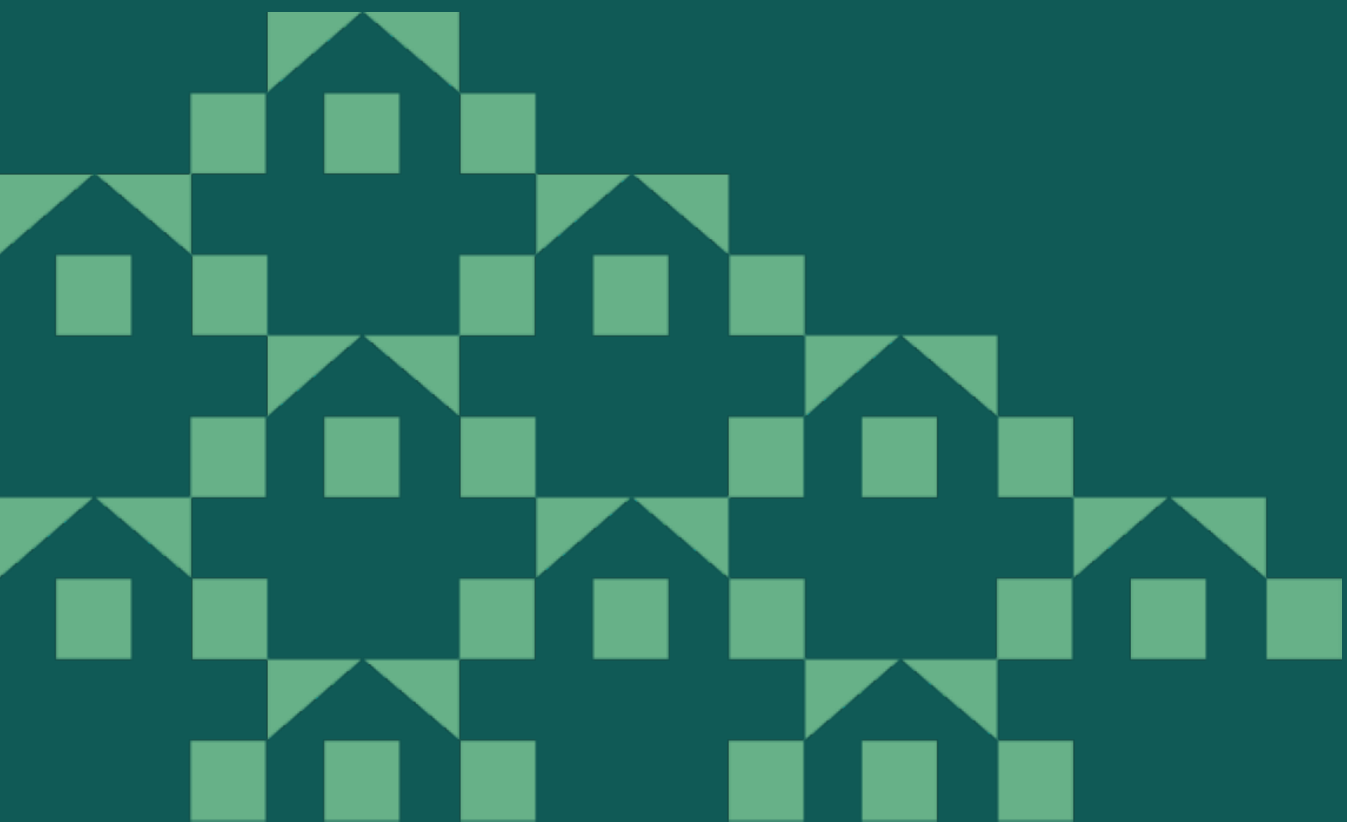


The Housing Finance Corporation

Annual Investor Update

6 November 2024



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Agenda

- Credit and financial update
- THFC's FY2023/24 annual results
- Strategy and executive team update
- Implications of 30 October UK budget for sector
- New products and partnerships
- Sustainability
- Questions
- Drink(s) and canapes



