

Investor update



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01

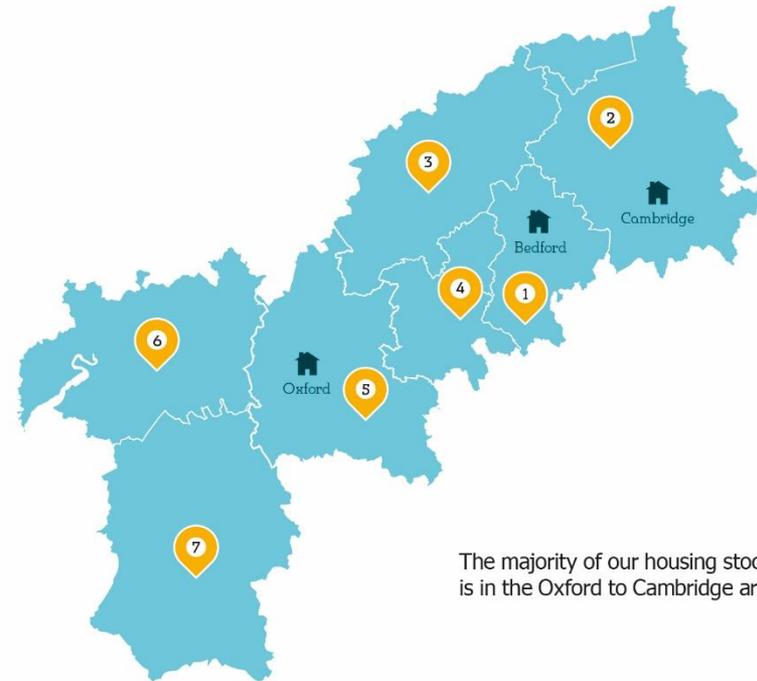
Executive Summary

- bpha’s operations have retained an unchanged core focus upon developing and managing affordable homes for rent, sheltered, residential care and shared ownership, operating in the arc between Oxford and Cambridge
- Our goal is to help people achieve their housing aspirations in a sustainable, value for money driven, manner
- bpha has a simple corporate structure reflecting the straightforward nature of our operations. Full details of our structure is shown within the Appendix 1
- **96% of our turnover comes from social housing activities**

UNITS BY AREA



1	Bedfordshire	10,164
2	Cambridgeshire & Peterborough	3,307
3	Northamptonshire	1,236
4	Buckinghamshire & Milton Keynes	1,053
5	Oxfordshire	1,176
6	Gloucestershire	395
7	Wiltshire	206
	Other	359
	Total units	17,896



The majority of our housing stock is in the Oxford to Cambridge arc.

Executive Summary



A strong, stable and financially robust organisation with an efficient operating model

£17.8m

2015/16 surplus

46%

2015/16 operating margin on social housing lettings – one of the strongest in the sector

450

New social homes built last year, of which 178 were shared ownership

£184m

Year end facility headroom

£23.2m

Invested in maintaining and improving our existing homes in 2015/16 – 100% of our properties continue to meet the Decent Homes Standard

A+

Stand alone credit profile rating from S&P maintained

17,896

Homes owned or managed

£80m

New long term funding via the AHF/EIB secured at low rates

V1/G1

HCA viability and governance ratings maintained

£100m

Stand alone swaps restructured or cancelled

50%

Reduction in MTM exposure on stand alone swaps

£75m

10 year MUFG RCF secured on attractive terms

Executive Summary



A strong, stable and financially robust organisation with an efficient operating model

1 ★

Sunday Times 100 Best Not for Profit Organisations to Work For and Best Companies 1 star accreditation

28,393

responsive repairs

734

refits of void properties

7,000

7,000 people helped into home ownership as the Government's Help to Buy agent for the East and South East of England

Customer services training

delivered to all employees to anchor our commitment to maintaining customer service standards

HtB

Help to Buy contract extended initially to Mar 17 and again to Jul 18

347

employees of which 220 are female

Value for Money

continues to drive everything we do

Risk

appetite defined by the Board for the first time quantified for the first time, by department

3 lines of defence

assurance framework launched

4,893

capital improvements

Systems

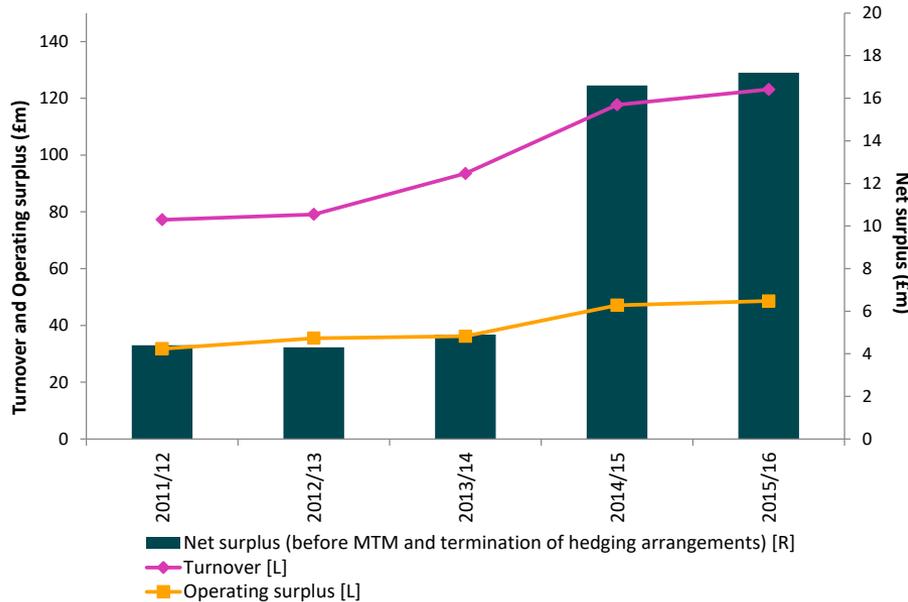
Continued investment in core operating systems and processes

