MOODY'S INVESTORS SERVICE

CREDIT OPINION
9 March 2023

Pre-Sale

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Closing date

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CLIENT SERVICES

Elstree Funding No.3 PLC

Pre-Sale - West One Secured Loans Limited to issue new non-conforming UK RMBS transaction

Capital structure

Exhibit 1
Provisional (P) ratings

Series	Rating	Amount (£ million)	% of assets	Legal final maturity	Coupon pre step-up date *	Subordi-nation	Reserve fund **	Total credit enhancement ***
Class A	(P)Aaa (sf)	[●]	82.50%	Apr-55	SONIA + [●]%	17.50%	1.11%	18.61%
Class B	(P)Aa2 (sf)	[●]	7.25%	Apr-55	SONIA + [●]%	10.25%	N/A	10.25%
Class C	(P)A3 (sf)	[●]	3.75%	Apr-55	SONIA + [●]%	6.50%	N/A	6.50%
Class D	(P)Baa3 (sf)	[●]	1.50%	Apr-55	SONIA + [●]%	5.00%	N/A	5.00%
Class Z	NR	[●]	5.00%	Apr-55	N/A	0.00%	N/A	0.00%
Total		[●]	100.00%					

* On the interest payment date falling in [•], the coupon margins will change to the following: +100 bps for Class A notes, +100 bps for Class B notes, +100 bps for Class C notes and +100 bps for Class D notes. For Class Z, there is no step-up.
** At closing. Calculated as a percentage of the assets.
*** At closing. Calculated as a percentage of the assets.
Source: Elstree Funding No.3 Plc preliminary prospectus, Moody's Investors Service

Summary

The transaction is a static cash securitisation of mortgage loans extended to 2,447 borrowers in England, Wales and Scotland. Mortgage loans are secured over residential properties. The current pool balance is about £321.6 million. The provisional portfolio is backed by first-lien and second-lien mortgage loans originated by West One Secured Loans Limited (West One).

Our credit view is the result of our analysis of a wide array of quantitative and qualitative factors, including pool characteristics, and originator and servicer reviews. Our credit view of the transaction also takes into account the structural features, such as credit enhancement and liquidity available for each class of notes, the support provided by the interest rate swap and the mitigants to servicer disruption risk.

Credit strengths

The following factors are the strongest features of the transaction:

» ***Asset quality***: Its particular strengths include:

  – *Moderate weighted average (WA) loan to value (LTV)*: The current WA LTV of the pool is 67.7%, which compares favourably with other UK non-conforming transactions. 4.5% of the pool has an LTV higher than 80%. (See “Asset analysis - Comparables”)

  – Low level of arrears: 0.1% of the loans in the securitised pool are in arrears. (See “Asset analysis - Comparables”)

  – Low short/medium term refinancing risk: The majority of the fixed rate loans are resetting to floating rate in 3 to 5 years, hence the transaction has low exposure to refinancing risk in the short/medium term. (See “Asset description - Asset description at the portfolio cut-off date - Pool characteristics”)

» ***Experienced management:*** West One's management team has on average over twenty years of experience in the UK specialist mortgage sector, including second-lien residential sector.

Credit challenges

The transaction has the following challenges:

» ***Exposure to second-lien BTL loans*** *:* Of the pool, 31.1% consists of second lien owner occupied and 3.7% of second-lien buy-to-let loans. Although most customers have a good borrower credit score, we view the borrower's risk profile is weaker than that of the average UK non-conforming RMBS borrower. (See “Asset analysis - Pool Characteristics”)

» ***Limited historical performance data*** West One's second-charge lending was launched in 2017 and the buy-to-let product in 2019. For this reason, there is a limited amount of historical data available for this part of the lender's business. Performance therefore has not been tested through the cycle and we have taken this factor into account in our Expected Loss and MILAN analysis. (See “Asset analysis - Pool Characteristics”)

» ***Servicing disruption risk:*** West One is the seller and the servicer in the transaction, and it is not rated by us. In mitigation, there is:

  – a back-up servicer facilitator, CSC Capital Markets UK Limited appointed at closing;

  – a cash manager, Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr));

  – an amortising liquidity reserve fully funded at closing, which provides around 3.6 months of liquidity available for interest on Class A and senior expenses;

  – estimation language in place to facilitate the continuity of payments. (See “Securitisation structure analysis - Additional structural analysis - Mitigating servicing disruption”)

» ***Interest rate mismatch:*** There is an interest rate swap with scheduled notional in the transaction, provided by NatWest Markets Plc (A1/P-1; A1(cr)/P-1(cr)). Hence there is a risk of the issuer becoming under-hedged, if the swap notional amount does not match the outstanding principal amount of the fixed-rate loans. Furthermore, after the fixed-rate loans reset to floating, the entire pool balance will be exposed to basis rate mismatch as the loans pay West One’s SVR or BBR plus a margin and the notes pay daily compounded SONIA. (See “Securitisation structure analysis - Additional structural analysis - Interest rate mismatch”)

Environmental, social and governance considerations

In general, we consider ESG risks low to moderate. Environmental risk is low, based on pool diversification and the presence of insurance, which mitigate many risks from natural disasters. For regional concentration, our model applies an adjustment depending on the degree of concentration. Social risk is low to moderate, based on the likelihood of governmental efforts to alleviate burdens on mortgage borrowers in times of stress, which, in some cases, can negatively impact loan performance or cash flows. Governance risk is low, based on a number of transactional features that support the integrity of the transaction's operations for the benefit of investors. Please refer to our Cross-Sector Rating Methodology: General Principles for Assessing Environmental, Social and Governance Risks, published on 19 October 2021 which explains our general principles for assessing ESG risks in our credit analysis globally.

» ***Environmental***: We consider this transaction to have low environmental risk, driven by the pool's geographic diversification and the presence of insurance, which is likely to mitigate much of the negative effects of future natural disasters. Nevertheless, disaster types that frequently lack insurance coverage, such as earthquakes[1] and flooding outside of specified zones could increase defaults and losses on affected loans, should they occur (See "Asset analysis - Additional asset analysis - ESG - Environmental considerations").

» ***Social***: Social risks for this transaction, and for RMBS in general, are low to moderate mainly as a result of the likelihood of governmental efforts to alleviate burdens to mortgage borrowers in times of stress, which, in some cases, can negatively impact loan performance or cash flows (See "Asset analysis - Additional asset analysis - ESG - Social considerations").

» ***Governance***: Governance risks for this transaction are low based on the presence of transaction features such as risk retention, comprehensive agreed upon procedures (AUPs) report, servicing oversight, and R&W enforcement (See "Securitisation structure analysis - Additional structural analysis - ESG - Governance considerations").

Key characteristics

Exhibit 2

Asset characteristics

(Provisional pool as of 31 January 2023)

Key characteristics	
Seller/Originator/Servicer:	West One Secured Loans Limited
Receivables:	First and second-lien loans secured by residential properties located in the UK
Methodology used:	Moody's Approach to Rating RMBS Using the MILAN Framework, July 2022
Total amount:	£321,553,537
Number of borrowers:	2,447
Borrower concentration:	Top 20 borrowers make up 13.4%
WA remaining term:	20.4 years
WA seasoning:	0.7 years
Interest basis:	95.3% Fixed 4.7% Floating
WA current LTV:	67.7%
WA original LTV:	67.9%
Moody's calculated WA indexed LTV:	67.0%
Borrower credit profile:	Non-conforming borrowers
Delinquency status:	0.1% of the pool are loans in arrears

Sources: Elstree Funding No.3 Plc preliminary prospectus and Moody's Investors Service

Exhibit 3
Securitisation structure characteristics

Issuer:	Elstree Funding No.3 Plc
Issuer administrator / corporate service provider:	CSC Capital Markets UK Limited
Excess spread at closing:	0.36% under Moody's stressed assumptions
Length of revolving period:	Static
Back-up servicer(s):	N/A
Back-up servicer facilitator:	CSC Capital Markets UK Limited
Cash manager:	Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr))
Back-up calculation/computational agent:	N/A
Currency swap counterparty:	N/A
Interest rate swap counterparty:	NatWest Markets Plc (A1/P-1; A1(cr)/P-1(cr))
Issuer account bank:	Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr))
Collection account bank:	National Westminster Bank plc (A1/P-1 deposit rating, Aa3(cr)/P-1(cr))
Principal paying agent:	Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr))
Arranger:	NatWest Markets Plc (A1/P-1; A1(cr)/P-1(cr))
Joint lead managers:	NatWest Markets Plc (A1/P-1; A1(cr)/P-1(cr)) Barclays Bank Plc (A1/P-1; (A1(cr)/P-1(cr))
Trustee:	Citicorp Trustee Company Limited
Credit enhancements/reserves:	Reserve fund, subordination and excess spread
Form of liquidity:	Subordination, principal to pay interest and liquidity reserve fund
Number of interest payments covered by liquidity:	3.6 months
Interest payments:	Monthly in arrears on each payment date
Principal payments:	Pass-through in arrears on each payment date
Payment dates:	23rd of each calendar month
First payment date:	23-May-23
Hedging arrangements:	Fixed-floating interest rate swap

Source: Elstree Funding No.3 Plc preliminary prospectus and Moody's Investors Service

Asset description

The assets backing the notes are second-charge buy-to-let and owner-occupied residential mortgage loans, as well as first-lien buy-to-let mortgage loans originated by West One. All the loans in the pool are secured on residential properties in the UK. Exhibits 4-7 detail additional high-level information regarding the assets in the pool.

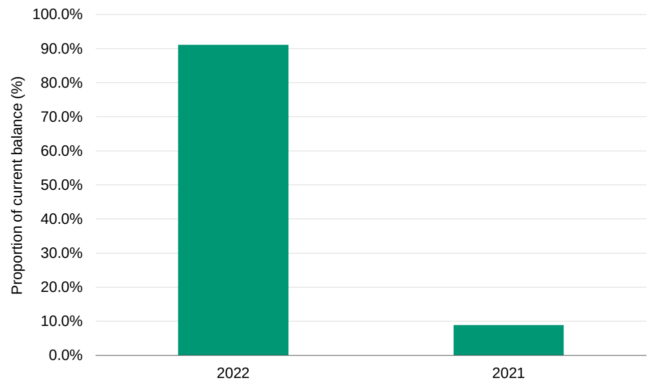
Assets as of the closing cut-off date

The provisional pool cut-off date is 31 January 2023.