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About THFC

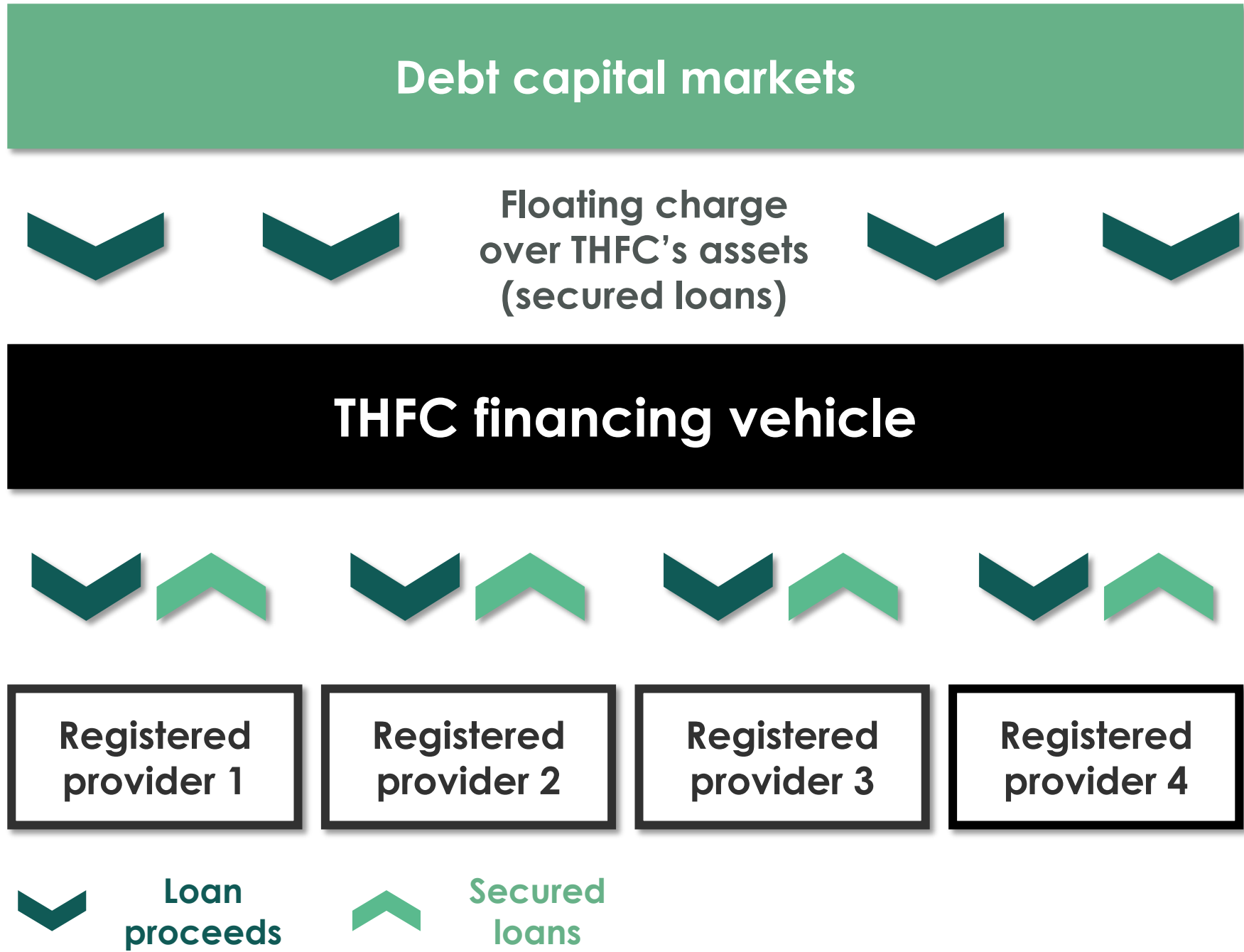


Will Stevenson
Group Treasurer

THFC today – robust and sustainable business

- Active bLEND and legacy THFC programmes
- THFC Sustainable Finance (TSF) to provide sustainability issuance
- Legacy AHF **government guaranteed** financing programme
- **Deep and broad** relationships with stakeholders including HAs, UK Government, investors, EIB, NHF, Regulators, advisors, media and international peers
- No material bond maturities **until 2035**

Market Coverage	
Total borrowers across THFC Group	154
Total borrowers in AHF	62
Total borrowers in bLEND	31
Amount outstanding	c.£8bn



Well established market leader

Stable rating platform across THFC Group

THFC Group

A+

(Stable)

S&P Global
Ratings

bLEND

A2

(Stable)

MOODY'S
RATINGS

Robust credit profile

THFC continues to deliver strong resilient financial performance

	Year ended 31 March				
	2020	2021	2022	2023	2024
Revenue	8,565	12,427	12,486	12,266	15,206
Operating expenses	(5,178)	(5,229)	(5,976)	(6,496)	(7,214)
Surplus before tax	3,387	7,198	6,510	5,770	7,992
Tax	(692)	(1,096)	(1,170)	(940)	(2,060)
Surplus after tax	2,695	6,102	5,340	4,830	5,932
Accumulated reserves	41,703	46,582	52,307	56,921	62,681
Loans outstanding	£7,456m	£7,874m	£8,220m	£8,130m	£7,952m