bpha Financial Track Record

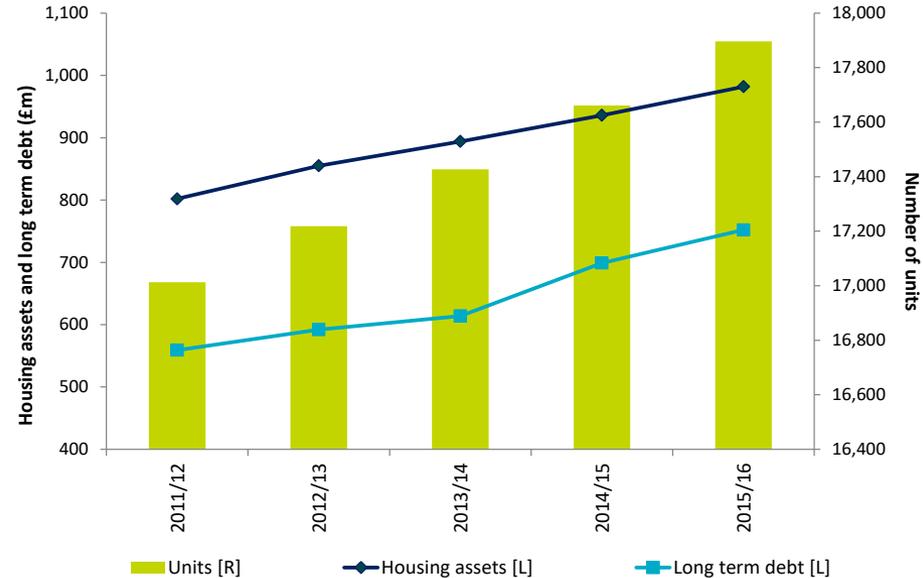
bpha has an excellent history of revenue and surplus growth



Turnover and surplus over 5 years



Units, asset values and debt over 5 years



- 2014/15 saw a step change in our overall surplus which continued into 2015/16 and represents a structural shift in our financial performance
- This was due to operational efficiencies and new units completed being managed at incremental cost, resulting in a higher proportion of rental income flowing through to bottom line surplus
- At the same time our derivatives restructure allowed us to contain our financing costs despite an increase in debt levels used for development of new units
- As we continued to develop, our housing assets balance sheet value increased by £180m
- Although our debt increased over that period, the gap between the balance sheet housing asset value and debt level has been largely maintained

Little Canfield, Essex



02

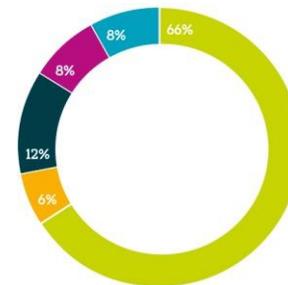
Operations

Revenue Generation

A conservative but commercial operating model generating a 46% operating margin

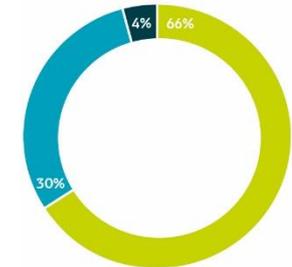
- £81m of revenue comes from social housing lettings
- Our total 2015/16 operating surplus was £48.6m of which £37.2m came from social housing lettings. Our operating margin on social housing lettings was 46.0%
- Our strong margin is driven by:
 - ✓ Efficient service delivery due to concentration of stock in a tight, high yielding geographic area
 - ✓ Management, maintenance and repair costs minimised through deep knowledge of asset base
 - ✓ 46% of stock being less than 20 years old
 - ✓ Commercial focus on cost control
- bpha moved to deemed cost for housing properties on adoption of FRS102. This increased the value of depreciable components and the increased depreciation accounts for the fall in reported operating surplus

ANALYSIS OF TURNOVER



STOCK BY USAGE

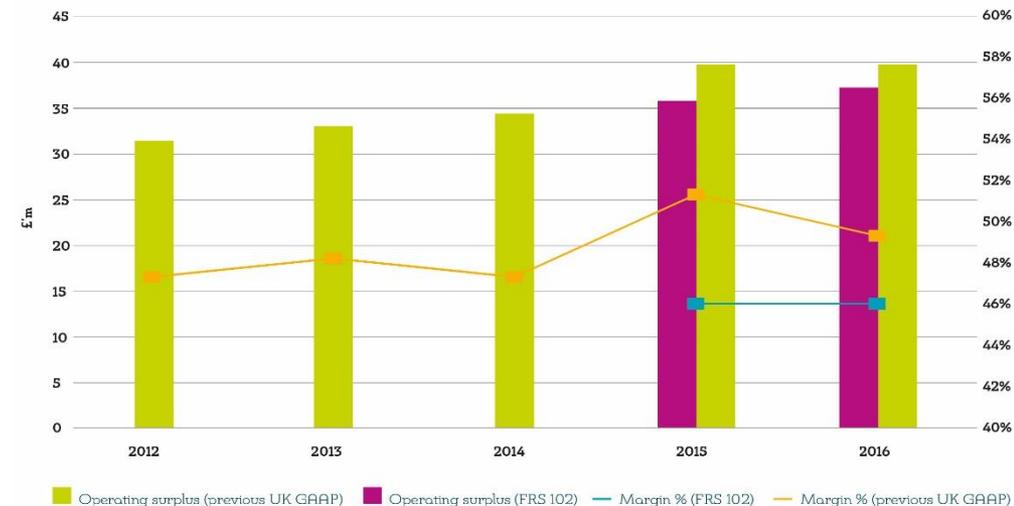
General needs	66%
HomeBuy	6%
Shared ownership	12%
Elderly care homes	8%
Other	8%



Social housing lettings income	£80.9m
Other social housing activities	£38.1m
Non-social housing activities	£4.1m
Total turnover	£123.1m

OPERATING PERFORMANCE 2012-2016

Operating surplus on social housing lettings

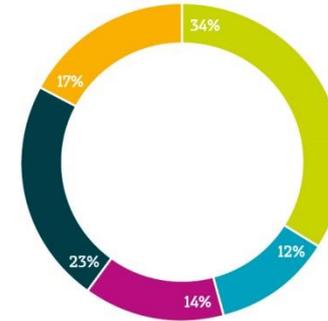


Existing Operations – asset base

A young well invested profit generating asset base



- We have a young stock with nearly half our stock under 20 years old, thereby attracting lower maintenance costs. The weighted average of all our stock is less than 30 years old
- A well maintained asset base with £23.2m spent on maintaining and improving our existing homes in 2015/16
- Our repair and maintenance projections are underpinned by detailed stock condition data, based on full survey every five years
- All stock has a net positive present value