Pool characteristics

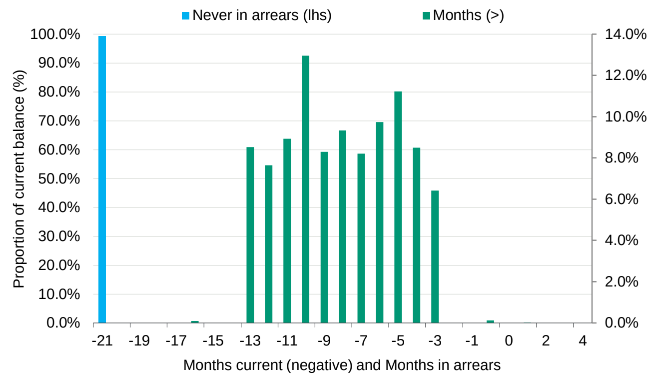
Exhibit 4 shows that most loans in the pool have been originated in 2022. The pool has a weighted average seasoning of 0.7 years. Exhibit 5 illustrates that most of the loans, 99.3%, have never been in arrears. The WA LTV in the pool is 67.7%, and Exhibit 6 shows that 79.2% of the pool has a CLTV between 60% and 90%. Around 43.4% of the loans are concentrated in the South East region, as Exhibit 7 shows, and about 25.1% of the pool is concentrated in London.

Exhibit 4
Portfolio breakdown by date of origination



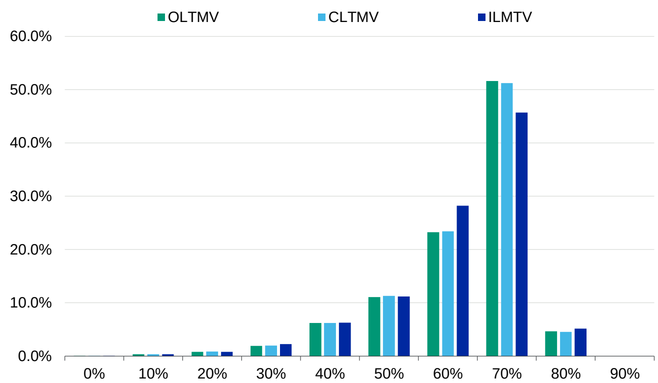
Source: West One

Exhibit 5
Portfolio arrears/months current



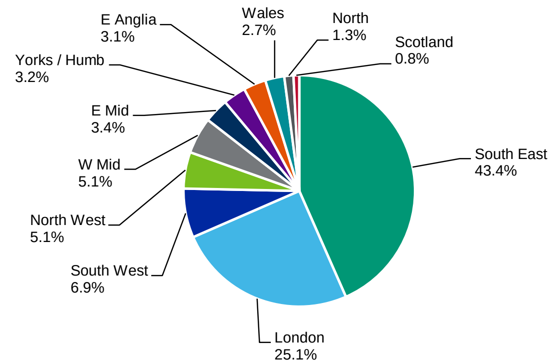
Source: West One

Exhibit 6
Portfolio breakdown by LTV



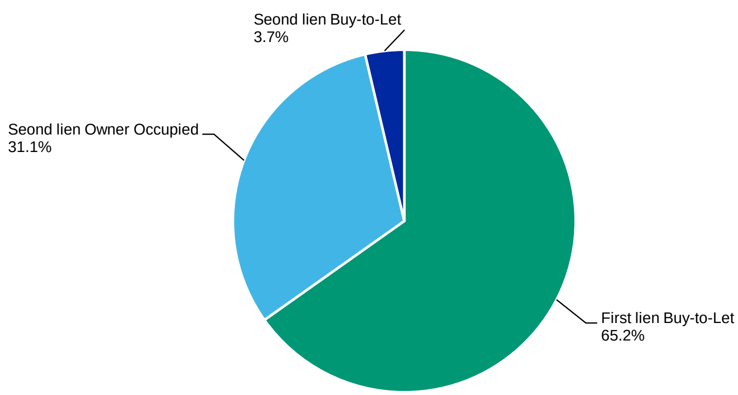
Source: West One

Exhibit 7
Portfolio breakdown by geography



Sources: West One

Exhibit 8
Portfolio breakdown by occupancy type



Source: West One

Agreed upon procedures (AUP)

It is typical for a sample of the pool data extracted from the originator's system to be compared against copies of the original loan documentation or screen prints from the live computer system. Performed by an independent third party, the comparison uses a set of agreed upon procedures (AUP) that define the details of each test and whether any tolerance is allowed before a difference is highlighted as an error.

An AUP report on the provisional pool has been received. The results of the AUP are in line with our expectations and do not highlight any particular concerns regarding the quality of the data.

Originator and servicer
West One is the seller and servicer in the transaction.

The portfolio contains mortgage loans originated by West One. West One is a specialist lender that was founded in 2005 and purchased by Enra Group in 2014.

West One is a wholly owned subsidiaries of Enra Specialist Finance Limited. The group itself was established as a broker in 2002 and commenced its lending operations in 2011 and focused on the provision of lending and broking to specialist mortgage and secured loan customers, with a particular focus on serving the professional property investment industry and underserved retail markets.

West One lends through the intermediary sector and is a UK specialist mortgage sector lender. West One's total assets were £299 million as of year-end 2020, with the wider group having in excess of £1 billion assets under management.

West One has originated the loans that it will sell to the issuer. West One will continue to act as the servicer. Further information regarding the servicer and originator, including our originator and servicer reviews, can be found in Appendices 1-3.

Management has on average over 20 years of experience in the UK specialist mortgage sector. Given the short life of the originator, there is very limited historical information available. We have benchmarked this deal against other UK non-conforming transactions.

West One's product types
The different product types are as follows:

» Prime Plus: West One's lowest-risk product with a maximum LTV of 85% depending on the mortgage size

» Prime: Slightly weaker than Prime Plus, but still with a maximum LTV of 85% depending on the mortgage size. Typical interest rates charged would be higher than Prime Plus

» Near Prime: The highest-risk product eligible for the pool according to the borrowing base. The maximum LTV allowed is 75% depending on the mortgage size. Near Prime assets represent aorund 0.5% of loan pool

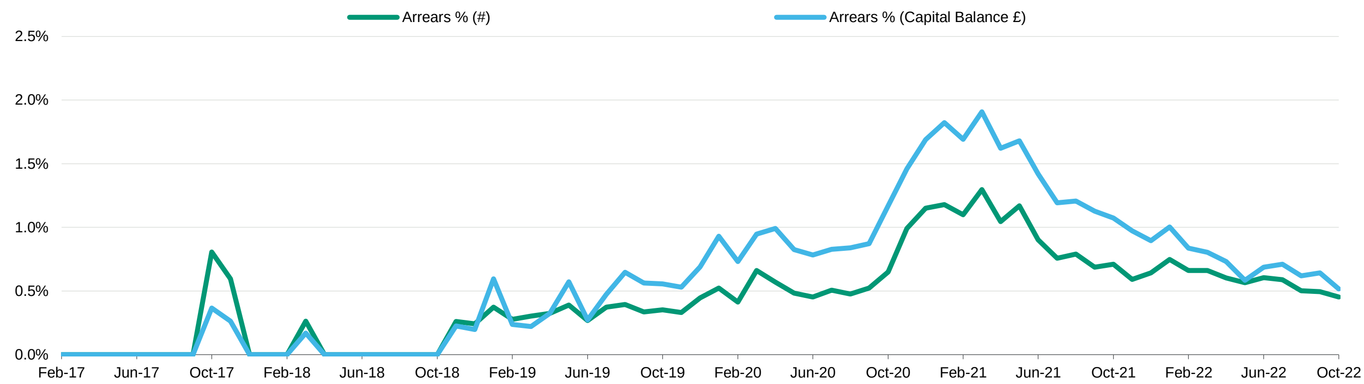
» Buy-to-Let 1st charge: The maximum LTV is 80%, with additional differing underwriting criteria compared with owner-occupied products. These loans are offered as consumer buy-to-let and unregulated mortgages

» Buy-to-Let 2nd charge: The maximum LTV is 75%, with tighter underwriting criteria and full valuation compared with owner-occupied products. These loans are offered as consumer buy-to-let and unregulated mortgages

Exhibits 9 and 10 show the loans in arrears and prepayments for the loans originated by West One from February 2017 to October 2022 and Q4 2017 to Q2 2022 respectively.

Exhibit 9

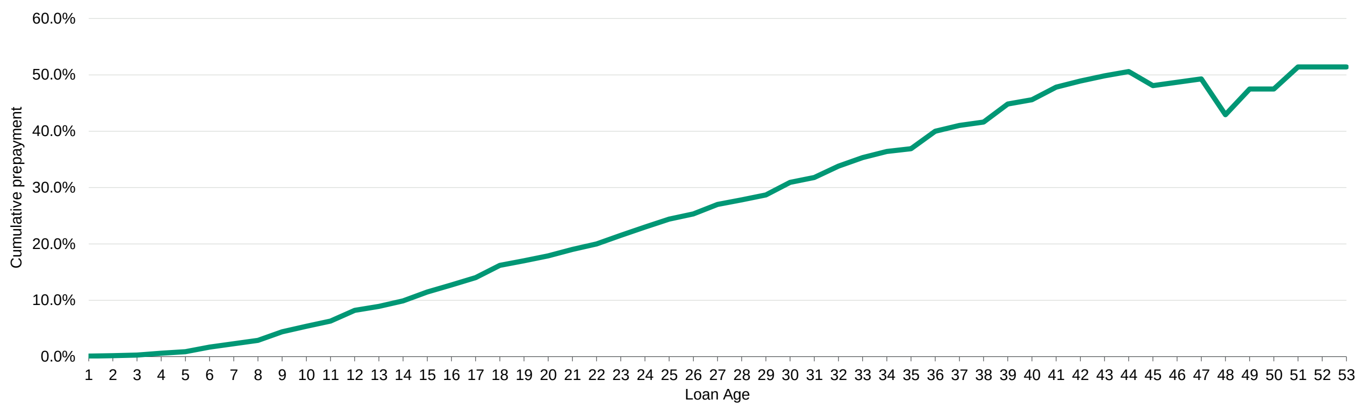
Arrear performance for 30+ days in arrears for second-charge loans



Source: West One

Exhibit 10

Cumulative prepayments as % of original principal balance



Source: West One

Changes to the asset pool after issuance

The pool is static. The assets backing the notes are first-ranking and second-ranking non-conforming mortgage loans originated by West One. All the loans in the provisional pool are secured on residential properties in the UK.