(1) Figures in £'000 unless stated otherwise

Surpluses provide a platform to invest in the business

THFC borrower performance

For year-end 31 March 2024

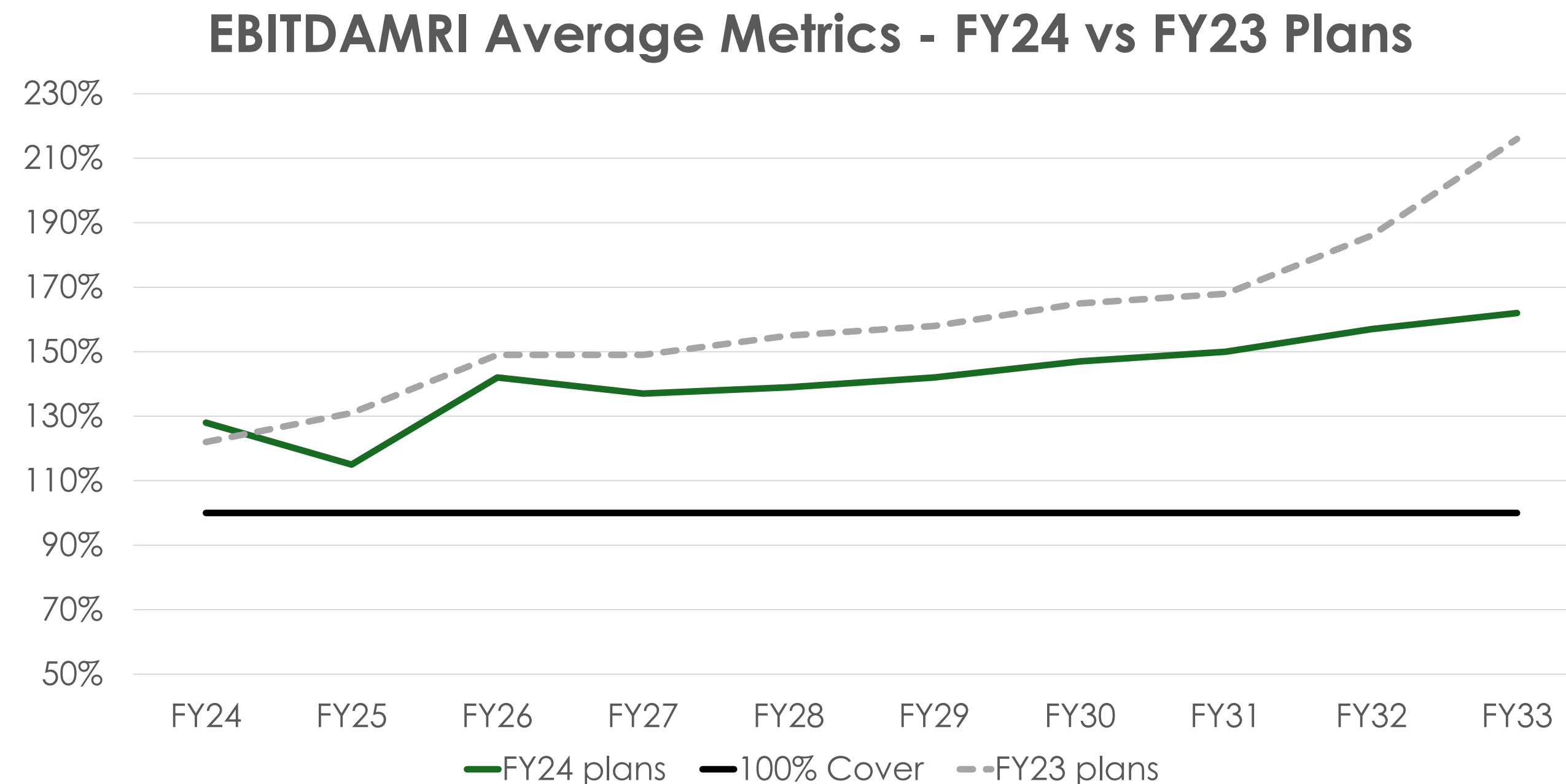
- THFC's borrowers continue to perform reasonably but with increasing evidence of struggling to meet budget, mainly due to **rising repair and maintenance costs and delayed sales and disposals**
- THFC's London borrowers performed more adversely to budget, with cost issues more keenly felt where high rise works remain pertinent, most evident in two entities taking **significant** building safety liability charges
- bLEND's portfolio continues performing more robustly, benefiting from **low London presence**
 - 50% (FY23: 60%) of its borrowers performed ahead of budget, while those below are mostly maintaining satisfactory metrics



Mixed picture depending on size, location, and stock profile

THFC Group portfolio metrics

Analysis of THFC Group portfolio to understand how quickly cash flow metrics could recover



Broad conclusions when comparing FY23 to FY24:

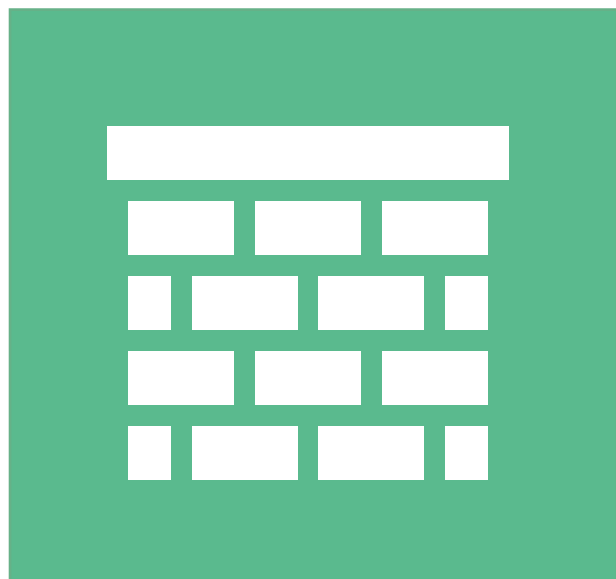
- Cost pressures remain evident
- Short term metrics most heavily impacted
- Surpluses from build for sale remain comparatively low
- Works to achieve EPC C by 2030 have greater level of cost certainty, with progress visible

