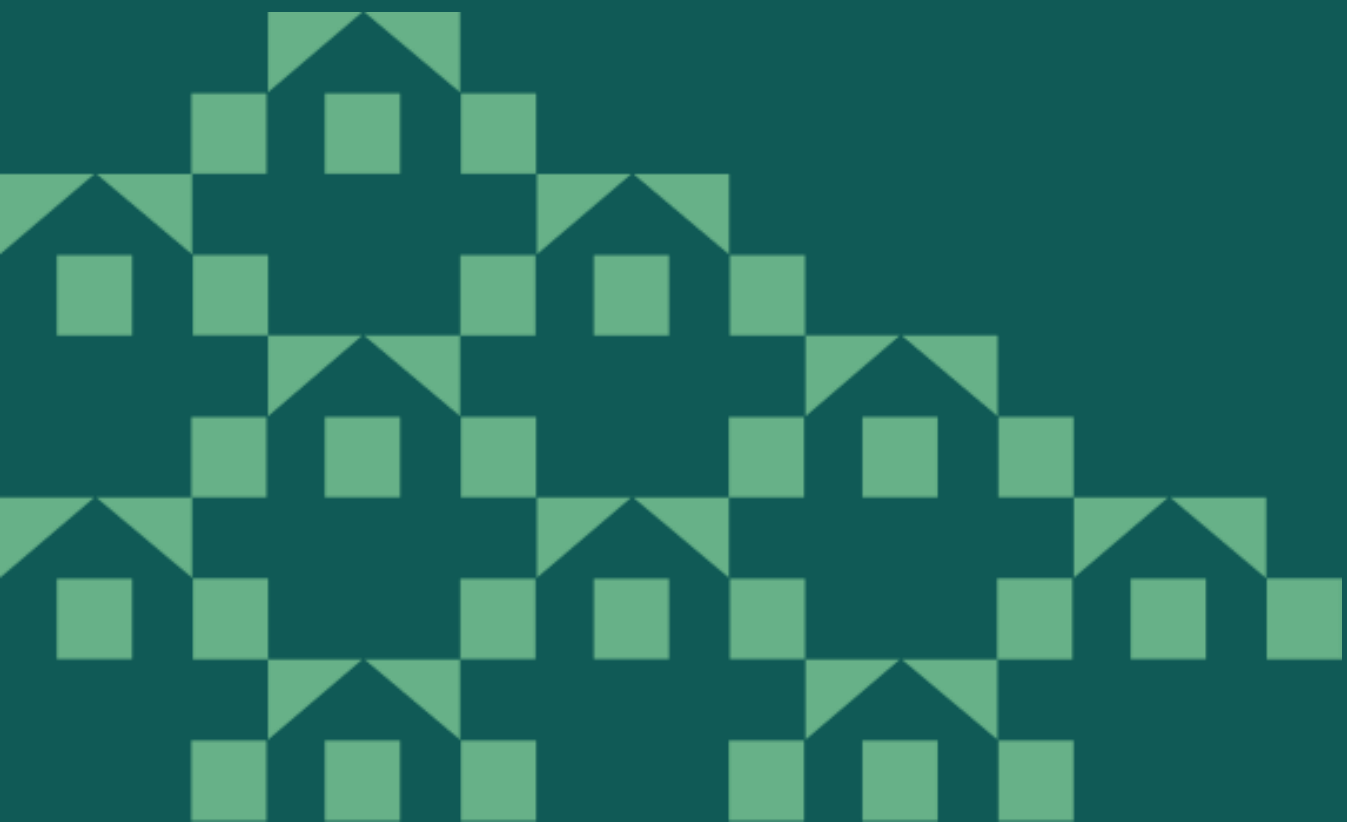


July 2024

The Housing Finance Corporation Investor update



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THFC team



Priya Nair

Chief Executive

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.



Danielle Hughes

ESG Strategy & Communications
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).

Introduction to THFC



Overview

- THFC is an independent, specialist, not-for-profit finance company that makes loans to housing associations
 - largest such lender with ~£8bn provided to ~150 housing associations
 - funds itself via the debt capital markets
- Long track record and strong risk management culture, sector expertise and industry relationships
- Ability for investors to access a number of unique housing associations within a carefully selected diversified portfolio
- Investors can access various bond issue platforms
 - active bLEND (and legacy THFC) programmes
 - THFC Sustainable Finance (TSF) to provide sustainability issuance
 - legacy AHF government guaranteed financing programme

Market coverage	
Total borrowers across THFC	154
Total borrowers in AHF	62
Total borrowers in bLEND	31

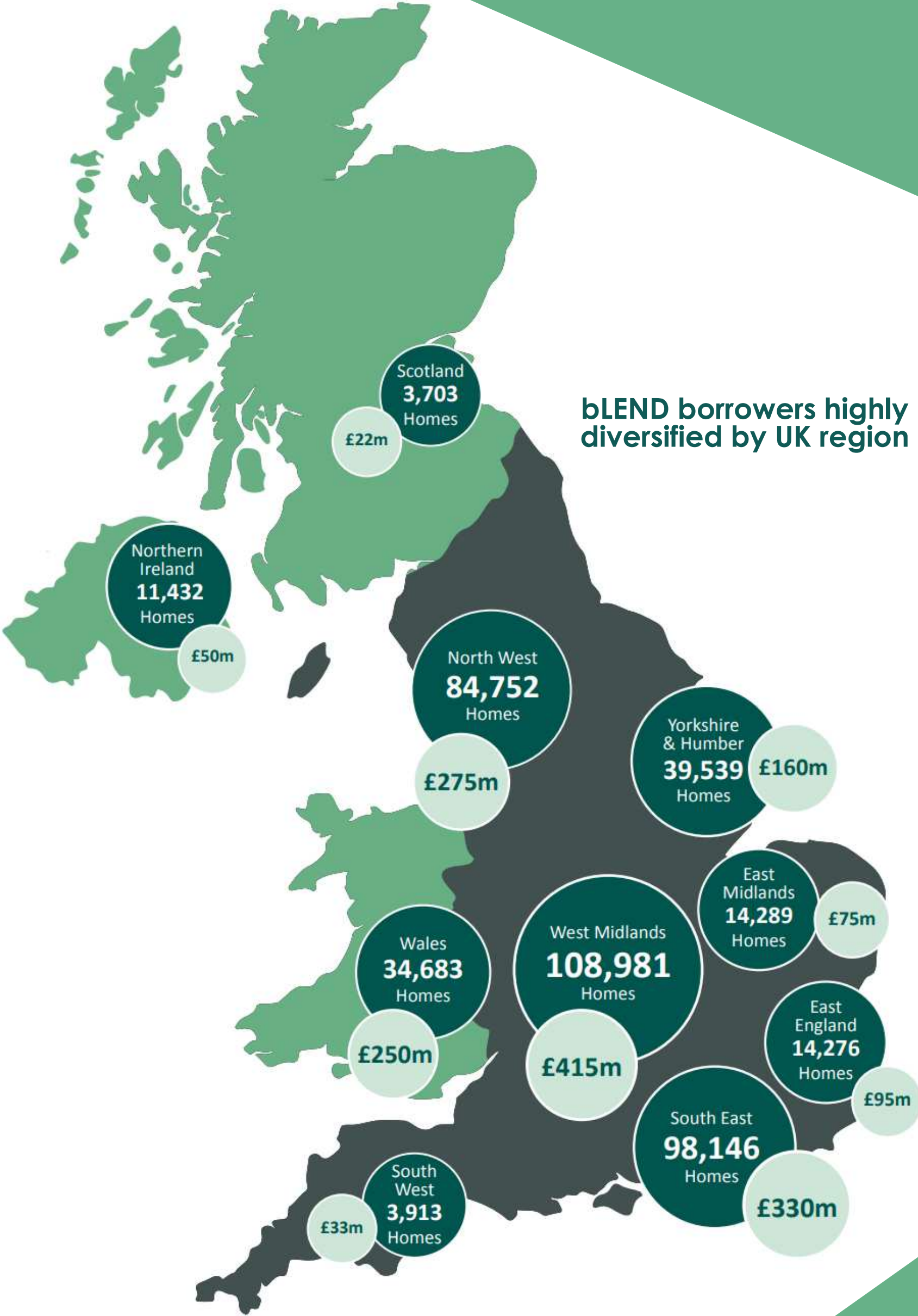
Credit ratings of THFC financing programmes	
bLEND	A2 (Moody's)
THFC	A (S&P)
AHF	AA (S&P)

