



 **bLEND** Funding Plc

Fixed Income Investor Presentation

May 2020

Disclaimer

For the purposes of the following disclaimer, references to this presentation shall mean these presentation slides and shall be deemed to include references to any related speeches made by or to be made by the management of bLEND Funding plc (bLEND), any questions and answers in relation thereto and any other related verbal or written communications.

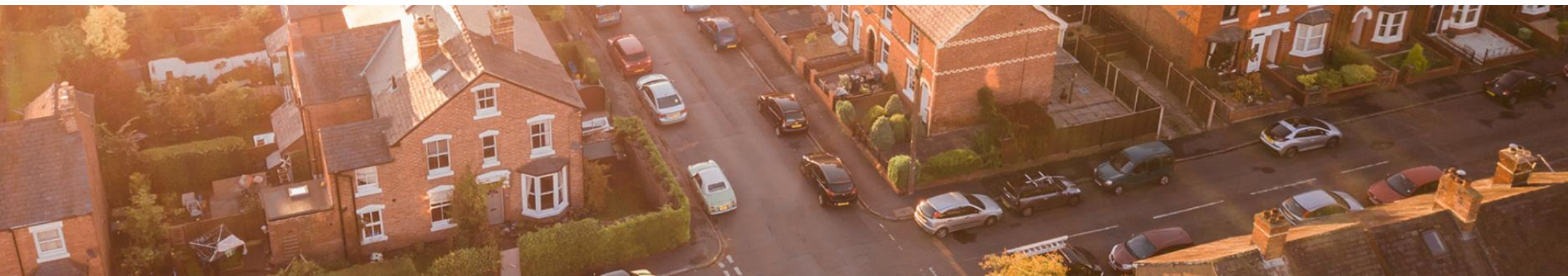
This presentation may only be communicated or caused to be communicated in the United Kingdom to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Finance Promotion) Order 2005 (the “Order”) or high net worth entities who fall within Article 49(2) (a) to (d) of the Order (all such persons being referred to as “relevant persons”). Any investment or investment activity to which this presentation relates is available only to relevant persons and will be engaged only with relevant persons.

This presentation is being directed at you solely in your capacity as a relevant person (as defined above) for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior written consent of bLEND.

The information in this document is subject to change without notice, its accuracy is not guaranteed, and it may be incomplete and is condensed.

These presentation slides may contain certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, is not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although bLEND believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