Strategy update



Priya Nair
Chief Executive

Evolution of our 37-year story



Purpose and mission



Institutional investor connectivity



Partnerships



Product innovation



Supporting the four nations



Adjacent to Government



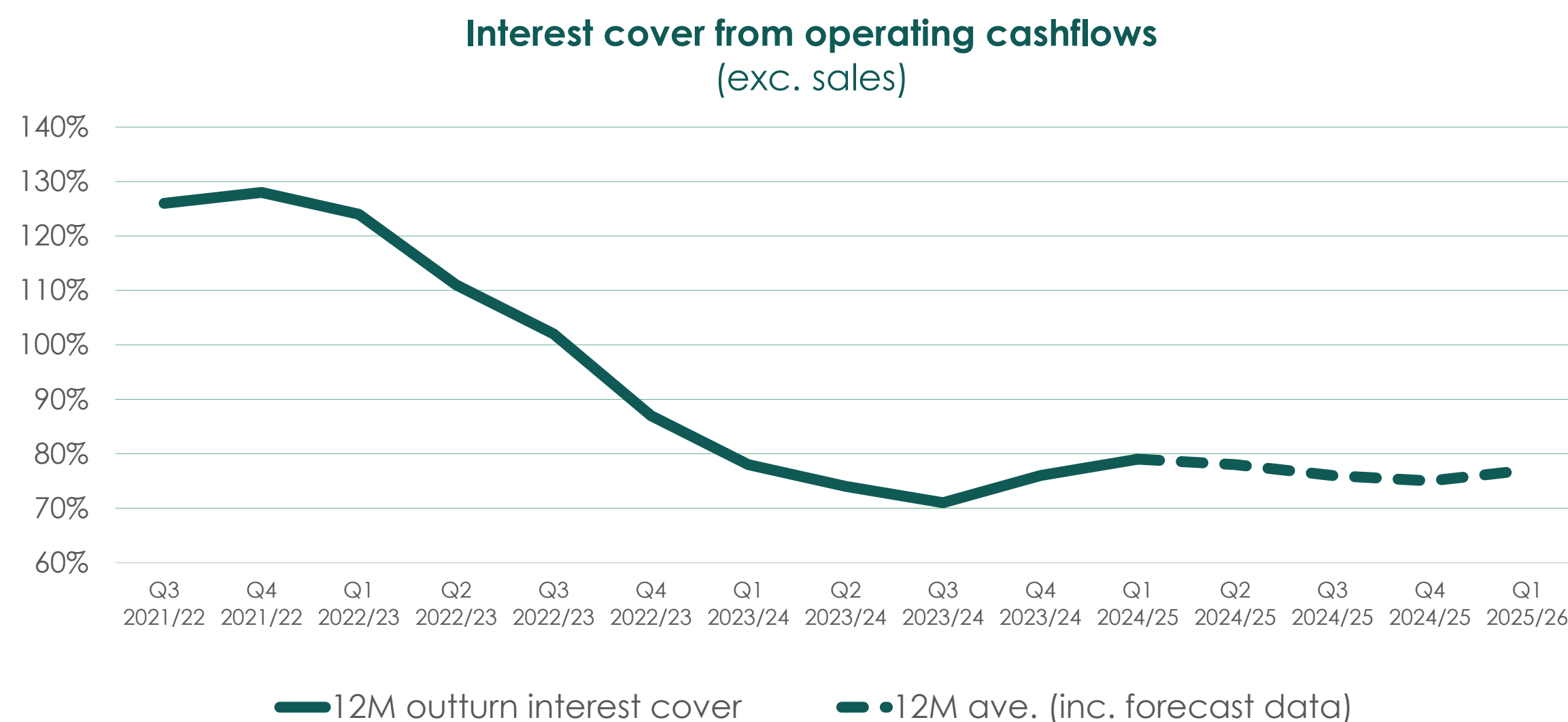
Mutuality

A challenging context

Sector faces challenging headwinds

- **Decarbonisation** costs
- Increasing repair and **maintenance** requirements
- **Planning** delays
- **Grant** funding restrictions
- Tenants' higher expectations around stock quality

- **Materials** and **labour cost inflation**
- **Significant increase** in sterling interest rates
- Sub-inflation rent progression
- Fire safety remediation
- Consumer regulation and a persistent/powerful Ombudsman
- **No clear route, map, or subsidy** for net zero
- Housing market still **challenging**



Source: Regulator of Social Housing 'Quarterly survey for Q1' for quarter to 30 June 2024

"It is evident that levels of interest cover have deteriorated and are set to remain depressed in the short-term. A total of 52 providers report having one or more loan covenant waivers in place."