Foundations of THFC credit

- Well diversified housing association borrower groups supporting THFC financing programmes
- Significant government and regulatory support and oversight for critical social infrastructure
- Strong suite of structural protections embedded in financing programmes
- Robust borrower oversight supported by regular flow of private side borrower information



See page 26 for notes, sources and defined terms

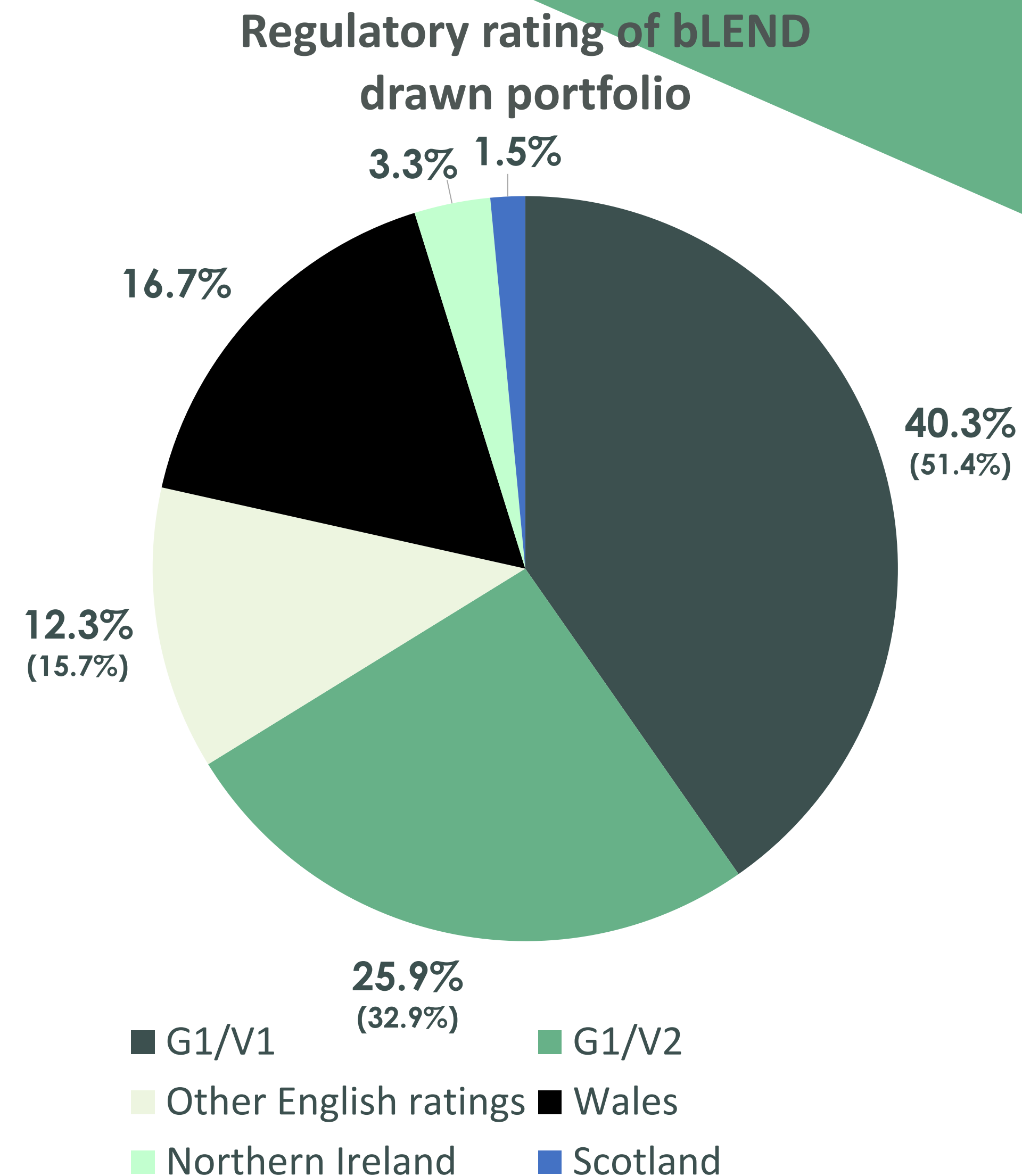


Well diversified borrowers

- THFC's borrowers are from all the UK's 4 nations and range in size from 200 to 100,000+ units
- Core market traditionally housing associations with over 2,500 units
- Largest 10 THFC group borrowers are Home, LiveWest, Paradigm, Peabody, Platform, Southern, Sovereign Network, Torus62, Vivid and Wales & West
- For bLEND (current active financing programme)
 - key financial metrics superior to Moody's A3 and A2 and RSH Global Accounts sector medians/averages
 - strong regulatory ratings versus sector average



See page 26 for notes, sources and defined terms



Figures in brackets relate to English portfolio only

Case study – Torus

- One of THFC’s larger borrowers but is yet to issue bonds itself; has a strong credit profile with low gearing and high interest cover ratios
- Liverpool based Torus62 Limited ("Torus") is the North West's largest housing association, owning ~40,000 homes (including 1,200 leasehold properties)
- Formed in 2019 via amalgamation of Torus, Liverpool Mutual Homes, Helena Partnerships and Gold Gates Housing Trust
- In the year ended 31 March 2023, Torus group's revenue was £226.6m and its total operating surplus was £38.4m
- Torus borrowed £100m from bLEND in 2020 with a 2054 maturity, having previously borrowed a further £38m from the THFC group
- Torus' total borrowings are £490m; apart from the THFC group, it has borrowings from 4 UK banks, Saltaire and Warrington Borough Council

Torus key metrics

Regulatory ratings	G1 / V1
Gearing	35.9%
EBITDA-MRI interest cover	212%
Overall operating margin	16.9%
Existing stock EPC C or above	75.7%
New stock EPC B or above	92.8%

Peter Fieldsend, Chief Financial Officer at Torus, said

“Being able to access funding through bLEND at such competitive rates means we can continue our work building new affordable homes and regenerating communities. The flexibility of the model allowed us to take advantage of favourable market conditions at short notice, and we’re thrilled with the result.”

