

Quarterly Business Review Financial Quarter ending 30 June 2019 Published 30 July 2019

Introduction

This first quarterly review is published just before the publication of our annual Report and Financial Statements (which will be available on the Investor Relations pages of our website by 31 July).

The Annual Report shows that the Company has established a sound financial position with the platform in place and the first bond issued and on-lent to 9 housing associations. We are 'open for business' to make further loans to existing and potential new housing association shareholders.

We have a strategy which concentrates on

- Building our loan book by marketing our borrowing proposition
- Attracting more investors and progressively improving their return
- Improving our operating efficiency.

There was no new issuance in the quarter. However, we believe that we are in a good position to continue to grow the business with new loans supported by new bond issuance.

We are actively marketing to our 60+ existing housing association shareholders and up to 140 additional housing associations who might benefit from becoming shareholders and borrowers from MORhomes. A key advantage we can offer borrowers is quick and efficient access to the debt capital markets. We have a number of these currently going through our credit process and considering taking up our new 'Standby Liquidity Offer' product. For a very low initial cost, this enables them to complete all their documentation and be ready to borrow at very short notice.

In July we did an Investor Update roadshow for investors to update them on progress with the platform. A copy of the presentation is available on the Investor Relations pages of our website. An up to date summary of key points is given in the sections that follow.

Progress with security charging

Borrowers are obliged to have security available for charging to MORhomes but have up to 24 months to get the security charge in place. This is a key benefit for borrowers as the process security charging is a time consuming and expensive process. We have undertaken a groundbreaking initiative with borrowers to make the security charging process much quicker and more efficient in future. We have also agreed with our Borrowers Advisory Group (representing all potential borrower shareholders) that for future loans borrowers will only have up to 12 months to get the security charge in place.

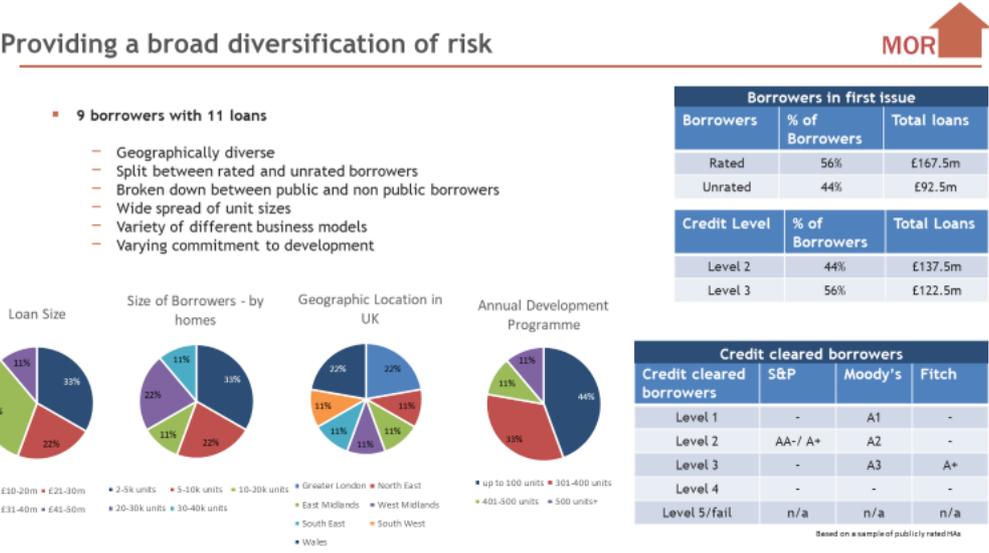
As at 30 July progress with charging our loan portfolio was as follows:

	<u>Loan amount</u> <u>£m</u>
Fully secured	40
Security charging well advanced	112
Expected to be secured by first anniversary (Feb 2019)	108
Total loans	260

Credit monitoring

The first quarterly monitoring reports were received from borrowers in May, giving us a preview of the unaudited year end results for March 2019. This showed borrowers overall performing well against previous year and budget. Details can be found in the July investor presentation on the website. The results were reviewed by the Credit Committee and no borrower Lending Levels (credit ratings) were adjusted as a result of the review.

The investor presentation also has detailed information on individual borrowers and the broad diversification of our credit risk (see slide copied below). Note in particular the geographic location which shows a broad spread with very little concentration in London:



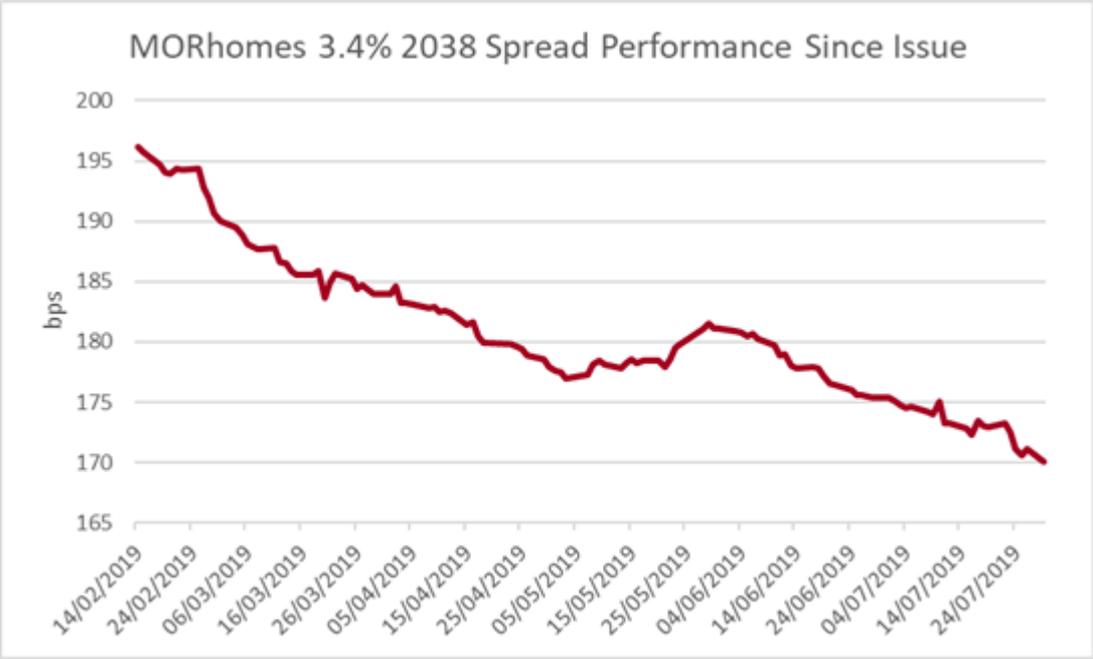
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Investor relations and bond performance

Our focused purpose to act as a central borrowing vehicle for housing associations enables us to concentrate on good communication with investors, which includes quarterly trading updates and an annual bondholders’ meeting.

We have updated our website to make it as easy as possible for investors to find all the information they need in one place. We have engaged with investors via the July roadshow. If any investors missed the roadshow and would like to explore options for receiving the presentation, please contact us (see below for contact points).

The bond has shown a steady improvement in spread since issue (see chart) and has outperformed comparable bonds.



Operating efficiency

We have established the systems to administer our existing loan portfolio efficiently. The existing bond is on-lent it under terms that gives us a secure base and future income sufficient to cover our operating costs. The flexible operating structure in place mean that the business can scale up its operations to meet the demand for new loans and increase its profitability as it wins new business.

Contact points

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