Regulator of Social Housing 'Quarterly survey for Q4' for quarter to 31 March 2024

New Government

Positive messaging/tailwinds

- Housing central to their mission
- Government listening to sector's needs
- Ambitions to speed up planning process

Impact of budget

- 5-year **CPI + 1%** rent settlement
- Much higher employment costs – NI/minimum wage increases
- Employment rights bill
- **£5bn** towards housing
- **£500m** towards grant programme until 2026 (c5,000 units)
- **£3bn** in guarantees including to house builders
- Reduced Right to Buy discounts, Councils allowed to keep all proceeds



Expanding opportunity whilst maintaining our purpose & culture

Activate
stakeholder
alignment

Build new
partnerships

Pioneer
alternative
financing
models

Establish
new
institutional
investor
relationships

Promote
“smaller” HAs

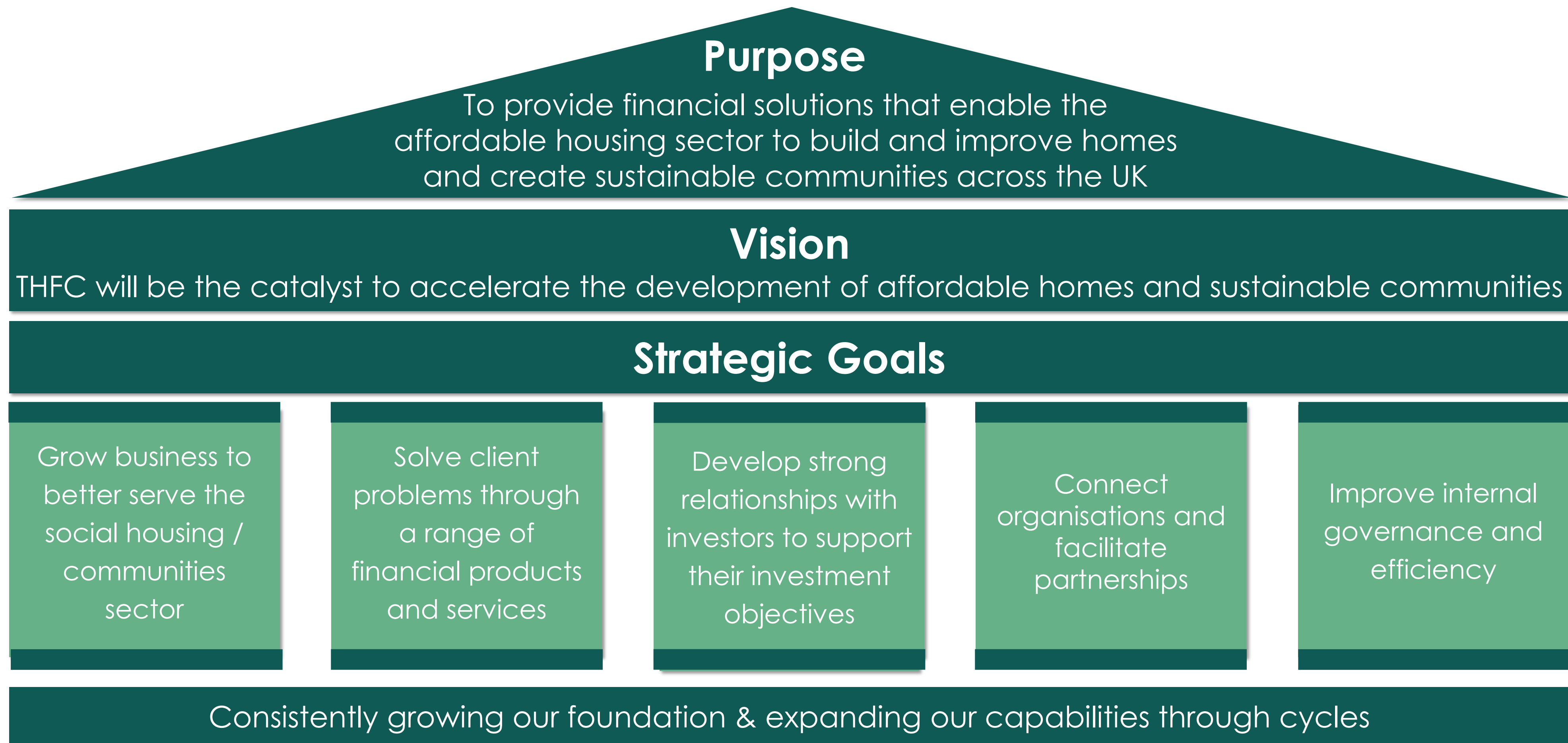
Liaise with key
stakeholders
to drive
innovation

