S&P Global
Ratings

Research

New Issue: Together Asset Backed Securitisation 2024-1ST1 PLC

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Ratings Detail

Ratings							
Class	**Rating***	**Class size (%)**	**Credit enhancement (%)**	**Interest**	**Step-up margin**	**Step-up date**	**Legal final maturity**
A	AAA (sf)	88.50	12.85	Compounded daily SONIA plus 0.95%	Compounded daily SONIA plus 1.95%	May 2028	August 2064
B	AA (sf)	4.50	8.35	Compounded daily SONIA plus 1.25%	Compounded daily SONIA plus 2.25%	May 2028	August 2064
C-Dfrd	AA- (sf)	2.65	5.70	Compounded daily SONIA plus 1.60%	Compounded daily SONIA plus 2.60%	May 2028	August 2064
D-Dfrd	A- (sf)	2.35	3.35	Compounded daily SONIA plus 2.20%	Compounded daily SONIA plus 3.20%	May 2028	August 2064
E-Dfrd	BB+ (sf)	2.00	1.35	Compounded daily SONIA plus 4.58%	Compounded daily SONIA plus 5.58%	May 2028	August 2064
X-Dfrd	BBB (sf)	1.35	0.0	Compounded daily SONIA plus 3.97%	Compounded daily SONIA plus 3.97%	May 2028	August 2064
Residual certificates	NR	N/A	N/A	N/A	N/A	N/A	N/A

*Our ratings address timely receipt of interest and ultimate repayment of principal on the class A and B notes, and the ultimate payment of interest and principal on the other rated notes. SONIA--Sterling Overnight Index Average. NR--Not rated. N/A--Not applicable.

Transaction Summary

- S&P Global Ratings has assigned credit ratings to Together Asset Backed Securitisation 2024-1ST1 PLC's (Together 2024-1ST1) class A and B notes and interest deferrable class C-Dfrd to X-Dfrd notes. At closing the issuer also issued unrated residual certificates.
- Together 2024-1ST1 is a static RMBS transaction, securitizing a portfolio of up to £378.7 million first-lien owner-occupied and buy-to-let (BTL) mortgage loans secured on properties in the U.K. originated by Together Personal Finance Ltd. and Together Commercial Finance Ltd.
- Together Personal Finance Ltd. and Together Commercial Finance Ltd. are wholly owned subsidiaries of Together Financial Services Ltd. (Together).
- Product switches and loan substitution are permitted under the transaction documents.
- Together Personal Finance Ltd. and Together Commercial Finance Ltd. originated the loans in the pool between 2015 and 2022.
- We consider the collateral to be nonconforming based on the prevalence of loans to borrowers with adverse credit history, such as prior county court judgments (CCJs), bankruptcy, and mortgage arrears.
- Credit enhancement for the rated notes consists of subordination, excess spread, and overcollateralization following the step-up date, which will result from the release of the excess spread amounts from the revenue priority of

payments to the principal priority of payments.

- Liquidity support for the class A and B notes is in the form of an amortizing liquidity reserve fund. Principal can also be used to pay interest on the most senior class outstanding (for the class A to E-Dfrd notes only).
- There are no rating constraints on the transaction under our counterparty, operational risk, or structured finance sovereign risk criteria. We consider the issuer to be bankruptcy remote.

The credit story

Strengths	Concerns and mitigating factors
The weighted-average original loan to value (LTV) ratio is 62.1%. This is significantly lower than the average typical U.K. RMBS transaction. Given the significant positive equity in the properties, the likelihood of default is lower and we expect loss severities to be lower if the borrower defaults.	We expect inflation to continue to be high in the U.K. in the near term. Although high inflation is overall credit negative for all borrowers, inevitably some borrowers will be more negatively affected than others, and to the extent that inflationary pressures materialize more quickly or more severely than currently expected, risks may emerge. Borrowers in this transaction will be affected by cost of living pressures. Given our current macroeconomic forecasts and forward-looking view of the U.K. residential mortgage market, we have performed additional sensitivities related to higher levels of defaults and longer recovery timing due to a potential backlog of court cases. The assigned ratings are robust to the results of these sensitivities.
Together is a specialist lender with a significant track record in both first- and second-charge owner-occupied and BTL origination and servicing, including the effective use of the receiver of rent and repossession. All servicing staff can work remotely if necessary to ensure servicing continuity.	The borrowers in the pool are typically those who are not considered by the "high street" banks. Typically, this may be because they have less-than-perfect credit, they are self-employed, or have complex income streams that require more prudent analysis during underwriting, they may be first-time landlords, or the property may be made of nonstandard materials. We have considered this in our assessment of the lending policy and underwriting standards and captured this within the originator adjustment.
Securitization is an integral part of the lender's funding strategy. Together has completed six private securitizations to date, and it has issued 13 publicly placed securitizations.	About 14.4% of the pool has adverse credit history in the form of CCJs. Most of these borrowers have one prior CCJ, and the value of the CCJ is less than £5,000. We captured this risk by applying an adjustment to foreclosure frequency based on the number and the value of the CCJs.
Most of the valuations are full internal and external inspections on properties. The use of drive-by or automated valuation model valuations is limited to standard construction types and subject to maximum LTV and loan size conditions.	Together allows top-slicing for BTL loans, i.e., addition of borrowers' income to rental income, to meet stressed affordability requirements. Top-slicing can be a concern if not done on a property-portfolio level because borrowers may be using a single income stream to meet stressed affordability conditions on several loans. However, when affordability with top-slicing is assessed by Together, this risk is mitigated because Together will be able to identify if the additional income is being used to supplement rental income under a different loan as part of the underwriting process. Effectively, this additional income is assessed on a net basis.
Servicing is in-house, and Together has well-established and fully integrated servicing systems and policies.	About 8.1% of the pool comprises interest-only loans secured over owner-occupied properties. Since there is no mandatory capital repayment over the loan's term, the outstanding principal balance might not be paid by the end of the loan term. We have captured this risk by applying an adjustment to foreclosure frequency on the interest-only loans secured over owner-occupied properties.
The historical performance of the lender's first-lien mortgage book has proven stable over the past five years, with 90-day arrears or more below 2.00% across the loan book over that time. The performance of previous Together transactions is also stable, presenting arrears levels in line with expectations, with 90-day arrears or more below 3.00%.	The BTL loans within the pool have a weighted-average interest rate of about 8.3%. This exceeds our estimation of a stressed loan financing cost. We have stressed the higher rate in our credit analysis when determining the appropriate BTL adjustment to foreclosure frequencies for those loans.
The pool does not contain any loans secured over incomplete properties. Additionally, there are no bridging loans in the pool.	The pool has some borrower concentration, with the top ten borrowers accounting for about 5.6% of the pool balance. We have captured this additional risk in our cash flow analysis.
The capital structure is fully sequential regarding the application of principal proceeds. Therefore, credit enhancement can build up over time for the rated notes, enabling the capital structure to withstand performance shocks.	About 29.6% of the properties in the pool do not have full valuations. This risk is captured in our loss severity calculations, and we apply a 5.00% valuation haircut to property values if the loan does not have a full valuation. Together factors in the risk of utilizing drive-by valuations during the underwriting process. Drive-by valuations are generally reserved for standard construction types and are subject to maximum LTV ratio and maximum loan size conditions before they are used.