Credit Highlights

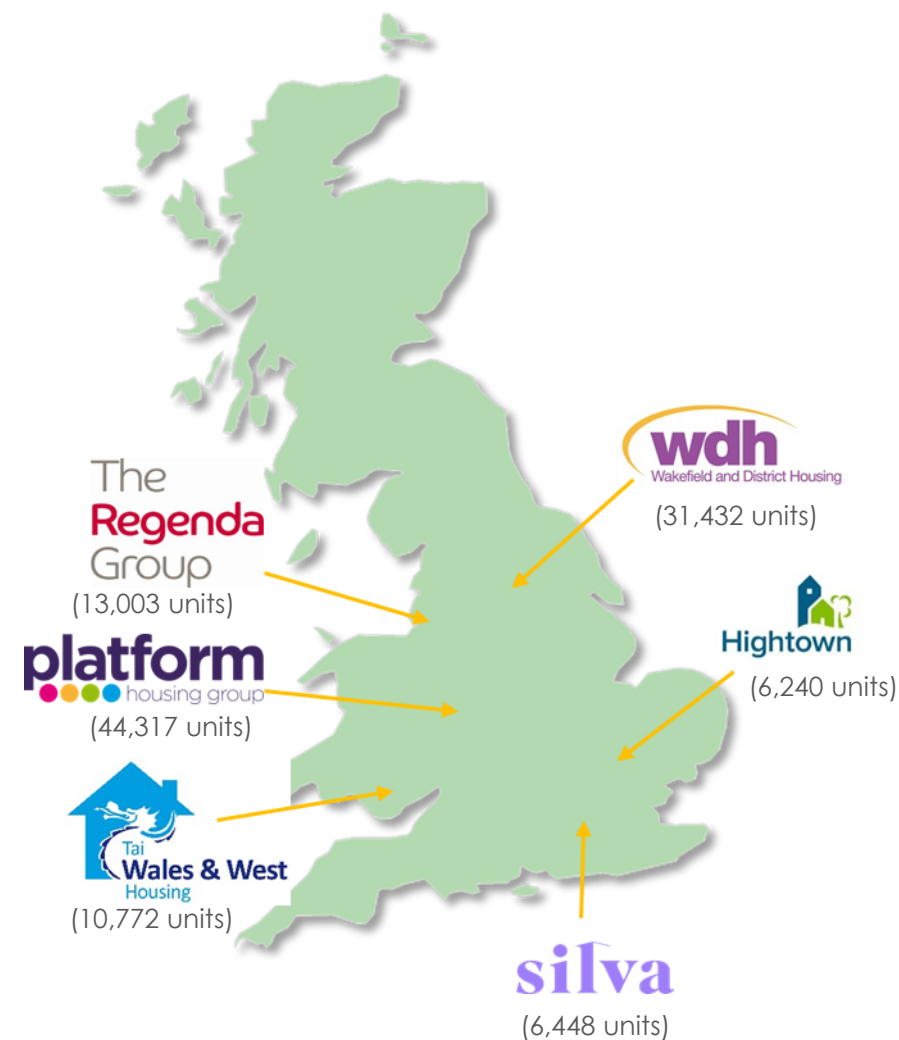


Credit Highlights of bLEND

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

bLEND is an established A2 (stable) aggregator

- bLEND is well established with £390m already outstanding
- Moody's private credit rating process continues to work well
- A2 (stable) builds in resilience in case of UK Sovereign or HA sector downgrade
- Increasingly diversified pool of bLEND borrowers
- Growing a variety of bond maturities to build a bLEND curve
- Additive to THFC and AHF offering



Significant sector experience of management team



Piers Williamson
(Executive Director and
Chief Executive)



Fenella Edge
(Executive Director and
Group Treasurer)



Colin Burke
(Executive Director and
Finance Director)



George Blunden
(Chairman)

- bLEND is a 100% subsidiary of The Housing Finance Corporation (THFC)
- The two entities share Boards (with the exception of one non-executive director), codes of governance and audit committees
- THFC, through its management services subsidiary, provides ongoing management services to bLEND
- THFC has unrivalled experience in the provision of finance to the housing association sector
- THFC was established 31 years ago and currently provides finance to 145 separate housing association groups, and, amongst other programmes, runs the Affordable Housing Finance scheme as the exclusive delivery partner of the UK Government-backed Affordable Housing Guarantee Scheme which includes some £3.2bn of issued debt
- THFC is therefore well placed to operate, govern and manage the activities of bLEND

The Importance of ESG to all of our borrowers

Environmental

- bLEND's borrowers incorporate sustainability and environmental responsibility into their business plans:
 - Setting stretching energy performance targets for new build stock (EPC)
 - Investing in existing stock to improve energy efficiency (windows, insulation, boilers, solar panels etc)
 - The inclusion of green and open spaces for residents
 - Business models that minimize the organisations' carbon footprint

Social

- bLEND's borrowers are not-for-profit housing associations who provide affordable housing
- Borrower funded community projects and initiatives maximising social impact include:
 - Education and training for local residents to boost skills and employment
 - Outreach programmes in local schools promoting financial awareness and wellbeing
 - Services supporting the homeless and victims of domestic abuse
 - Guidance on business development and targeted start-up loans and grants

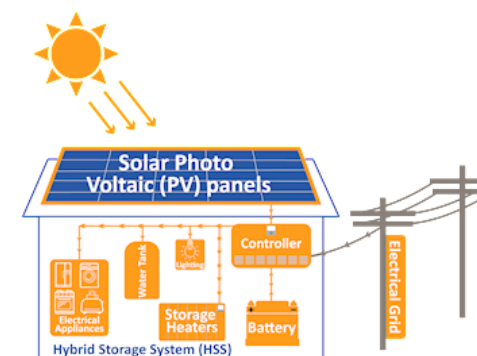
Governance

- bLEND's borrowers subscribe to a Code of Governance (NHF for English borrowers) and its supporting Code of Conduct
- Moody's considers management and governance within the sector strong
- English and Welsh housing associations also benefit from close oversight by sector regulators, who set standards for Governance, publishing a grade for performance against the standard
 - All bLEND's English borrowers are currently rated G1/V1 by the regulator