AGE PROFILE OF STOCK

0-10	34%
11-20	12%
21-40	14%
41-60	23%
61+	17%

£23.2m

Invested in maintaining and improving our existing homes in 2015/16 – 100% of our properties continue to meet the Decent Homes Standard

734

refits of void properties

28,393

responsive repairs

4,893

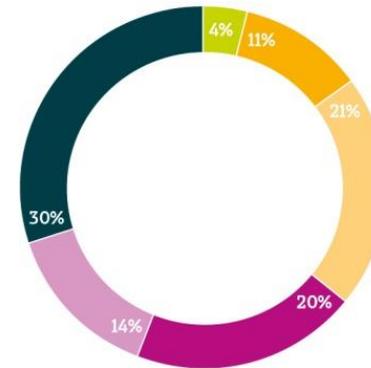
capital improvements

Existing Operations – demographics

Well placed to manage Welfare Reform due to favourable tenant demographics

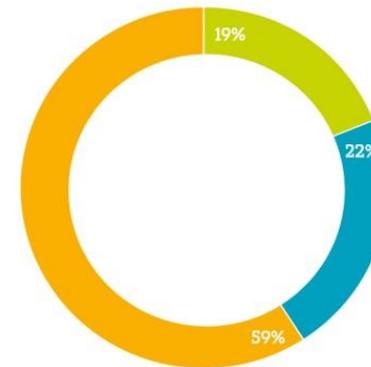


- Diversified tenant demographic with majority of tenants of a working age and a younger age profile than the average across the sector
- The majority of our tenants are not in receipt of housing benefit and only 19% are in receipt of full housing benefit. This means that bpha is well positioned to manage the impact of Welfare Reform, in comparison to many of our peers
- Our strategy to Welfare Reform is one of pro-active communication, customer support and income protection. Further details can be found in Appendix 2 to this document



AGE PROFILE OF TENANTS

<25	4%
25-30	11%
31-40	21%
41-50	20%
51-60	14%
61+	30%



ECONOMIC STATUS

Full Housing Benefit	19%
Partial Housing Benefit	22%
Not in receipt of Housing Benefit	59%

Strong Operating Performance and Value for Money



An efficiently managed business with a particularly strong control over rent collection

- Voids at 1.2% in 2015/16 and gross rent arrears of 3.5%
- This is due to focus on recovering debts and providing financial advice and support to tenants
- We also place a strong focus on cost control and have cost metrics which are ahead of benchmark and are generally in the lowest quartile
- All properties meet Decent Homes Standard
- Value for money achieved against peer benchmarks, which is supported by analysis set out with the HCA

Key financial ratios	2016 FRS102	2015 FRS102	2014 UK GAAP
Surplus of the year as % of turnover (excl. one off refinancing costs)	14.0%	14.2%	5.2%
Social housing lettings: operating surplus as a % of turnover	46.0%	46.0%	47.3%
Rent losses (voids as a % of social housing rents)	1.2%	1.3%	1.9%
Rent arrears (gross arrears as a % of rent and service charges receivable)	3.5%	3.9%	4.2%
Long term loans as a multiple of turnover	6.1	5.9	6.6

Value for Money indicators	2016 £	2015 £	Benchmark⁴ £
Staff cost per unit	700	684	1,034
Planned and routine maintenance cost per home	639	606	1,017
Capital expenditure on existing properties per home	655	751	929
Total expenditure on properties per home	1,294	1,357	1,946
Operating cost per home excluding first tranche shared ownership sales	2,438	2,374	4,152

* Benchmark data taken from 2015 HCA Global Accounts

Demand for Social Housing

Strong demand means that there is an extremely high level of certainty underpinning our future lettings income stream



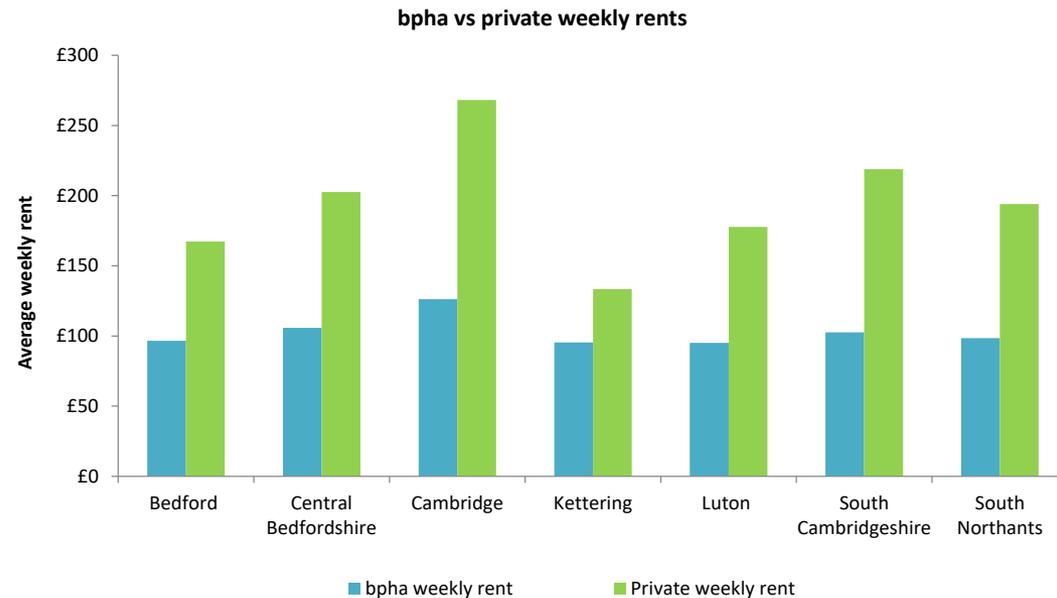
- Continued strong demand for social housing as evidenced by c1,500 people on the waiting list in Bedford with significant numbers waiting for houses across other areas of our operation
- bpha rents are set on a prescribed rental formula or capped at the Local Housing Allowance level for new properties
- The rent levels are on average, around 50% to 60% of the equivalent private rents in our operational areas

