Net Interest Margin



## Cost to Income Ratio



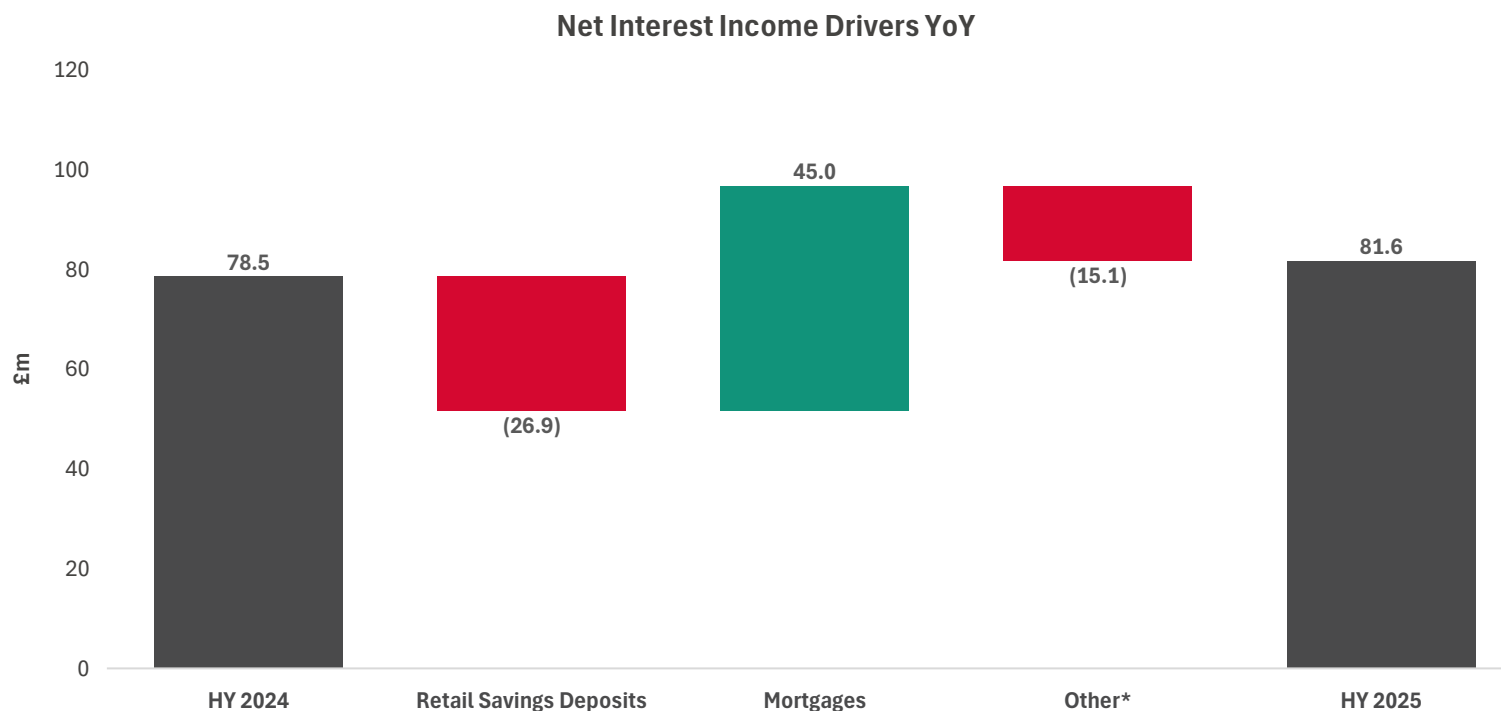
- Increase in underlying PBT (compared to HY 2024) primarily due to an increase in net interest income, driven by the net retail mortgage growth
- Since the pandemic, the fluctuations in profit due to movements in loan loss provisions have stabilised
- Expected reduction of net interest margin reflecting market pressures and the falling rate environment
- The decrease in the cost income ratio is due primarily to an increase in net interest income
- Focus on managing the cost base of the Society as a proportion of assets remains a key strategic priority

\*HY 2025 result annualised

# Net Interest Income



➔ NII increased YoY as mortgage growth continues and NIM stabilises



- NII has grown YoY as mortgage growth has more than offset slight NIM reduction
- NIM pressure from mortgage and savings rates expected to stabilise over planning horizon

\*Other Liquid Assets & Hedges



### **3. Mortgage Business**

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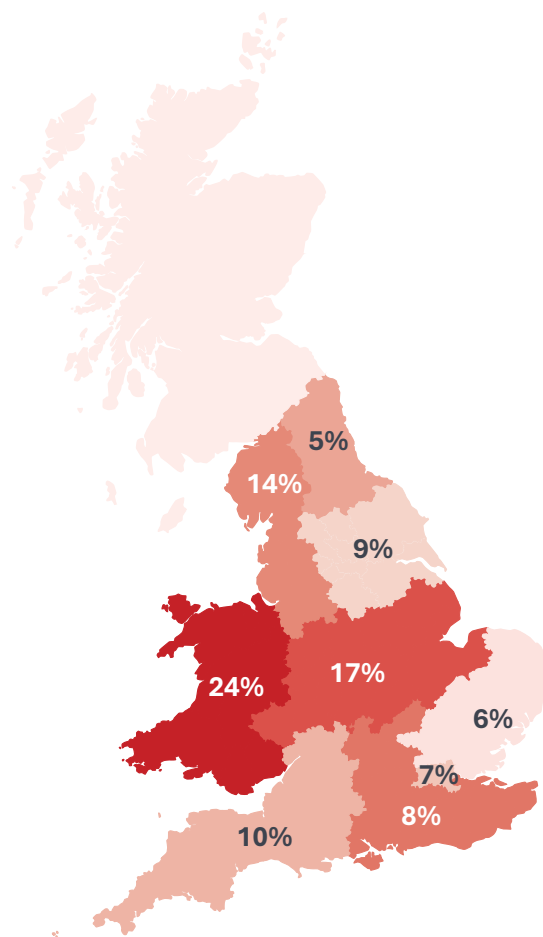


# Mortgage Lending Overview

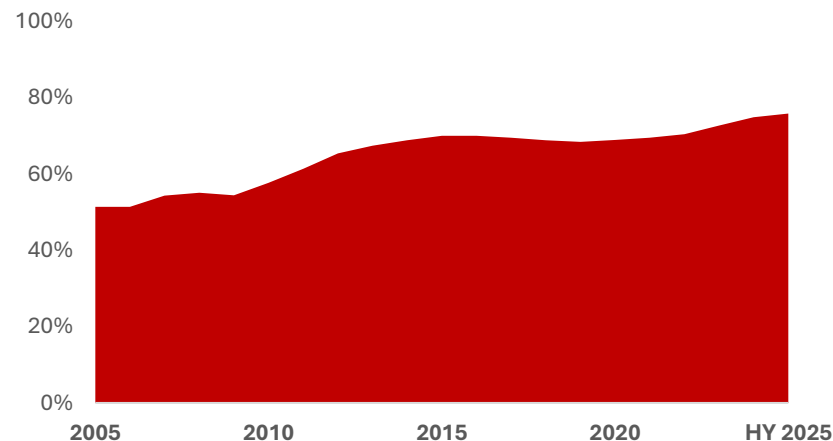


➔ UK lender with a Welsh heritage, diversifying geographic concentration through broker network

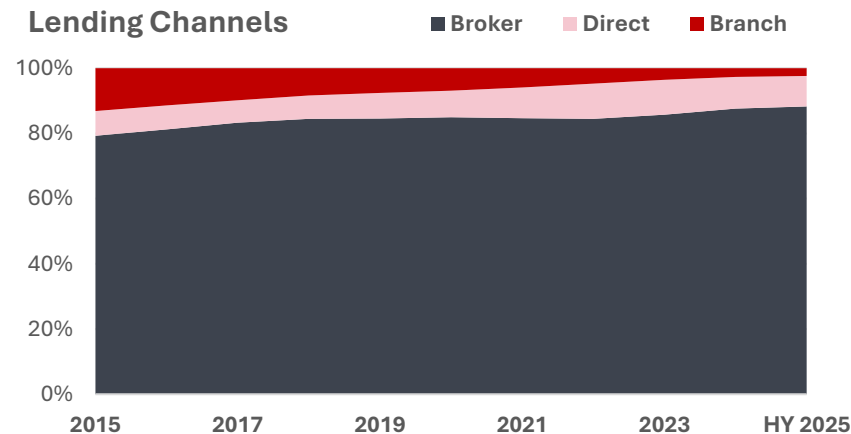
## Geographical Breakdown by Mortgage Balance



## % of Lending Outside of Wales



## Lending Channels



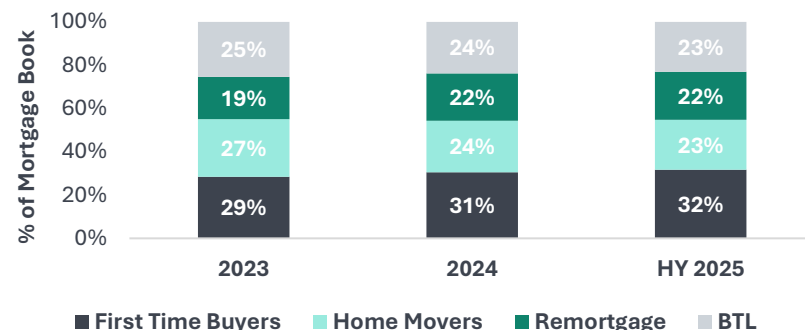
- We continue to support home ownership in our heartlands, with 24% of retail mortgage balances in Wales
- Broker led lending network has increased our reach across the UK, with our % of lending outside of Wales increasing from 51% to 76% since 2005
- Our focus remains on targeting margin-enhancing products and specialist lending capabilities allowing us to differentiate through niche criteria and sound risk management rather than competing solely on headline pricing
- Direct and branch channels are predominantly rate switches/further lending