ESG examples

Environmental

- Wakefield District Housing's participation in the EU-funded RED WoLF Project which aims to fit properties with solar panels and electric storage heaters to trial the low-carbon performance of these measures
- Wales & West's development in Bridgend which will use innovative designs to build homes that generate their own energy
- Wakefield District Housing's have delivered over 800 new homes which exceed regulatory standards on sustainability
- Hightown aims to achieve homes with a minimum EPC rating of C



Source: Wakefield District Housing's participation in the RED WoLF Project

Social

- The Regenda Group's recently launched drop-in centre, Ways2Wages, which helps people access services to find training and employment
- Hightown's three homelessness services are estimated to save local police and public services up to £600,000 per year
- Platform Housing Group works in cooperation with fifteen local organisations and foodbanks, and has donated over £16,000 to support local communities
- Hightown's Financial Inclusion service has in 2018/19 helped nearly 600 tenants access welfare services
- At their city centre Hub, Wakefield District Housing offer free internet access to build digital skills in Wakefield and tackle digital exclusion

Ratings Overview

MOODY'S A2 (stable)

bLEND's commitment to its ratings

- The credit profile of bLEND reflects the credit quality of the underlying pool participants and the structural enhancement to the pool
- Commitment not to add a borrower to the bLEND pool that would result in a downgrade of the programme

Moody's (14 November 2019)

“The main drivers of bLEND's long-term senior secured debt rating are

- (1) our assessment of the strong credit quality of the four participating housing associations,*
- (2) the respective borrowing levels of each participant, and*
- (3) the liquidity reserve which provides bLEND with 12 months of interest payments sized for each participant, in the case of payment default by a borrower”*

Credit strengths

- » Strong credit quality of participating housing associations and supportive institutional framework
- » Liquidity reserve as structural enhancement
- » Significant sector experience of management team, mitigating start-up risk

Covid-19 Response

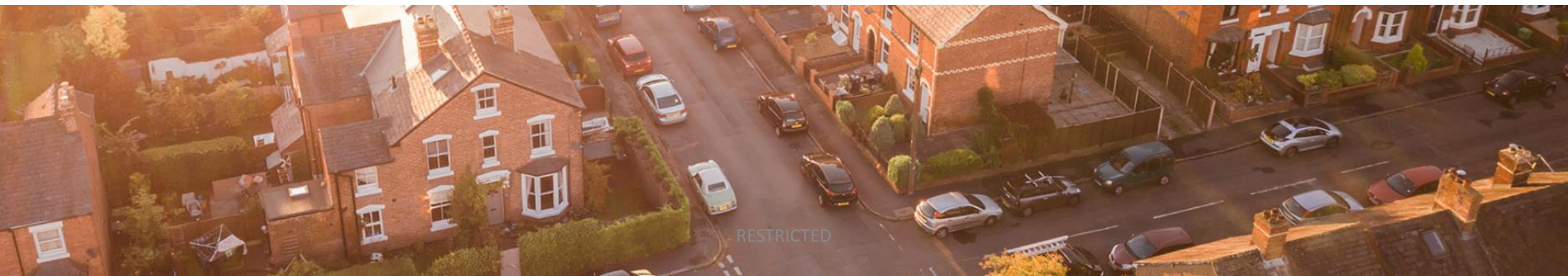
Sector reaction to Covid-19

- Whilst the coronavirus outbreak will likely impact HAs through increased arrears and bad debts driven by increases in unemployment and a reduction in market sales income, Moody's expects *"The majority of HAs will be able to mitigate these impacts due to*
 - *(1) strengthened liquidity positions from reducing significant cash outflows by postponing development programmes; and*
 - *(2) cash savings on repairs and maintenance which are now limited to essential works"*
- Moody's does not expect a material impact for most HAs