1,500

Waiting list for social housing in Bedford

50-60%

Our average weekly social rent compared to private rents



Clay Farm, Southern Fringe, Cambridge



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Development activities

Development

A strong track record of profitable sustainable development

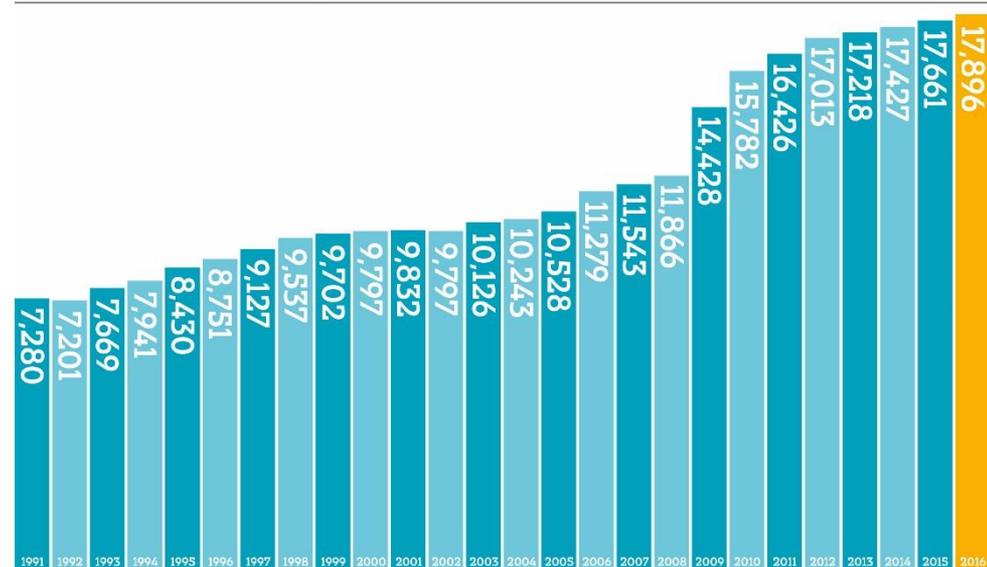


- As one of the top 30 developing housing associations, we have grown organically from 7,378 homes in 1990 to the 17,896 homes we owned or managed at March 2016
- We have a highly selective approach to development with strong focus on quality of schemes
- Our strict development criteria mean that we only approve schemes which are profitable, value enhancing and cashflow generative. Potential future schemes are formally reviewed in the context of our overall liquidity and asset security to avoid over-commitment.
- We perform extensive sensitivity analysis on new schemes to ensure we have sufficient risk buffer to allow for a potential deterioration in market conditions

Development criteria

- 35 year NPV and no terminal value
- Conservative development assumptions applied
- No capital appreciation assumed
- IRR must achieve a hurdle rate set on basis of:
 - Long term cost of funds + margin + minimum interest cover buffer + risk buffer
- Asset value generated for charging of security must normally be greater than net development cost so that overall balance sheet capacity is enhanced

TOTAL UNITS OWNED OR MANAGED AT YEAR END



Development Geography

bpha benefits from strong market values in its areas of development



- Development activities are spread across our operating region
- High charging values and strong returns on shared ownership sales in these areas, provide a natural advantage

- Our developments in Cambridge are projected to generate IRRs materially above our hurdle rate, thereby driving increasing surpluses and strong margins. They will also significantly enhance our asset values.

- Demand for future development remains strong. By 2031 it is estimated that 44,000 affordable homes will be needed to meet the housing needs of the Cambridge region alone

WHERE HAVE WE BEEN BUILDING IN 2015/16



1 Oxfordshire	192
2 Cambridgeshire	137
3 Bedfordshire	121
Total units	450

- We are well positioned to take advantage of this demand for housing given our experience of developing the area and strong contacts with local authorities and private property developers

Steventon, Oxfordshire



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Financials and Treasury

2016 Financial Statements – Group Statement of Comprehensive Income



- Prepared in accordance with FRS 102
- Surplus of £17.8m due to increased income from social lettings and containment of the overall cost of funds despite an increase in overall debt
- Development is earnings enhancing reflecting strict appraisal criteria and a focus on strategic long term sites
- Derivatives termination cost of £49.8m detailed in cash flow; no impact on SOCI under FRS102

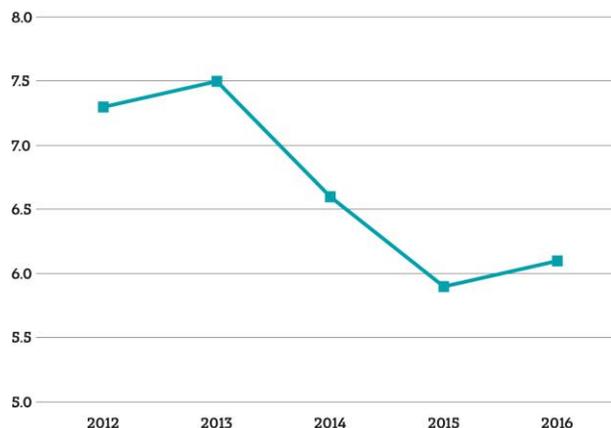
	2016	2015	2014	2013	2012
	FRS 102	FRS 102	UKGAAP	UKGAAP	UKGAAP
	£'m	£'m	£'m	£'m	£'m
Group statement of comprehensive income					
Turnover	123.1	117.7	93.5	79.1	76.5
Operating surplus	48.6	47.1	36.2	35.5	31.8
Interest payable and similar charges	(35.0)	(35.3)	(33.0)	(33.0)	(28.8)
Other items	3.6	4.8	1.7	1.8	1.4
Surplus / (deficit) for the year (prior to termination costs and fair value movements)	17.2	16.6	4.9	4.3	4.4
Termination of hedging and loan arrangements	-	(14.7)	(11.9)	-	-
Movement in fair value of financial instruments	0.6	(51.9)	n/a	n/a	n/a
Surplus / (deficit) for the year	17.8	(49.9)	(7.0)	4.3	4.4
Actuarial gains/(losses) on pension scheme	1.6	(5.6)	n/a	n/a	n/a
Total comprehensive income/(loss) for the year	19.4	(55.5)	(7.0)	4.3	4.4
Turnover: on social housing lettings	80.9	77.7	72.6	68.4	66.4
Operating surplus: on social housing lettings	37.2	35.7	34.3	33.0	31.4
<i>Social housing lettings: operating surplus as % of turnover</i>	<i>46.0%</i>	<i>46.0%</i>	<i>47.3%</i>	<i>48.2%</i>	<i>47.3%</i>
Accommodation figures (number of dwellings)					
Total Owned	16,039	15,744	15,392	15,067	14,732
Total Other Properties	1,857	1,917	2,035	2,151	2,281
Total Owned and in Management	17,896	17,661	17,427	17,218	17,013