The credit story (cont.)	
Strengths	**Concerns and mitigating factors**
Under our base-case scenario, a high level of excess spread provides credit enhancement Together 2024-1ST1 because the weighted-average margin on the loans is 7.4%.	Under Together 2024-1ST1's transaction documents, before the first optional redemption date, product switches, and loan substitution are permitted. Each of these can result in the pool's credit quality deteriorating over time. Therefore, the transaction documents outline asset conditions that limit the extent to which product switches or substitutions are allowed. We have factored this additional flexibility into our credit analysis by applying an adjustment to our foreclosure frequencies and loss severity calculations at every rating level.
A fully funded amortizing liquidity reserve fund is sized at 1.45% of the class A and B notes' closing balance. It can be used to pay senior fees, expense shortfalls, and interest shortfalls on the class A and B notes.	Circa 31% of the pool are fixed-rate loans with a fixed-rate period ending in 2024 or 2025. Therefore, the prepayment rates might increase significantly causing a reduction in excess spread. Historically, previous Together transactions have high prepayment rates, between 15%-25%. We have considered this in our cash flow analysis by running a conservative sensitivity scenario where prepayment rates increase up to 40%.
Together 2024-1ST1 has additional liquidity support from the issuer's ability to use principal receipts to pay for interest shortfalls on the most-senior class of notes outstanding (class A to E-Dfrd).	Together's managed rates used for floating-rate mortgages are the equivalent to a standard variable rate (SVR). It is discretionary and can fluctuate over time. We have stressed this rate by applying a haircut in our cash flow analysis.
If the notes are not redeemed on the optional redemption date, all the revenue proceeds after paying the class X-Dfrd interest and principal will be diverted to pay principal on the notes; therefore, providing more protection to the senior notes.	Together 2024-1ST1 is subject to the risk of a mismatch between the rate of interest payable on the mortgage loans and the rate of interest payable on the notes. Of the pool, 49.2% pay based on a fixed rate of interest for an initial period while the liabilities pay based on Sterling Overnight Index Average (SONIA). To hedge this risk, the issuer entered into an interest rate swap.
The debt service coverage ratio (DSCR) in the pool is quite high. There are no loans with an LTV ratio above 80.0% and DSCR below 1.0x. Therefore, risk layering in the pool is limited, i.e., loans with high LTV ratios and low DSCRs.	
There is more excess spread in this transaction, driven by the increased weighted-average interest rate on the underlying loans while the coupon on the notes has remained stable.	

Changes From Previous Transaction

The assets securitized are similar to those used in the previous transaction, Together Asset Backed Securitisation 2023-1ST2 PLC (Together 2023-1ST2). However, there are a couple of differences:

- The original LTV ratio (62.1%) is marginally higher than in Together 2023-1ST2 (53%).
- The transaction doesn't feature class A loan notes.
- The liquidity reserve fund does not feature an amortization trigger event based on cumulative default rate, it is only based on the class A and B notes not being redeemed on the first optional redemption date in May 2028.

Environmental, Social, And Governance Factors

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For RMBS, we view the exposure to environmental credit factors as average, social credit factors as above average, and governance credit factors as below average (see "ESG Industry Report Card: Residential Mortgage BackedMortgage-Backed Securities," published on March 31, 2021). For this transaction, we view the exposure to environmental credit factors as average, which is in line with the benchmark because the pool is diversified geographically and does not have concentration risk.

The exposure to social credit factors is in line with the sector benchmark. Social credit factors are generally considered above average because housing is viewed as one of the most basic human needs, and conduct risk presents a direct social exposure for lenders and servicers, particularly given regulators are increasingly focused on ensuring fair treatment of borrowers. For RMBS, social risk is generally factored into our base-case assumptions. We view the exposure to governance factors as below average, and in line with other structured finance transactions. There are strong governance frameworks through, for example, the generally very tight restrictions on what activities the special-purpose entity (SPE) can undertake compared to other entities. Although the transaction allows for product switches and substitutions, there are strict eligibility criteria, and the exposure is limited to 5.00%.

Originators

Together Personal Finance Ltd. and Together Commercial Finance Ltd. are wholly owned by Together Financial Services Ltd. (Together), formerly Jerrold Holdings Ltd., which is a specialist U.K. mortgage provider based in Cheadle, Greater Manchester, lending to customers and mortgage intermediaries. Together was established in 1974 and became Financial Conduct Authority-regulated in 2004. As of December 2023, the company had a book of £6.8 billion first- and second-charge owner-occupied and BTL loans secured over residential, commercial, and semi-commercial properties across the U.K. Together also has a strong presence in the bridging loan market and the development finance market.

Together has 790 employees and has remained profitable throughout multiple business cycles.

Together's lending policy is designed to attract customers who would typically be turned away from high street banks due to adverse credit histories or complex income streams, which require greater investigation and analysis. A prominent feature of the company's lending policy is conservative LTV ratios at origination.

Table 1

Key originator considerations

Description	Consideration
Collateral type	Together originates largely nonconforming owner-occupied and BTL collateral with a tolerance to prior adverse credit. We consider the affordability assessments to be appropriate.
Lending policy versus peers and market standards	Lending policy tends to be less conservative than market standards. However, this is counterweighed by a low LTV ratio at origination and a higher interest rate.
Track record and experience	This transaction is the lender's twelfth public term securitization. It has also issued several private transactions. Market share has grown steadily since the business was launched and Together is one of the market leaders in the nonconforming BTL mortgage lending segment.
Historical performance	The historical performance of the lender's mortgage book (over 40 years) has proven relatively strong to date, with minimal credit losses.
Qualitative factors not captured above	Not applicable.

Origination process

The overall lending policy is owned by the company's credit committee, which meets frequently and is responsible for considering changes to it.

For first-charge residential purchases and remortgages, the lending policy specifies that:

- The maximum LTV ratio for purchases is 75.0%, and the maximum LTV ratio for remortgages is 70.0%;
- A maximum of six CCJs/defaults in the past 12 months is permitted, though the maximum LTV ratio for such borrowers is 55.0%; and
- Lending on ex-council flats and maisonettes (above four floors), non-standard construction, defective, and high-rise (over six floors) properties is subject to a maximum LTV ratio of 60.0%.

For first-charge loans on shared-ownership properties, the lending policy specifies that:

- The maximum LTV ratio is 75.0% (including the share that the customer doesn't own) and Together can lend up to 100% of the client's share;
- A maximum of two CCJs/defaults in the past 12 months is permitted, though the maximum LTV ratio for such borrowers is 70.00%; and
- Lending on ex-council flats and maisonettes, non-standard construction, defective, and high-rise properties is subject to a maximum LTV ratio of 60%.

For first-charge right-to-buy purchases, the lending policy specifies that:

- The maximum LTV ratio is 75.0%, and Together can fund 100% of the client's share;
- A maximum of six CCJs/defaults in the past 12 months is permitted, though the maximum LTV ratio for such borrowers is 55.0%; and
- Lending on ex-council flats and maisonettes, non-standard construction, defective, and high-rise properties is subject to a maximum LTV ratio of 55.00%.

For regulated BTL (consumer BTL) the lending policy specifies that:

- The maximum LTV ratio for first-charge remortgages is 70.0%, and the maximum LTV ratio for second-charge loans is 70.0%; and
- A maximum of six CCJs/defaults in the past 12 months is permitted, though the maximum LTV ratio for such borrowers is 55.0%.

For an unregulated BTL, the lending policy specifies that:

- The maximum LTV ratio for first-charge purchases is 75.0%, for first-charge remortgages is 70.0%, and for second-charge mortgages is also 70.00%; and
- A maximum of six CCJs/defaults in the past 12 months is permitted.