Significant government and regulatory support for social housing sector

- Continued significant government support via, for example, grants, loans, site enabling works and joint ventures
- ~60% of social housing tenants in receipt of housing benefit or universal credit
- Well regarded and active regulators in England, Wales, Scotland and Northern Ireland
- Despite current challenges sector remains strong
 - supply/demand imbalance in countercyclical core social housing
 - better placed to develop than local authorities and house builders
 - continuing merger appetite, enabling weaker HAs to join stronger
 - scope for improving environment including under new government

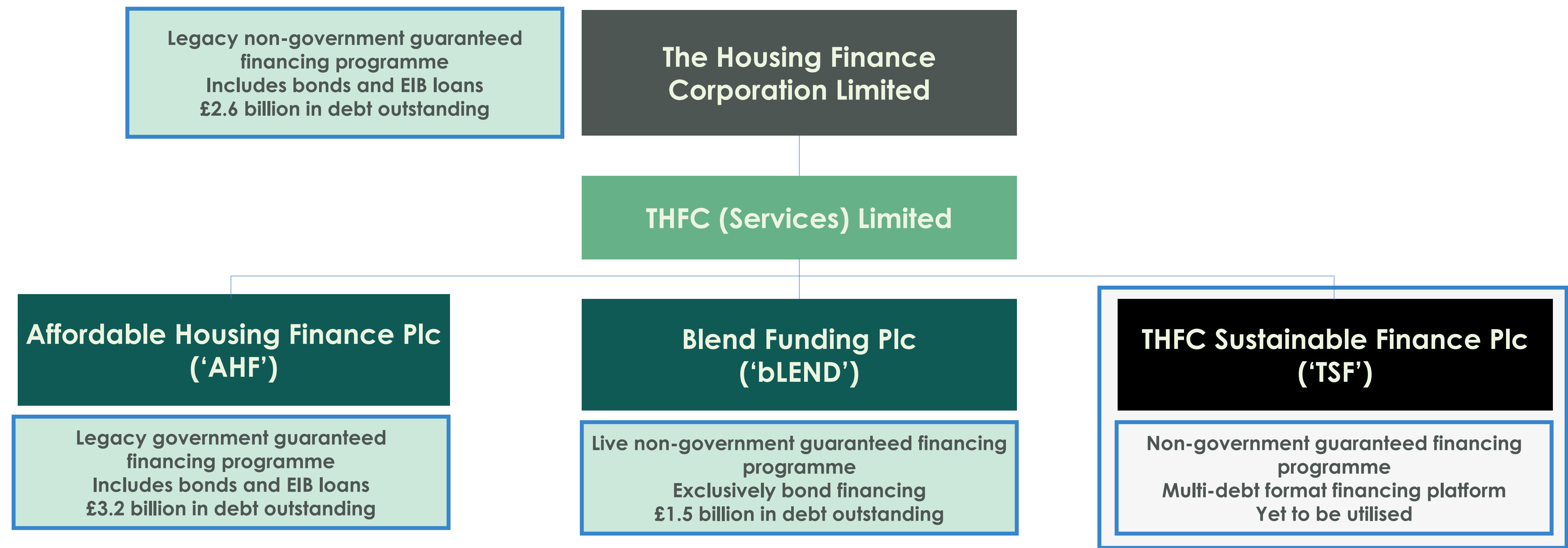
Higher inflation and interest rates

Extended period of sub-inflation rent progression

**Stock retrofitting
e.g. decarbonisation, fire safety remediation and damp and mould**

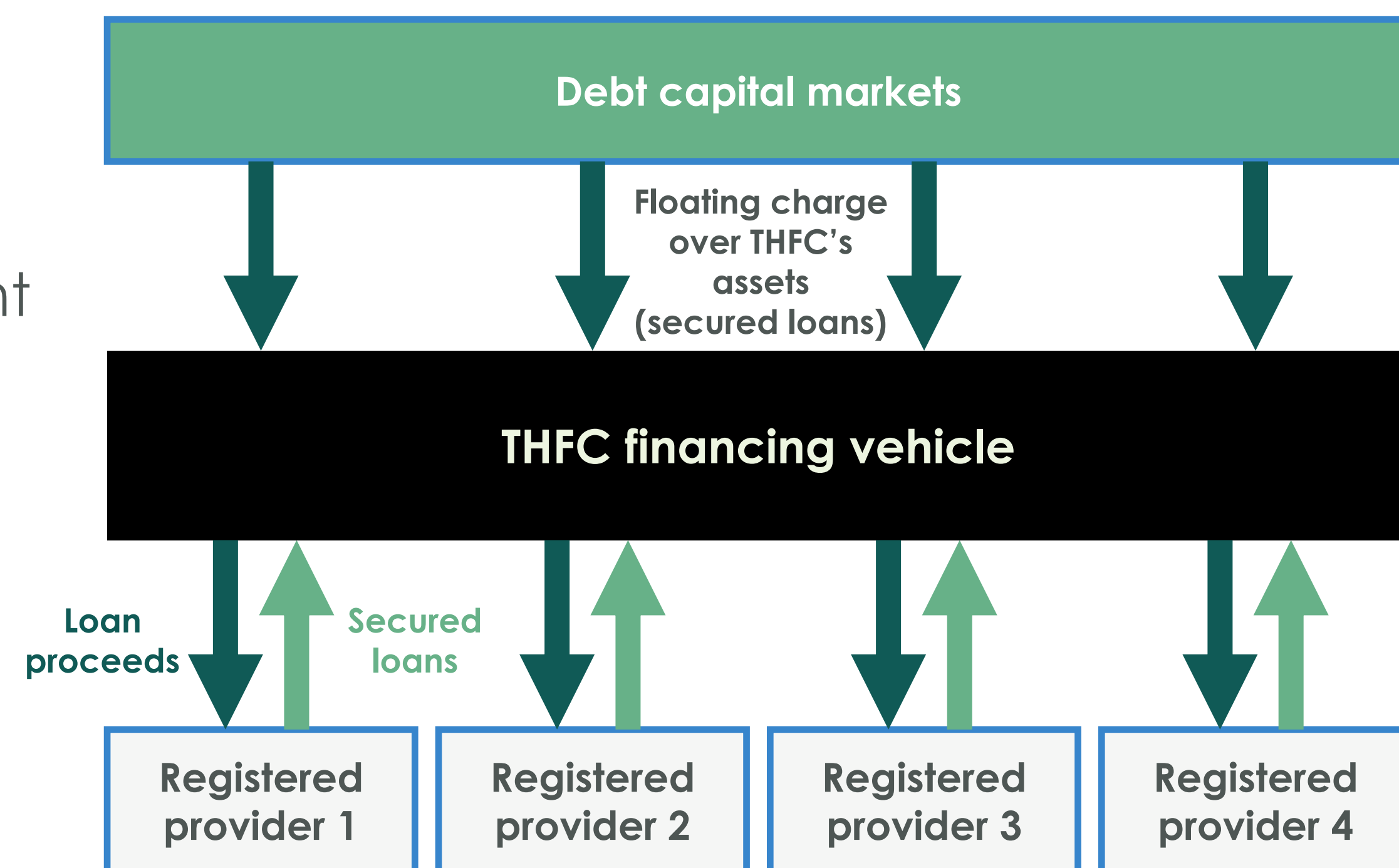
Pressure to continue developing new homes