Eligibility criteria

On the date it will be sold to the issuer, each mortgage loan must satisfy the following criteria (simplified list, non-exhaustive):

» Each mortgage loan is secured against a property that is first charge or second charge at origination;

» Each mortgage was originated on or after 21 March 2016;

» Each mortgage loan is denominated and payable in British pounds;

» The maximum original LTV of the prime mortgage loan is 85.0%, and the near-prime mortgage loan is 75.0%;

» The maximum original loan term is 30 years and minimum term is 3 years;

» The maximum original balance is £750,000 for prime mortgage loans;

» The properties are located in either England, Scotland or Wales;

» The first instalment has been paid in full;

» No loans were granted to self-certified borrowers;

» No loans were granted to employees of the seller;

» No loans have the product switch option;

» The loan is no more than three months in arrears.

Buy-to-let specific criteria

» Proof of rental income is required for all applicants

» Total rental income must be at least equal to the Minimum Amount[2] (where applicants are using rental income)

» Where rental income is verified either by the valuer's rental assessment or by the existence of an assured shorthold tenancy agreement, the minimum rental income must cover the Minimum Amount

» If rental income is less than the relevant Minimum Amount but at least 100 per cent of monthly repayments then use of additional income may be accepted on a referral basis

» Full verification of any additional income is undertaken and limited to 50 per cent. of a customer's residual additional income

Loan repurchase following breach of R&W

The seller is liable for the repurchase of the relevant loans upon a significant breach of loan warranties. If significant breaches of R&W have not been remedied within 45 days of being notified by the issuer of such breaches, the seller is obliged to repurchase the loan from the issuer or replace it with one equivalent.

The seller is required to repurchase if a significant breach of R&W has occurred and if the seller has consented to a loan modification or a further advance. In all such cases, the repurchase of the relevant loan shall occur before such consent is given.

Asset analysis

Primary asset analysis

The first step in the analysis of the credit quality of the pool is to determine a loss distribution of the mortgages to be securitised. To determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived mainly from two important sources: historical loss data and the MILAN loan-by-loan model.

Expected loss

We use performance data provided by the originator in addition to other relevant data to extrapolate expected losses for the loan pool. Examples of data include market and sectorwide performance data, the performance of other securitisations and other originators' data.

The expected loss is 3.3%, which is in line with other UK non-conforming RMBS transactions because of 34.8% of the loans in the pool having a second charge over the properties, the performance of West One's precedent transaction (Elstree Funding No.2 Plc), the current macroeconomic environment in the UK, limited historical information, and benchmarking with similar UK non-conforming transactions.

MILAN model

To obtain the volatility under stressed scenarios, we take into account historical data. However, historical volatility may not be significant (given the insufficient data points or incomplete data) and may not be representative of the future because it is based on previously experienced economic environments.

Consequently, we determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aaa under highly stressed conditions. This enhancement number (the MILAN CE number) is produced using a loan-by-loan model, which looks at each loan in the pool individually, and based on its individual characteristics, such as LTV or other identified drivers of risk, will produce a benchmark CE number. This view assumes stressed recovery rates (through house price declines), time to recovery, interest rates and costs to foreclosure. The weighted average benchmark CE number will then be adjusted according to the positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

The MILAN CE number of 16.0%, which is in line with other UK non-conforming RMBS transactions, was derived based on the following: WA CLTV of 67.7%, which is in line with the UK non-conforming RMBS transactions, 34.8% of the loans in the pool having a second charge over the properties, the percentage of self-employed borrowers in the pool of 64.8%, a high concentration in South East and London, limited historical information, and benchmarking with similar UK non-conforming transactions.

Lognormal distribution

The MILAN CE number and the expected loss number are based on rating committee discussions and are used to derive the lognormal distribution of the pool losses. Because of the large number of loans and supporting historical data, we use a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of a Aaa tranche.

Timing of default

The default timing is assumed to follow a sine curve, with the parameters equal to 12 months (no-default period), 33 months (peak period) and 63 months (last default period).

Interest rate risk

For the portion of the pool being first-lien buy-to-let, loans bear a fixed rate for a period of two to five years and then switch to the Bank of England Base Rate (BBR) plus a margin.

For the second-charge portfolio, loans can either be floating for the entire loan term (linked to SVR) or they can have an initial fixed-rate period (between two and five years) and then switch to SVR plus a margin. The notes' reference rate is SONIA.

There is a presence of basis risk in the transaction as the reference rates for the assets and liabilities differ. For this reason, we have taken into account the risk of spread compression and, as a consequence, yield compression in absolute terms over time because of:

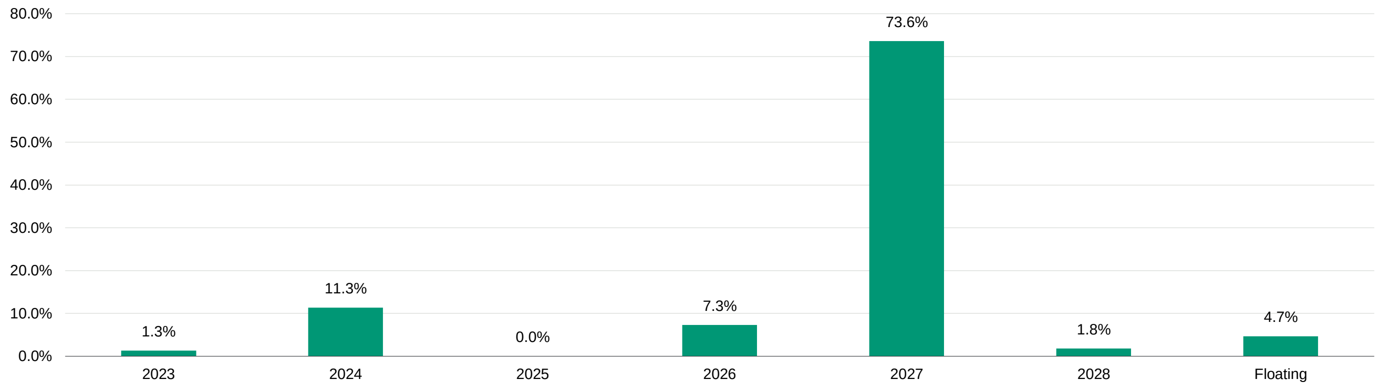
» different basis and different reset dates for the pool and the liabilities;

» the R&W condition that SVR will be no lower than the greater of (a) the Bank of England base rate, and (b) 0.25%;

» higher-yielding loans being prepaid, leading to the average margin on the loans decreasing over time in the absence of a swap for the floating-rate loans.

Exhibit 11 shows the distribution of reset years at closing.

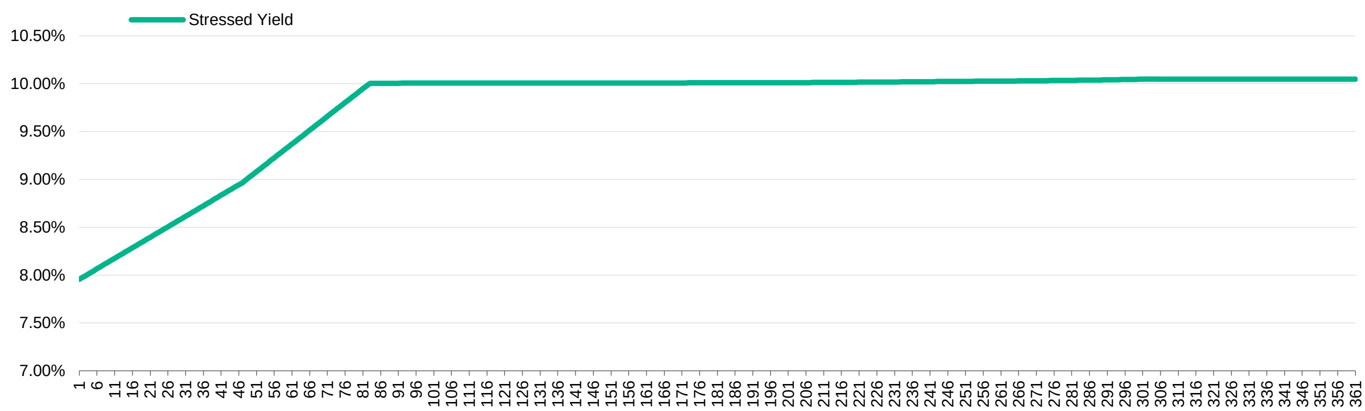
Exhibit 11
Portfolio distribution by year of reset date at closing



Sources: West One

We have stressed the interest rates in the pool by assuming a margin haircut because of the basis mismatch between assets and liabilities. Exhibit 12 shows our assumed interest vector after having applied the above-mentioned spread compression and assuming that SONIA is fixed at the level of 5.7% over the whole period.

Exhibit 12
Moody's stressed yield vector under a 5.7% SONIA assumption



Sources: West One

Comparables

Other originators' transactions compared with West One's pool

Exhibits 13 and 14 show the collateral characteristics of the current West One transaction compared with those of its peers that were considered by our rating committee.