For regulated second-charge loans, the lending policy specifies that:

- The maximum LTV ratio is 75.0% for standard construction houses and bungalows, including ex-council properties;
- Lending on ex-council flats and maisonettes, non-standard construction, defective, and high-rise properties is subject to a maximum LTV ratio of 60.0%; and

- A maximum of six CCJs/defaults in the past 12 months (and two in the last six months) is permitted, though the maximum LTV ratio for such borrowers is between 50.0% and 55.0% depending on the property type.

When assessing BTLs, rental income must be a minimum of 125.0% of repayments for a basic taxpayer, 145.00% for a higher tax rate payer, and 165.0% for an additional tax rate payer. If rental coverage is less than the prescribed amounts, then personal income is accepted. Rental income greater than 50.0% of other provable disposable income must exceed secured lending payments. When assessing 50.0% of provable disposable income, Together carries out a full affordability assessment on the borrower's personal income, in line with how it underwrites owner-occupied mortgages, including using Office for National Statistics' statistics for expenditure. For landlords with a portfolio, Together underwrites the full portfolio to understand the assets the borrowers has, income they generate, and how they are financially serviced. This ensures that, when Together carries out a full affordability assessment of a borrower's income, it captures and considers any income used to service other mortgage loans to calculate 50.0% of provable disposable income. This mitigates the risk that the borrower uses the same additional income stream to meet affordability for several BTLs.

There is some use of drive-by valuations. However, this is not permitted on ex-council flats and maisonettes, nonstandard construction, and high-rise properties. The valuation panel is managed by an in-house surveyor, and all valuers must have suitable professional indemnity insurance in place, local knowledge, and residential experience.

Servicing

Together Personal Finance Ltd. services the regulated loans, and Together Commercial Finance Ltd. services the unregulated loans. For our operational analysis, we have analyzed Together Personal Finance Ltd. and Together Commercial Finance Ltd. We consider both entities' servicing procedures and practices to be in line with market standards for U.K. RMBS.

Together has been servicing BTL, owner-occupied, first-lien, and second-lien loans for several years and through several business cycles with successful outcomes. For Together 2024-1ST1, there is a standby servicer in place on day one (BCMGlobal Mortgage Services Ltd.), which we view as positive.

All Together's servicing activities are centralized in Cheadle, and there is a high degree of automation during the transfer from origination to servicing. As is common with U.K. mortgage lenders, Together devotes a considerable amount of resources to early-stage arrears management strategies.

Collateral

Table 2

Collateral key features*

	Together Asset Backed Securitisation 2024-1 ST1 PLC	Together Asset Backed Securitisation 2023-1 ST2 PLC	Together Asset Backed Securitisation 2023-1 ST1 PLC	Together Asset Backed Securitisation 2022-1 ST1 PLC	Together Asset Backed Securitisation 2021-1 ST1 PLC	Together Asset Backed Securitisation 2020-1 PLC
Pool cutoff date	March 2024	May 2023	March 2023	April 2022	June 2021	June 2020

Table 2

Collateral key features* (cont.)

	Together Asset Backed Securitisation 2024-1 ST1 PLC	Together Asset Backed Securitisation 2023-1 ST2 PLC	Together Asset Backed Securitisation 2023-1 ST1 PLC	Together Asset Backed Securitisation 2022-1 ST1 PLC	Together Asset Backed Securitisation 2021-1 ST1 PLC	Together Asset Backed Securitisation 2020-1 PLC
Originators	Together Commercial Finance Ltd. (nonbank) and Together Personal Finance Ltd. (nonbank)	Together Commercial Finance Ltd. (nonbank) and Together Personal Finance Ltd. (nonbank)	Together Commercial Finance Ltd. (nonbank) and Together Personal Finance Ltd. (nonbank)	Together Commercial Finance Ltd. (nonbank) and Together Personal Finance Ltd. (nonbank)	Together Commercial Finance Ltd., Together Personal Finance Ltd., Blemain Finance Ltd., and Harpmanor Ltd.	Together Commercial Finance Ltd. (nonbank) and Together Personal Finance Ltd. (nonbank)
Jurisdiction	U.K.	U.K.	U.K.	U.K.	U.K.	U.K.
Principal outstanding of the pool (mil. £)	378.7	453.4	435.5	517.3	322.9	372.3
Number of properties	2,310	3,560	1,939	3,235	3,329	4,143
Average loan balance (£)	163,924	143,153	224,595	159,899	110,974	89,872
Weighted-average indexed current LTV ratio (%; including first lien)	59.8	54.7	69.2	61.7	58.1	60.3
Weighted-average original LTV ratio (%; including first lien)	62.1	53.4	68.3	62.1	58.0	59.7
Weighted-average effective LTV ratio (%)	61.4	53.6	68.7	62.2	60.1	59.8
Weighted-average seasoning (months)	26	11	10	8	26	12
Second-lien (%)	0.0	0.0	0.0	0.0	0.0	28.3
Interest only (%)	64.8	59.5	68.5	67.5	53.3	52.1
Buy-to-let (%)§)	65.8	47.6	66.1	73.3	40.2	47.2
CCJs >= one (%)	14.4	15.4	13.3	13.5	13.0	13.0
Loan purpose – purchase (%)	52.7	46	57.7	57.1	45.9	16.5
Jumbo valuations (%)	18.3	20.4	29.3	14.2	17.6	16.1
'AAA' RMVD (%)	61.7	60.4	60.6	60.7	62.5	65.6
Arrears >= one month (%)	3.6	2.0	1.2	1.1	0.0	1.4

*Calculations are according to S&P Global Ratings' methodology. §Also includes the holiday lets. LTV--Loan-to-value. RMVD--Repossession market value declines.

We received loan-level data as of March 2024, and historical performance data on the originator's book since 2004. The quality of data provided is in line with our standards.

The pool audit report exhibits a slightly higher error count than we would typically expect, so we have adjusted our weighted-average foreclosure frequency (WAFF) assumptions.

Of the portfolio, 65.8% is BTL and 64.8% is interest-only. About 8.1% of the pool is interest-only loans secured over owner-occupied properties. These loans are interest-only for the loan's term. Since there is no mandatory capital repayment over the loan's term, there is a risk that the outstanding principal balance will not be paid by the end of the term. That said, we do not consider this to pose additional credit risk for U.K. BTL loans, as it is a standard product.

Of the loans, 14.4% were granted to borrowers with prior CCJs. In addition, 8.0% of loans were granted to first-time buyers.

Of the loans, 31.4% were originated for refinancing with equity extraction based on the information provided, and an additional 16.9% were for refinancing without any additional equity extraction.

The assets are primarily concentrated in Greater London (28.9%), the South East (20.7%), and the North West (14.1%).

The pool is newly originated with low seasoning; however, the historical performance data of the originator's book has been stable over the past five years.