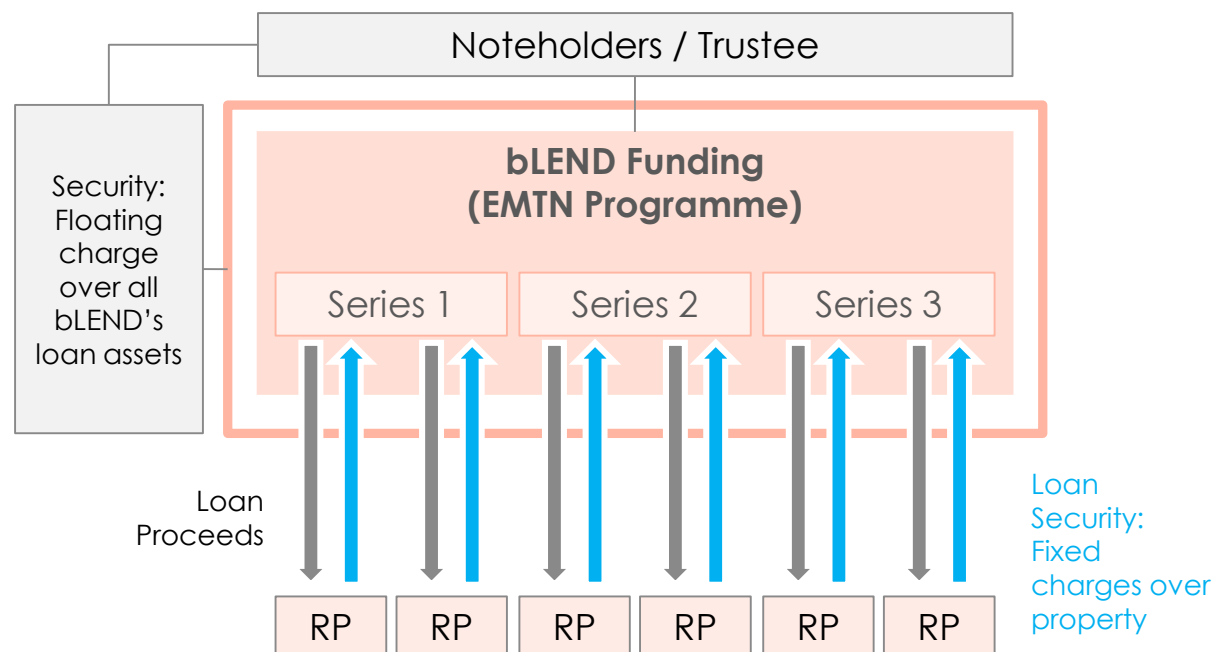
Individual borrower examples of responses to Covid-19

- Newly unemployed residents sign-posted to Universal Credit so rental cash flows only typically disrupted for a few weeks - arrears and voids remain low
- Majority of bLEND participants have moved to emergency only repairs. Mandatory safety checks are completed with only delays due to self isolating tenants
- Sales volumes remain reasonable with shared ownership purchasers opting to buy off plan - some concern about availability of mortgages
- Stress testing rental cash flows
- All development paused but in a position to start on sites again as soon as allowed to - could provide opportunities for HAs to acquire cheap units/sites from developers
- bLEND participants remain financially resilient and liquid

Structural Overview



Programme Structure



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

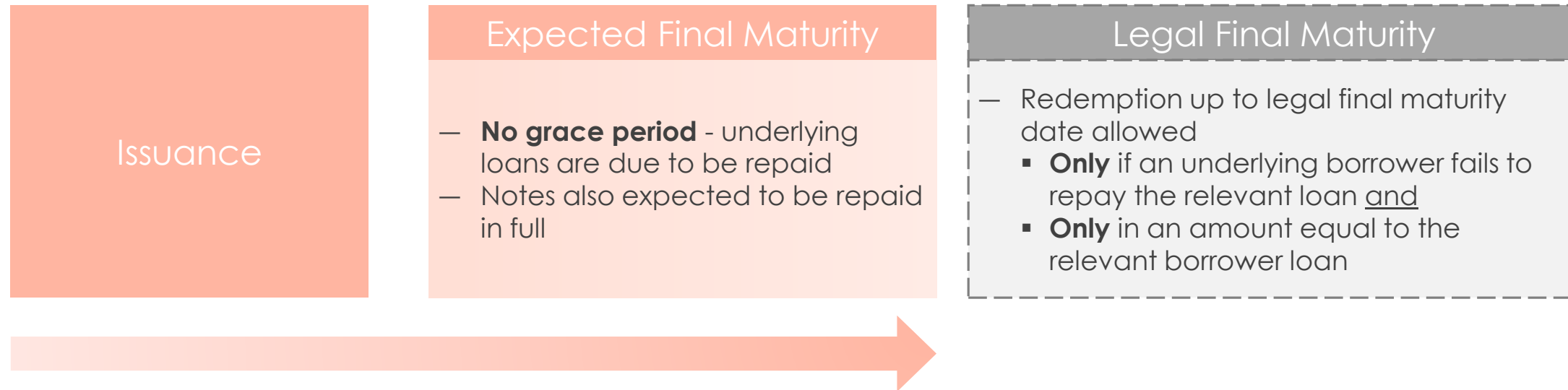
EMTN programme key features:

- 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

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



Moody's Credit Process - bLEND Rated A2 (stable)

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
- Aggregate rating of portfolio at A2 (Stable) - reflecting a stronger than average credit profile for the HAs in the pool, based on the distribution of Moody's public HA ratings

- All bLEND borrowers must be rated by Moody's either by way of a public rating or a private rating. One borrower
- The data required by Moodys is the same as that for a public rating including financial statements, business plans, stress testing and treasury policy
- The primary differences between a public rating and a private rating is that Moodys do not have a meeting with management and that the outcome of an individual participant's private rating is not available to investors
- As a condition of a Borrower's loan, it commits to provide the information required by Moody's to maintain a private rating for the life of the loan or to maintain a Moody's public rating

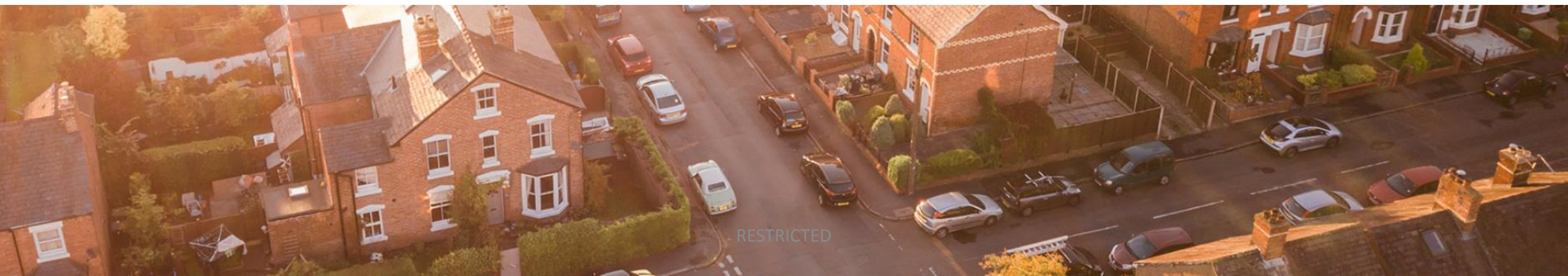
"The Issuer will not enter into a Loan Agreement with a Borrower without written confirmation from the Rating Agencies that the entry into a Loan Agreement with such Borrower will not adversely affect the then current rating of the Issuer or the Notes" (page 74 Secured EMTN Programme)

bLEND Covenants vs Typical Own Name Bond

- 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”)

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

Summary of Borrowers



Underlying Borrowers

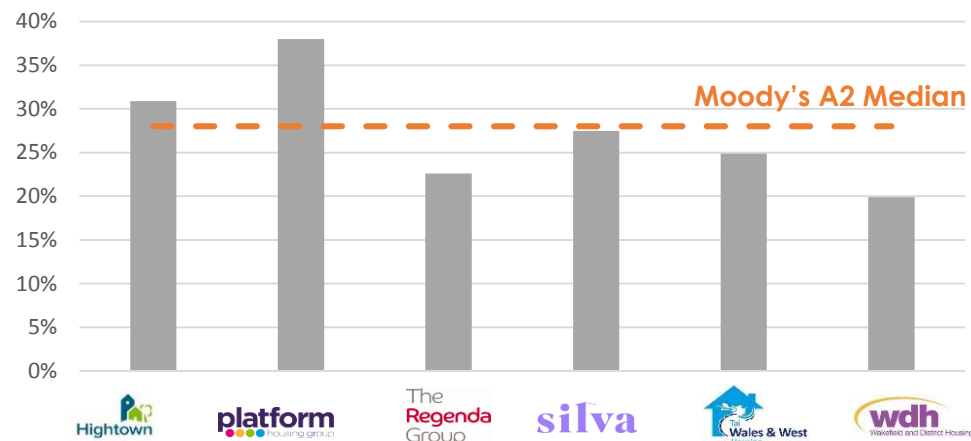
- Borrowers under this £125m transaction are Wakefield and District Housing (£100m, new bLEND borrower) and Regenda (£25m, existing bLEND borrower)
- Borrowers loans are always fully secured by either cash or Property Security
- Wakefield and District Housing is the only Borrower that is not an existing THFC Group Borrower

