

The logo for BLEND Funding Plc features a lowercase 'b' inside an orange square, followed by the word 'BLEND' in a grey sans-serif font. To the right, the words 'Funding Plc' are written in a smaller grey font, with 'Plc' in orange.

**b**LEND Funding Plc

Providing competitive bond finance to the affordable housing sector.

# Agenda

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## Credit Highlights of bLEND

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- New aggregator that builds on THFC's 30+ year history, established team and strong long term relationships with over 130 housing associations
- Provides exposure to a diverse pool of highly rated housing association borrowers
- Allows access to scarce, strong credits, many of which are not publically rated and have no public debt outstanding
- Benefits from a stronger structure than own name issuance – debt service reserves, interest cover covenant
- Commitment not to add a borrower to the bLEND pool that would result in a downgrade of the programme

## Review of the Sector

## Constructive Policy Environment

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- Government support for a wider definition of affordable housing
- Grant £4.7bn + £1.4bn for broader mix of tenures
- Rent settlement post 2020 – CPI + 1%
- Homes England – innovative investment role
- Funding of Supported Housing – more positive proposal
- Voluntary RTB – pilots underway but further consultation planned on one-for-one replacement and use of RTB receipts
- £8bn housing guarantees (potentially applied across a variety of tenures)

# The Wider Housing Market

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- Market confidence impacted by:
  - Brexit
  - Interest rate outlook
- Important for HA cross-subsidisation (sales) model
- Government taking a variety of steps to support supply:
  - Continuance of help-to-buy (2020)
  - Bank of England TFS for four years (2022)

## Strong Regulatory Environment

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- Regulator of Social Housing introduced in January 2018 as the successor to the HCA, with regulatory responsibility for the social housing sector
- Continuation of strengths...
  - Independence
  - Risk-based use of stability checks & in-depth assessments
  - Focus on economic regulation (supportive for creditors; protecting the sector's 'no default' record)
  - Reiterate importance of Housing Standard post Grenfell
  - Strength in depth
- ...As well as targeted enhancements:
  - Increased focus on value for money
  - Grading under review
  - Voluntary Undertakings
  - Switched on Housing Administration regime in July 2018
  - Social Housing Green Paper published in August 2018 and intention to carry out a review of social housing regulation announced



**Regulator of  
Social Housing**

## Post-Grenfell – Fire Safety and Building Regulations

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- Housing Associations have generally undertaken pro-active remediation work without waiting for legislation
- MHCLG have committed £400m of remediation costs for HAs and Councils
- Potential issues around remediation costs for non-social housing (for technically compliant buildings) and who picks up the bill (Croydon CityScape)
- Unresolved questions about use of combustible materials/retro-fitting sprinklers
- Housing Green Paper focus on improving services, making housing organisations more accountable to tenants and raising the standards, quality and safety on existing and new homes



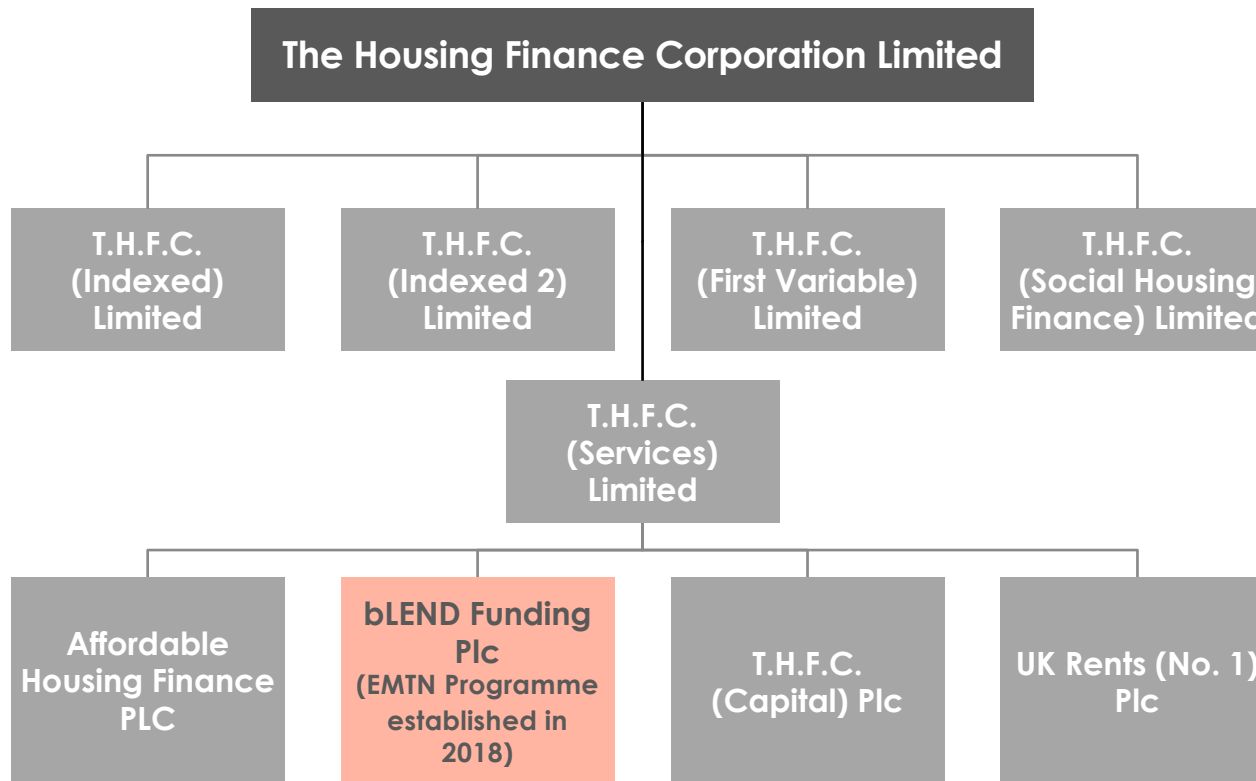
# Business Context for Housing Associations