Chart 1

Geographic distribution

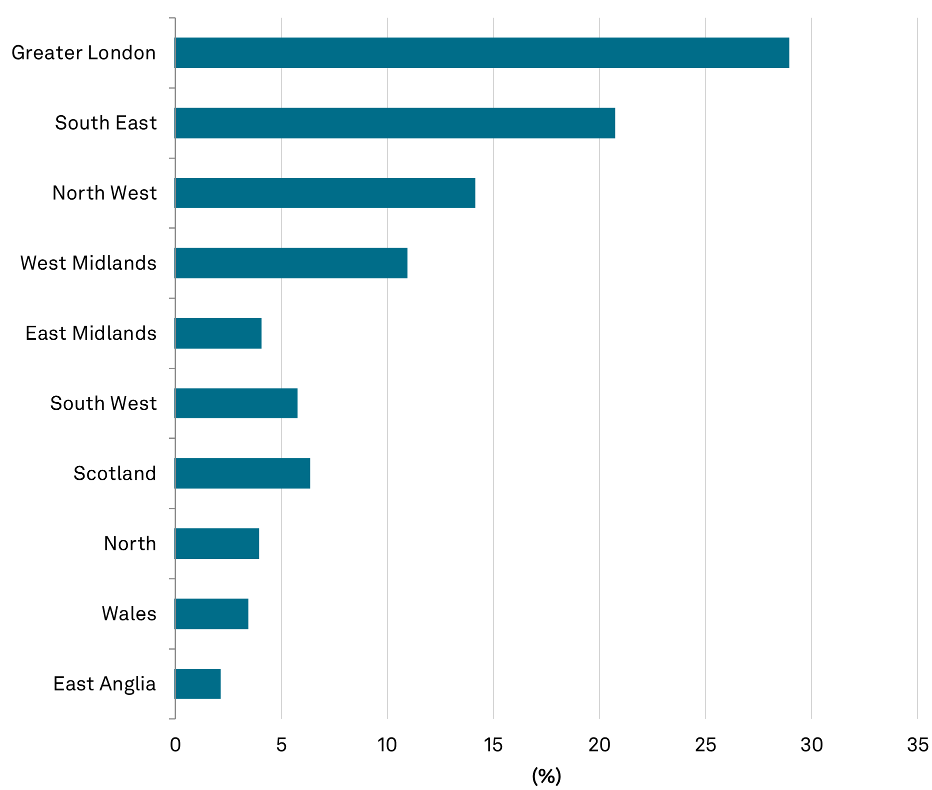
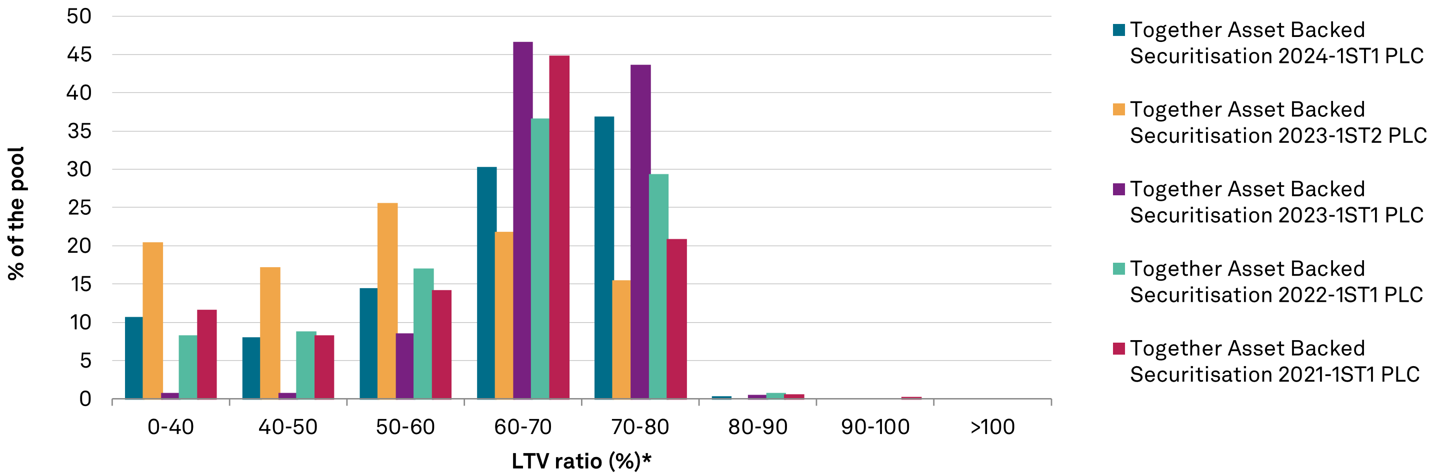


Chart 2

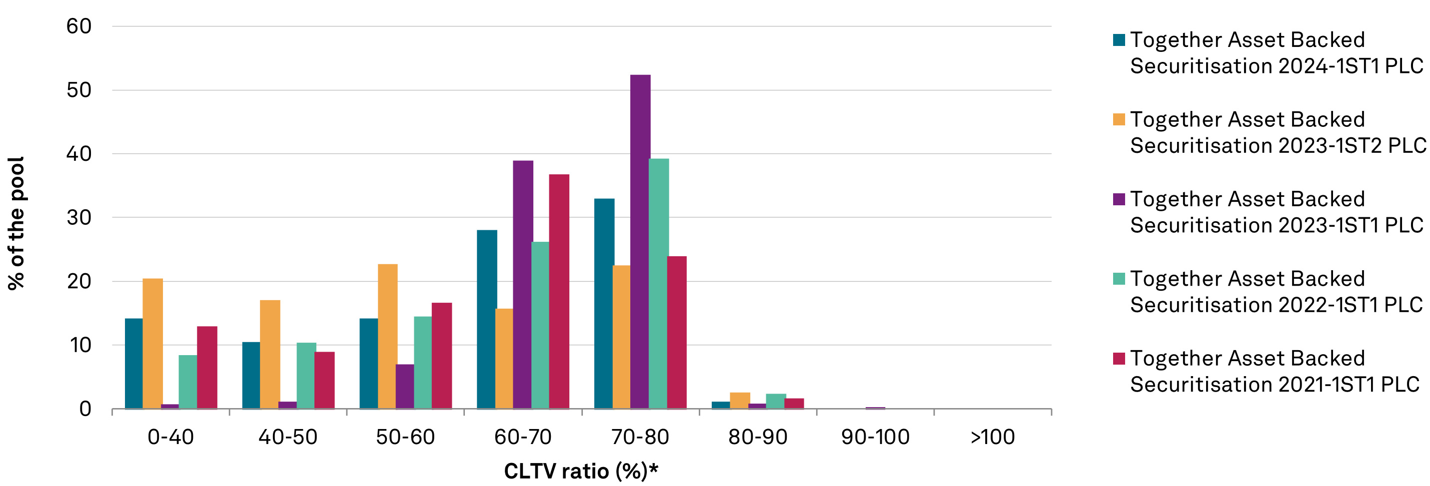
Original LTV ratio distribution



*Including first-lien. LTV--Loan-to-value.

Chart 3

Current LTV ratio distribution



*Including first lien. LTV--Loan to value.