Foster
communities

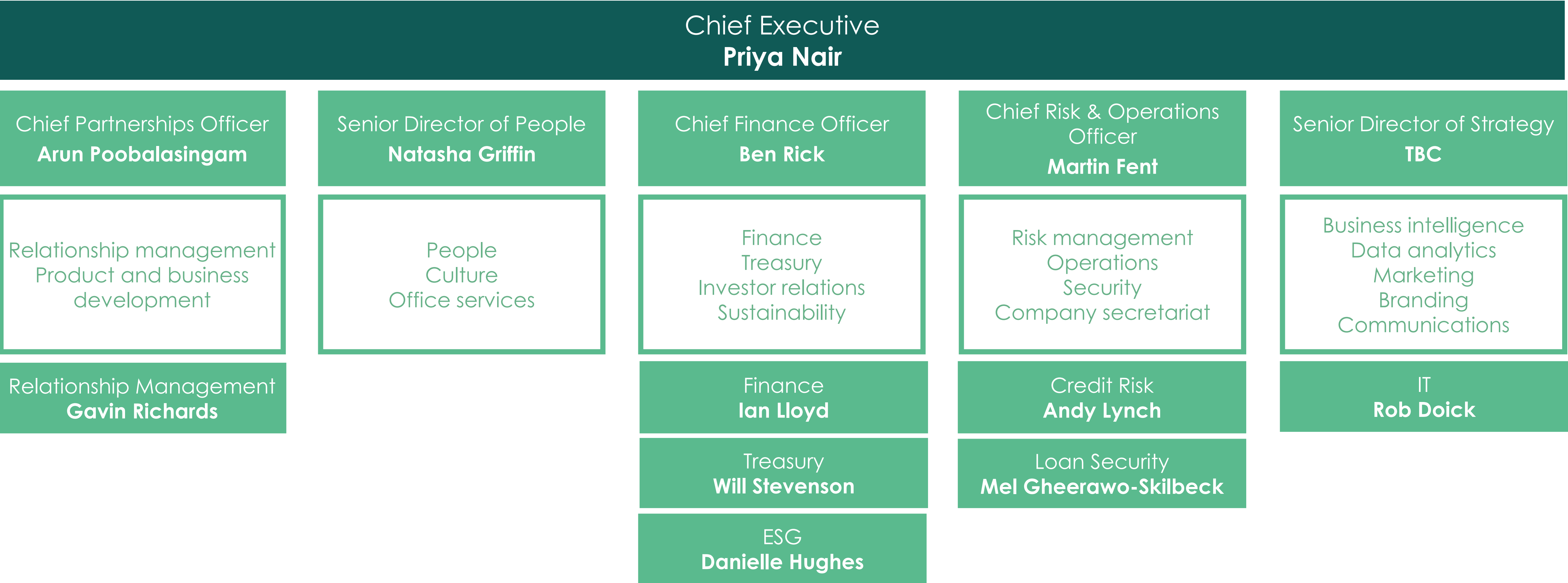
Lead on
sustainability

Purpose, Vision and Goals

Seek to create positive impact in all that we do



Leadership team focused on enhanced vision and strategy



*Supported by strong operational leadership team across
key functional areas*

Products & Partnerships



Arun Poobalasingam
Chief Partnerships Officer

Partnerships

Building on track record of innovation



- THFC's enhanced strategy includes new products and partnerships, such as that recently announced with National Wealth Fund (NWF)
- Acquisition of Hargreaves Risk & Strategy (HRS) to enter the UK social housing risk consultancy market
- Ongoing discussions to diversify debt capital markets funding sources and other non-debt initiatives



Latest edition of HRS' core product: the 'HRS Review'

Acquisition of HRS and National Wealth Fund partnership



- Social housing risk consultancy and enhanced client offering
- Subscription and consultancy services targeting board level engagement on risk
- 40 social housing clients, with approximately 50% being THFC borrowers



- THFC and NWF £150m guarantee

Tranche A	Tranche B
Unsecured guaranteed for retrofit	Secured unguaranteed for general corporate purposes

- THFC is NWF's only debt capital markets partner, providing institutional investors access to NWF guaranteed issuance to HAs
- Available to HAs across England, Northern Ireland, Scotland, and Wales

Sustainability



Danielle Hughes

Sustainability and Treasury Manager

Sustainability at THFC

- Sustainability and ESG to play critical role in THFC's refreshed strategy going forward, with increased investment in this area
- Heightened focus on:
 - Developing **innovative sustainable finance products**
 - Engaging meaningfully with the **net zero** agenda so that we, along with our customers and wider stakeholders, are on track to thrive in a low carbon future
 - Enhancing our **sustainability reporting** to better communicate with our stakeholders, increase transparency in the markets, and ensure we are well positioned to continue attracting investment
- THFC aspires to evolve from an emerging voice to an established leader in ESG and sustainability



bLEND publishes its 4th SRS Report

- bLEND's latest [SRS report](#) showcases THFC's ongoing **championing** of sustainability across the social housing sector
- Remains **only lender** disclosing portfolio performance aligned with SRS
- **55% year on year increase** in new homes delivered by bLEND borrowers in 2023/24
- **48%** of borrowers are official SRS adopters
- **81%** of borrowers include ESG risks in risk registers
- Strong engagement with borrowers on ESG data