2016 Financial Statements – Group Statement of Financial Position



- Housing fixed assets have increased by £46m reflecting the net 235 unit increase in the property portfolio being the net of the 450 units developed and 215 units sold
- Long term debt has increased to support our development programme
- bpha's long term loans as a multiple of turnover has reduced from 7.5x in March 2013 to just over 6.1x in March 2016
- Mark to market exposure on stand alone swaps decreased by £50m as a result of the derivative restructure strategy executed in the year

LONG TERM LOANS AS A MULTIPLE OF TURNOVER



	2016	2015	2014	2013	2012
	FRS 102 £'m	FRS 102 £'m	UKGAAP £'m	UKGAAP £'m	UKGAAP £'m
Group statement of financial position					
Housing Fixed Assets	982.3	936.2	894.2	854.7	802.0
Other Fixed Assets and Investments	57.3	62.0	19.1	18.8	19.8
Total Fixed Asset	1,039.6	998.2	913.4	873.5	821.7
Net Current Assets	57.1	72.4	10.8	35.7	37.4
Total Assets less current liabilities	1,096.7	1,070.6	924.1	909.2	859.2
Debt (due over one year)	752.4	698.7	613.7	592.3	559.3
MtM derivatives	64.2	114.6	N/A	N/A	N/A
Other long term liabilities	87.3	82.8	27.2	24.3	20.9
Pensions Liability	23.9	25.0	19.2	19.7	15.7
Total long term liabilities	927.8	921.1	660.1	636.6	595.9
Reserves: revenue	168.9	149.5	11.6	16.2	14.7
: revaluation	-	-	252.4	256.7	248.6
: total	168.9	149.5	264.0	272.9	263.3
Total Long Term Funding and Reserves	1,096.7	1,070.6	924.1	909.2	859.2

bpha Financial Track Record

bpha has an excellent history of revenue and surplus growth



Year end	March 2013	March 2014	March 2015	March 2016
Revenue	£79.1m	£93.5m	£117.7m	£123.1m
Social housing operating surplus	£33.0m	£34.3m	£35.7m	£37.2m
Surplus (excluding MTM and termination of hedging arrangements)	£4.3m	£4.9m	£16.6m	£17.2m
Margin on surplus (%)	5.4%	5.2%	14.1%	14.0%
Housing fixed assets	£855m	£894m	£936m	£982m

NB: The financials for 2016 and comparables for 2015 are under FRS 102 which bpha has transitioned to and is now mandatory for all housing associations

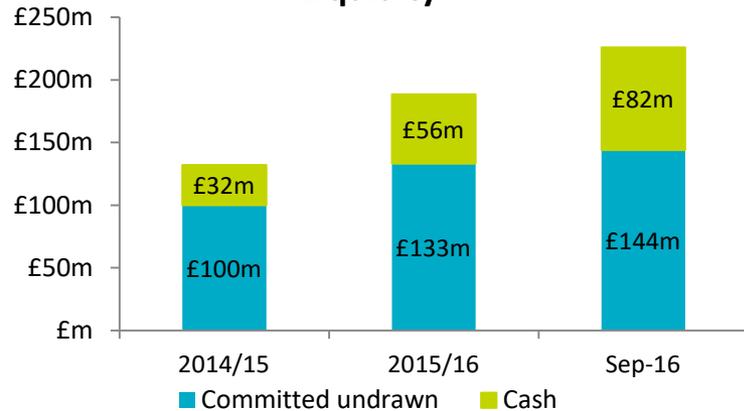
- As our financial statements demonstrate, bpha is a much stronger organisation today compared to 2014 when we issued the £200m public bond (issued based on 2012/13 financial results)
- bpha net surplus for 2015/16 was £17.2m compared to £4.3m for 2012/13. The net margin was 14.0% compared to 5.4% in 2012/13
- Our results are underpinned by our core social housing business which generated £37.2m in 15/16, a 4% compound annual growth rate on 12/13 surplus of £33.0m
- The financial results for 2016 were consistent with our expectations and reflective of bpha's current strategy

bpha Financial Strength

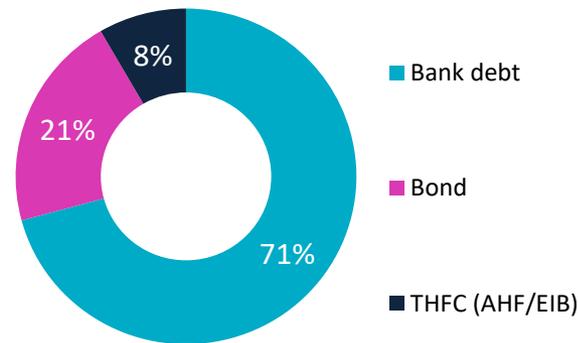
bpha has strong liquidity and low refinancing risk



Liquidity



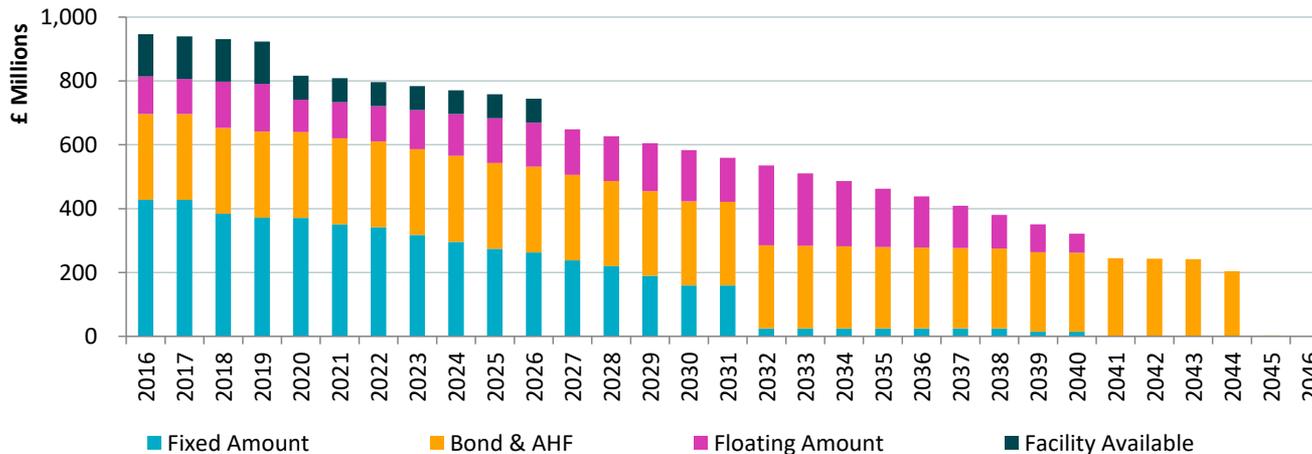
Debt facilities (£960m)