Chart 4

Rental yield

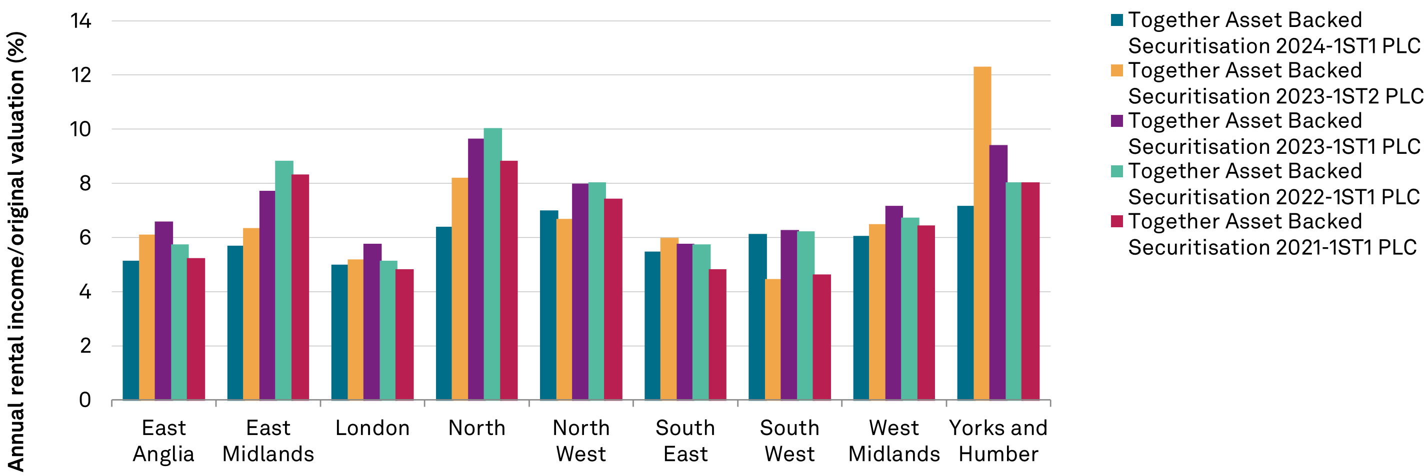


Chart 5

Interest revision date for fixed-floating loans

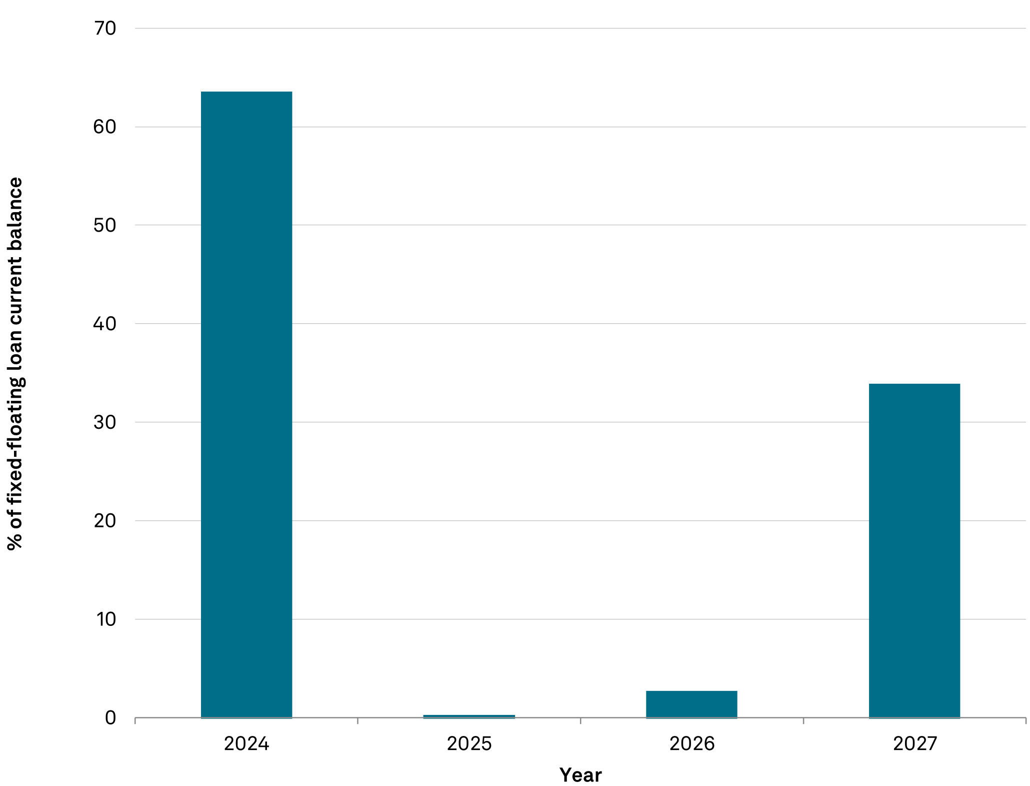
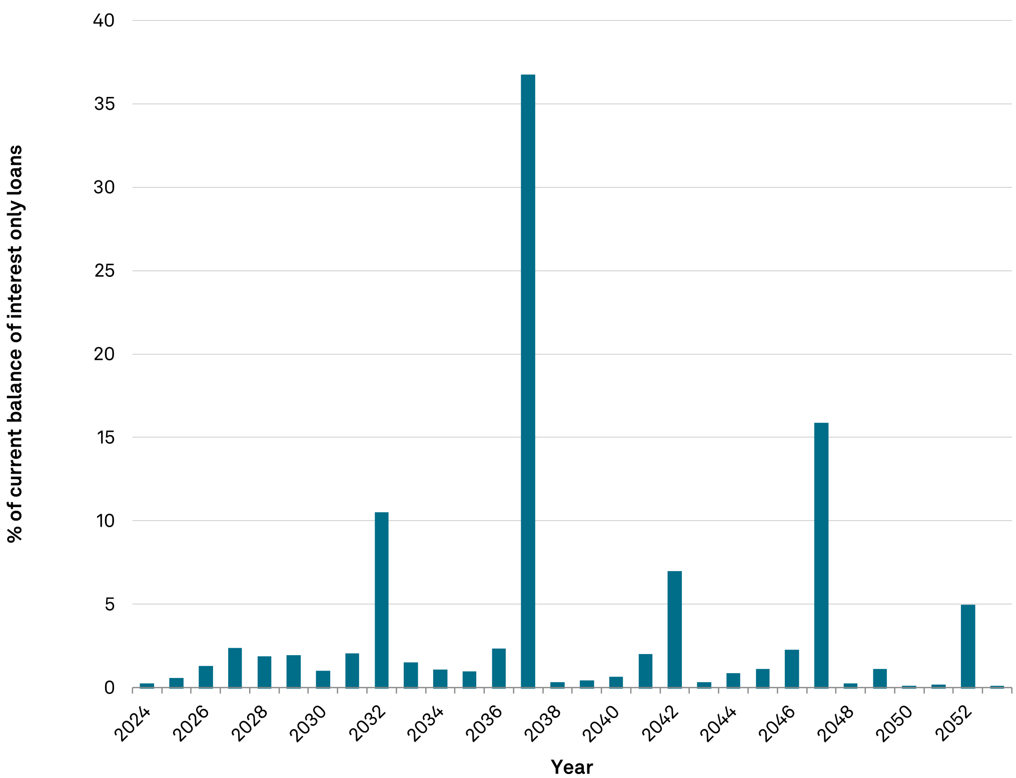


Chart 6

Maturity date for interest only loans

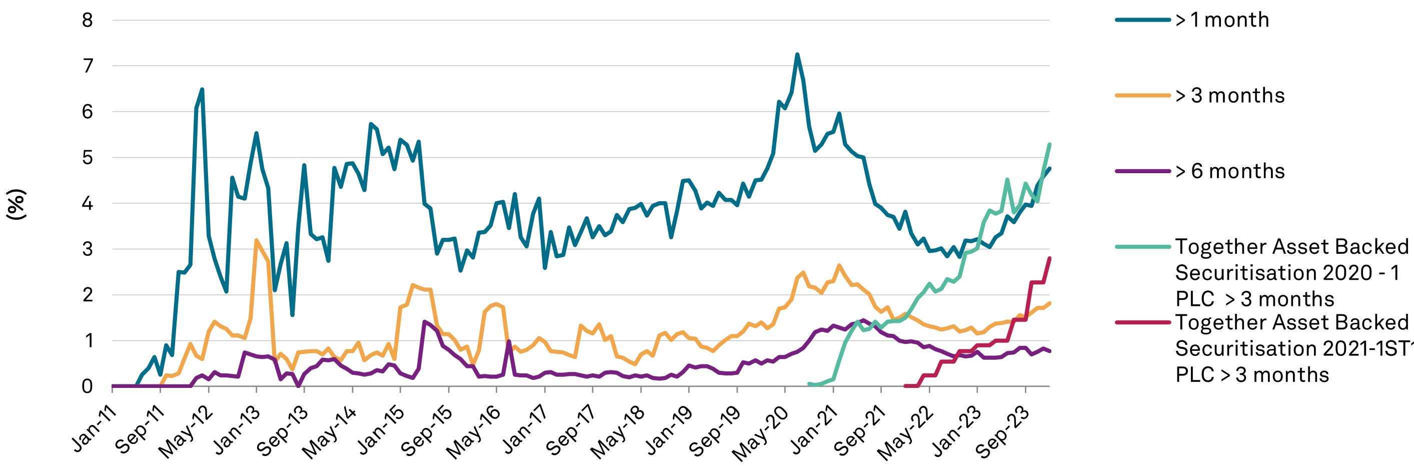


Asset performance

There are 3.6% of loans in arrears for more than or equal to one month in the pool. We have received the historical performance data on the originator's BTL book since 2004. The originations' performance has been stable over the past five years. We also reviewed the performance of previous Together transactions, which is also stable, presenting 90-day arrears or more below 3.00%.