Exhibit 13
Benchmark table with other transactions by the same originator and comparable transactions

Deal name	Elstree Funding No.3 Plc (Org: West One Secured Loans; Arr: NatWest Markets) - August 2022	Elstree Funding No.2 Plc	Elstree Funding No.1 PLC	Together Asset Backed Securitisation 2020-1 PLC	Castell 2019-1 PLC	Castell 2018-1 PLC	Mortimer BTL 2022-1 PLC	Atlas Funding 2022-1 PLC	Twin Bridges 2022-3 PLC
Closing date	[•]	27/Jan/2022	05/Nov/2020	23/Jul/2020	19/Sep/2019	01/Nov/2018	12/May/2022	12/May/2022	07/Nov/2022
Cut-off date	31/Jan/2023	30/Nov/2021	31/Aug/2020	16/Jul/2020	06/Sep/2019	24/Oct/2018	04/Apr/2022	30/Apr/2022	31/Aug/2022
Information from	Draft Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool
Originator(s)	WOSL	West One Secured Loans Limited	WOSL	Together Commercial Finance Limited	Optimum Credit Limited	Optimum Credit Limited	Default Originator	LendCo	Paratus AMC
Servicer(s)	WOSL	West One Secured Loans Limited	WOSL	Together Commercial Finance Limited	Optimum Credit Limited	Optimum Credit Limited	Default Servicer	LendCo	Paratus AMC
MILAN CE	16.00%	16.00%	23.00%	24.00%	21.00%	23.00%	13.00%	16.00%	12.00%
Expected loss	3.30%	3.80%	6.50%	7.00%	6.00%	6.50%	1.30%	2.00%	1.40%
Portfolio stratification									
Avg. current LTV	67.7%	68.2%	66.7%	57.4%	65.4%	64.1%	72.8%	71.1%	72.2%
Avg. original LTV	67.9%	68.3%	67.0%	57.9%	65.8%	64.6%	72.8%	71.1%	72.6%
Avg. current LTV indexed	67.0%	66.4%	65.2%	56.2%	65.0%	63.4%	71.1%	68.4%	65.4%
% current LTV >= 70%	55.8%	56.0%	45.2%	22.1%	47.0%	43.1%	79.3%	69.9%	77.8%
% current LTV >= 80%	4.5%	3.0%	5.7%	0.1%	21.1%	17.1%	5.7%	0.1%	8.1%
% current LTV >= 90%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% indexed LTV >= 90%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% civil servants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% self employed	64.8%	51.7%	52.3%	56.3%	17.6%	16.4%	86.8%	30.9%	64.5%
% self certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
% fast track	0.00%	0.00%	N/A	N/A	N/A	0.00%	0.00%	N/A	0.00%
% non-owner occupied (includes: partial owner, vacation or second homes)	68.9%	66.5%	45.1%	46.6%	0.0%	0.0%	100.0%	100.0%	100.0%
% fixed interest	95.3%	91.9%	72.1%	40.8%	82.3%	66.6%	100.0%	99.9%	76.4%
% fixed interest resetting after 5 years	1.8%	9.5%	1.0%	0.0%	0.0%	0.1%	19.1%	0.0%	24.6%
% BBR tracker loans	2.0%	N/A	N/A	N/A	0.0%	0.0%	0.0%	N/A	21.7%
% IO without collateral	66.8%	63.7%	43.4%	51.8%	1.6%	0.0%	100.0%	100.0%	97.0%
Previous arrears (incl. no data)	0.6%	0.2%	0.8%	0.2%	0.0%	0.8%	0.0%	99.9%	1.9%
Total arrears	0.1%	0.2%	0.1%	5.3%	0.5%	0.9%	0.0%	0.1%	0.0%
% in arrears (> 1 month)	0.1%	0.1%	0.1%	0.0%	0.1%	0.3%	0.0%	0.0%	0.0%
% in arrears (> 3 months)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% CCJs	2.9%	2.8%	4.9%	12.9%	3.0%	3.8%	0.2%	0.0%	0.4%
% IVA / bankruptcy	0.2%	0.4%	0.7%	0.0%	0.2%	0.3%	0.0%	0.0%	0.1%
% right to buy	0.0%	0.0%	N/A	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%
% help to buy	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0.00%	N/A
Max regional concentration	South East (43.4%)	South East (45.9%)	South East (50.3%)	South East (33.5%)	South East (21.3%)	South East (22.8%)	South East (34.4%)	London (43.5%)	London (41.0%)
Max vintage concentration	2022 (91.1%)	2021 (91.7%)	2019 (50.8%)	2019 (75.3%)	2019 (77.1%)	2018 (60.7%)	2021 (66.8%)	2021 (65.8%)	2022 (65.8%)
% Brokers	98.8%	98.7%	96.8%	87.5%	94.5%	95.0%	0.0%	0.0%	69.4%
% Remortgage	42.1%	35.6%	26.0%	2.6%	0.0%	0.0%	52.3%	65.9%	59.1%
% First time buyer	0.0%	N/A	N/A	N/A	0.0%	0.0%	N/A	0.0%	N/A
% Contruction and renovation loans	11.0%	12.7%	18.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Non-resident	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.0%
% Desktop valuations (includes: automated valuation models and index valuations)	7.8%	6.2%	11.0%	17.6%	56.7%	53.6%	0.0%	0.0%	N/A

Source: Elstree Funding No.3 Plc preliminary prospectus and Moody's Investors Service

Exhibit 14
Benchmark table with other transactions by the same originator and comparable transactions

Deal name	Elstree Funding No.3 Plc (Org: West One Secured Loans; Arr: NatWest Markets) - August 2022	Elstree Funding No.2 Plc	Elstree Funding No.1 PLC	Together Asset Backed Securitisation 2020-1 PLC	Castell 2019-1 PLC	Castell 2018-1 PLC	Mortimer BTL 2022-1 PLC	Atlas Funding 2022-1 PLC	Twin Bridges 2022-3 PLC
Portfolio data									
Current balance	£321,553,537	£284,552,723	£271,344,963	£366,030,904	£228,075,693	£311,351,518	£270,000,846	£365,740,727	£397,430,165.4
Flexible and retained amounts	£0	£0	£0	£0	£0	£0	£0	£0	£0
Flexible and retained amounts as a % of current balance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg. loan per borrower	£131,407.0	£127,373.0	£87,530.0	£95,644.0	£45,003.0	£44,138.0	£275,230.0	£557,531.0	£256,076.0
Borrower top 20 (as % of pool bal)	13.4%	11.8%	14.7%	7.4%	2.9%	2.6%	10.4%	12.8%	8.2%
WA interest rate	4.5%	4.3%	5.5%	6.3%	5.9%	6.3%	3.3%	3.6%	4.2%
Stabilised interest rate / margin	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.8%	N/A
WA seasoning in years	0.7	0.4	1.1	1.1	0.5	0.7	0.4	0.8	1.9
WA time to reset in years	3.9	4.0	3.3	2.5	3.8	3.4	4.1	4.1	4.1
WA time to maturity in years	20.4	20.3	18.0	18.0	15.5	16.0	21.7	21.7	21.0
Maximum maturity date	24/Oct/2052	29/Nov/2051	30/Sep/2050	10/Dec/2059	02/Aug/2049	24/Sep/2043	11/Mar/2052	28/Jan/2057	28/Jul/2052
Avg. house price stress rate	41.0%	39.7%	37.3%	35.9%	35.8%	36.5%	40.0%	40.4%	41.6%
Avg. house price change since origination	1.1%	2.7%	2.2%	2.2%	0.6%	1.1%	2.6%	4.2%	11.9%

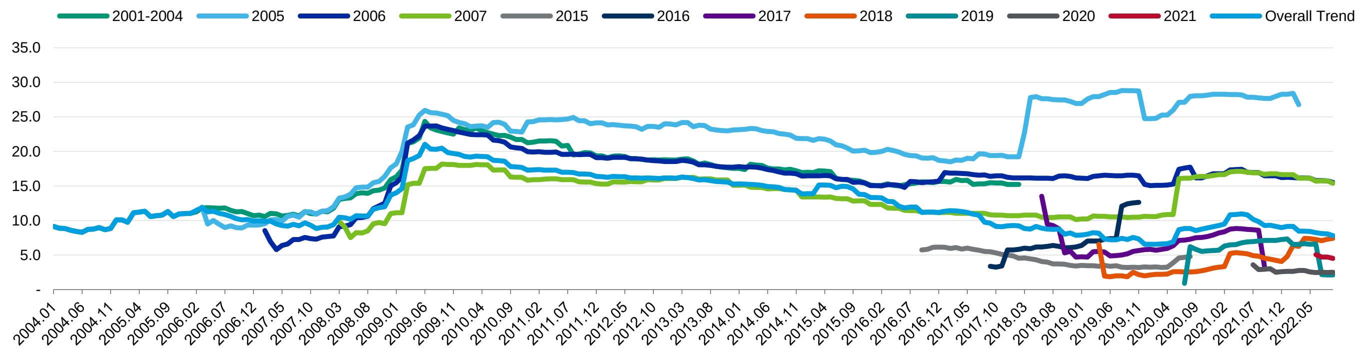
Source: Elstree Funding No.3 Plc preliminary prospectus and Moody's Investors Service

Performance of other originator

Below, Exhibit 15 - Exhibit 19 show how comparable deals in the sector have performed.

Exhibit 15

UK non-conforming RMBS 90+ days delinquency, trend by vintage

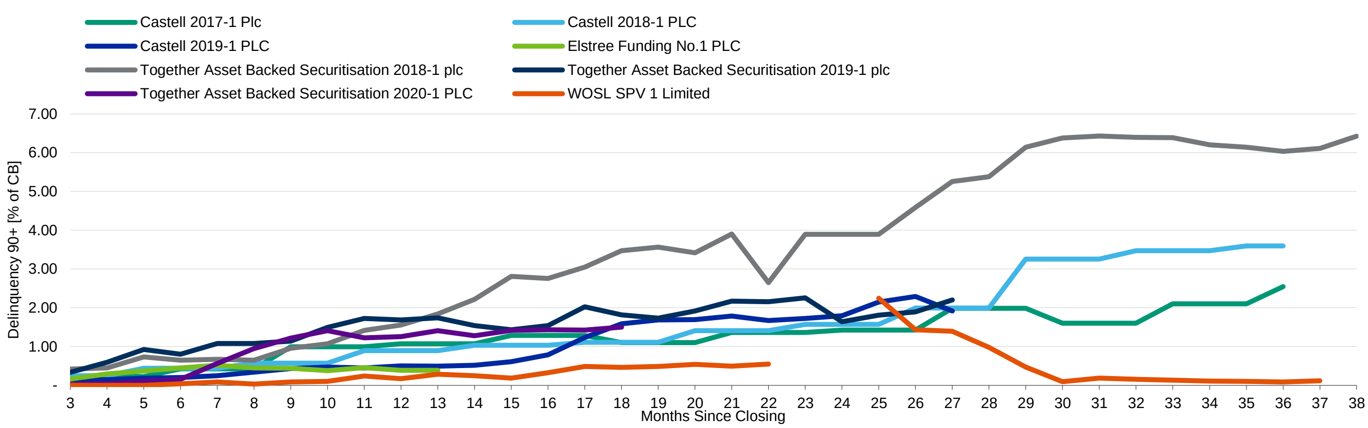


Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 16 shows the closest comparable transactions' 90+ days delinquencies in the recent years. All these transactions contain second-lien mortgages to a certain degree. For Castell 2017-1 PLC, Castell 2018-1 PLC and Castell 2019-1 PLC, the share of second-lien mortgages is 100%, while for the other transactions ranges between 20% and 50%.