Overview of THFC financing



THFC financing platforms

- THFC group financing platforms designed for different purposes but share many common features
- First floating charge over housing association loans; fixed charge over properties under borrower loans
- Borrower loan 'Core Terms' changes require consent
 - asset cover at 110% EUV/120% MVST (bLEND and TSF)
 - ring-fenced liquidity reserve fund of at least 12 months interest for each underlying loan
- No cross-collateralisation or cross-guarantees between borrowers
- Updated property valuation at least every 5 years
- Trust deed regulates relationship between creditors



Strong suite of structural protections

- First floating charge over housing association loans supported by THFC group’s fixed charge over properties under borrower loans
- Borrower loan ‘Core Terms’ can’t be diluted without consent of external secured creditors
- Matched events of default between external issued debt and borrower loans
- Negative pledge
- Underlying loans mature on Expected Maturity Date of the Notes, 2 years before the Legal Final Maturity of the Notes
- Borrowers’ loan debt service 30 days before related payments under the bonds (8 days in the case of AHF)
- Extensive monitoring of borrowers by THFC including receiving Financial Forecast Return private submissions to RSH
- Updated property valuation at least every 5 years

Core Terms of borrower loans	Minimum standard
Borrower type	Regulated registered provider of social housing in the UK
Asset Cover Test	Outstanding loan to be covered by cash security and/or charged property with value of 120% on MSVT basis or 110% on EUV basis, or a combination of the two
Income Cover Test	Charged properties generate net income of at least 100% of loan interest payments
Liquidity Reserve Fund	At least 12 months interest payments

Resilient investment grade credit ratings

THFC Group Rated A (stable) by S&P

“Despite inflationary pressure and high interest rates, we believe credit quality of The Housing Finance Corp. Ltd. (THFC) will remain strong. We expect THFC’s management policies and governance standards will support the company’s robust capitalization, and strong funding and liquidity ratios.”

S&P Research Update: Housing Finance Corp. Ltd (September 2023)

THFC rated by S&P since 2004; rated A since 2016



bLEND Rated A2 (stable) by Moody's (under its Public Sector Pool Financings Methodology)

“The credit profile of bLEND, reflects the strong credit quality of the participants in bLEND's pool programme, the structural enhancement provided by a one year liquidity reserve, consistent cash flows and the strong experience and expertise of the issuer's management team.”

Moody's Credit Opinion – bLEND Funding plc (October 2023)