Potential Risks	Mitigants
<ul style="list-style-type: none"> <li>• Development risk               <ul style="list-style-type: none"> <li>— Prevalence of development with lower grant, combined with MHCLG drive for more output</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HAs have ability to slow down or stop development</li> <li>• Ring-fencing and JVs</li> </ul>
<ul style="list-style-type: none"> <li>• Exposure to private market sale risk               <ul style="list-style-type: none"> <li>— Potential softening of house prices spreading outside London</li> <li>— Issue exacerbated by Brexit uncertainty and rising interest rates</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HCA 2017 report highlights risk is concentrated in a small number of large providers</li> <li>• Alternative use of developed stock (in some cases supported by additional capital grant)</li> <li>• Pro-active regulatory intervention</li> </ul>
<ul style="list-style-type: none"> <li>• Revenue Risks               <ul style="list-style-type: none"> <li>— Changes to social housing rent policy</li> <li>— Rent controls in unregulated products</li> <li>— Welfare reform and scaling up of Universal Credit roll out</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Certainty of rent settlement for HAs post 2020 (CPI+1% until 2025)</li> <li>• HAs have been preparing for universal credit for a number of years, in addition to other welfare reforms</li> <li>• Reversion to “payment direct” contemplated for vulnerable cases</li> </ul>
<ul style="list-style-type: none"> <li>• Additional headwinds               <ul style="list-style-type: none"> <li>— Increased costs from Grenfell related remediation</li> <li>— Brexit could lead to skills shortages, higher costs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Government funding available for remediation</li> </ul>



## bLEND Structure

# Group Structure



bLEND will follow established THFC Group management processes:

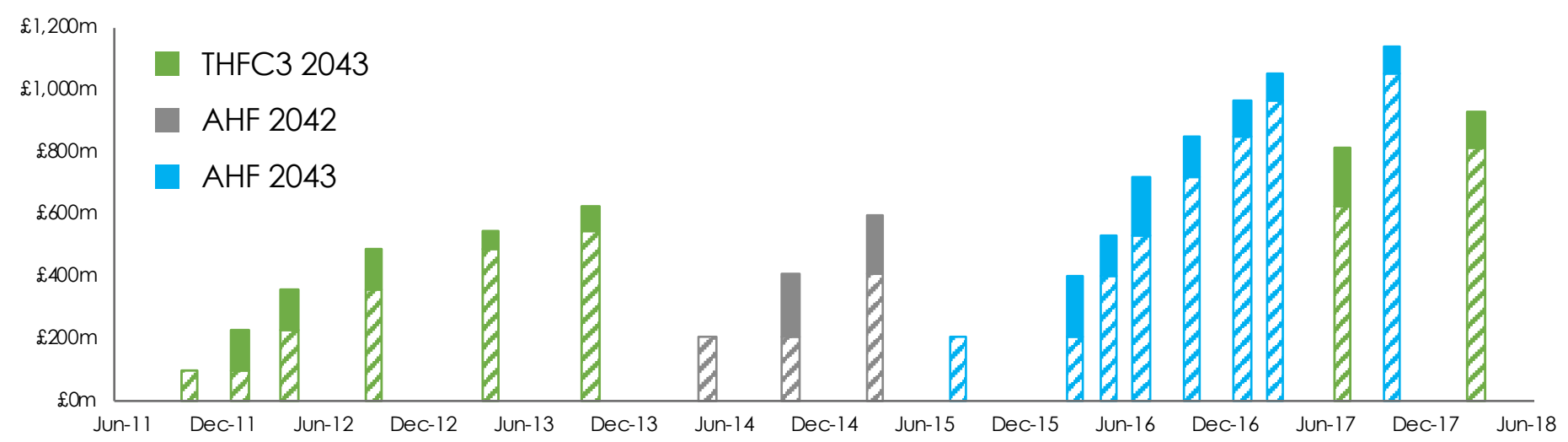
- THFC (Services) provides services to all members of the group under Management Services Agreements
- No THFC entities have recourse to bLEND and vice versa