Exhibit 16

90+ days delinquency trend for the second-lien mortgage transactions

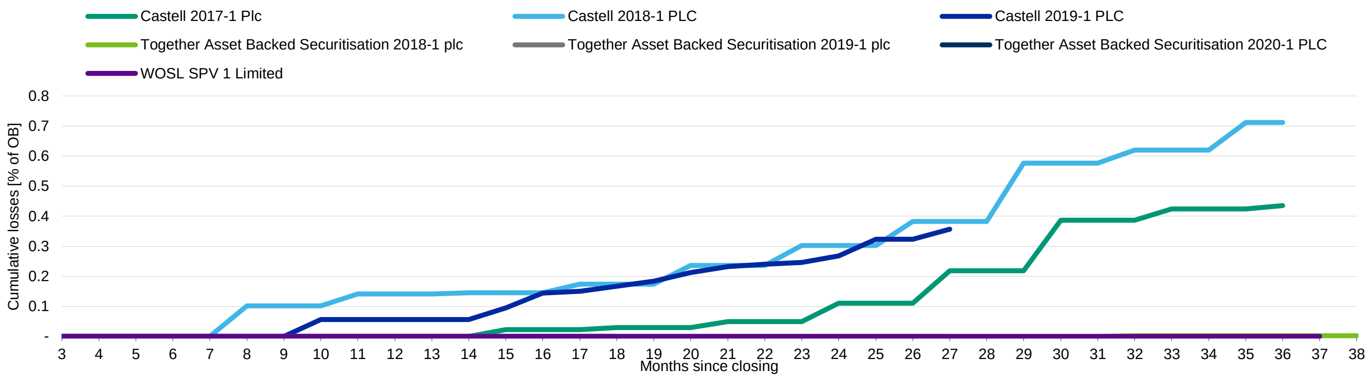


Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 17 shows the cumulative losses as a function of seasoning for the same transactions.

Exhibit 17

Cumulative losses as a function of the transaction's seasoning since closing

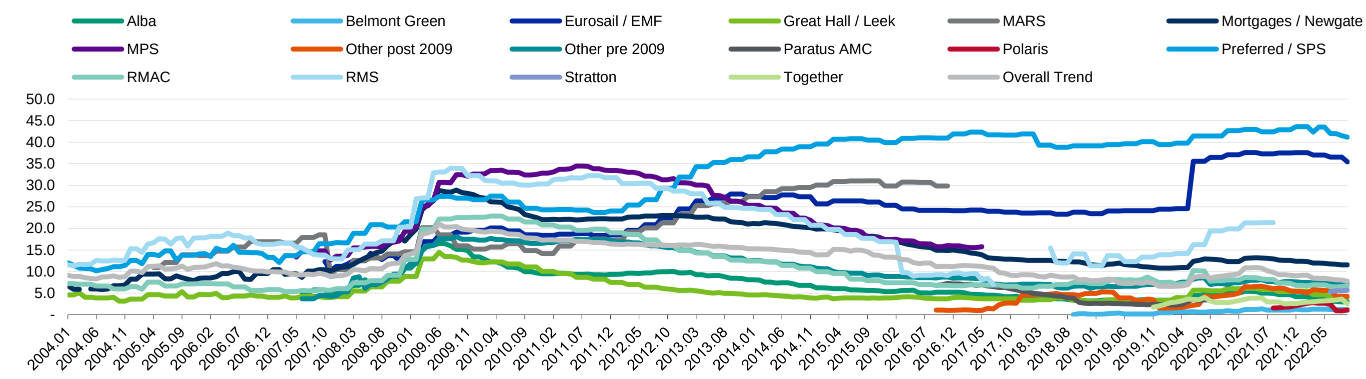


Sources: Moody's Investors Service and periodic investor/servicer reports

Looking at the broader space of the UK non-conforming transactions, Exhibit 18 below shows that, in terms of 90+ days delinquencies.

Exhibit 18

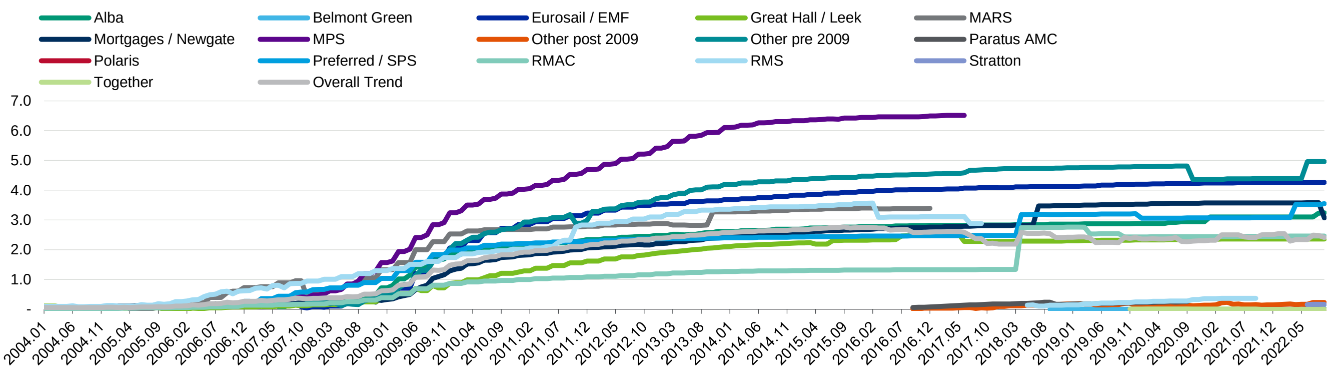
UK non-conforming 90+ days delinquency by originators



Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 19 below shows that, in terms of cumulative losses as a function of seasoning, the MPS transactions performed worse than all other comparable transactions.

Exhibit 19
UK non-conforming RMBS cumulative losses



Sources: Moody's Investors Service and periodic investor/servicer reports

Additional asset analysis

Data quantity and content

The investor report is likely to contain all the necessary information for us to monitor the transaction. We expect the updated pool cuts to be provided to us quarterly. Buybacks and trigger levels will be reported in the investor reports.

Originator quality

West One has adequate controls and procedures in place to generate high-quality loans. According to our originator review, the overall origination ability and stability of West One have been classified as below average because of the limited performance history available and the offered product being a specialist product. For more information, see Appendix 1, which contains a summary of the originator's practices, as well as Appendix 3, which contains the originator review.

Servicer quality

We reviewed West One's procedures and practices and found it acceptable in the role of the servicer. According to our servicer review, the overall servicing ability and stability have been classified as below average because of the limited performance history available and the servicer being a relatively small operation. The servicer has, however, significant experience in the short-term finance market, having lent in this sector since 2007. The limited performance data refers to the second-charge and buy-to-let markets. For more information, see Appendix 2, which contains a summary of the servicer's practices, as well as Appendix 3, which contains the servicer review.

Set-off

West One is not a deposit-taking entity, and there are no loans extended to employees. Therefore, no set-off risk was modelled.

ESG- Environmental consideration

Environmental risks to RMBS can arise from natural disasters, such as flooding, earthquakes[3], hurricanes, or wildfires, which can disrupt borrowers' lives and increase delinquencies or defaults, and can damage or destroy properties backing loans in the transaction or surrounding infrastructure, lowering collateral value. Pool diversification mitigates the impact of many environmental risks on deals, but regional concentrations can occur. Insurance is also a mitigant to many types of property damage. However, insurance often will not fully cover the cost of the resulting damage. Furthermore, some risks are typically not covered by insurance on individual loans. These include damage from earthquakes and flooding outside specified areas that require mandatory flood insurance, as well as loss of value from damage to critical infrastructure.

ESG- Social considerations

Social risks to RMBS can arise from a variety of sources. Such risks can arise from phenomena that affect public health and safety (such as the coronavirus), which cause sickness, death, or loss of income to borrowers, or from governmental efforts to alleviate burdens on homeowners from the effects of such phenomena, such as payment holidays, directives to modify loans to lower payments, foreclosure moratoria, or other borrower protection measures which can be intensified during the recession. Potential consumer protection legislation, which is more likely to be enacted during a recession, could also make it more difficult to collect loan payments or realize recoveries on defaulted loans, or in some cases can expose RMBS issuers to penalties. Social risks can also arise from changing demographic trends such as aging, urbanization, an increase in telecommuting and flight from cities, population declines or ways of living trends in general that impact the supply or demand for housing in particular areas, which can reduce home values. Factors related to confidentiality and data protection in general may also pose risks, such as payment disruption resulting from a breach in servicer or trustee systems.

Securitisation structure description

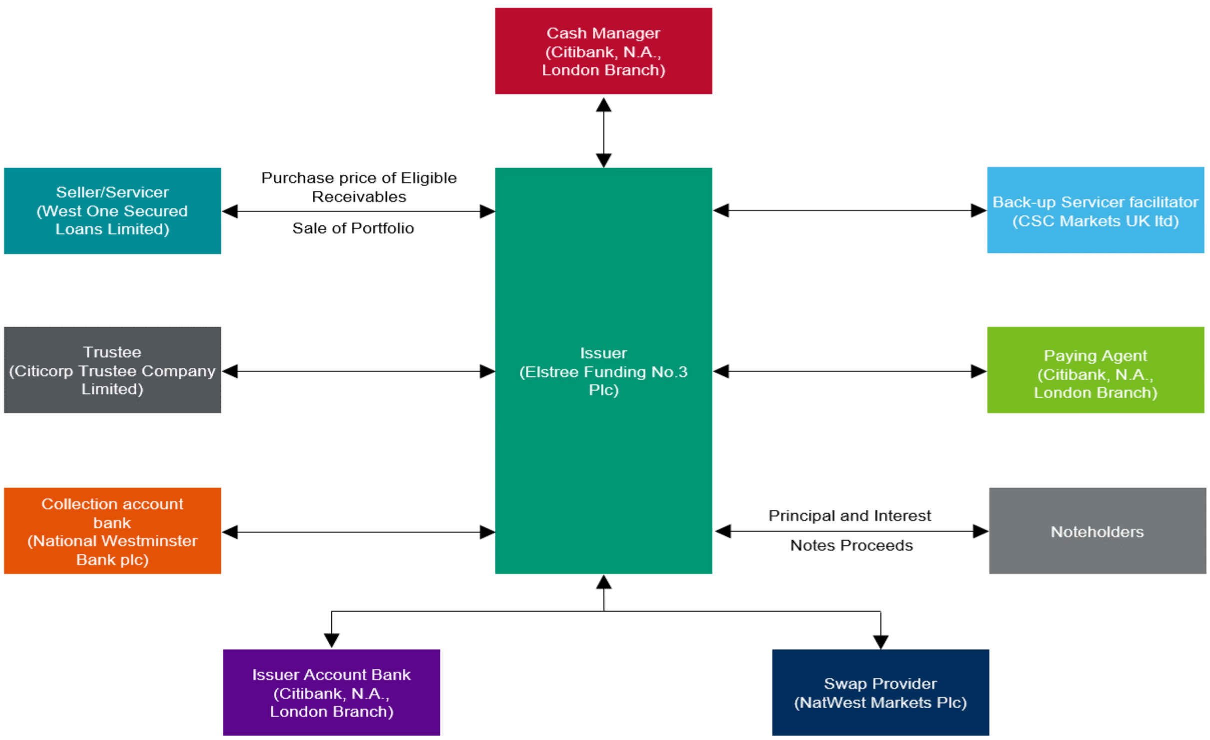
The seller, West One, will sell a portfolio of residential mortgage loans to the issuer, Elstree Funding No.3 Plc, who will in turn issue RMBS notes to finance the purchase of the asset pool. The servicer, West One, will service the assets sold to Elstree Funding No.3 Plc. Exhibit 20 below also illustrates other parties and their respective roles.