bLEND rated by Moody's since inception in 2018 and rated A2 throughout

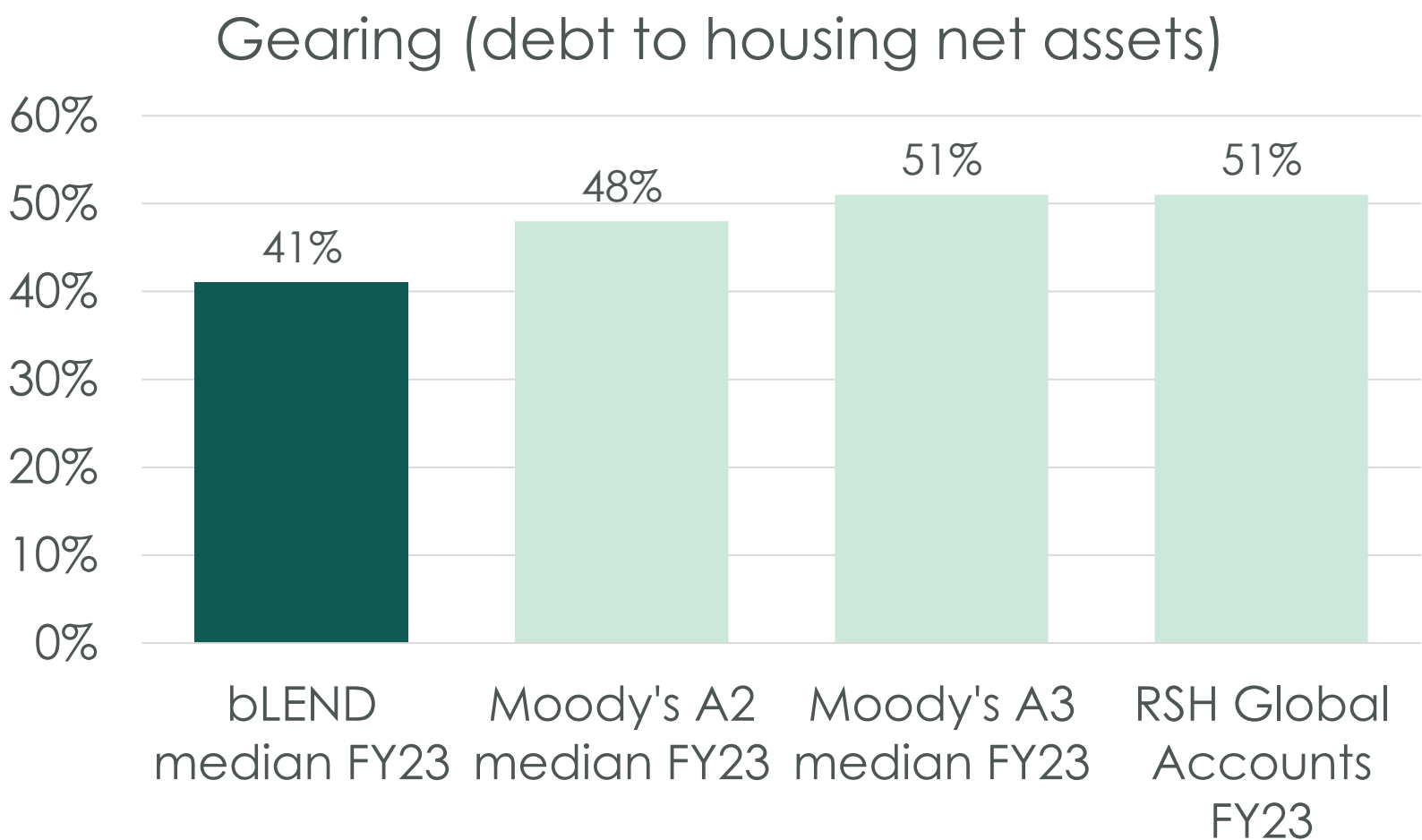
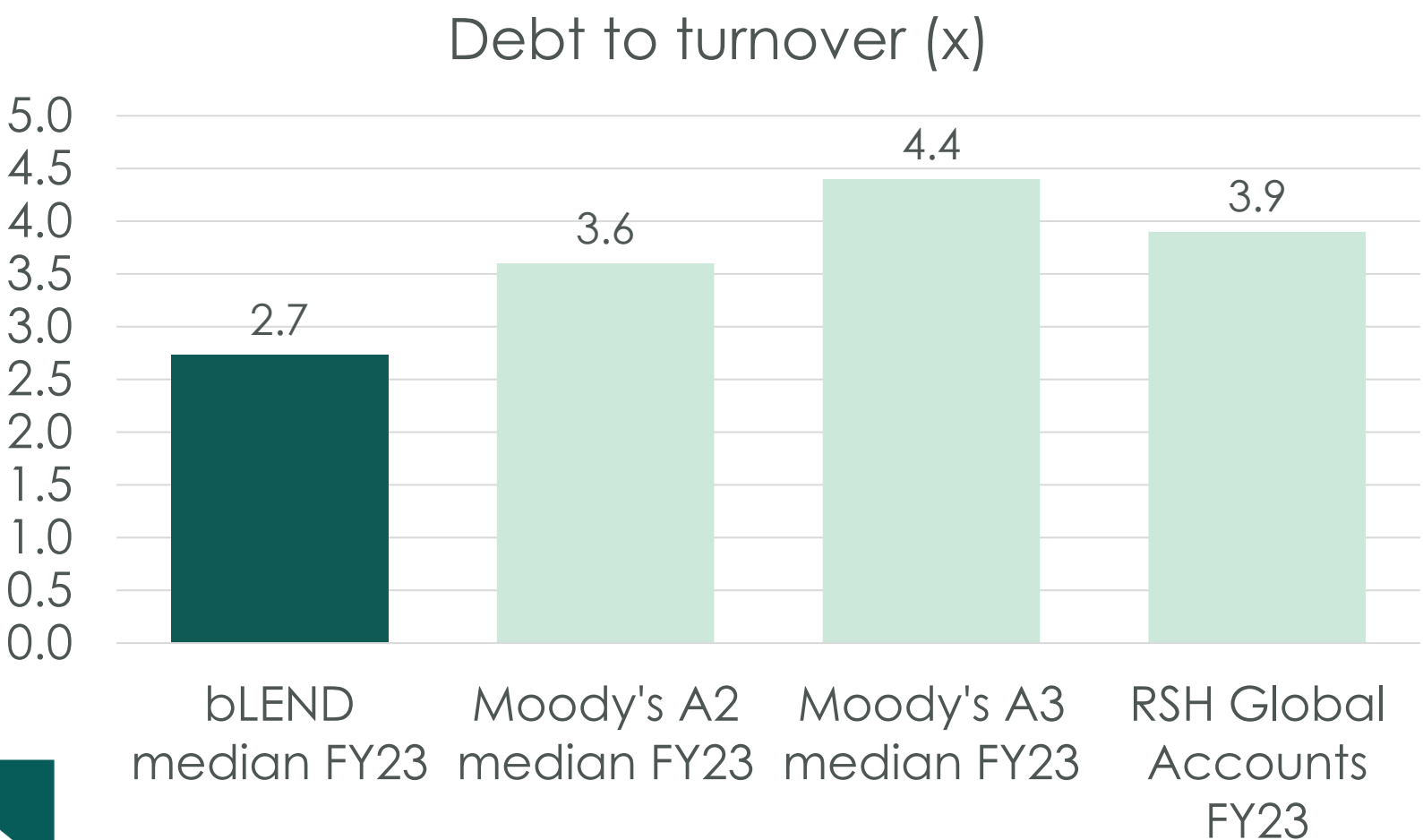