# Mortgage Portfolio

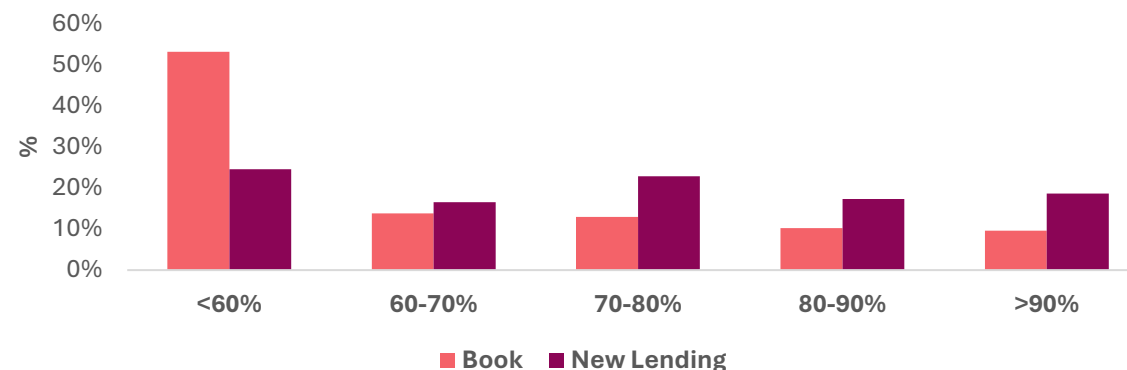


➔ Strategic focus on first time buyers and reduced BTL market changing portfolio composition

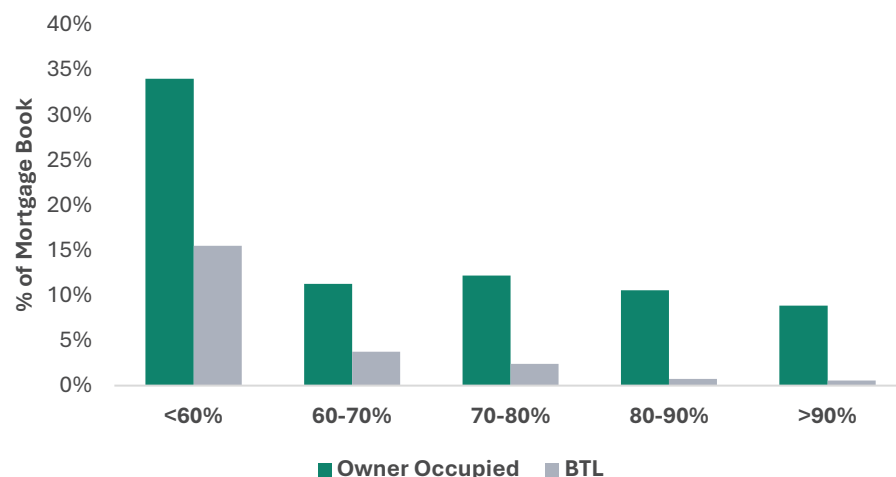
Mortgage Portfolio by Buyer Type



Overall Book vs New Lending\*



Current LTV Breakdown (WA 60%)



- Strategic focus on first time buyers (FTB) in addition to a reduction in the buy to let market resulting from housing policies put in place, is starting to change portfolio composition
- Focus on FTB and utilising risk appetite in higher yielding LTV bands is also driving higher portfolio BTVs
- Average indexed LTV is 60%, with new lending in H125 c70% as FTB tend to be higher LTVs, albeit not concentrated in 95%+ lending

\* New Lending between January – June 2025

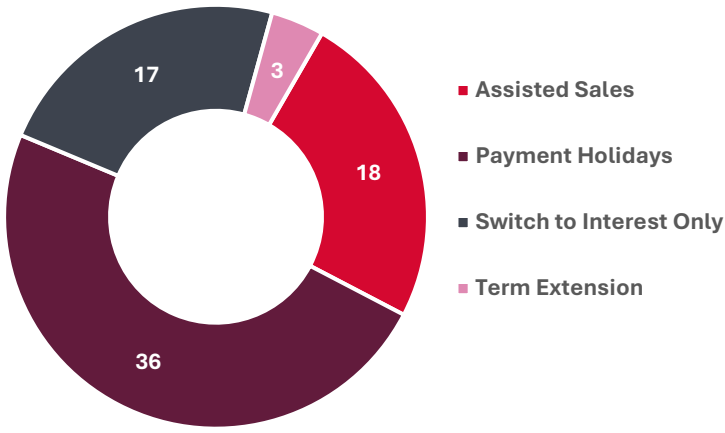
# Forbearance & Arrears



➔ Arrears closely monitored and forbearance applied to enable positive customer outcomes

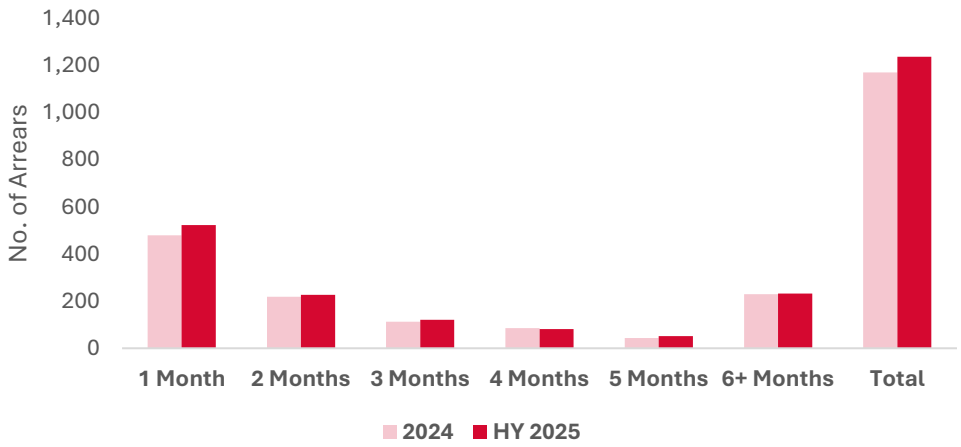
3. Mortgage Business

Forbearance Breakdown (HY 2025)

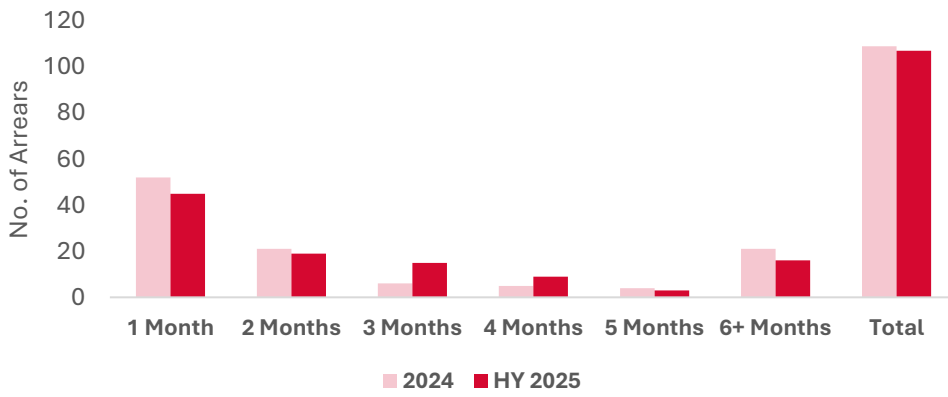


- Forbearance & arrears are closely monitored and a proactive approach is undertaken to help vulnerable customers
- **1,345** accounts out of **89,310** in arrears demonstrates the quality of our lending book and underwriting policies, with only **0.56%** accounts >3 months in arrears (equivalent to 500 accounts)

Owner Occupied Volume of Arrears by Months in Arrears



Buy to Let Volume of Arrears by Months in Arrears

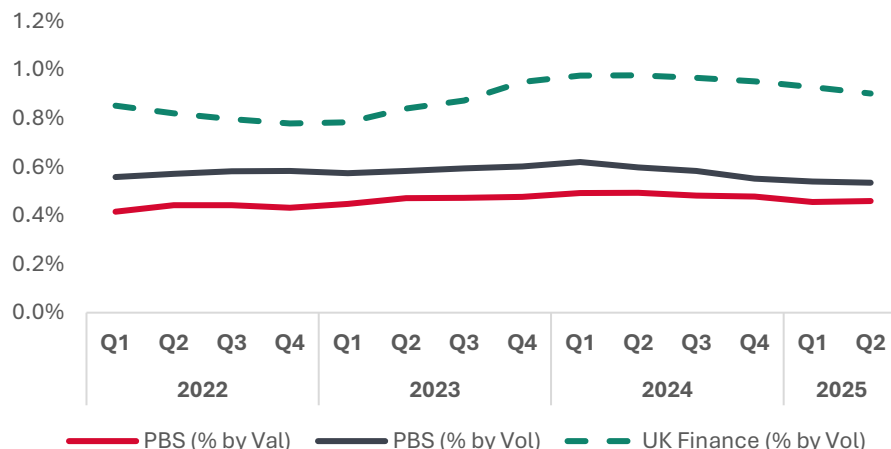


# Arrears Performance

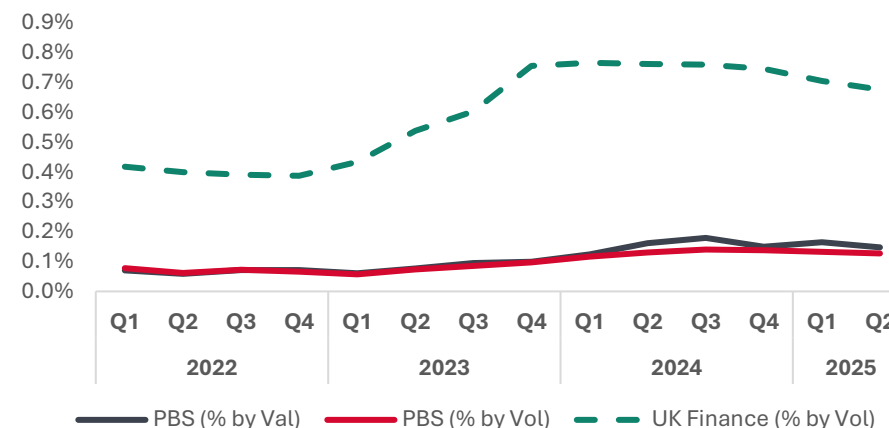


➔ Favourable long term arrears rates vs market, reflecting credit quality, prudent lending criteria and underwriting standards