Structural diagram

Exhibit 20

Elstree Funding No.3 Plc

Transaction structure



Source: Elstree Funding No.3 Plc preliminary prospectus

Detailed description of the structure

Credit enhancement

The transaction structure includes subordinated Class B, C, D and Z notes. The transaction has an annualised stressed excess spread of around [•]% under our stressed assumptions.

Flow of funds

Allocation of payments/pre-accelerated revenue waterfall: On each monthly payment date, the issuer's available funds (that is, interest amounts received from the portfolio, the liquidity reserve fund and interest received under the swap agreement) will be applied in the following simplified order of priority and only to the extent that the payments of higher priority have been made in full:

1. Senior expenses
2. Interest payments to swap counterparty
3. Issuer profit amount
4. Interest on Class A
5. Replenish the liquidity reserve fund to its target
6. Principal deficiency ledger (PDL) on Class A
7. Interest on Class B
8. PDL on Class B
9. Interest on Class C
10. PDL on Class C
11. Interest on Class D
12. PDL on Class D
13. Starting from the optional redemption date, all remaining revenue to be applied to the principal waterfall
14. PDL on Class Z
15. All remaining amounts will form part of available revenue receipts
16. Subordinated swap payments
17. Amounts due to the servicer or replacement servicer, as applicable, in excess of the senior servicing fee amount
18. On any interest payment date falling prior to (but excluding) the optional redemption date, all remaining amounts to be applied as RC1 payments to the RC1 certificate holders on a pari passu basis and thereafter all excess amounts to be applied as RC2 payments to the RC2 certificate holders on a pari passu basis

Allocation of payments/pre-accelerated principal waterfall: On each monthly payment date, the principal amounts received from the portfolio and amounts applied to clear the PDL will be applied in the following order of priority and only to the extent that the payments of higher priority have been made in full:

1. If needed, to make up any interest shortfalls on senior expenses and the principal can be used to pay class A interest without any PDL condition and for Class B to Class D will get paid interest if the relevant PDL condition is satisfied.

2. Principal payments in sequential order:
   – To redeem the Class A notes until repaid in full
   – To redeem the Class B notes until repaid in full
   – To redeem the Class C notes until repaid in full
   – To redeem the Class D notes until repaid in full
   – To redeem the Class Z notes until repaid in full
3. Any excess amounts to be applied as available revenue receipts

Allocation of payments/PDL-like mechanism
A PDL is recorded for defaulted loans and the application of principal to meet any income deficit. The default definition is the loan is more than 12 months in arrears, and the related property has been repossessed and sold.

Liquidity reserve fund
The liquidity reserve fund is equal to 1.35% of the outstanding Class A notes and is initially funded at closing from the proceeds of the collateralized notes. The liquidity reserve fund is available to cover senior fees and costs, and Class A interest.

On each interest payment date following the closing date, the liquidity reserve fund will be replenished (to the extent necessary) from the interest collections.

The reserve fund is amortising and will track 1.35% of the principal outstanding of the rated Class A notes. The amortisation stops after the first optional redemption date and then after the Class A notes are paid down the liquidity reserve is released down the principal waterfall.

Liquidity
Through the principal to pay interest mechanism, principal is available to pay interest on Classes B to D notes, only if the principal deficiency on the corresponding note is less than 10.0% of the given tranches' outstanding principal balance. On the other hand, principal is always available to pay for the senior expenses and fees as well as for the interest on Class A notes. These items will also benefit from the liquidity reserve fund.

Given that the liquidity reserve fund is only available for Class A notes and there is no general reserve fund in this transaction, we capped Classes B to D notes at Aa2.

Asset transfer
The residential mortgage loans in the pool will be transferred through an equitable assignment of mortgage loans and their related security from the originators to the seller under a mortgage sale agreement. In relation to the Scottish mortgage loans, beneficial assignment of mortgage loans and their related security from the seller to the issuer will be made under the mortgage sale agreement with a Scottish declaration of trust. The legal title to the loans is held by the seller.

Cash manager
Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr)) will be the cash manager in the transaction. Its main responsibilities are the determination of cash flow amounts, maintenance of ledgers and preparation of investor reports.

Issuer account bank
Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr)) will be the issuer account bank.

Enforcement of R&W
If significant breaches of R&W have not been remedied within 45 days of being notified by the issuer of such breaches, the seller will be liable for the repurchase of the loans from the issuer. A 99/1 AUP has been performed on the portfolio, and the results highlight only minor data-quality issues.

Securitisation structure analysis

Our ratings are based on the quality of the asset pool, the levels of credit enhancement and liquidity furnished by the subordinated tranches and the liquidity reserve fund, as well as the structural and legal integrity of the transaction.

Primary structural analysis

We consider the probability of default under the notes and the estimated severity of loss when assigning a rating.

Tranching of the notes

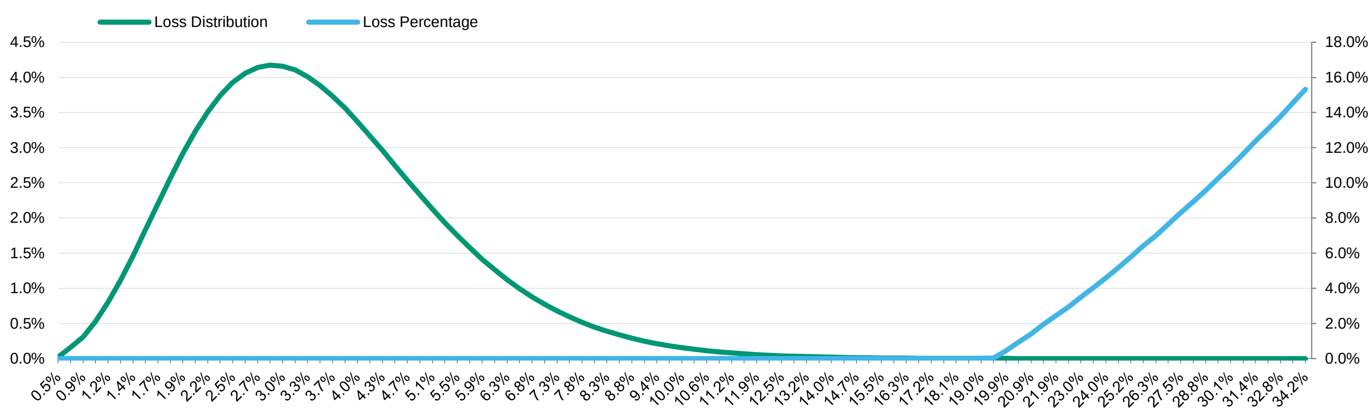
Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the weighted average lives for the notes are calculated as weighted averages based on the probabilities of the respective scenarios. The expected loss on each tranche, together with the notes' weighted average life, determines the rating, which is consistent with our target losses for each rating category.

We have already described above the main input parameters of the model. The result of weighting the loss severity and the average life of the notes in each loss scenario output (the result of inputting each default scenario into ABSROM) with its probability of occurrence is the expected loss and the expected average life of the notes, respectively. We then compare both values to Moody's Idealised Expected Loss table.

Exhibit 21 below shows the lognormal loss distribution of the portfolio (green line). The blue line represents each loss scenario on the loss distribution curve for the loss suffered by the Class A notes (in our modelling). For default scenarios up to 19.0%, the line is flat at zero; hence, the Class A notes do not suffer any loss. The first default scenario is 19.4%, under which the Class A notes suffer a loss. The steepness of the curve then indicates the speed of the increase in losses suffered by the Class A notes.

Exhibit 21

Lognormal loss distribution



Source: Moody's Investors Service

Reserve fund

We consider the liquidity reserve fund in this transaction in line with other comparable UK non-conforming RMBS transactions.

Comparables

Exhibit 22 below shows the main structural features of West One's transaction compared with those of its peers that our rating committee benchmarked against.