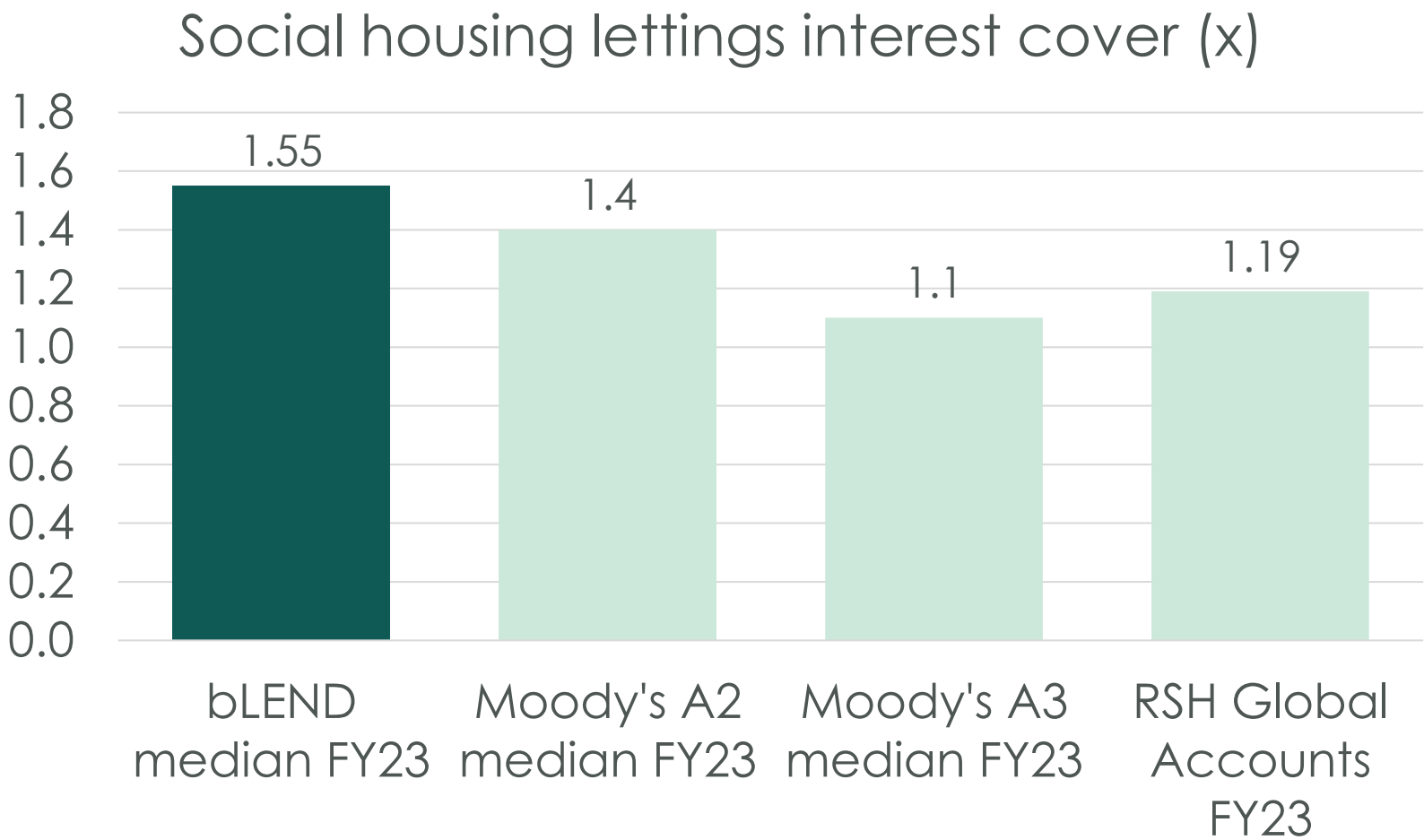
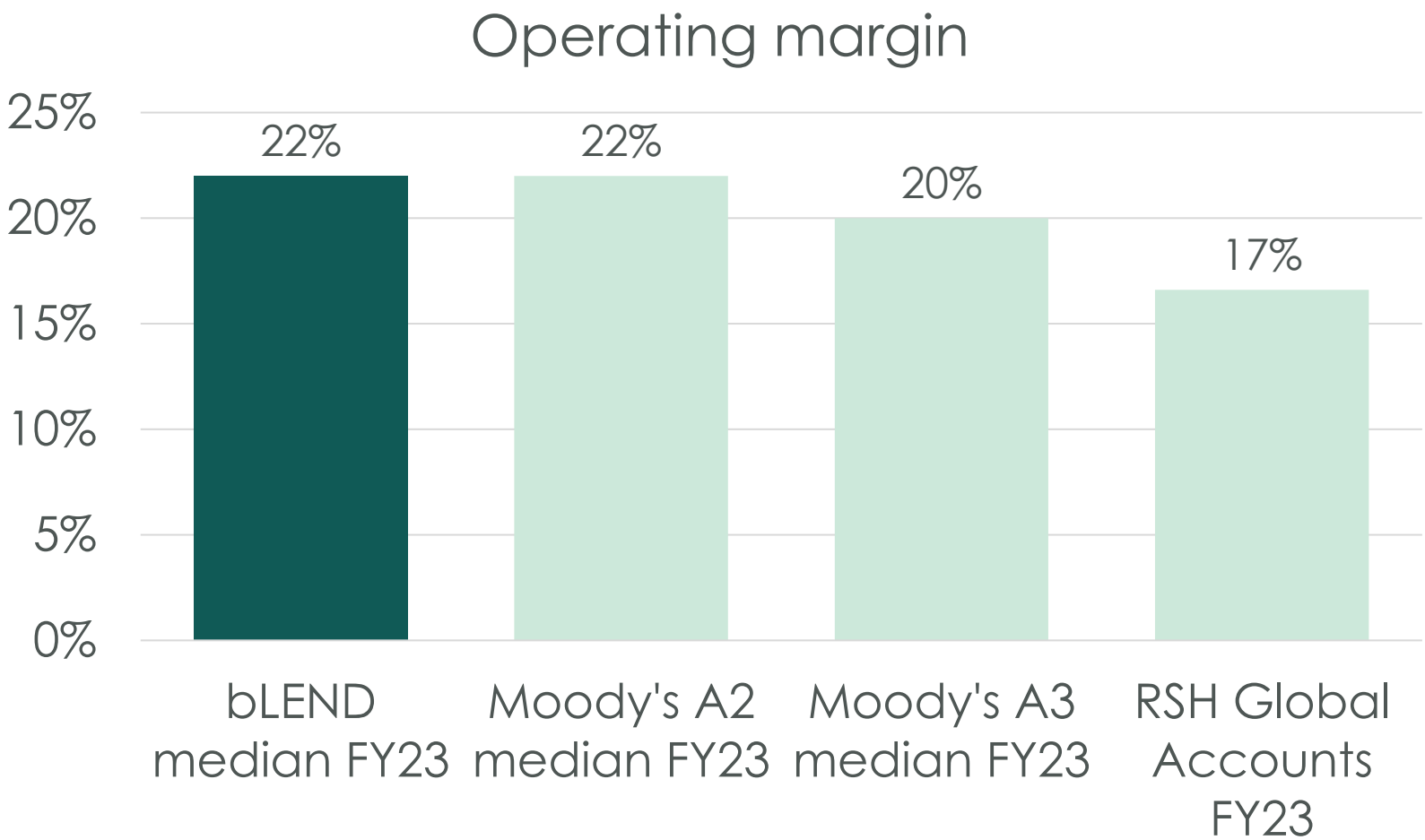
Extensive upfront and ongoing borrower oversight