Association	Nominal bLEND loan	No of units Owned	Housing properties £k	Net debt £k	Operating surplus £k	Net interest payable £k	Social Housing Lettings Turnover £k	Total Turnover £k	Regulatory status	Year End
Hightown Housing Association	£50m	6,240	670,820	392,323	29,437	-10,746	60,358	84,693	G1/V1	Mar-19
Platform Housing	£180m	44,317	2,318,887	1,008,771	109,176	-42,398	209,260	273,573	G1/V1	Mar-19
Regenda	£50m*	13,003	483,439	178,570	18,787	-8,194	58,613	68,932	G1/V1	Mar-19
Silva Homes	£25m	6,448	380,407	117,549	13,343	-5,316	38,008	45,274	G1/V1	Mar-19
Wales and West Housing Association	£110m	10,772	587,638	200,932	16,242	-8,075	61,560	64,317	Standard	Dec-18
Wakefield and District Housing	£100m*	31,432	708,558	331,928	33,612	-18,171	137,736	155,561	G1/V1	Mar-19

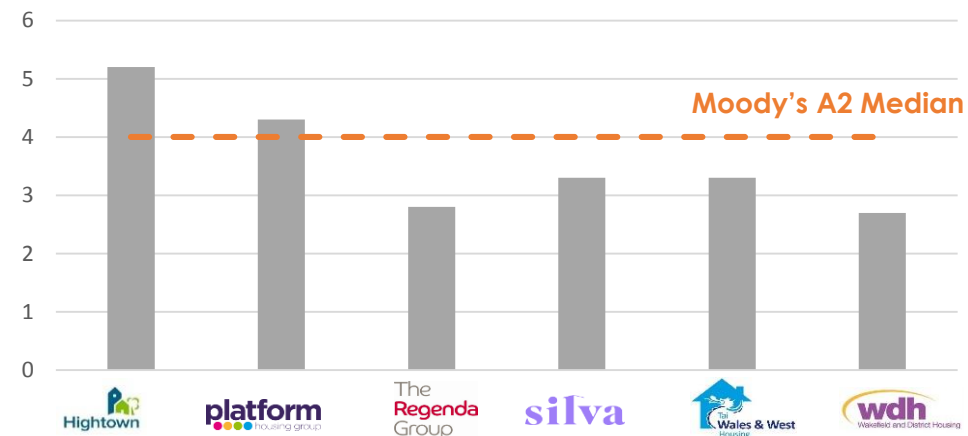
*After this transaction, Regenda's Nominal Loan balance will increase from £25m to £50m and Wakefield and Districts from £0m to £100m.