Exhibit 22

Benchmark table for structural features

Deal name	Elstree Funding No.3 Plc (Org: West One Secured Loans; Arr: NatWest Markets) - August 2022	Elstree Funding No.2 Plc	Elstree Funding No.1 PLC	Together Asset Backed Securitisation 2020-1 PLC	Castell 2019-1 PLC	Castell 2018-1 PLC	Mortimer BTL 2022-1 PLC	Atlas Funding 2022-1 PLC	Twin Bridges 2022-3 PLC
Structural features									
Notes payment frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly	Quarterly	Quarterly	Quarterly
Replenishment periods	Static	Static	0	Static	0	0	N/A	N/A	N/A
Rating and CE for senior note	[•]	Aaa(sf) with 18.25% CE	Aaa(sf) with 25.25% CE	Aaa (sf) with 23.50% CE	Aaa(sf) with 27.5% CE	Aaa(sf) with 30.65% CE	Aaa(sf) with 14.17% CE	Aaa (sf) with 16.5% CE	with 20.00% CE
Coupon on senior note	SONIA+[•]	SONIA + 0.72%	SONIA+ 1.40%	SONIA + 1.45%	SONIA+1.28%	£3mL+1.14%	SONIA + 1.05%	SONIA + 1.05%	SONIA + 1.40%
Reserve fund (Closing)	1.35% of Class A notes	N/A	2.00%	3% of the closing pool	2.25%	2.00%	1.35% of Class A notes	1.50%	0.75% (LRF; Class A & B); 1.25% (GRF;
Reserve fund (Target)	1.35% of Class A	N/A	2.00%	3% of the closing	2.25%	2.00%	1.35% of Class A	1.50%	N/A
Reserve fund fully funded at closing?	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reserve fund floor	Amortising until step-up date. Reserve is released only after final senior note redemption date	N/A	2.00%	Non-amortising	1.00%	1.00%	At closing nonamortising untill pre step-up date; After step-up amortises to 1.35% of Class A notes balance	0.55%	Non-amortizing
Hedge in place	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap	Fixed-Floating Swap
Swap rate or guaranteed XS (if applicable)	[•]	0.83%	0.92%	-0.01%	1.04%	1.35%	1.10%	0.85%	2.61%
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of months liquidity in a stressed rate environment	3.6 months	6 months	9	12 months	5.1	5.54	8.8	5	3.4
Back up servicer	N/A	BCMGlobal Mortgage Services Limited (NR)	Link Mortgage Services Limited	Link Mortgage Services Limited	N/A	Link Mortgage Services Limited	Pepper (UK) Limited	BCMGlobal Mortgage Services Limited	N/A
Back up servicer facilitator	CSC Capital Markets UK Limited	N/A	N/A	N/A	Intertrust Management Limited	Intertrust Management Limited	Law Debenture Corporate Services	CSC Capital Markets UK Limited	Intertrust Management Limited
Estimation language	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Borrower notification trigger	No	No	No	No	No	No	Yes	No	Yes
Sweep frequency from the collection account to the issuer's account	Daily	Daily	Daily	Other	Daily	Daily	Other	Daily	Daily
Total set-off exposure	N/A	N/A	None	N/A	None	None	N/A	None	N/A
Set-off due to employee loans	No	No	No	No	No	No	No	No	No

Source: Elstree Funding No.3 Plc preliminary prospectus and Moody's Investors Service

Additional structural analysis

Interest rate mismatch

At closing, about 95.3% of the loans in the pool are fixed-rate mortgages, which will revert to West One's SVR or BBR plus a margin between December 2023 and October 2029.

The notes' coupons are linked to SONIA, which will lead to an interest-rate and basis mismatch in the transaction.

To hedge the fixed-floating mismatch, the issuer will enter into a swap agreement with NatWest Markets Plc (A1/P-1; A1(cr)/P-1(cr)). Under the swap agreement, the issuer will pay a fixed rate and will receive SONIA in return. The swap is a fixed-schedule swap, amortising on a pre-agreed schedule.

The swap framework is ISDA and is compliant with our approach to assessing swap counterparties. It should be noted that the collateral trigger for the fixed interest rate swap has been set at a loss of A3(cr). The collateral trigger level is in line with that of typical UK RMBS transactions. Given the current rating of the swap counterparty, these levels do not have a negative impact on the rating of the notes.

However, there is no transfer trigger in the swap definition and swap counterparty must post collateral or transfer rights.

Swap notional is not balance guaranteed

The swap notional follows a predetermined schedule and does not reference the actual outstanding amount of loans being hedged during each period. This feature has in recent years become more common in other UK RMBS transactions and could represent a negative drag on the transaction under certain scenarios, as explained below.

Overhedging scenario: The swap notional schedule is based on a scenario of low prepayments and defaults. If prepayments are high, then the actual outstanding amount of the portfolio could be lower than the swap notional, leading to a situation of overhedging. In this scenario, if the floating rate received by the issuer becomes lower than the fixed swap rate payable by the issuer, then the SPV will incur an additional net swap payment compared with a balance-guaranteed swap arrangement.

Underhedging scenario: Should the actual outstanding amount of the portfolio amortise more slowly than the swap notional schedule, the transaction would become underhedged. In this scenario, if SONIA increases this would represent a negative drag on the transaction, compared with a balance-guaranteed swap arrangement. Given the expectations of the low prepayments in the pool this is more likely scenario, and we have taken this risk into our analysis.

Cash commingling

All of the payments under the loans in this pool will be paid into a separate collection account in the name of National Westminster Bank plc (A1/P-1 deposit rating, Aa3(cr)/P-1(cr)). The following mitigants are included in the structure:

» ***Minimum rating:*** Replacement of the collection account bank if the long-term deposit rating falls below Baa3;

» ***Daily sweep:*** Payments will be transferred daily from the collection account to the issuer account held at Citibank, N.A., London Branch (Aa3/(P)P-1; Aa3(cr)/P-1(cr)). Additionally, the issuer account bank will be replaced if its deposit rating goes below A2/P-1;

» ***Collection account declaration of trust:*** The seller has declared a trust (between the issuer, the seller and the collection account bank) over the collection account in favour of the issuer and itself.

Mitigating servicing disruption

The transaction is exposed to counterparty and operational risks. Moreover, the servicer, West One, is not rated by us. The risks are mitigated by:

» an independent cash manager: Citibank, N.A., London Branch;

» a back-up servicer facilitator: CSC Capital Markets UK Limited;

» the transaction's sufficient liquidity to cover senior costs and up to 3.6 months monthly interest payments for Class A under our stressed assumptions;

» payments to noteholders, which can be made using estimated amounts in the event of relevant information on cash balances being not available.

In the event the servicer report is not delivered on time, the cash manager shall base the payments on estimates. Once it receives the servicer report, it will reconcile the estimates with the actual figures and, if needed, make additional payments.

Cross Defaults

The collateralised pool contains borrowers which have other loans outside of the pool. West One waives the right to enforce the loan in the collateralized pool, if the relevant borrower is in default under a different loan outside of the pool. However, West One may, but is not required to, repurchase the loan from the pool, where the relevant borrower is in default under a different loan outside of the pool. West One would be entitled to select and submit a loan repurchase notice in respect of any one or more such loans. This could negatively affect the relative quality of the loans remaining in the securitised pool. The observed historical level of cross defaults has been minimal.

ESG - Governance considerations

Strong RMBS governance relates to transaction features that promote the integrity of the operations of the transaction for the benefit of investors, as well as the data provided to investors. The following are some of the governance considerations related to the transaction:

» ***Risk retention***: The transaction is subject to the European risk retention and UK CRR requirements, which require the sponsor to hold at least 5% of the credit risk.

» ***AUP***: An independent due diligence firm reviewed a sample of the portfolio and provided an AUP report for data integrity matters. This increases our confidence that the data that we and investors relied on is accurate.

» ***Bankruptcy remoteness***: We received legal opinions to the effect that in the event of a bankruptcy or insolvency proceeding with respect to key transaction parties, the securitised mortgage loans would not be treated as part of the estate of such party. Also the SPV is a special purpose entity and is independently owned and managed. SPV directors are not incentivized by applicable bankruptcy law to file for bankruptcy.

Methodology and monitoring

Overview

The principal methodology used in this rating was *Moody's Approach to Rating RMBS Using the MILAN Framework*, published in July 2022.

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

Servicing disruption: West One acts as the originator and is named the holder of the collection account. However, because of the fact that there is a back-up servicer and an independent cash manager in place, payment disruption risk is sufficiently mitigated in this transaction.

***Significant influences*:** In addition to the counterparty issues noted, a further deterioration in the housing market conditions beyond those modelled may have an impact on the subject transaction's ratings.

Factors that could lead to a downgrade

» Significant deterioration in the performance of the pool

» Significant deterioration in the UK economy and the real estate market

» Unforeseen legal or regulatory changes

Factors that could lead to an upgrade

» Significantly better-than-expected economic conditions

» Deleveraging of the capital structure

» Better-than-expected performance

Monitoring triggers

Interest rate swap triggers:

» Remedy for loss of A3(cr) is to post collateral

Issuer account bank triggers:

» Remedy for loss of deposit rating A2 or P-1 is to replace or find a guarantor

Collection account bank triggers:

» Remedy for loss of long-term deposit rating of Baa3 is to replace or find a guarantor

Servicer/cash manager triggers:

» Servicer/cash manager insolvency

  – Remedy is to replace the servicer/cash manager

Monitoring report

Data quality:

» The investor report is likely to contain all the necessary information for us to monitor the transaction

» It is likely that the updated pool cuts will be provided to us quarterly

» It is likely that loan conversions and buybacks will be reported in the investor reports

Data availability:

» Report provided by the cash manager

» The frequency of the publication of the investor report is monthly, and the frequency of the interest payment dates is monthly

» Investor reports will be publicly available on the cash manager website

The analysis that we undertook at the initial assignment of a rating for an RMBS security may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see *Moody's Approach to Rating RMBS Using the MILAN Framework* for further information on our analysis at the initial rating assignment and the ongoing surveillance in RMBS.

Modelling assumptions

Sensitivity to variation in some of the modelling assumptions may have been considered in the analysis.

In the transaction, the exact annual fees are defined as a percentage of the outstanding balance of the pool for the servicer and the back-up servicer, should the latter act as a servicer. However, in the scenario, in which both the servicer and the back-up servicer are terminated, another replacement servicer will be appointed. The fees for the replacement servicer will be paid in the amount as agreed between the issuer and the replacement servicer. In the modelling of the fees, we have considered the additional uncertainty this introduces, which is mitigated by the low probability of the scenario where both the servicer and the back-up servicer are terminated.