Chart 7

Historical arrears distribution



Credit Analysis And Assumptions

We applied our global residential loans criteria to the pool in order to derive the WAFF and the weighted-average loss severity (WALS) at each rating level (see table 3).

The WAFF and WALS assumptions increase at each rating level because notes with a higher rating should be able to withstand a higher level of mortgage defaults and loss severity. Our credit analysis reflects the characteristics of loans, properties, and associated borrowers.

Table 3

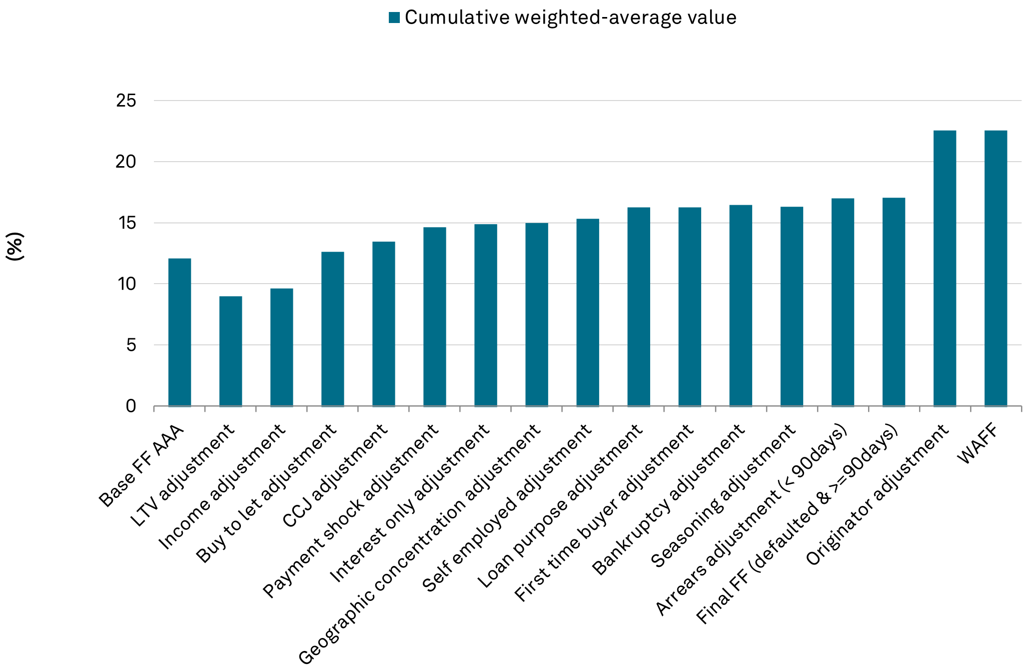
Portfolio WAFF and WALS

Rating level	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	22.44	40.00	8.98
AA	15.35	32.98	5.06
A	11.69	22.18	2.59
BBB	8.21	16.05	1.32
BB	4.54	11.80	0.54
B	3.72	8.11	0.30

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Chart 8

'AAA' cumulative WAFF distribution



FF--Foreclosure frequency. LTV--Loan-to-value. CCJ--County court judgments. WAFF--Weighted average foreclosure frequency.

Macroeconomic And Sector Outlook

The information in this section reflects our most recent published economic forecasts. The U.K. faces yet another year of economic weakness in 2024, with GDP growth of just 0.4%, as interest rates remain restrictive for an extended period. Even though headline inflation has now eased markedly, core price pressures persist. This has taken its toll on households' purchasing power. At the same time, higher interest rates are incentivizing consumers to save more and delay major purchases and investment decisions. The ratings assigned reflect this market uncertainty and our overall analysis considers the implications of further deterioration in credit conditions.

Table 4

U.K. housing market statistics

	2022	2023f	2024f	2025f
Nominal house prices, % change y/y	9.5	-3.5	2.7	3
Real GDP, % change	4.3	0.5	0.4	1.5
CPI inflation (%)	9.1	7.3	3	2.2
Unemployment rate	3.7	4.2	4.6	4.3

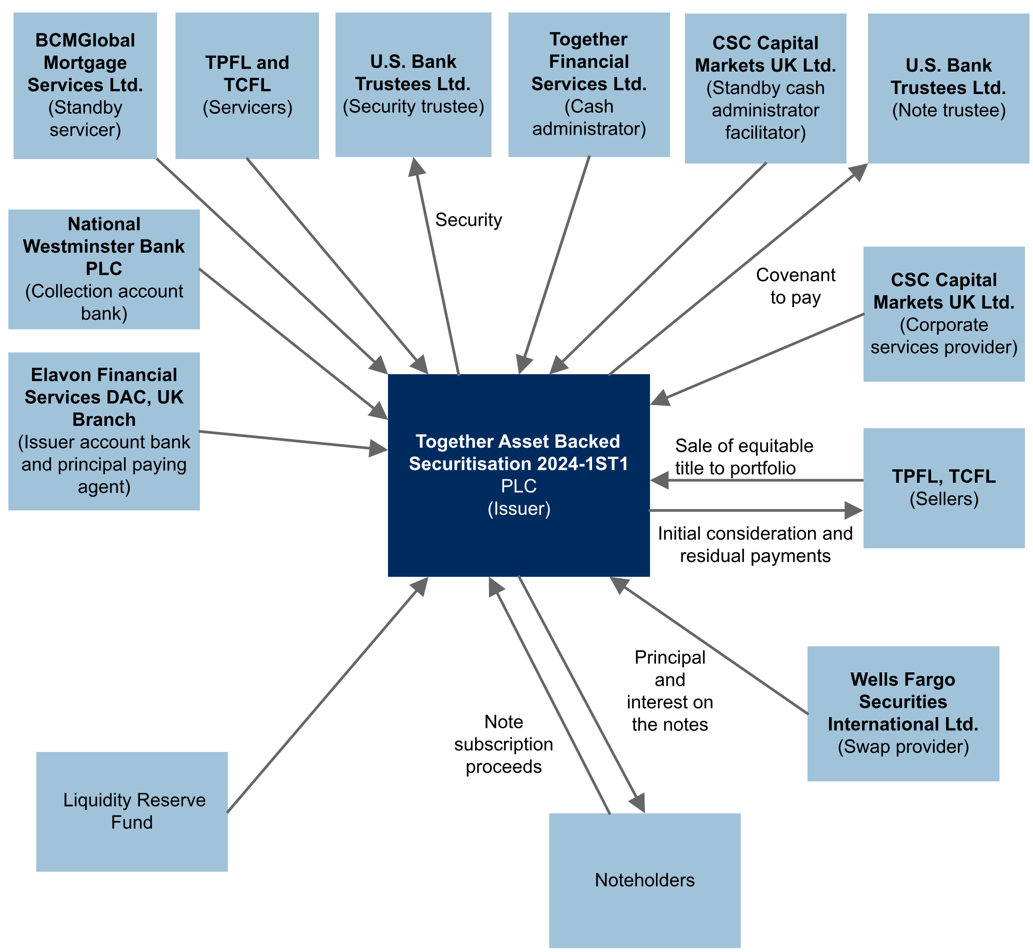
Sources: S&P Global Ratings. Y/Y--Year on year. f--Forecast.