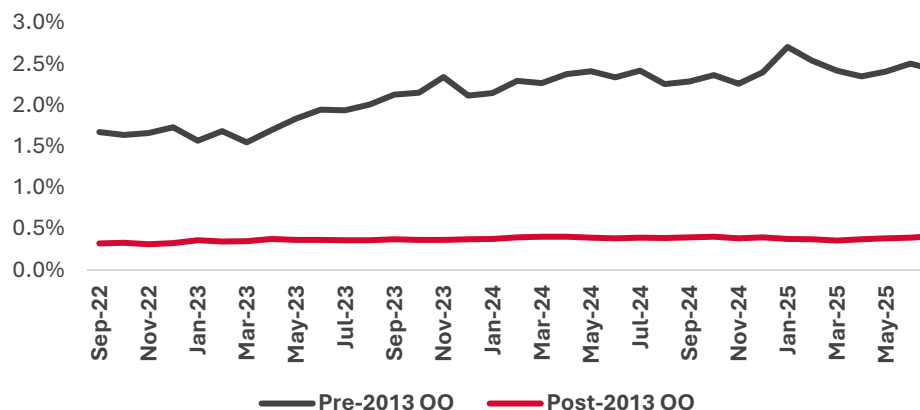
Owner Occupied Book >3M Arrears Rate vs Market



BTL Book >3M Arrears Rate vs Market



Owner Occupied Book >3M Arrears Rate (Pre vs Post 2013)



- Arrears performance remains favourable to UK Finance data across owner occupier and buy to let despite economic challenges of recent years
- Performance of post-2013 lending consistently low reflecting MCOB rules post Financial Crisis

# IFRS 9 Provisions



➔ Prudent coverage ratio ensures adequate loss provision

## ECL Development



- IFRS 9 loan provisions are separately determined for the Retail, Commercial and Nemo business segments, incorporating base model assumptions, forward looking macroeconomic scenarios and post model adjustments
- The Society adopts a conservative approach to IFRS 9 provisioning with one of the highest levels of coverage in the sector at **0.25%** across all portfolios and **0.18%** retail only.
- The coverage level reflects the relationship between the economic response model and the economic scenarios rather an indication of overall portfolio risk.

## Coverage Ratio (%)

Scenario	HY 2025	FY 2024
Retail	0.18	0.17
Commercial	0.95	1.03
Nemo	2.42	3.00
Total	0.25	0.25

Scenario	Base	Upside	Downside	Severe Downside
Weighting	50%	20%	23%	7%



## **4. Retail Savings Business**

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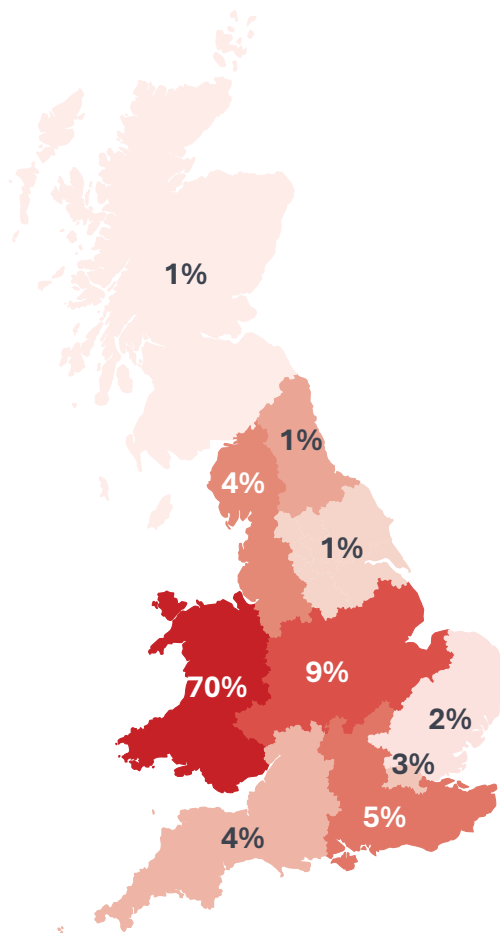


# Retail Savings Overview

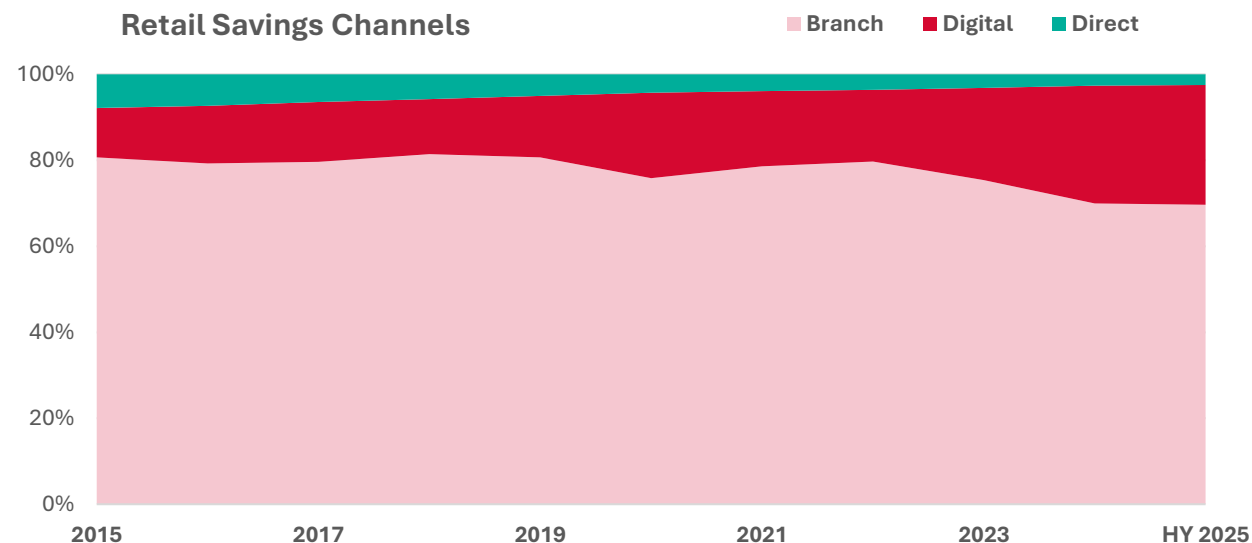


➔ Strong retail savings franchise underpinned by our branch network and growing digital footprint

## Geographical Breakdown by Balance



## Retail Savings Channels



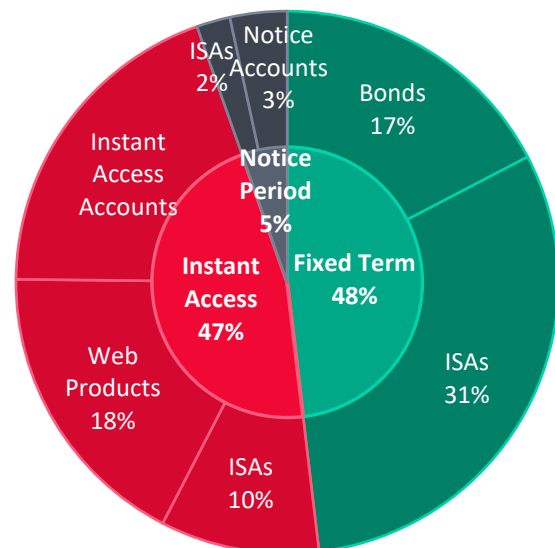
- 70% of retail savings deposits originate in Wales due to our strong brand loyalty underpinned by our branch network – accounting for two-thirds of our savings growth
- We remain committed to the high street with 53 branches across Wales and the borders
- We continue to expand our digital network in line with customer behaviours and as part of a balanced retail savings portfolio

# Retail Savings Portfolio

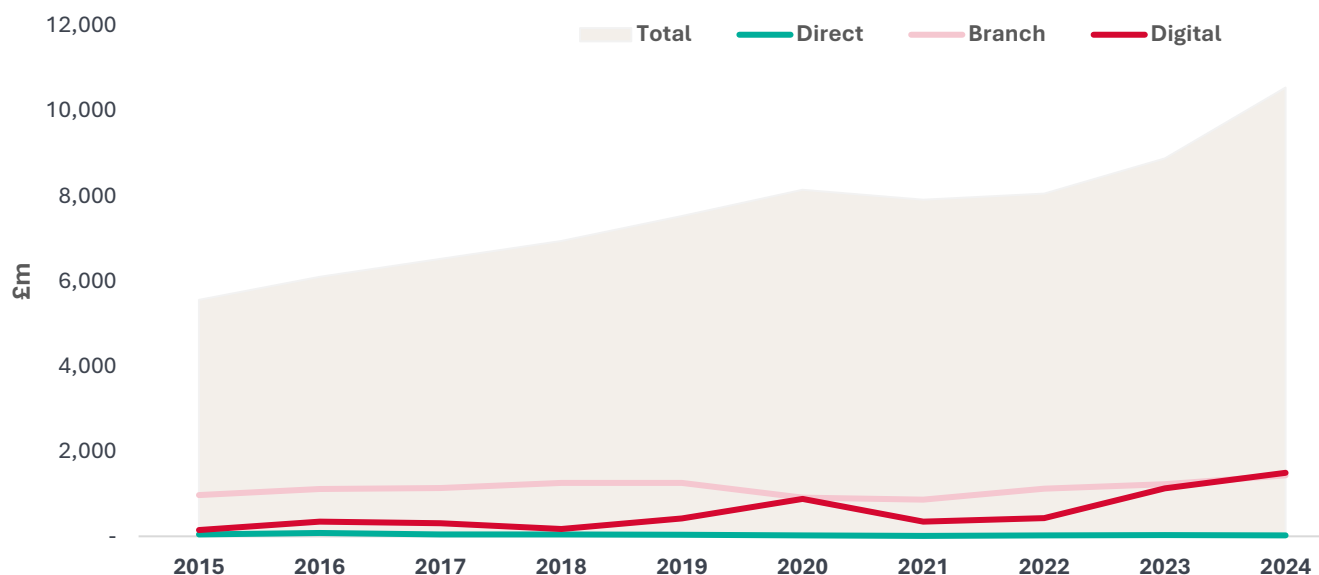


➔ Savings portfolio split evenly across fixed and variable products, with digital offering increasingly important