# Strength of Management Team and Track Record

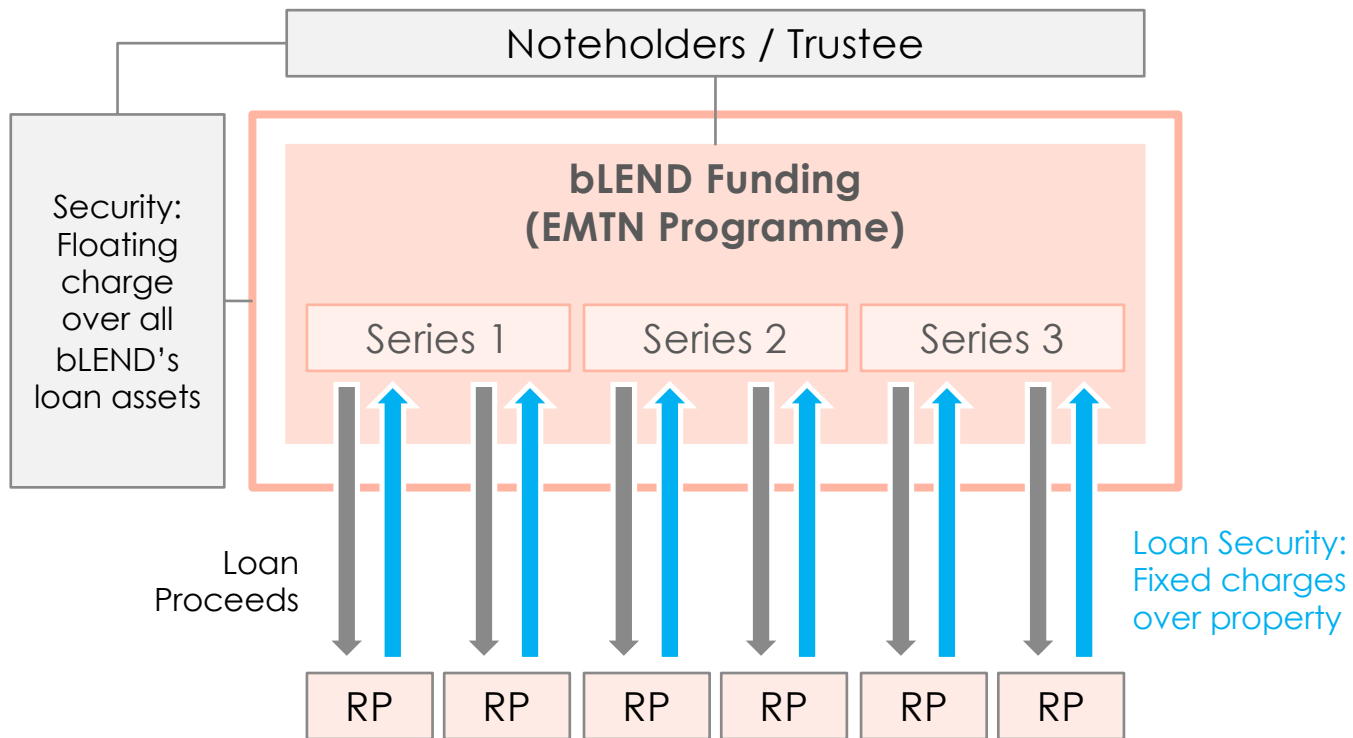


Building on THFC's robust, 30yr+ history in the sector

<p><b>Team</b></p> <p>Highly experienced team with extensive sector knowledge</p>	<p><b>Board</b></p> <p>Full overlap with THFC except for one member (to cover the highly unlikely event of a conflict of interest occurring)</p>	<p><b>Relationships</b></p> <p>Existing relationships with over 130 housing associations</p>	<p><b>Track Record</b></p> <p>History of growing bonds over time – over £1.7bn of issuance across AHF and over £900m in THFC3</p>
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# Programme Structure