- 87% of bpha's drawn debt of £813m is at fixed rate of interest (as at Sep 16)
- In 2015/16, bpha raised £80m of funding from Affordable Housing Finance (AHF/EIB) to support the development of 850 homes
- In Q2 2016/17, bpha secured £75m 10 year RCF with The Bank of Tokyo-Mitsubishi ("MUFG") on very attractive terms

bpha has limited refinancing risk with 79% of our loan facilities maturing after ten years

Maturity Profile of Existing Facilities and Fixed/Floating Mix Through Time



- bpha has pro-actively taken steps to reduce MTM exposure and at year end, only 16% of our debt was fixed with stand alone hedges
- S&P described our derivatives strategy as "credit positive"

bpha Credit Rating

S&P re-affirmed bpha's A+ stand alone credit rating



- In July 2016, S&P re-affirmed bpha's stand alone credit rating as A+. They stated that bpha has:
 - ✓ Very strong internal liquidity
 - ✓ A very strong strategy and management team
 - ✓ A very strong enterprise profile from strong economic fundamentals and excellent asset quality
 - ✓ A geographically advantageous position between Oxford and Cambridge which benefits from strong population growth and demand for social housing
- Following S&P's downgrade of the UK sovereign rating after the Brexit vote, and in line with rating action across the sector in July 2016, the previous one notch uplift for government support was removed, resulting in an overall credit rating of A+ (previously AA-). bpha's stand alone credit profile remains unchanged
- S&P performed a sector wide review in October 2016 which led to a number of downgrades and negative outlook warnings due to sales risk and declining margins. bpha was part of this review and our strong financial performance plus limited sales risk meant that there was no change in our outlook or rating

Orwell, Cambridgeshire

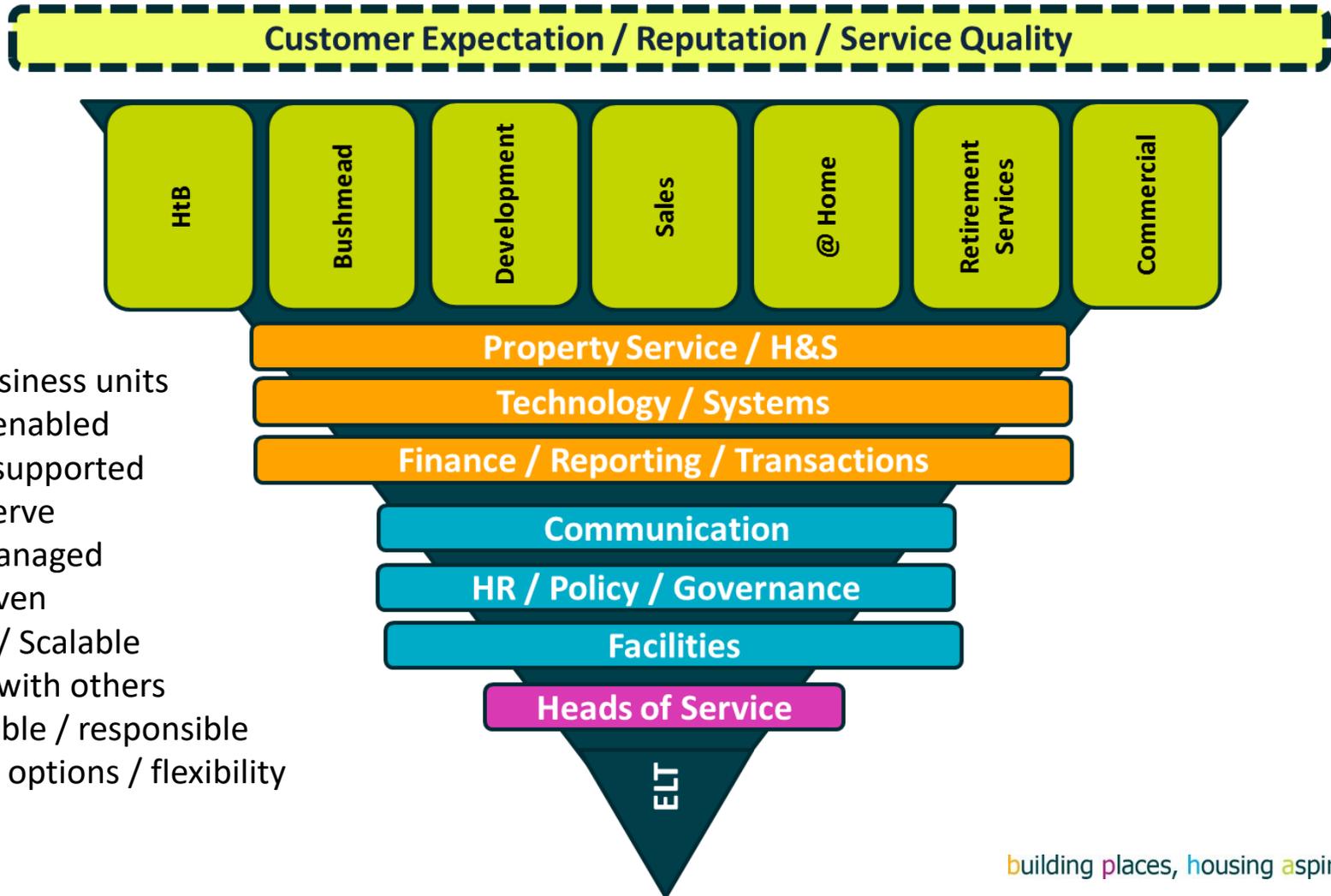


05

Strategy

Our Strategy

In order to ensure to ensure that the business remains flexible and adaptable to the changing environment a comprehensive change programme, **Fit for the Future**, has been launched