Retail Savings by Channel & Product Split



Retail Savings Stock & Flow



- Evenly balanced retail savings portfolio across fixed and variable rate products
- In line with our strategic objectives, retail savings balances grew by £535m since December 2024, with the average savings rate paid to members being **0.8%** above the market average
- 96% of mortgages funded by savers
- Digital variable inflows have increased since 2021 and retain term characteristics





## 5. Commercial Business

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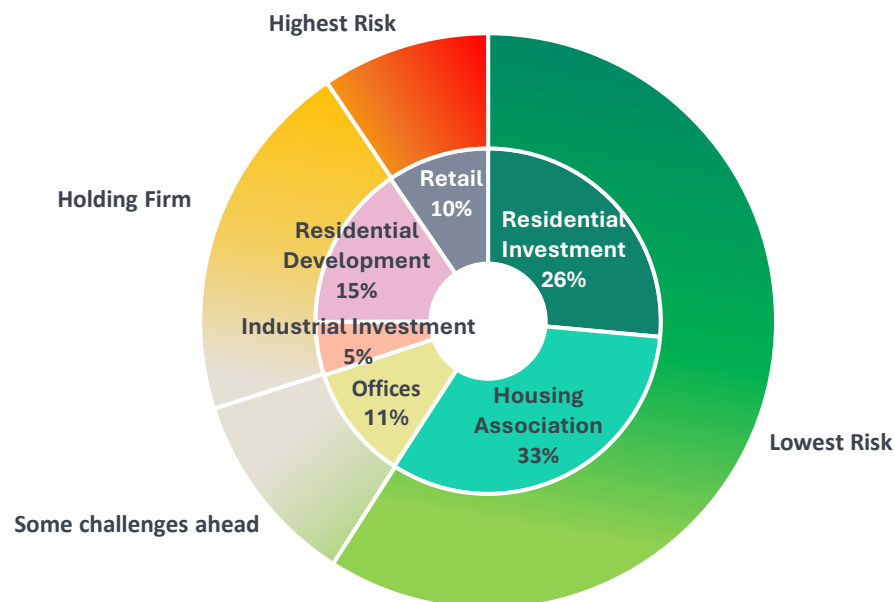


# Commercial Lending

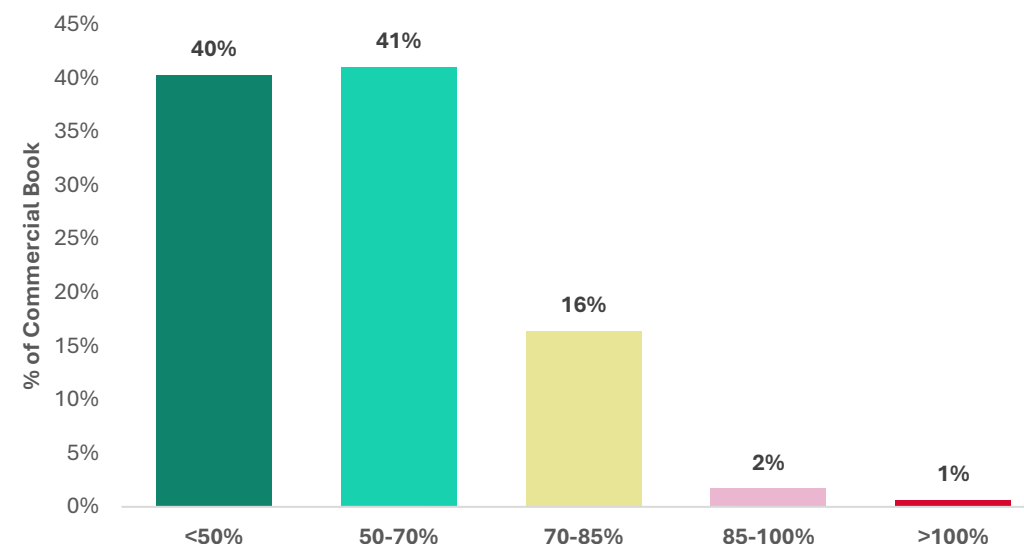


➔ Largely residential housing related lending, with focus on low risk, yield-enhancing sectors

Risk Based Sectoral View of Commercial Book



LTV Profile (WA 53%; FY 2024)



- Portfolio remains aligned to risk appetite where purposeful lending is achieved in selected sectors with positive returns
- Lending predominantly in Wales and London with aim the to retain focus on these key geographical areas whilst remaining aligned to risk appetite
- c.81% of portfolio is <70% LTV with the >85% LTV representing development funding, where LTV is measured against initial land value + build costs to date where uplift in value is realised at practical completion
- There has been downward pressure on margins due to increased competition in the lower risk sectors e.g. Housing Associations and Portfolio BTL. However, the downward trajectory of interest rates improves interest coverage where we have 12 loans (£32.9m balances) in breach of their interest cover covenant (Nov 24: 43 loans, £80.2m)
- Minimal arrears with only 3 customers currently in arrears totalling £3.8m, all of which are closely monitored with measures in place that should see the arrears or the loan repaid



## **6. Capital & Liquidity**

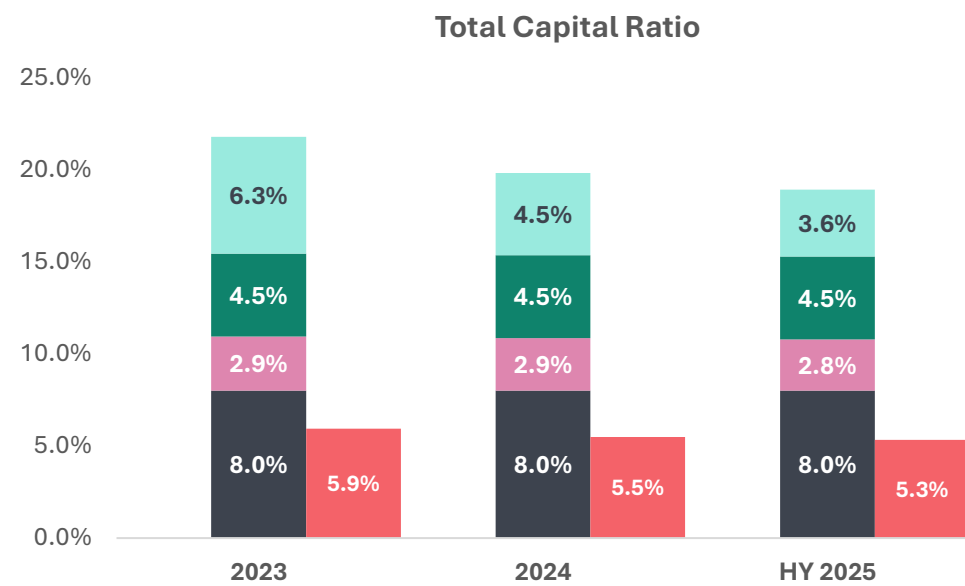
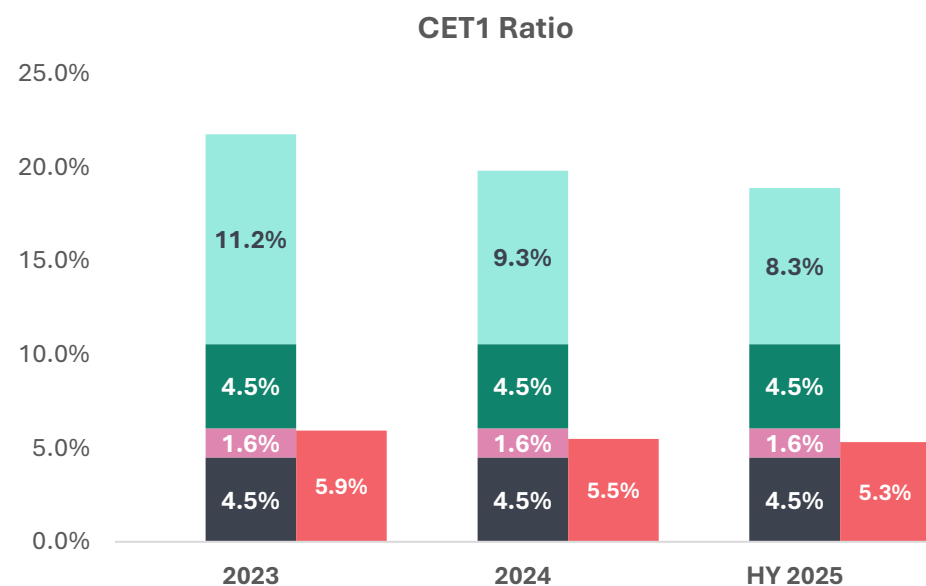
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# Capital



 Strong capital base with improved efficiency to support lending growth



■ Pillar 1 Req ■ Pillar 2A Req ■ Regulatory Stress Buffer ■ Surplus ■ Leverage Ratio