Exhibit 23

Modelling assumptions

Issuer:	Elstree Funding No.3 Plc
Expected loss:	3.3%
MILAN credit enhancement:	16.0%
Timing of defaults/losses:	Sine (12-33-63 monthly)
Conditional prepayment rate (CPR):	15%
Fees (as modelled):	0.5%, with a floor of GBP 170,000
PDL definition:	Default
Amortization profile:	Scheduled amortisation of the assets
Country ceiling:	Aaa
Margin compression:	CPR applied to 50% of highest yielding loans
Basis risk adjustment - other basis mismatch:	0.5% haircut applied to floating rate loans
Interest on cash:	N/A
Commingling risk modelled?	No
Excess spread (model output)*:	0.36%

*The annualised excess spread in a zero default scenario is based on the first payment period value using Moody's stressed asset yield and fees assumptions.
Source: Moody's Investors Service

Moody's related publications

For a more detailed explanation of our approach to this type of transaction as well as similar transactions, please refer to the following reports:

Methodologies Used:

- Moody's Approach to Assessing Counterparty Risks in Structured, June 2022 (1331892)
- Moody's Approach to Rating RMBS Using the MILAN Framework, July 2022 (1319906)

New Issue Reports:

- Twin Bridges 2022-3 Plc, November 2022 (1346808)
- Mortimer BTL 2022-1 PLC, May 2022 (1327826)
- Atlas Funding 2022-1 PLC, May 2022 (1328114)
- Elstree Funding No.2 PLC, January 2022 (1317355)
- Elstree Funding No.1 PLC, November 2020 (1251911)
- Together Asset Backed Securitisation 2020-1 PLC, July 2020 (1238809)
- Castell 2019-1 PLC, September 2019 (1195375)
- Castell 2018-1 PLC, November 2018 (114796)

Special Reports:

- European Energy Monitor – February 2023: Energy supply has improved but strains are likely to persist into next winter, February 2023 (1349941)
- Global Structured Finance Collateral Performance Review - Excel Data, January 2023 (SF220325)
- RMBS – UK: Approaching end of help-to-buy interest-free periods will have minimal credit impact on RMBS, January 2023 (1351514)
- Moody's Financial Monitor: Low liquidity amplifies market volatility as monetary policy to remain restrictive, January 2023 (1353641)
- Buy-to-let RMBS - UK: Performance Update - Excel, January 2023 (1355303)
- Credit Conditions – Euro Area: Euro Area Credit Compass points to a drop-off in Q1 credit conditions, January 2023 (1353086)

Other:

- Non-conforming RMBS - UK: Performance Update, December 2022 (1349819)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of the originator's underwriting policies and procedures

Exhibit 24

Originator Ability	At Closing
Sales and Marketing Practices	
Origination channels (on the book):	Brokers comprise large majority of pool origination, though WOSL do have direct customers for BTL loans
Underwriting Procedures	
Ratio of loans underwritten per FTE* per day:	2.5 applications
Average experience in underwriting:	14 years
Criteria for compensation of underwriters	Fixed salary plus discretional annual bonus driven by business and individual performance. Underwriters are deliberately not incentivised on loan completion.
Approval rate:	67% approval rate for Full Mortgage Applications
Percentage of exceptions to underwriting policies:	As of November 2021 the exception rate was 1.4%
Credit history requirement:	» Specific arrear criteria » Proof of the latest 12 months' mortgage or rent payments must be provided via a credit search, mortgage statement, bank statements or a rent reference from an official letting agent. » CCJs/defaults are allowed in last 12 months
Methods used to assess borrowers' repayment capabilities:	» No minimum income. When assessing whether a customer will be able to pay the sums due full account is taken of the following: » the income of the customer, net of income tax and national insurance; » the customer's committed expenditure; and » the basic essential expenditure and quality of living costs of the customer's household. In terms of affordability an application will be deemed to have passed West One's criteria on the basis of the residual income sum being greater than zero following deductions, from the customer's net income, for basic essential expenditure, quality of living costs and the customers committed expenditure which is made up of the customers current first mortgage payment (stressed), the proposed West One mortgage payment (stressed) and any unconsolidated debts.
Other borrower's exposures (i.e. other debts) t taken into account in affordability calculations:	» Any other debt declared or evidenced on the credit bureau search are treated as committed expenditure if they are not being cleared from loan proceeds. » Bespoke ONS data supplemented by specific data on certain costs
Is interest rate stressed to calculate affordability?	Yes – 1.5% interest rate
Method used for income verification:	All salary credits including last two months payslips and full bank statements
Criteria for non income verified:	Not applicable
Max age at maturity:	N/A, borrowers over 70 at origination of the loan are required to receive independent legal advice
Maximum loan size:	£1,500,000
Valuation types used for purchase & LTV limits:	All loans (except BTL) are second charge mortgages where the applicant already owns the property and it is mortgaged AVM, drive-by or full valuation depending on application parameters Maximum LTV is dictated by loan size All BTL loans have internal valuations
Valuation types used for remortgage & LTV limits:	AVM, drive-by or full valuation depending on application parameters Maximum LTV is dictated by loan size All BTL loans have internal valuations
Valuation types used for further advances & LTV limits:	Not Applicable
Valuation types & procedure for construction loans & LTV limits:	Not Applicable
Valuation types & procedure for new built properties & LTV limits:	Maximum LTV is dictated by loan size BTL loans have internal valuations
LTV limit for Buy-to-let/other:	BTL properties require full valuation Maximum LTV is dictated by loan size with a maximum LTV for first charge mortgages of 80% and maximum LTV of 85% for second charge mortgages
Collateral Valuation Policies and Procedures	
Value in the LTV calculation/ in the IT system:	Only on valuation figures provided
Type, qualification and appointment of valuers:	Lender appointed via panel manager - All RICS Qualified

Sources: West One and Moody's Investors Service

Exhibit 25

Originator Stability	At Closing
Credit Risk Management	
Reporting line of Head of Credit Risk:	CEO
Track loan performance by loan characteristics?	Loan performance can be tracked by multiple charachteristics including broker, loan size, ltv, geographical location, loan product, valuation type, loan purpose.
Originator Stability:	At Closing
Quality Controls and Audits	
Responsibility of quality assurance:	First line checks undertaken by mandate holder, compliance undertake 2nd line checks and 3rd line checks undertaken by quarterly audit
Number of files per underwriter per month being monitored:	100% of files are subject to a QA Check and a Mandate Approval review
Management Strength and Staff Quality	N/A
Average experience in management:	N/A
Technology	
Tools/infrastructure available:	Certain aspects are automated eg broker enquiry, product selection, application, credit searches but core underwriting process in manual

Sources: West One and Moody's Investors Service

Appendix 2: Summary of the servicer's collection procedures

Exhibit 26

Servicer Ability	At Closing
Loan Administration	
Entities involved in loan administration:	West One Secured Loans Limited
Early Arrears Management	
Entities involved in early stage arrears:	Servicing functions are performed in-house, through 8 account managers and 2 administrators, reporting to the senior servicing manager.
Arrears strategy for 1-89 days delinquent	Standard letters are issued and contact is attempted to be made with the borrower to establish the reason for arrears, An attempt to contact the borrower by phone will be made within 3 days of the payment being missed, An attempt to contact the borrower by phone is made every 7 days All forbearance options will be considered
Arrears strategy for 90 days and more delinquent to late stage	If no arrangement has been made to remedy the arrears situation and all forbearance options have been exhausted we will consider initiating possession proceedings A letter before action will be issued Collection activity will continue, a field agent visit will be instructed if no contact is made with the borrower
Loss Mitigation and Asset Management Practices:	
Transfer of a loan to the late stage arrears team/stage:	Collection activity begins as soon as a payment is missed
Entities involved in late stage arrears:	The servicing team are overseen by the servicing committee and head of group servicing who ultimatley report to the board
Ratio of loans per collector (FTE) in late arrears stage:	No current late arrears cases
Analysis performed to assess/propose loss mitigation solutions:	No current late arrears cases
Time from first default to litigation and from litigation to sale:	No current late arrears cases

Sources: WOSL and Moody's Investors Service

Appendix 3: Summary of the originator and servicer reviews

Exhibit 27

Originator/Servicer Background:	West One Secured Loans Limited
Rating:	» Not rated
Financial Institution Group Outlook for Sector:	» n/a
Ownership Structure:	» Is a private limited liability company (NR)
Asset Size:	» Wider group has >£1 billion assets under management
% of Total Book Securitised:	» 14.7%
Transaction as % of Total Book:	» 14.7%
% of Transaction Retained:	» not disclosed

Originator Assessment	**Main Strengths (+) and Challenges(-)**
Overall Assessment:	Below Average
Originator Ability	
	+ Separate sales and underwriting function
	- Origination channels: 100% brokers
Underwriting Policies & Procedures	+ Prudent income and interest rate stresses in line with the market average
Property Valuation Policies & Procedures	+/- Valuation could be AVM, Drive by or full valuation depending on the value and LTV of the application. However, all BTL mortgages require full valuations
Closing Policies & Procedures	+ The legal documentation is sent to solicitors acting on WOSL's behalf to complete the formal registration of charge.
Credit Risk Management	+ Experienced staff and Independent reporting lines.
Originator Stability	
Quality Control & Audit	+ Oversight through Risk, Compliance and Audit (outsourced)
Management Strength & Staff Quality	+ /-Underwriters have sufficient experience in senior positions, with key individuals having more than 4 years of experience with the company
Technology	+/- System is relatively automated: certain aspects are automated eg broker enquiry, product selection, application, credit searches but core underwriting process is manual
Servicer Background:	
Rating:	» Not rated
Total Number of Mortgages Serviced:	» Not disclosed
Number of Staff:	» 14 FTE

Servicer Assessment:	**Main Strengths (+) and Challenges (-)**
Overall Assessment:	Below Average
Servicer Ability	
Loan Administration	No Data given recent history of the company
Early Arrears Management	No currrent arrears cases
	+/- Given West One is a new business, early arrears management is now their main focus
Loss Mitigation and Asset Management	+If an account goes into arrears the borrower will be requested to complete and I&E form to demonstrate their financial position which will be referenced to support any proposed payment arrangements to clear the arrears +A panel of solicitors will act on behalf in any possession proceedings
Servicer Stability	
Management Strength & Staff Quality	+ Experienced management in the industry, on average 20y experience in the UK mortgage market
IT & Reporting	+ Frequent back up testing. + Data warehouse utilised for reporting. + Experienced internal IT team and agile approach
Quality control & Audit	+ Overall robust quality control framework
	+ Internal audit

Sources: West One and Moody's Investors Service

Endnotes

1 Our updated formal environmental classification for ESG risks excludes geophysical risks, such as earthquakes, because they are not anthropogenic and there is no reliable means to predict them, although we consider them among environmental risks for the purpose of this discussion

2 "Minimum Amount" means the total secured lending repayments in relation to the borrower's tax status, which can range from 125% to 165%

3 Our updated formal environmental classification for ESG risks excludes geophysical risks, such as earthquakes, because they are not anthropogenic and there is no reliable means to predict them, although we consider them among environmental risks for the purpose of this discussion.

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