- Ringfenced debt service reserves for each underlying loan
- No cross-collateralisation or cross-guarantees between borrowers

EMTN programme key features:

- Issue proceeds to be on-lent to registered housing associations
- Sterling only
- Primarily soft bullet with 2 year tail
- Floating rate coupons and amortising profiles are also possible under the programme

## bLEND Context

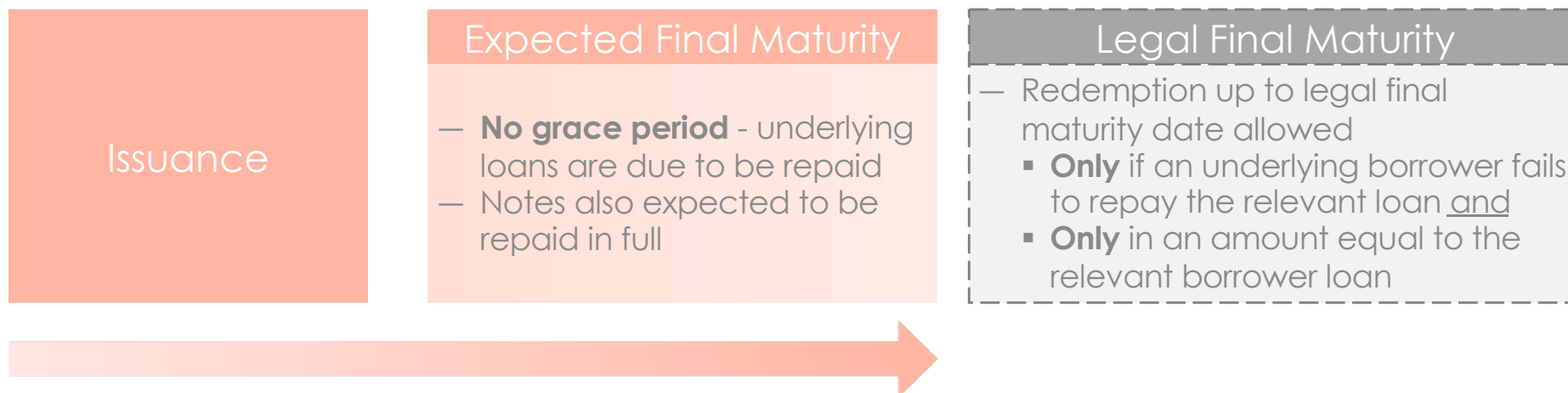
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- Strong HA demand for long term finance
- Own name bonds
  - require larger amounts
  - time and management stretch
  - public rating
  - cost of carry
- Sector appetite for aggregation in principle demonstrated by AHF and THFC
- Key requirements:
  - Little and often
  - Speed to market and certainty of delivery
  - Transparent structure with proven management track record
  - Simplified credit process; more granular borrower disclosure to bondholders
  - On-market security covenants; new borrowers cannot cause a ratings downgrade
- bLEND will undertake measured growth by issuing multiple market size deals over time and may vary maturities to better suit both investors and borrowers

# Early Redemption and Scheduled Redemption

- Early redemption in the event of an underlying borrower default at par
- Early redemption in the event of prepayment of a loan by underlying borrower at modified Spens

## Expected Maturity Date and Legal Maturity Date



# Rating

## Rated by Moody's under its Public Sector Pool Financings Methodology

### Pool Participant Ratings

- Pool participants are either rated publicly by Moody's or privately by Moody's
- Privately rated borrowers submit the same information as for a Moody's public rating



### Pool Rating

- The pool rating outcome reflects the weighted average credit quality
- The rating is of the whole pool of loans funded by all series of Notes
- A new borrower cannot be added to the pool if that would result in a downgrade of the programme
- Aggregate rating of portfolio at A2 - reflecting a stronger than average credit profile for the HAs in the pool, based on the distribution of Moody's public HA ratings



## Underlying Loans and Borrowers

## Description of Underlying Loans

- Purpose – to finance the purchase, acquisition, development, repair or improvement of property to be used for housing or the refinancing of existing loans for such purpose
- Only lending to Registered Providers of social housing
- Property security and covenants (minimum “core terms”)

	<b>bLEND Funding Plc</b>	<b>“Typical HA” Own Name Bond</b>
<b>Asset cover</b>	120% (MV-ST valuation) 110% (EUV-SH valuation)	115% (MV-ST valuation) 105% (EUV-SH valuation)
<b>Net annual income cover</b>	100% of annual interest payable	None
<b>Debt service reserve</b>	Dedicated cash reserve equal to 12 months interest	None