We have also considered the transaction's ability to withstand higher defaults and extended foreclosure timing assumptions. The assigned ratings remain robust under these stresses.

Transaction Summary

Chart 9

Transaction structure



The issuer is an English SPE, which we consider to be bankruptcy remote. We analyzed its corporate structure in line with our legal criteria.

Interest is paid monthly on the interest payment dates, beginning in April 2024. The rated notes pay interest equal to compounded daily SONIA plus a class-specific margin, with a further step up in margin following the optional call date in September 2027. All the notes will reach legal final maturity in August 2064.

Deferral of interest

Under the transaction documents, interest payments on the class C-Dfrd, D-Dfrd, E-Dfrd, and X-Dfrd notes can be deferred until they become the most senior class. Consequently, any deferral of interest on these classes would not constitute an event of default until they become the most senior class. Unpaid interest will accrue at the note-specific coupons and be due at the notes' legal final maturity. When a deferrable note becomes the most-senior note outstanding, previously deferred interest is due at the legal final maturity.

Our ratings address the timely payment of interest and the ultimate payment of principal on the class A and B notes and the ultimate payment of interest and principal on the other rated notes. Our analysis reflects our view that, at the assigned ratings, the senior fees and swaps outflows, if any, will be paid on a timely basis.

Liquidity reserve fund

The transaction features a liquidity reserve fund (LRF) that is available to cover shortfalls on the senior fees and expenses, the swap outflows, and the interest payment on the class A and B notes.

The LRF is fully funded at closing, and the required amount is 1.45% of the class A and B notes' outstanding balance.

As the LRF amortizes, any amounts released will be used as part of available revenue.

Should the class A and B notes not be fully redeemed on the first optional redemption date (September 2027), then the LRF will no longer continue to amortize.

Principal to pay interest

In high-delinquency scenarios, there may be liquidity stresses where the issuer would not have sufficient revenue receipts to pay senior fees or interest on the outstanding classes of notes. To mitigate this risk, the issuer can use any existing principal receipts to pay shortfalls in senior fees and interest on the class A to E-Dfrd notes if the notes are the most-senior class outstanding. The use of principal to pay interest would result in the registering of a debit in the principal deficiency ledger (PDL) and may reduce the credit enhancement available to the notes. Principal will be used only if the liquidity reserve fund has been exhausted.

Principal deficiency ledgers

The PDL comprises seven subledgers, one for each of the mortgage-backed class of notes.

Amounts will be recorded on the PDL if the portfolio suffers any losses or if the transaction uses principal as available revenue receipts.

Payment priority

Table 5

Priority of payments

Revenue priority of payments	Principal priority of payments
Senior fees (including servicing fees).	To pay shortfalls on senior fees, the swap outflows, the issuer profit, interest on the class A and B notes, and the class C-Dfrd to E-Dfrd notes' interest (see "Principal to pay interest").
Swap payments.	Class A notes' principal.
Issuer profit.	Class B notes' principal.

Table 5

Priority of payments (cont.)

Revenue priority of payments	Principal priority of payments
Class A notes' interest.	Class C-Dfrd notes' principal.
Class A notes' PDL.	Class D-Dfrd notes' principal.
Class B notes' interest.	Class E-Dfrd notes' principal.
Top-up liquidity reserve to target.	Class X-Dfrd notes' principal.
Class B notes' PDL.	All remaining amounts to be applied to residual certificates.
Class C-Dfrd notes' interest.	
Class C-Dfrd notes' PDL.	
Class D-Dfrd notes' interest.	
Class D-Dfrd notes' PDL.	
Class E-Dfrd notes' interest.	
Class E-Dfrd notes' PDL.	
Class X-Dfrd notes' interest.	
Prior to the optional redemption date, the class X-Dfrd notes' principal.	
On the final redemption date or on or after the optional redemption date, an amount equal to the lesser of (i) all remaining amounts (if any) and (ii) the amount required by the issuer to fully redeem the notes less any other available principal receipts otherwise available to the issuer, to be applied as available principal receipts.	
Subordinated swap payment.	
Excess to residual certificates.	

PDL--Principal deficiency ledger.

Interest rate risk

Approximately 49.2% of the pool pays interest based on a fixed rate, but all will revert to a floating interest rate, linked to the SVR. The remaining assets pay a floating interest rate.

To address the interest mismatch between the mortgage loans and the rated notes, the transaction features a fixed-to-floating interest rate swap, where the issuer pays a fixed rate and receive SONIA to mirror the index paid on the notes. The balance of the swap is a fixed amortization schedule mirroring the fixed-rate loans' amortization profile while they remain fixed, assuming 10.0% prepayments on the fixed-rate loans. As a result, if any prepayments or defaults occur, the deal will be over-hedged. If SONIA is below the fixed rate paid by the SPE, being over-hedged is negative for the transaction, because the notional would be higher than the actual size of the collateral. The collateral posting and replacement triggers in the swap documents are in line with our counterparty criteria.

Cash Flow Modeling And Analysis

We stress the transaction's cash flows to test the credit and liquidity support that the assets, subordinated tranches, and reserves provide.

We apply these stresses to the cash flows at all relevant rating levels. In our stresses on the class A and B notes, these notes must pay full and timely principal and interest. Our ratings on the class C-Dfrd through X-Dfrd notes address the ultimate payment of principal and interest.

Our standard cash flow analysis indicates that the available credit enhancement for the class B, C-Dfrd, D-Dfrd, E-Dfrd, and X-Dfrd notes is commensurate with higher ratings than those currently assigned. However the ratings assigned also reflect their ability to withstand the potential repercussions of the current cost of living crisis, including higher defaults, longer foreclosure timing stresses, and higher prepayment assumptions on account of the high portion of fixed float loans resetting in near term.

However, the ratings assigned to these notes reflect their ability to withstand a combination of extended recovery timings due to court backlog, their relative positions in the capital structure, higher prepayment risk, and potential increase in defaults due to borrower concentration risk and the uncertain macroeconomic outlook.

Commingling risk

Borrowers pay into a collection account held with National Westminster Bank PLC in the sellers' name.

If the legal titleholder was to become insolvent, the mortgage collection amounts in the collection account may become part of the legal titleholder's bankruptcy estate. In order to mitigate this risk, each servicer will transfer all amounts received in the collection account arising in respect of payments from the borrowers to the deposit account on or prior to the second business day immediately following receipt of the amounts into the collection account. A declaration of trust in the issuer's favor is then in place over the collection account. The transaction documents contain replacement language in line with our counterparty criteria.

Although we believe that the above mechanisms (downgrade language and declaration of trust) mitigate against loss of collections, the collections could be delayed in the event of an insolvency. However, the transaction has an external source of liquidity sufficient to cover the liquidity risk due to the collections being frozen for a certain period. We consider that the liquidity source is sufficient, and therefore, we do not model any liquidity stress in the cash flow model.