- Robust oversight of borrower quality maintained through lending lifecycle, overseen by credit committee and experienced credit and risk team
- Extensive upfront and ongoing borrower due diligence
- Benefit relative to investing in own name bonds of THFC's access to non-public information including financial forecast returns ('FFR')
- Access to private side information also allows for potential proactive intervention to encourage remedial action
- Lending limits directly related to internal credit gradings, ensuring quality of portfolio
- Annual/triennial review of all borrowers
- Portfolio performance metrics shared with credit rating agencies, providing a key input into their ratings views

Key areas of borrower due diligence

Financial	Non-financial
Key ratios from 30 year forecasts	Board and management composition
Financial plan stress testing	Quality of governance framework
Financial covenants	Development programme, track record and capability
Hedging policy & exposure to interest rate volatility	Stock condition, asset management & investment needs
Treasury policies	Regulatory outputs with increased focus on consumer outcomes
Debt portfolio and liquidity	

Significant financial capacity relative to sector



THFC's ESG leadership

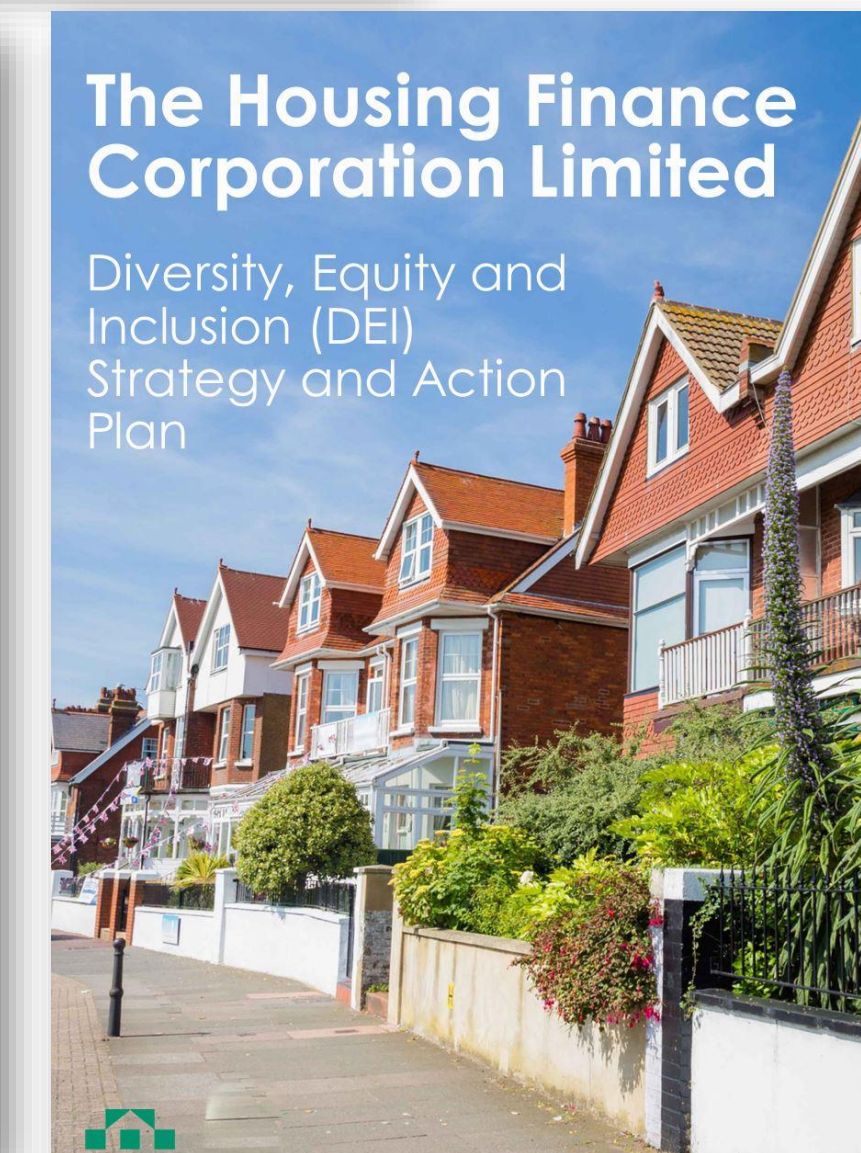
- Strong advocate for Sustainability Reporting Standard for Social Housing (SRS)
 - key role in initial working group
 - one of first early adopters and advocate for sector-wide adoption
 - 45% of bLEND borrowers are official adopters of the SRS
 - first and only funder to produce its own annual SRS report covering bLEND's portfolio of ~30 housing associations
- 2021: launched Social & Sustainable Bond Frameworks
- 2023: published first Group Sustainability Report and DEI Strategy and Action Plan
- THFC runs seminars and symposia, supporting its borrowers' ESG journeys, and contributes to ESG topics in the media and high-profile sector events



bLEND'S most recent SRS report, published in autumn 2023



THFC's inaugural Group Sustainability Report



THFC's DEI Strategy and Action Plan

Case study – Carbon neutral homes in Scunthorpe

- THFC is largest lender to Lincolnshire based housing association Ongo Homes that owns ~10,000 homes
- Funding raised via bLEND partly supported Ongo's £1.8m project to develop 8 carbon neutral homes
- Project features low carbon technologies including air source heat pumps, photovoltaic roofs, electric vehicle charging points and extensive insulation
- Development comprises 3- and 4-bedroom homes available for affordable rent
- Project reflects Ongo's 2050 net zero commitment, with modern methods of construction (MMC) expected to play significant role in achieving this



Additional information



The Housing Finance Corporation Limited

Key features of THFC financing programmes

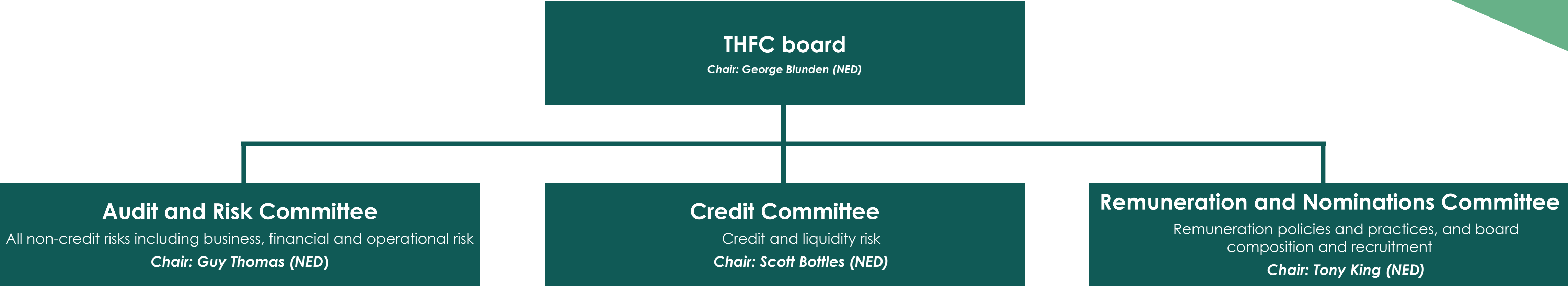


Amount lent	£0.0bn	£1.5bn	£2.6bn	£3.2bn
Credit rating	A (S&P)	A2 (Moody's)	A (S&P)	AA (S&P)
Issuance status	Yet to be utilised	Active	Active (for residual retained bond sales)	Inactive
Benchmark size maturities	n/a	2047, 2054	2039, 2043	2042, 2043
Funding sources	Public bonds Private placements Banks	Public bonds	Public bonds EIB Private placements Banks	Public bonds EIB
Borrower liability	Several	Several	Several	Several
Borrower debt service timing	30 days before bond	30 days before bond	30 days before bond	8 days before bond
Borrower liquidity reserve	Yes	Yes	Some but not all	Yes
Number of borrowers	0	31	158	62
Property security requirements	110% EUV/120% MVST	110% EUV/120% MVST, 100% NAI	150% MVST, 100% NAI	105% EUV, 100% NAI

Governance

- THFC is a group of specialist finance companies that historically lend to UK housing associations
- Board made up of 8 non-executive directors and 4 executive directors
- Non-executive directors include housing, banking and treasury specialists and representatives of the Regulator of Social Housing and National Housing Federation
- Same board membership applies to group subsidiaries except for AHF which has an additional director nominated by the Department for Levelling Up, Housing and Communities
- Succession plan for executive team progressing well with three new joiners in three years including its new CEO, Priya Nair
- More detail on THFC's governance available at <https://www.thfcorp.com/our-structure-governance/>

Board committee arrangements



- Governance structure
 - Audit & Risk, Credit and Remuneration and Nominations Committees report to the Board and have delegated responsibilities
 - Credit Committee assesses individual credit propositions and ongoing portfolio monitoring
- Board responsibilities
 - risk management: robust assessments of principal and emerging risks, comprehensive risk management framework in place, administered by the audit & risk and credit committees
 - monitoring and reviewing the effectiveness of the internal controls system; considering conflicts of interest