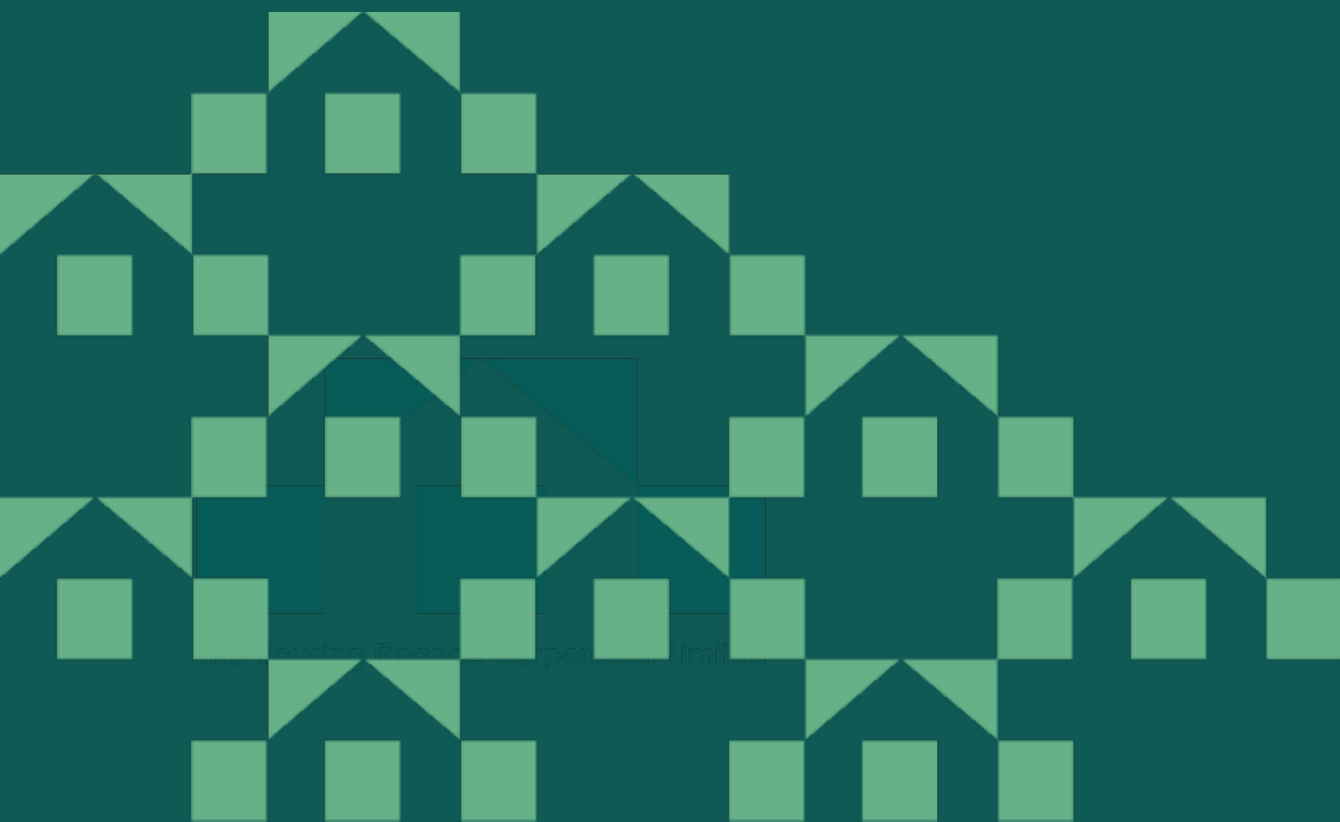
Conclusion

- Refreshed purpose and vision to deliver **strategic goals**
 - Senior leadership formed to take business forward
 - Transformation programme to underpin **future success**
- NWF partnership and HRS acquisition early examples of broadening products and services to serve the affordable housing sector even more
- Broader sector engagement complemented by focus on **internal operational excellence**
- An exciting future enabled by strength and resilience from THFC's near **40-year history** of sector support



The Housing Finance Corporation

Appendix



THFC

Presenters



Priya Nair

Chief Executive
and Board Director

Priya joined THFC in March 2024. She brings more than 25 years of experience in the financial services sector, including advising infrastructure companies and international investors. Most recently, she was Senior Director of Infrastructure at abrdn Investment Management. Priya has extensive leadership experience across capital markets, corporate finance, digital transformation, and securities services. She has a proven track record of leading multi-disciplinary teams and implementing strategic growth initiatives.