Variable rate loans

About 50.8% of the loans within the pool are floating rate for life. They pay a variable rate of interest that can change with Together's cost of raising funds. There is no contractual link to an SVR or any index, and so the entire rate is discretionary. For the purposes of our analysis, we have assumed that Together's cost of raising funds is linked to the Bank of England base rate. We have then applied haircuts of 45.00% at 'AAA' and 15.00% at 'B', in line with our global RMBS criteria, to the excess of the variable rate on these loans over the Bank of England base rate at origination.

Spread compression

The asset yield on the pool can decrease if higher-paying assets default or prepay. To account for this, we have applied spread compression in our analysis.

Fees

Contractually, the issuer is obliged to pay periodic fees to various parties providing services to the transaction such as servicers, trustees, and cash managers, among others. We accounted for these in our analysis. In particular, we applied a stressed servicing fee of 0.45% to account for the potential increase in costs to attract a replacement servicer, based on our global RMBS criteria.

Setoff risk

There are no employee loans or deposit setoff exposure in the transaction.

Default and recovery timings

We used the WAFF and WALS derived in our credit analysis as inputs in our cash flow analysis (see table 6). At each rating level, the WAFF specifies the total balance of the mortgage loans we assume will default over the transaction's life. We apply defaults on the outstanding balance of the assets as of the closing date. We simulate defaults following two paths (i.e., one front-loaded and one back-loaded) over a six-year period. During the recessionary period within each scenario, we assume 25.00% of the expected WAFF is applied annually for three years.

Table 6

Default timings for front-loaded and back-loaded default curves

Year after closing	Front-loaded defaults (% of WAFF per year)	Back-loaded defaults (% of WAFF per year)
1	25.0	5.0
2	25.0	10.0
3	25.0	10.0
4	10.0	25.0
5	10.0	25.0
6	5.0	25.0

WAFF--Weighted-average foreclosure frequency.

We assume recoveries on the defaulted assets will be received 12 months after default for first-lien BTL properties and 18 months after default for first-lien owner-occupied properties. We estimated foreclosure costs at 3.00% of the repossession value and £5,000 for first-lien loans.

Our loss severities are based on loan principal and do not give any credit to the recovery of interest accrued on the loan during the foreclosure process.

Delinquencies

To simulate the effect of delinquencies on liquidity, we model a proportion of scheduled collections equal to one-third of the WAFF (in addition to assumed foreclosures reflected in the WAFF) to be delayed. We apply this in each of the first 18 months of the recession and assume a full recovery of these delinquencies will occur 36 months after they arise.

Prepayments

To assess the impact on excess spread and the absolute level of defaults in a transaction, we model both high and low prepayment scenarios at all rating levels (see table 7). Almost 31.3% of the pool are fixed-rate loans having a discount period ending in 2024 or 2025, which could increase prepayments and reduce the asset yield. We have considered this in our cash flow analysis by conducting a sensitivity run with higher prepayments and spread compression.

Table 7

Prepayment assumptions

	High	Low
Pre-recession	30.0	4.0
During recession	3.0	3.0

Table 7

Prepayment assumptions (cont.)		
	High	**Low**
Post-recession	30.0	4.0

Interest rates

We modeled two interest rate scenarios in our analysis: up and down.

Summary

Combined, the default timings, recession timings, interest rates, and prepayment rates described above give rise to eight different scenarios at each rating level (see table 8).

Table 8

RMBS stress scenarios

Total number of scenarios	Prepayment rate	Interest rate	Default timing
8	High and low	Up and down	Front-loaded and back-loaded

Scenario analysis

We analyzed the effect of a moderate stress on our WAFF assumptions and its ultimate effect on our ratings on the notes. We ran two stress scenarios to demonstrate a note's rating transition, and the results are in line with our credit stability criteria.

Counterparty Risk

The issuer is exposed to Elavon Financial Services DAC, U.K. Branch as the transaction account provider; National Westminster Bank as the servicer's collection account; and Wells Fargo Securities International Ltd. as swap counterparty (see table 9). The documented replacement mechanisms adequately mitigate the transaction's exposure to counterparty risk in line with our current counterparty criteria for the transaction account and swap counterparty.

Table 9

Supporting ratings

Institution/role	Current counterparty rating	Minimum eligible counterparty rating	Remedy period (calendar days)	Maximum supported rating
National Westminster Bank PLC as collection account provider	A+/Stable/A-1	BBB/A-2	60	AAA
Elavon Financial Services DAC, U.K. Branch as transaction account provider*	AA-/Negative/A-1+	A/A-1 or A+ (if no short-term rating)	30	AAA
Wells Fargo Securities International Ltd. as swap counterparty	A+/--/A-1§	A-	10 business days to post collateral and 90 calendar days to find a replacement	AAA

*Rating derived from the rating on the parent entity. §Resolution counterparty rating.

Sovereign Risk

Our long-term unsolicited sovereign credit rating on the U.K. is 'AA'. Therefore, our ratings in this transaction are not constrained by our structured finance sovereign risk criteria.

Surveillance

We will maintain surveillance on the transaction until the notes mature or are otherwise retired. To do this, we will analyze regular servicer reports detailing the performance of the underlying collateral, monitor supporting ratings, and make regular contact with the servicer to ensure that it maintains minimum servicing standards and that any material changes in the servicer's operations are communicated and assessed.

Various factors could lead us to lower our ratings on the notes, such as increasing foreclosure rates in the underlying pool and changes in the pool composition. We have analyzed the effect of increased defaults by testing the sensitivity of the ratings to two different levels of movements.

Under our scenario analysis, the ratings on the notes in both scenarios would not suffer a rating transition outside of that considered under our credit stability criteria.

We also conducted additional sensitivity analysis to assess the impact of, all else being equal, increased WAFF and WALS on our ratings on the notes. For this purpose, we ran eight scenarios by either increasing stressed defaults and/or reducing expected recoveries as shown in the tables below.

Table 10

Sensitivity stresses

	WALS		
WAFF	**1.0x**	**1.1x**	**1.3x**
1.0x	Base case	Sensitivity 3	Sensitivity 4
1.1x	Sensitivity 1	Sensitivity 5	Sensitivity 7
1.3x	Sensitivity 2	Sensitivity 6	Sensitivity 8

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Table 11

Sensitivity analysis results

Class	Base case	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	Sensitivity 6	Sensitivity 7	Sensitivity 8
A	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AA+
B	AA	AA	AA	AA	AA	AA	AA	AA	AA-
C-Dfrd	AA-	AA-	A+	AA-	A+	AA-	A	A	A
D-Dfrd	A-	A-	BBB+	A-	BBB+	BBB+	BBB	BBB+	BBB
E-Dfrd	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+
X-Dfrd	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB

Appendix

Transaction participants	
Arranger	BNP Paribas, and Wells Fargo Securities International Ltd.
Cash administrator	Together Financial Services Ltd.
Corporate services provider	CSC Capital Markets U.K. Ltd.
Issuer	Together Asset Backed Securitisation 2024-1ST1 PLC
Joint lead managers	BNP Paribas, Banco Santander, S.A., and Wells Fargo Securities International Ltd.
Originators/legal holders, sellers, and servicers	Together Personal Finance Ltd. And Together Commercial Finance Ltd.
Principal paying agent/agent bank	Elavon Financial Services DAC, U.K. branch
Registrar	Elavon Financial Services DAC
Security trustee and note trustee	U.S. Bank Trustees Ltd.
Standby servicer	BCM Global Mortgage Services Ltd.
Share trustee	CSC Corporate Services (U.K.) Ltd.
Standby cash administrator facilitator	CSC Capital Markets U.K. Ltd.

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