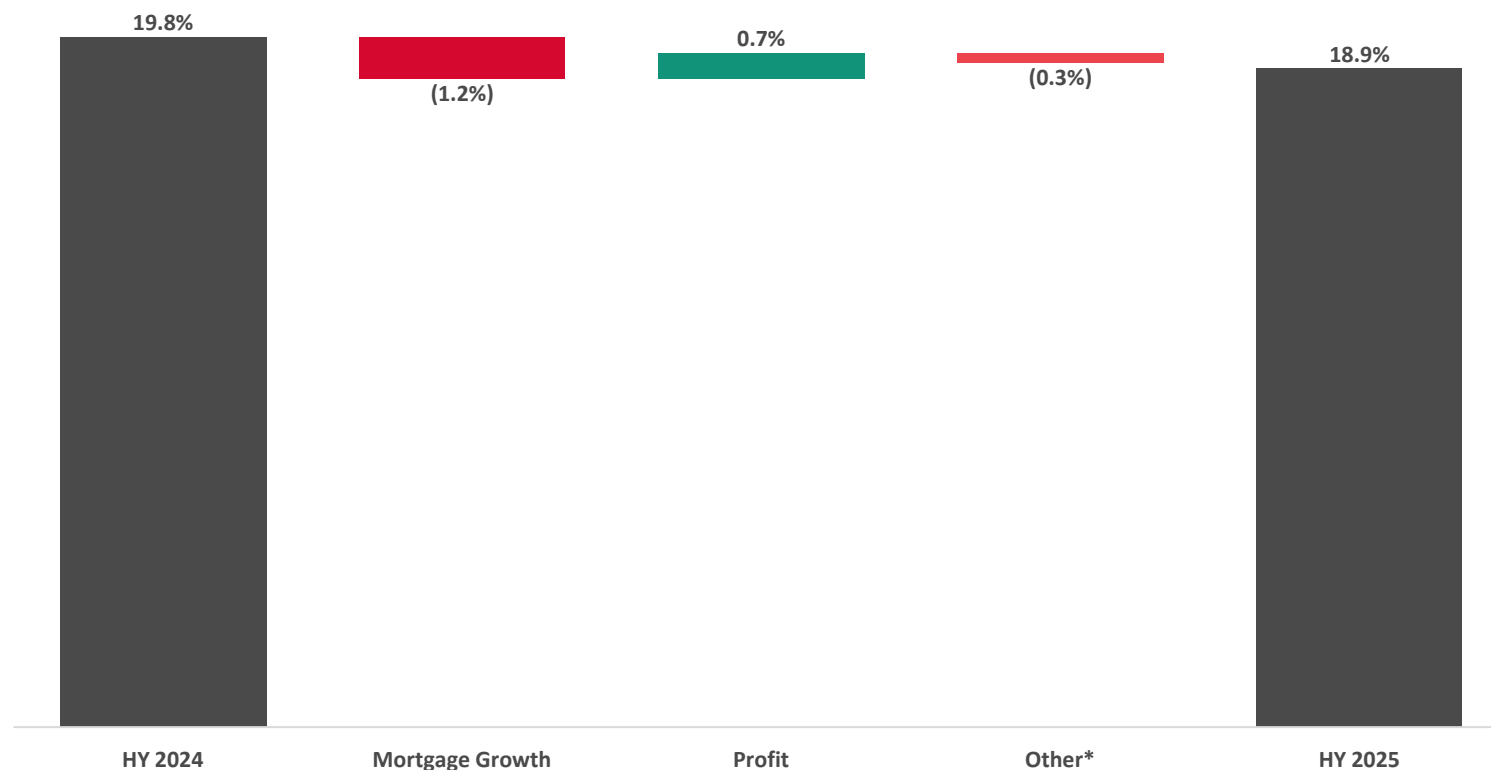
- CET1 Ratio of 18.9% and PRA Leverage ratio of 5.3% remain well in excess of regulatory requirements
- Capital continues to be deployed to support growth in returns-enhancing business

# CET1 Movement



➔ Capital continues to be deployed to support growth in returns-enhancing business

CET1% Movement YoY



- CET1 ratio has decreased YoY as capital utilised in new lending activity is higher than in-year profitability
- PBS will continue to invest capital in positive returning assets as it seeks to be more capital efficient, with a focus on higher yielding assets

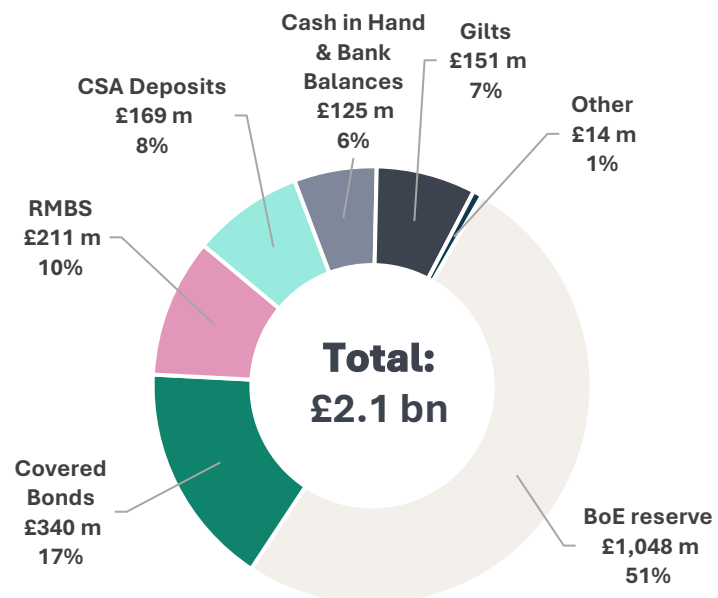
\*Fair Value Adjustments

# Liquidity

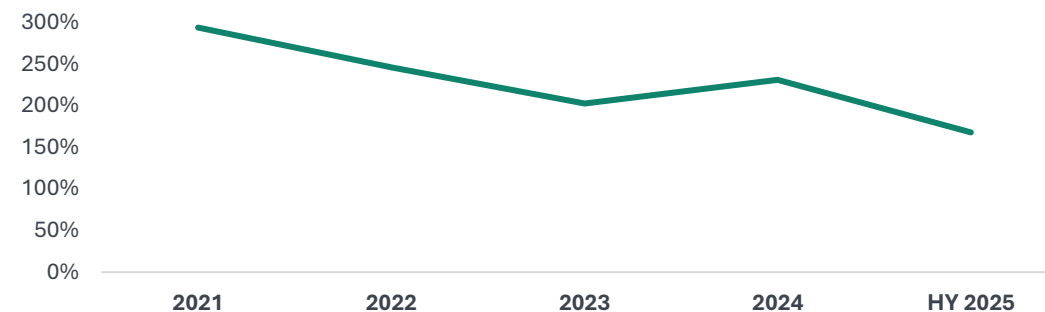


➔ Liquidity remains well in excess of regulatory requirements, while reducing liquidity drag through improved efficiency

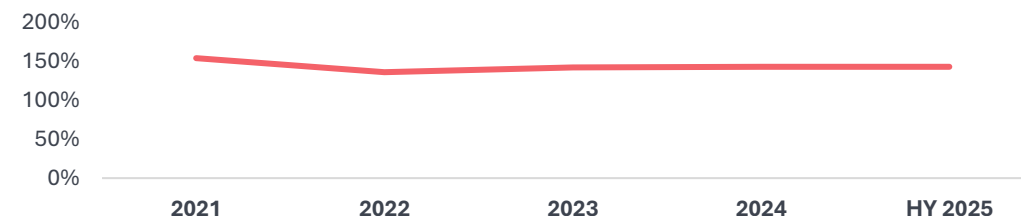
Composition of Liquidity (HY 2025)



Liquidity Coverage Ratio



Net Stable Funding Ratio



- Liquidity Coverage Ratio (LCR) has reduced to 168% at HY 2025 (FY 2024: 231%) as we aim to be more liquidity efficient as TFSME expires. We remain well above the regulatory requirement
- Net Stable Funding Ratio (NSFR) stood at 143% as at HY 2025 (FY 2024: 143%), reflecting the stability of the retail deposit franchise
- The HQLA investment portfolio is entirely sterling denominated and comprises AAA rated Covered Bonds and RMBS and Gilts



## **7. Mortgage Underwriting**

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# Underwriting Processes & Policies



- ➔ A responsible, prudent but also risk based approach to lending, with the aim to consistently deliver fair outcomes for customers

## Underwriting Controls

- Automated / rule driven process to maximise efficiency - all applications are reviewed by an underwriter
- Lending mandate levels clearly defined by role profile
- All borrowers are subject to a credit file search at submission of their application & will not lend where applicants have previously had property repossessed or where a customer is considered to be “credit impaired”
- Well established affordability model in accordance with MCOB with systems & controls in place to monitor its effectiveness
- Fraud control systems (CIFAs, National Hunter2, Q-Guard)

## Lending Criteria Overview

### Residential

- Max LTV of 95% (50% for interest only)
- Max loan size £2m
- Full physical valuation & desktop valuations (subject to criteria)
- LTI capped at 4.49 (sole & joint)
- Enhanced LTI applications accepted for certain cases (e.g. NHS workers)

### BTL

- Max LTV of 75%
- Max loan size £1m
- Full physical valuation & desktop valuation for BTL remortgages (subject to criteria)
- Maximum portfolio of 3 mortgaged BTL properties
- Includes holiday lets - rental income determined on an unfurnished 6-month AST only