- Seven business units
- Digitally enabled
- Systems supported
- Cost to serve
- Assets managed
- Value driven
- Growing / Scalable
- Working with others
- Accountable / responsible
- Choices / options / flexibility

Our Strategy



A modern housing association delivering Value for Money and enabling people to take control of their housing needs

Strategy	Key outcomes
Build new homes	<ul style="list-style-type: none"> • Develop around 500 new homes p.a. • Develop partnership arrangements to continue securing large strategic schemes which offer VfM • Consolidate position in Cambridge as the lead developing Registered Provider whilst securing a strong pipeline in Bedford and across our region to meet housing policy objectives
Understand and invest in our properties	<ul style="list-style-type: none"> • Maintain and use full stock condition data on all our properties to maximise VfM in capital works • Retain 100% decent Homes Standard status • Increase our first time fix rate on repairs • Reduce void turnaround times • Reduce fuel poverty among our customers
Drive Value for Money in everything we do	<ul style="list-style-type: none"> • Shift more customer transactions to automated and on-line services • Streamline and improve efficiency of back-end operations through technology and automation • Reduce liquidity risk and cost of capital through refinancing credit facilities • Critically appraise performance of all our assets to release capital for new schemes and improve returns
Focus on commercial decision making, working through defined business units	<ul style="list-style-type: none"> • Deliver services through well defined business units focused on achievement of organisational goals • Deliver surpluses through development for open market sale • Grow income streams through new opportunities where these complement existing business streams and skillsets

06

Conclusion

- Existing operating model continues to work well, delivering strong financial performance
- Operating surplus has increased to £48.6m
- Continue to achieve a high margin on social housing lettings of 46%
- Strong liquidity with £155m of new funding secured with the THFC (AHF/EIB) and MUFG at bpha's lowest ever cost of funds
- Significant de-risking of the business through successful execution of a derivatives restructure strategy, reducing exposure to margin calls by 50%
- Robust assurance framework developed with committees strengthened through new appointments of independent members
- HCA Governance and Viability ratings retained at G1 & V1
- 450 new homes developed during the year to March 2016
- Cautious ongoing development strategy of delivering around 500 units p.a. of which about 40% are shared ownership, both in line with bpha's experience over the last 10 years

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07

Appendix 1 – Corporate Structure and Governance

Corporate Structure

A simple organisational structure



- bpha has a simple corporate structure reflecting the straightforward nature of our operations
- bpha Ltd owns all social housing stock and is liable for our bank debt
- bpha Finance plc is a special purpose vehicle used to hold the £200m bond
- The joint ventures (JV) in the care partnerships are non-asset owning companies which lease residential care homes from bpha. The income from these care homes is underwritten by contracts with local authorities
- Bushmead Homes Ltd is our build for sale subsidiary which owns a 25% stake in Gog Magog Partnership LLP, a JV with a private house developer
- CPLhomes provides housing management services for certain Cambridge properties owned by bpha and other housing associations

CORPORATE STRUCTURE OF BPHA GROUP

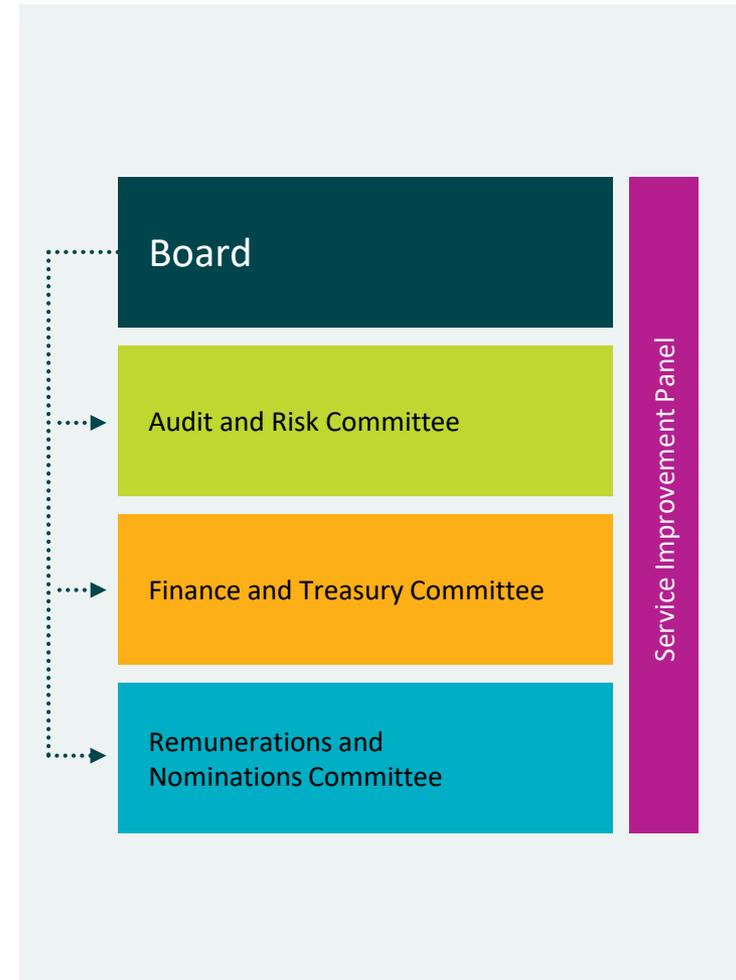


Governance Structure

Modern, effective governance which is robust and commercially focussed



- There has been an ongoing programme to strengthen skills and experience at Board, Executive and Senior Management levels
- A main Board and three specialist committees
- Finance and Treasury Committee (FTC) established in Sept 2015. During the year the FTC comprised of five members, three of whom are independent
- Finance and Treasury Committee's role is to:
 - Provide assistance to the Board in overseeing financial and treasury matters
 - Support the Executive and Corporate Finance Team in drafting policy
 - Review, scrutinise and provide guidance to the Board on major financial transactions
 - To review and constructively challenge financial reports and plans prior to presentation to Board
- Has worked extremely well in providing external expertise to assist the Board on finance and treasury matters