THFC continues to deliver strong resilient financial performance

Figures in £'000 unless stated otherwise	Year ended 31 March					
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	H1 2023/24
Revenue	10,595	8,565	12,427	12,486	12,266	6,890
Operating expenses	(4,787)	(5,178)	(5,229)	(5,976)	(6,496)	(3,433)
Surplus before tax	5,808	3,387	7,198	6,510	5,770	3,457
Tax	(1,111)	(692)	(1,459)	(1,170)	(940)	(864)
Surplus after tax	4,697	2,695	5,739	5,340	4,830	2,593
Accumulated reserves	38,099	41,703	46,582	52,307	56,921	59,514
Loans outstanding	£7,333m	£7,456m	£7,874m	£8,220m	£8,130m	£8,132m

THFC group outstanding benchmark size bonds

Issuer	Current issue size	Issue coupon	Maturity	Coupon payment dates
bLEND Funding Plc	£588.0m	3.459%	2047	21 March / 21 September
	£607.0m	2.922%	2054	5 April / 5 October
T.H.F.C. (Funding No. 2) Plc	£370.9m	6.350%	2039	8 January / 8 July
T.H.F.C. (Funding No. 3) Plc	£1,013.6m	5.200%	2043	11 April / 11 October
Affordable Housing Finance Plc	£600.9m	3.800%	2042	20 May / 20 November
	£1,143.2m	2.893%	2043	11 February / 11 August

bLEND borrower profiles (1)

Borrower	Loan facility amount	Number of units	Regulatory ratings	Asset cover ratio	Income cover ratio
Abri	£30.0m	34,018	G1 / V1	1.43	1.28
Acis ⁽¹⁾	£20.0m	7,760	G1 / V1	Loan undrawn	Loan undrawn
Ateb	£18.0m	3,127	Compliant – Green	1.01	2.01
B3 Living	£35.0m	5,239	G1 / V1	1.06	1.88
Cardiff Community	£37.0m	2,995	Standard	1.25	1.71
Choice Housing	£50.0m	11,432	Meets Requirements	1.04	2.54
Cobalt Housing	£25.0m	5,806	G1 / V1	1.28	4.16
Connect Housing	£30.0m	3,412	G1 / V1	1.09	2.17
ForHousing	£60.0m	18,299	G3 / V1	1.06	2.43
GreenSquareAccord	£75.0m	26,643	G1 / V2	1.25	1.91
Hightown	£50.0m	8,141	G1 / V2	1.07	1.78
Leeds Federated ⁽¹⁾	£30.0m	4,237	G1 / V2	1.91	2.31
Mosscafe St. Vincent's	£40.0m	8,717	G1 / V2	1.48	2.12
Newport City Homes	£25.0m	9,820	Standard	1.27	3.46
Ongo Homes ⁽¹⁾	£75.0m	10,289	G1 / V1	1.39	3.86
Orwell Housing	£20.0m	3,987	G1 / V2	1.13	2.01
Platform	£180.0m	48,082	G1 / V1	1.13	1.58
Regenda	£50.0m	13,179	G2 / V2	1.16	1.71
Sub-total	£850.0m	225,183			

1. Acis loan is wholly undrawn. £10.0m of the Leeds Federated loan is undrawn as is £25.0m of the Ongo Homes loan and their asset cover and income cover ratios relate to just the drawn portion of their loans

bLEND borrower profiles (2)

Borrower	Loan facility amount	Number of units	Regulatory ratings	Asset cover ratio	Income cover ratio
Rooftop Housing	£50.0m	6,795	G1 / V2	1.15	1.89
Silva Homes	£25.0m	6,957	G1 / V1	1.97	2.85
Taff	£25.0m	1,481	Standard	1.17	1.60
Teign Housing	£33.0m	3,913	G1 / V2	2.13	2.75
The Comm. Housing Group	£35.0m	6,044	G1 / V2	1.17	1.76
Torus62	£100.0m	38,751	G1 / V1	1.34	3.49
Trent & Dove	£55.0m	6,529	G1 / V1	1.16	1.30
Trust Housing	£22.0m	3,703	Compliant	1.09	2.93
Valleys to Coast	£35.0m	6,028	Standard	1.31	3.54
Vivid ⁽¹⁾	£100.0m	32,147	G1 / V1	Loan undrawn	Loan undrawn
Wakefield & District	£100.0m	31,890	G1 / V2	1.74	2.92
Wales and West	£110.0m	11,232	Standard	1.01	1.73
Walsall Housing	£75.0m	21,417	G1 / V1	1.15	3.12
West Kent ⁽¹⁾	£50.0m	7,954	G1 / V2	Loan undrawn	Loan undrawn
Worthing Homes	£40.0m	3,690	G1 / V2	1.07	1.37
Sub-total	£855.0m	188,531			
Total	£1,705.0m	413,714			
Less: undrawn loans	(£205.0m)				
Bonds outstanding	£1,500.0m				

1. Vivid and West Kent loans are wholly undrawn

Notes, sources and defined terms

- Page 5: data on amount lent and numbers of housing associations lent to is as at 31 March 2024
- Page 6: the number of homes listed per region is representative of the total number of owned and managed homes (new and existing) by bLEND borrowers, based on data from Sustainability Reporting Standard for Social Housing returns for the year ended 31 March 2023
- Pages 7 and 12: RSH is the Regulator of Social Housing
- Page 8: Torus' regulatory ratings and financial information taken from its financial statement for the year ended 31 March 2023; Torus' EPC data taken from Torus' ESG report for the year ended 31 March 2023
- Page 9: source of reference to ~60% of social housing tenants being in receipt of government housing support is at: <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2022-to-2023-headline-report/chapter-2-housing-costs-and-affordability>
- Page 10: THFC has a number of other subsidiaries where external debt and loans to housing associations are held, the most significant of which is T.H.F.C. (Capital) Plc that has approximately £200m in external debt and loans
- Pages 11, 12 and 19: EUV: existing use value; MVST: market value subject to tenancy; NAI: net annual income
- Page 14: triennial reviews apply to borrowers where THFC group exposure is less than £5m while annual reviews apply to borrowers where the THFC group has a larger exposure
- Page 15: operating margin is margin on combination of social housing letting, shared ownership first tranche sales, property developed for sale and other activities but excludes profit on fixed asset sales
- Page 15: Moody's A2 and A3 median ratio data for the UK social housing sector taken from various Moody's reports for individual housing associations from late 2023 onwards
- Page 15: figures from RSH Global Accounts are weighted averages rather than median figures as is the case for bLEND and Moody's figures
- Page 19: number of borrowers for each issuer is as at 31 March 2024
- Page 19: certain borrowers within THFC financing programme are not required to have a liquidity reserve fund
- Page 22: information sourced from THFC group annual report for year ended 31 March 2023 and report for the 6 months ended 30 September 2023; results for 6 months ended 30 September 2023 are unaudited
- Page 23: information sourced from THFC group annual report for year ended 31 March 2023 and relevant offering circular and final terms documents
- Page 24 and 25: numbers of borrowers are as at 30 June 2024; numbers of units are as at the date of each borrower's most recent annual report which is 31 March 2023 other than Orwell Housing Association (31 December 2023) and Wales and West Housing Association and West Kent Housing Association (both 31 December 2022); regulatory judgements are most recent ones published by relevant regulator

The Housing Finance Corporation