*Note: Full underwriting criteria can be found in Appendix*



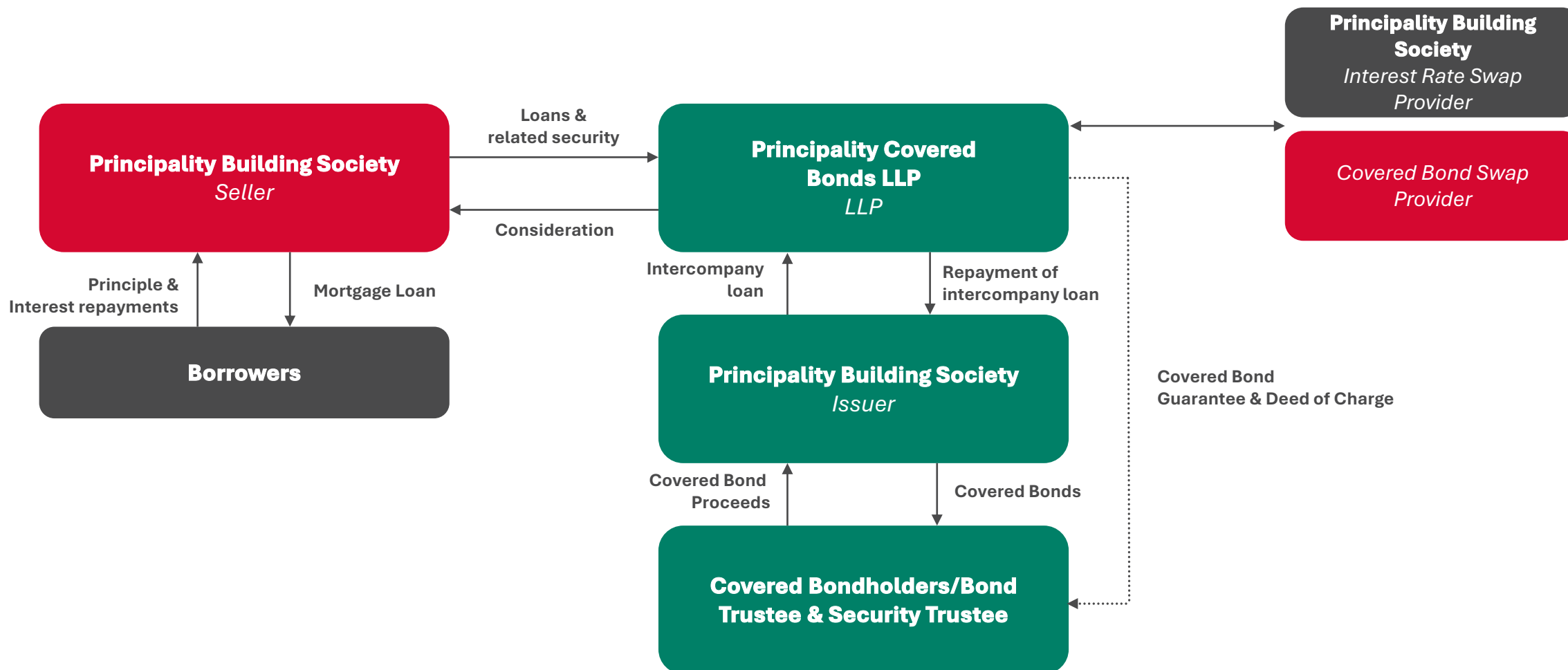


## 8. Covered Bond Programme

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# Programme Structure









# Programme Overview



<b>Issuer</b>	Principalitas Building Society
<b>Guarantor</b>	Principalitas Building Society Covered Bonds LLP
<b>Seller</b>	Principalitas Building Society
<b>Servicer</b>	Principalitas Building Society
<b>Nature of Eligible Property</b>	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
<b>Asset Monitor</b>	Deloitte LLP
<b>Trustee</b>	HSBC Corporate Trustee Company (UK) Limited
<b>Description</b>	Global Regulated Covered Bond Programme
<b>Programme Size</b>	Up to €5bn aggregate principal amount of Covered Bonds outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement
<b>Expected Ratings</b>	Covered Bonds to be issued under the Programme are expected to be rated Aaa/AAA on issuance by Moody's and Fitch respectively
<b>Specified Currencies</b>	Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms
<b>Form of Covered Bonds</b>	The Covered Bonds will be issued in bearer or registered form as described in the base prospectus
<b>Status of Covered Bonds</b>	The Covered Bonds and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu without any preference among themselves and (subject to any applicable statutory provisions) pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer.
<b>Reference Rate</b>	Daily compounded SONIA
<b>Format</b>	Soft Bullet only
<b>Denomination</b>	Minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency)
<b>Listing &amp; Admission to Trading</b>	Application will be made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the main market of the London Stock Exchange
<b>Reserve Fund</b>	A Reserve Fund will be established by the LLP in the Transaction and be funded by Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount.
<b>Calculation Date</b>	The 14th day of each month (or, if that day is not a Business Day, then the immediately preceding Business Day)
<b>Calculation Period</b>	The period from, and including, the first day of each month to, and including, the last day of each month
<b>Key Tests</b>	<div> 1. Asset Coverage Test  2. Interest Shortfall Test  3. Yield Shortfall Test (following Issuer Event of Default) </div> <div> 4. Amortisation Test (following Issuer Event of Default)  5. Reserve Fund Required Amount </div>
<b>Maximum Asset Percentage</b>	92.5%
<b>Statutory Minimum Overcollateralisation</b>	108% of the principal amount outstanding of the Covered Bonds
<b>Governing Law</b>	English Law

# UK Covered Bond Programmes



Issuer	 Principality	 nationwide	 SKIPTON BUILDING SOCIETY Since 1853	 COVENTRY Building Society	 Leeds Building Society	 YORKSHIRE BUILDING SOCIETY
Guarantor	Principality Covered Bonds LLP	Nationwide Covered Bonds LLP	Skipton Covered Bonds LLP	Coventry Building Society Covered Bonds LLP	Leeds Building Society Covered Bonds LLP	Yorkshire Building Society Covered Bonds LLP
Issue Ratings (M/S/F)	[Aaa]/NR/[AAA]	Aaa/AAA/AAA	Aaa/NR/AAA	Aaa/NR/AAA	Aaa/NR/AAA	Aaa/NR/AAA
WA Indexed LTV (%)	58.9%	52.1%	54.3%	46.6%	47.8%	53.9%
WA Seasoning (months)	41	79	60	64	72	67
WA Remaining Term (months)	293	258	254	237	235	263
WA Interest Rate (%)	4.5%	3.8%	4.1%	3.7%	3.9%	4.0%
% Fixed Rate	94.3%	91.1%	90.7%	91.9%	94.0%	92.0%
% SVR	5.7%	4.5%	4.1%	6.1%	6.0%	3.3%
% Interest Only	8.8%	2.6%	13.4%	2.7%	20.0%	3.7%
% Owner Occupied	94.5%	100.0%	91.5%	100.0%	86.0%	100.0%
% Buy-to-Let	5.5%	0.0%	8.5%	0.0%	14.0%	0.0%
>3m in arrears (%)	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
London & South East (%)	11.5%	38.6%	33.8%	45.8%	25.0%	34.6%

Source: Latest available investor reports, November 2025

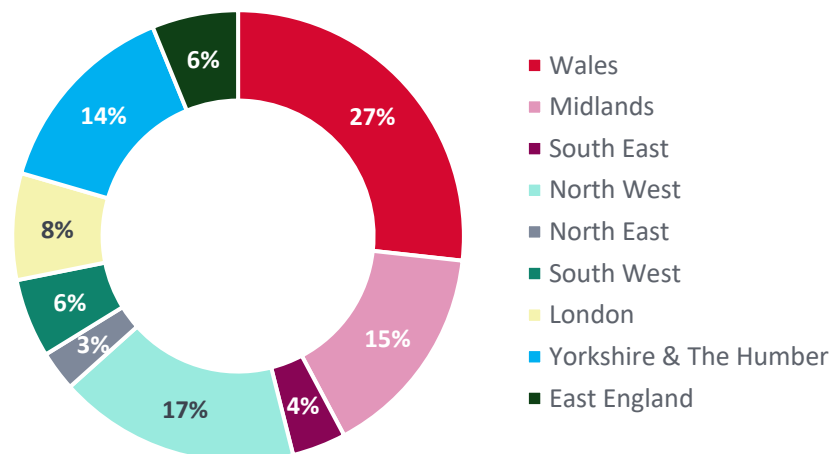
# Cover Pool Overview



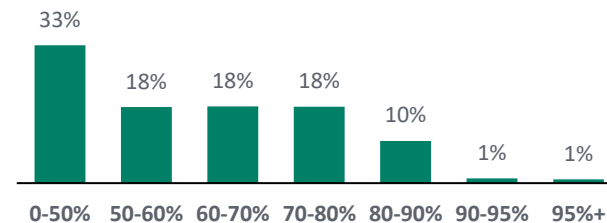
Pool Overview (November 2025)

Pool Size	£965,439,800
Average loan balance	£117,293
No. of Loans	8,231
WA Non-Indexed LTV	66.5%
WA Indexed LTV	58.9%
WA Interest Rate	4.45%
WA Seasoning (months)	41.4
WA Remaining Term (months)	293.3
Employed	86.1%
Self-Employed	12.2%

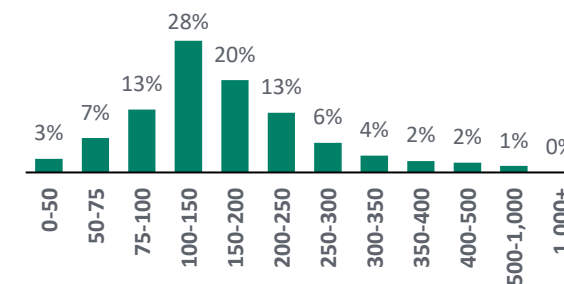
Regional Distribution



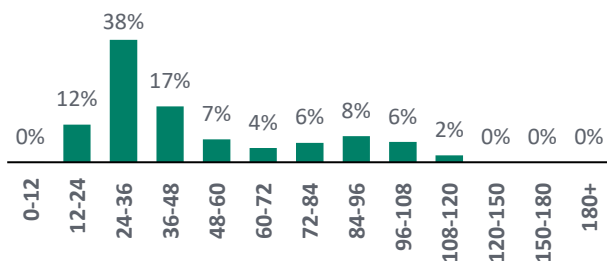
Current Indexed LTV (%)



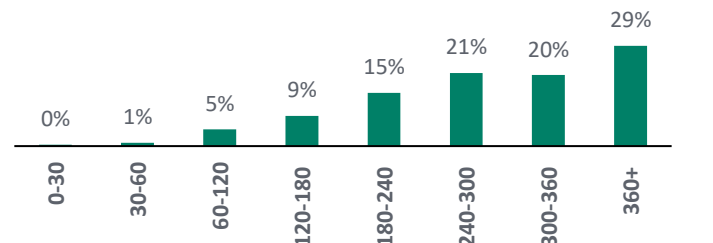
Current Balance (£000)



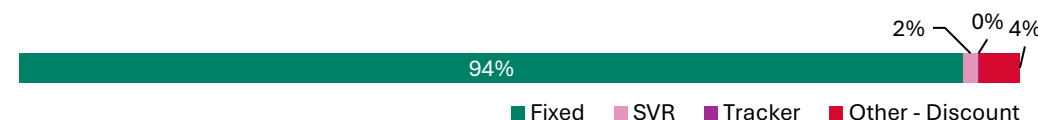
Seasoning (months)