Borrower metrics for FY19

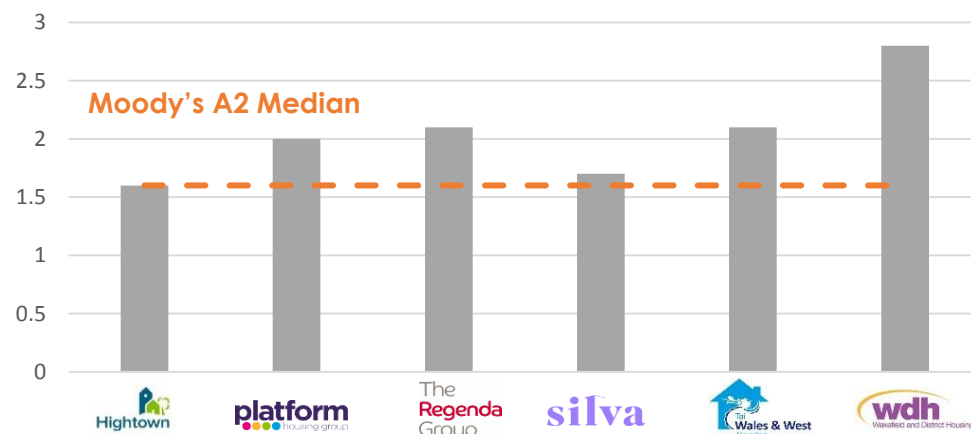
Operating Margin



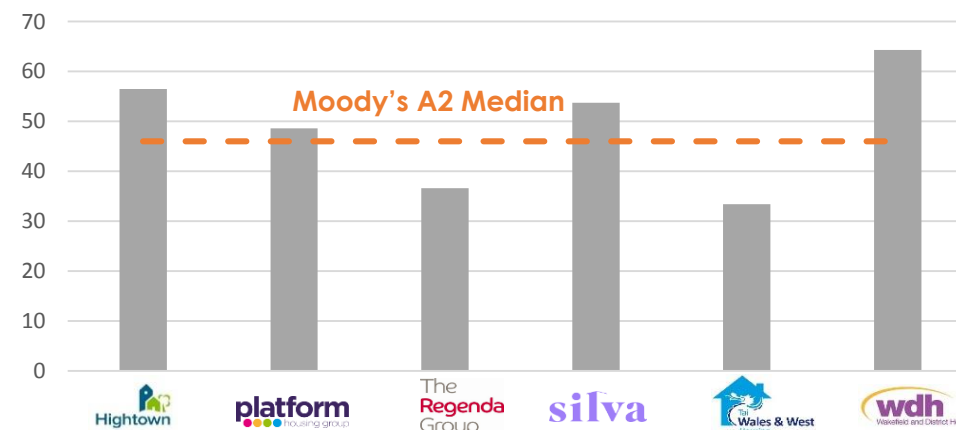
Debt to Revenue (x times)



Social Housing Lettings Interest Cover (x times)



Debt to Assets at Cost (%)



*Wakefield and District's history as an LSVT means gearing is higher than the A2 median and the Operating margin in the year was reduced by its in year capital improvement programme (electrical, fire and gas compliance improvements)
 Source: Underlying Borrowers Mar-19 YE Results (Wales & West Dec-18 YE)

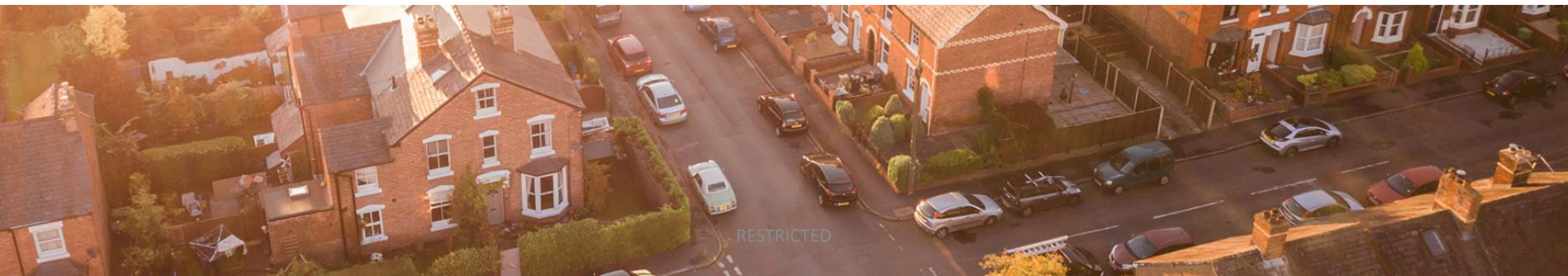
Borrower Security Position

From day one all loans in bLEND need to be secured by cash or properties.

Borrower	Loan facility nominal amount £k	Aggregate outstanding amount of drawn Loan £k	Interest payable £k	Value of EUV-SH Charged Properties £k	Value of MV-ST Charged Properties £k	Cash security £k	Asset cover ratio (Min 1x)	Net annual income of Charged properties £k	Income cover ratio (Min 1x)
Hightown Housing Association	50,000	50,000	1,492	23,419	38,361	0	1.07	2,861	2.40
Platform Housing	180,000	180,000	6,226	97,557	112,268	0	1.01	10,722	1.72
Regenda*	50,000	50,000	1,611	5,694	29,049	25,000	1.09	1,861	1.16
Silva Homes	25,000	25,000	865	10,600	0	15,500	1.01	643	1.96
Wales and West Housing Association	110,000	110,000	3,698	9,376	131,146	0	1.07	6,792	1.84
Wakefield and District Housing*	100,000	100,000	3,459	4,003	151,704	0	1.30	9,302	2.69

*Position after funds are drawn from this transaction

Conclusion



Conclusion

- bLEND A2 (stable) rated by Moodys. Expanded pool size consolidates rating
- Exposure to a geographically diverse pool of high quality housing association borrowers
- Low exposure to sales in bLEND borrowers
- bLEND borrowers business models resilient to Coronavirus crisis
- Sector has strong liquidity and is delaying development and repairs spend
- Additional costs in relation to rent arrears and keeping tenants and staff safe
- New guarantee scheme (AHGS 2020) coming
- Limited new supply expected