Will Stevenson

Group Treasurer

Will joined THFC in 2009 and leads on investor relations, issuance of bonds and the maintenance of the group's credit ratings. Will played a key role in the set-up of bLEND Funding Plc. and pays particular attention to structuring deals to suit both housing association borrowers and investors to achieve the best results. Will was previously THFC's Deputy Treasurer and Relationship Manager and holds the AMCT corporate treasury qualification.



Arun Poobalasingam

Chief Partnerships Officer
and Board Director

Arun joined THFC in 2021. He joined from HSBC where he helped set up and then led their social housing business focusing predominantly on larger housing associations. Having started his career at Diageo, he moved to Network Rail where, starting as a financial modeller, he moved on to the treasury team that raised over £20bn of debt in the global capital markets during his time there.



Danielle Hughes

Sustainability and Treasury Manager

Danielle joined THFC in 2022. She previously worked for D.R. Horton, America's largest builder, in the Investor Relations & ESG team. Danielle holds a Bachelor in Business Administration in Marketing from Texas Christian University and a Master of Science in Environment, Politics and Society from University College London (UCL).

THFC

New Executive Directors



Ben Rick

Chief Finance Officer

Ben joined THFC in November 2024. Previously as an advisor to Lloyds Bank, he focused on its cross-group housing strategy and increasing lending to social and supported housing. Ben co-founded Social and Sustainable Capital (SASC) and remains a non-executive board member. SASC is one of the UK's leading social investment fund managers in social and supported housing. He previously held roles at investment banks and hedge funds, including Bank of America and UBS.



Martin Fent

Chief Risk and Operations Officer

Martin joins THFC in January 2025. He is currently Chief Risk Officer at Cynergy Bank. Prior to that, he spent 15 years at NatWest Group, most recently as Chief Risk Officer for RBS International. Martin previously held several risk management roles spanning credit risk, conduct risk, portfolio management and restructuring.

THFC Group portfolio dashboard – September 2024

Group portfolio by country

Figures in £'m and at 31 March unless otherwise stated	2022	2023	2024	June 2024	Sep 2024
England	6,438	6,464	6,501	6,517	6,511
Northern Ireland	214	214	213	213	213
Scotland	190	194	193	193	192
Wales	647	671	655	654	654
Total	7,489	7,543	7,562	7,577	7,570

Group portfolio top 5 borrowers

Figures in £'m and at 30 September 2024	THFC	bLEND	Sub-total	AHF	Total
Sovereign Network	153.9	-	153.9	230.5	384.4
Platform Housing	3.8	180.0	183.8	140.0	323.8
Southern Housing	166.0	-	166.0	150.1	316.1
Vivid Housing	10.0	100.0	110.0	164.7	274.7
Peabody	100.7	-	100.7	150.0	250.7
Total	434.4	280.0	714.4	835.3	1,549.7

Group portfolio summary by exposure

Figures in £'m and at 31 March unless otherwise stated	2022	2023	2024	June 2024	Sep 2024
THFC Ltd	2,819	2,814	2,627	2,623	2,618
bLEND drawn	1,405	1,430	1,430	1,500	1,500
bLEND deferred	-	40	40	-	-
bLEND signed not priced	-	-	215	205	205
AHF	3,244	3,244	3,244	3,244	3,244
SHF/Index Linked	21	14	6	4	3
Total	7,489	7,543	7,562	7,576	7,570

Group portfolio – lowest graded borrowers and watchlist

Figures in £'m and at 31 March unless otherwise stated	2022	2023	2024	June 2024	Sep 2024
Lowest graded	376	702	411	379	769
Watchlist	212	127	463	414	296
Lowest graded as a % of portfolio	5%	9%	5%	5%	10%
Watchlist as a % of portfolio	3%	2%	6%	5%	5%

bLEND portfolio dashboard – September 2024

bLEND portfolio by country

Figures in £'m and at 31 March unless otherwise stated	2022	2023	2024	June 2024	Sep 2024
England	1,108	1,248	1,363	1,383	1,383
Northern Ireland	50	50	50	50	50
Scotland	22	22	22	22	22
Wales	225	250	250	250	250
Total	1,405	1,570	1,685	1,705	1,705

bLEND portfolio top 5 borrowers

Figures in £'m and at 30 September 2024	
Platform Housing	180.0
Wales & West	110.0
Wakefield & District Housing	100.0
Vivid Housing	100.0
Torus	100.0
Total	590.0

bLEND portfolio characteristics

Figures in £'m and at 31 March unless otherwise stated	2022	2023	2024	June 2024	Sep 2024
Drawn loans	1,175	1,388	1,430	1,500	1,500
Deferred drawdown loans	230	83	40	-	-
Signed but undrawn loans	-	100	215	205	205
Total loans	1,405	1,570	1,685	1,705	1,705
Number of borrower groups	27	30	31	32	32

Signed not priced		
Borrower	Amount £'m	Expiry
Leeds Federated	10	Aug-25
West Kent Housing	50	Sep-25
Vivid	100	Mar-25
Ongo Homes	25	Mar-25
Acis	20	Mar-25
Total	205	