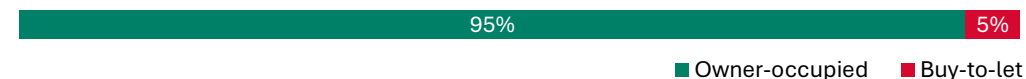
Remaining Term (months)



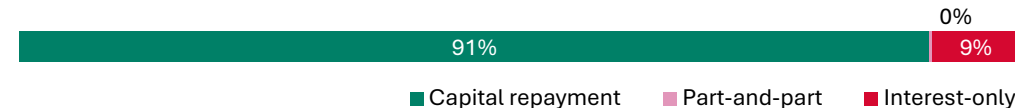
Interest Payment Type



Loan Purpose



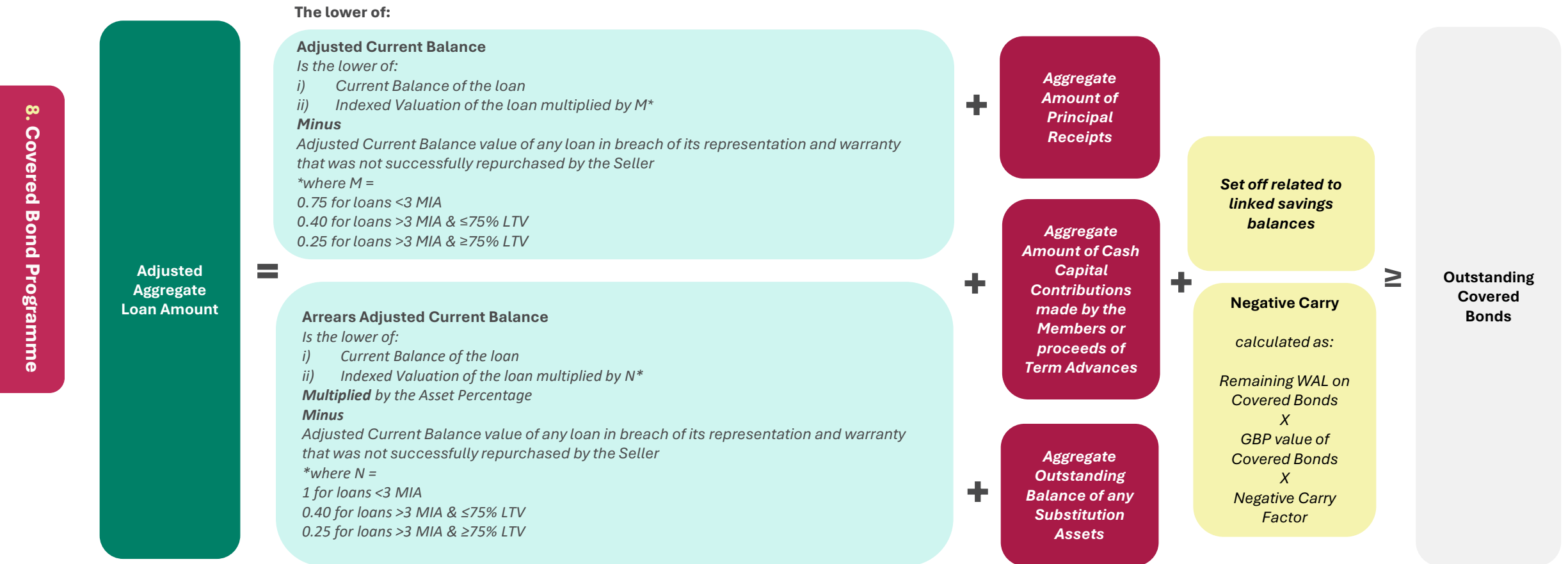
Repayment Type





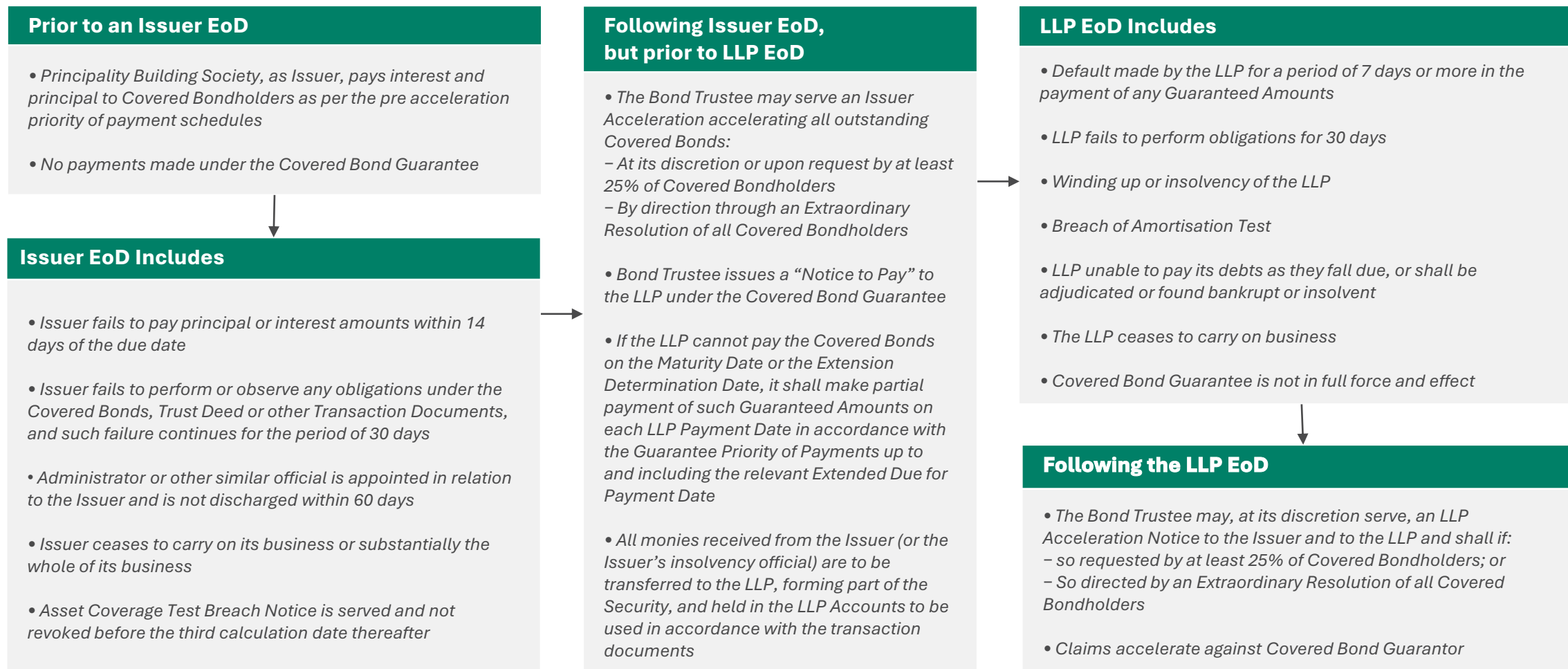
# Asset Coverage Test

➔ The Asset Coverage Test is satisfied where the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period



Note: This is a summary of the Asset Coverage Test. Please see the Principality Building Society Covered Bond Base Prospectus for a complete description. It is important to note that this is a standard test in the covered bond market and is not unique to this transaction.

# Events of Default (EoD)



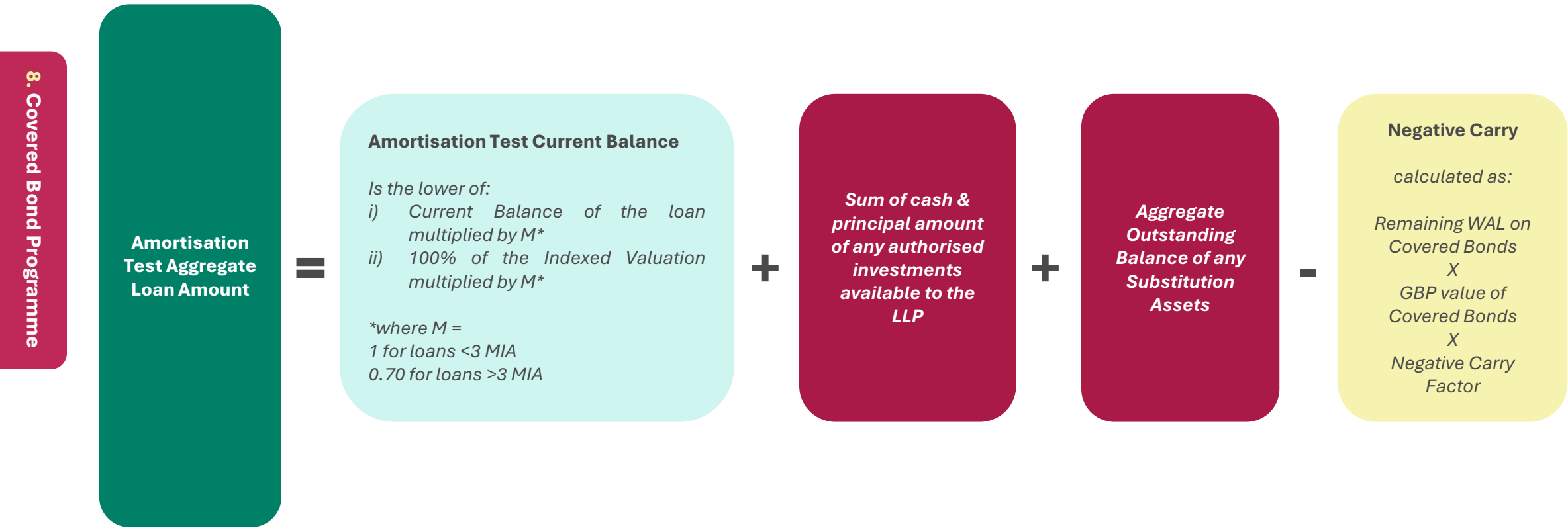
Note: Please see Prospectus for further information on Events of Default



# Amortisation Test

→ The Amortisation Test is satisfied where the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date

*The Amortisation Test is only performed following the service of a Notice to Pay on the LLP*



*Note: This is a summary of the Amortisation Test. Please see the Principality Building Society Covered Bond Base Prospectus for a complete description. It is important to note that this is a standard test in the covered bond market following the service of a Notice to Pay on the LLP and is not unique to this transaction.*



# Comparison of Legal Frameworks



	United Kingdom	Australia	Canada	Germany
<b>Legislation</b>	UK Regulated Covered Bonds Regulation	Banking Act 1959 (as amended)	National Housing Act Canadian Registered Covered Bond Program Guide	Pfandbriefe Act
<b>Supervision</b>	Financial Conduct Authority & Asset Pool Monitor	Australian Prudential Regulation Authority & Cover Pool Monitor	CMHC, OSFI, AMF (Quebec) & Cover Pool Monitor	German Federal Financial Supervisory Authority (BaFin)
<b>Investor Recourse to Issuer</b>	Direct	Direct	Direct	Direct
<b>Repayment</b>	Hard, Soft Bullet, CPT	Hard, Soft Bullet, CPT	Hard, Soft Bullet, CPT	Soft Bullet
<b>LTV Limits</b>	80%	80%	80%	All limits 60%. Other assets (Aircraft) 60%.
<b>Mandatory Overcollateralisation</b>	Residential Mortgages - 108% - nominal	103% per max. asset percentage in asset coverage test of 95%	Residential Mortgages - 103% - nominal	Public sector - 2% - OC: 2% NPV + Nominal 2% Mortgage - 2% - OC: 2% NPV + Nominal 2% Ship - 5% - OC: 2% NPV + Nominal 5% Aircraft - 5% - OC: 2% NPV + Nominal 5%
<b>In the Event of Insufficient Pool Assets...</b>	Investors rank pari passu with all non-preferred deposit liabilities and other unsubordinated and unsecured obligations of the bank	Investors rank pari passu with all non-preferred deposit liabilities and other unsubordinated and unsecured obligations of the bank	Investors rank pari passu with all non-preferred deposit liabilities and other unsubordinated and unsecured obligations of the bank	Investors rank pari passu with all non-preferred deposit liabilities and other unsubordinated and unsecured obligations of the bank
<b>Protection Against Credit Risk</b>	Yes, defined by Asset Coverage Test	Yes, defined by Asset Coverage Test	Yes, defined by Asset Coverage Test	Yes, non-performing loans are excluded from the cover register and NVT tests
<b>Liquidity Risk Management Requirements</b>	Maturity extension provisions Contractual pre-maturity test Stress testing requirements  Hard bullets have pre-maturity tests. Soft bullets predominate	180 days liquidity provisions Matching requirements Stress testing requirements	Similar to "180 days liquidity provisions" Cash reserve requirements are required to be prescribed and triggered at a Ratings Trigger for a period specified in the program. Hard bullets require pre-maturity tests and are required by the Guide and contractual obligations. Soft bullets dominate.	180 days liquidity provisions Maturity extension provisions  Pfandbriefe issuers are obliged to cover the maximum liquidity gap within the next 180 days since 2009.
<b>Updates to Property Valuation</b>	Indexed valuations	Periodic revaluations by ADI's	Indexed valuations	Mortgage lending value
<b>In The Event of Insolvency, First Claim is on...</b>	All payments received from SPV assets	All payments received from SPV assets	All payments received from SPV assets	All payments received from the earmarked assets

Source: ECBC Country Comparison



## 9. **Contacts**

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# Contacts



## Christopher Peters

**Head of Balance Sheet Management**

**T:** +44 7738 435421

**E:** [christopher.peters@principality.co.uk](mailto:christopher.peters@principality.co.uk)

## Lauren Palmer

**Debt Capital Markets Senior Manager**

**T:** +44 7889 043839

**E:** [lauren.palmer@principality.co.uk](mailto:lauren.palmer@principality.co.uk)

## Adam Salamon

**Debt Capital Markets Associate**

**T:** +44 7930 496064

**E:** [adam.salamon@principality.co.uk](mailto:adam.salamon@principality.co.uk)

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### Useful links

**Principality Building Society Main Website:**

<https://www.principality.co.uk>

**Principality Building Society Financial Results:**

<https://www.principality.co.uk/home/corporate-governance/financial-reports>

**Principality Building Society Investor Relations:**

<https://www.principality.co.uk/home/corporate-governance/investor-relations>



## **10. Appendix**

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# Residential Underwriting Criteria

## Lending Mandates

Loan Amount	Mandate
Up to £500k (plus fees) Up to £1m (plus fees)	Underwriter Senior Underwriter, Underwriting Manager, Senior Manager Underwriting & Connect
Up to £1.5m	2 from group A* from the Mortgage Lending Panel
Up to £2.5m	Any two from mortgage lending panel one must be from group B**
Up to £5m	Any 3 from mortgage lending panel one must be from group B

## Maximum Loan Sizes

Maximum LTV	Maximum Loan Size
65%	£2,000,000
75%	£1,500,000
90%	£1,000,000
95%	£600,000

## Desktop Valuations

Metric	Criteria
LTV	0% to 75%
Property Year	1850 or newer
Property Type	House not over 2 storeys
Property Age	Greater than 2 years old (at submission)
Property Value	No minimum - £500k
Maximum Loan Amount	£400k

## Eligibility Criteria

### Criteria

#### Employment

- One applicant must be in employment
- Income must be verifiable (source and amount)
- Applicants must have been in permanent employment for 3 months
- Fixed Contracts must be 12 months or more with 6 months remaining

#### Age

- Maximum 75 for residential loans (85 subject to further criteria)
- Loan must be repaid before eldest applicant's 76th birthday or 85th birthday

#### Term

- Minimum Term of 5 Years
- Maximum Term of 40 Years

## Affordability

### Criteria

#### Income

- Income defined as:
  - 100% of Salary and Guaranteed Income such as pensions
  - 100% of Overtime & Bonus

#### Expenditure

- Since July 2017 the Society can rely on ONS average expenditure data rather than the detailed expenditure captured from the customer
- These averages are then flexed for Region, Household Composition and Gross Income

#### Affordability

- Income minus Expenditure gives maximum allowable mortgage payment which is converted into a maximum loan advance (subject to restrictions on term and stressed rate account term and stressed rate)
- LTI capped at 4.49 (there are exceptions by certain products or schemes)
- All mortgages stressed at between 1%-2% over the reversion rate

\*Group A: Senior Underwriter up to Head of Customer Services - Lending

\*\*Group B: CEO, CFO & COO



# BTL Underwriting Criteria

## Lending Mandates

Loan Amount	Mandate
Up to £500k (plus fees) Up to £1m (plus fees)	Underwriter Senior Underwriter, Underwriting Manager, Senior Manager Underwriting & Connect
Up to £1.5m	2 from group A* from the Mortgage Lending Panel
Up to £2.5m	Any two from mortgage lending panel one must be from group B**
Up to £5m	Any 3 from mortgage lending panel one must be from group B

## Maximum Loan Sizes

Maximum LTV	Maximum Loan Size
60%	£1,000,000
75%	£750,000

## Eligibility Criteria

Criteria
<b>Employment</b> <ul style="list-style-type: none"><li>Not applicable- No minimum income required</li></ul> <b>Age</b> <ul style="list-style-type: none"><li>Minimum age of 21</li><li>Maximum 85 for BTL loans</li><li>Loan must be repaid before eldest applicant's 85<sup>th</sup> birthday</li></ul> <b>Term</b> <ul style="list-style-type: none"><li>Minimum Term of 5 Years</li><li>Maximum Term of 40 Years</li></ul>

## Affordability

Criteria
<b>Income</b> <ul style="list-style-type: none"><li>No requirement for proof of income</li><li>No minimum income level</li></ul> <b>Rental Income</b> <ul style="list-style-type: none"><li>Minimum of 145% of monthly interest payment at product rate or stressed at a minimum of 5.5%</li><li>For properties purchased prior to 2017 (£ for £ remortgage) a minimum of 125% monthly interest payment at product rate or stressed at a minimum of 5.5%</li><li>Confirmed by the surveyor, and must be let by way of an assured shorthold tenancy agreement (ASTA) for a minimum of 6 months and a maximum of 12 months</li><li>For Holiday Lets additional information is obtained from the letting agent or tourist board to validate rental income. Rental income is calculated using an average of the projected Low, Mid and High season weekly rental yields, multiplied by an assumed occupancy level of 30 weeks and divided by 12 months. Applicants can reside in the property for up to 2 months per annum.</li><li>Must have an energy performance rating of E or higher</li></ul>

\*Group A: Senior Underwriter up to Head of Customer Services - Lending

\*\*Group B: CEO, CFO & COO

# IFRS 9 – Expected Credit Loss



## GDP Growth %

Scenario	Weighting at 31st December 2024 %	2025	2026	2027	2028	2029
Base	50	5	3.5	4.3	3.5	3.9
Upside	20	9.4	3.8	4.1	3.3	4
Downside	23	6.6	(0.5)	3.2	4.3	4.4
Severe Downside	7	(6.3)	0.8	6.6	4.3	4
Weighted Average		5.4	2.4	4.2	3.7	4.1

## Unemployment Absolute

Scenario	Weighting at 31st December 2024 %	2025	2026	2027	2028	2029
Base	50	4.4	4.5	4.6	4.7	4.8
Upside	20	3.8	3.6	3.8	4.1	4.4
Downside	23	6.2	7	7	7	6.6
Severe Downside	7	7.5	8.3	8.2	8	7.3
Weighted Average		4.9	5.2	5.2	5.3	5.3

## HPI %

Scenario	Weighting at 31st December 2024 %	2025	2026	2027	2028	2029
Base	50	2.2	3.9	2.6	1.5	2.1
Upside	20	16.6	7	0.1	(2.6)	(0.3)
Downside	23	(12.5)	(8.4)	2.2	4.2	3.5
Severe Downside	7	(15.2)	(9.6)	2.3	2.9	4.6
Weighted Average		0.5	0.8	2	1.4	2.1

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