Leadership Team

Established team in place with strong independent experience



Non-Executive Directors



Robert Burgin
Chairman
2015



Peter Male
Chair of Audit & Risk
Committee
2011



Martin Hurst
Chair of Finance &
Treasury Committee
2015



Ian Ailles
Co-optee
2015



Shan Hunt
Non-Executive
2010



Jill Ainscough
Non-Executive
2016

Executive Leadership Team



Kevin Bolt
Chief Executive
Officer
Feb 2014



Paul Gray
Chief Financial
Officer
March 2011



Sarah Ireland
Director of
Development and Sales
Sep 2009



Julie Wittich
Director of Service
Delivery
April 2001



Liz Parsons
Director of Quality
and Communications
Jan 2005

- Experienced non-executive director
- Ofcom Board member overseeing regulation for the communications and postal industries
- Successfully delivered spectrum management for the London 2012 Olympic Games
- At Easynet, revenue grew £40m to £160m from 2001 - 2006 and led integration into BSkyB following sale of business
- Ran rebranding and new market entry with major sponsorship of British Olympic Association

Independent Committee Members and New Head of Treasury



Tim Ludlow

Independent Member of the Audit and Risk Committee November 2011

- Tim is an experienced Finance Director, whose last role was Finance Director of Miele Company Ltd (£150m turnover)
- He is currently a non-executive director and Chair of the Audit Committee for Lincolnshire Partnership NHS Foundation and an independent member of the Audit Committee for Breckland District Council



Malcom Zack

Independent Member of the Audit and Risk Committee June 2015

- Malcolm is an experienced and qualified auditor whose last role was Head of Internal Audit for the Post Office
- He is now a Director of his own consultancy business specialising in internal audit, risk and governance and is an Audit Committee Member of the Chartered Institute of Internal Auditors



Cliff Broadhurst

Independent Member of the Finance and Treasury Committee June 2015

- Cliff is an experienced banker who has worked on trading desks
- Previous roles include Head of UK Funding and Liquidity Management at ABN AMRO bank and non-executive director of Essex Cares Limited

- Since the appointment of Martin Hurst and Ian Ailles in 2015, there have been no new non-executive appointments apart from Jill Ainscough, whose appointment was announced in October 2016
- Neil McGregor-Paterson (bpha Board member Chair of the Remuneration and Nominations Committee) and Geoff Potton (bpha Board member and Chair of Bushmead Homes) came to the end of their six year term in July 2016 and September 2016 respectively

Gosia Motler, Head of Treasury, Aug 2016

- Following the departure of Simon Century in April 2016, Gosia Motler has been appointed to the role of Head of Treasury
- An ACT qualified Treasurer who spent the last 12 years at Wheatley Housing Group Limited where she was the Group Treasurer and Financial Planner
- Prior to that Gosia worked in treasury and finance functions at Damovo (technology solutions) and Eaton Corporation (automotive industry)

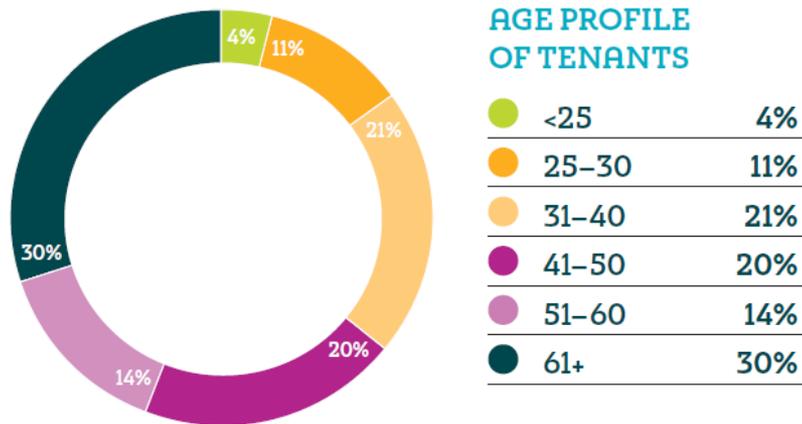


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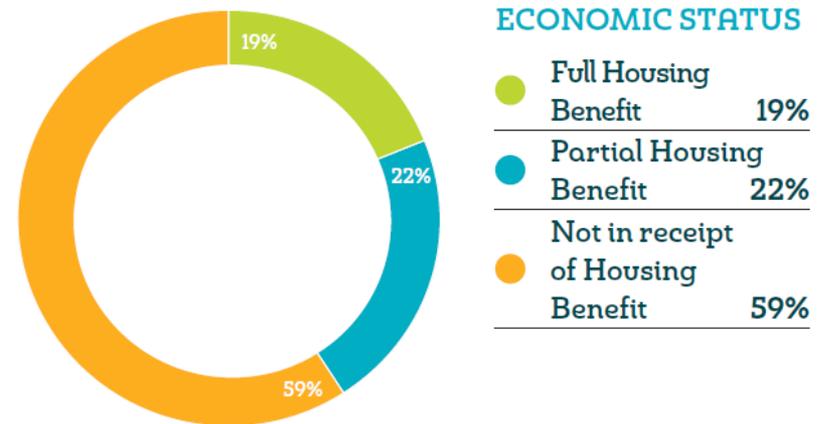
Appendix 2 – Welfare Reform

Welfare Reform – Limited Impact

Our tenant profile means that we have lower exposure to Welfare Reforms than other providers:



The majority of our tenants are aged between 25 and 50, a younger age profile than the average across the sector.



The majority of our tenants are not in receipt of housing benefit, leaving us less exposed to welfare reform.

bpha's strategy is one of pro-active communication, customer support and income protection, through:

- Comprehensive money and benefit advice and increased individual support
- Placing tenants on monthly direct debit to coincide with monthly wage / housing benefit payment dates
- Using more fixed term tenancies which enable tenancies to be ended more easily
- Undertake financial assessments, only allocating tenancies to those who meet affordability criteria
- Being more flexible with tenancies and offering licenses or joint tenancies where appropriate

Welfare Reform – Specific Measures



Universal credit

- Full roll out delayed till 2022 however already live in all areas of bpha's operation
- As at Mar 2016, 41% of bpha households claim Housing Benefit. Of these, 19% claim benefit to cover the total amount of their rent and 22% claim to cover part of their rent
- No material effect to date however this is being closely monitored

Rent reduction

- A 1% fall in rents for the next 4 years. This has been modelled into our business plans, with a CPI flat rise thereafter
- Despite the impact of the rent reduction bpha is in a strong financial position

Reduction of the Benefit Cap from Autumn 2016

- Impact is greatest in households with children. bpha has 2,277 properties that could be affected and is monitoring this closely
- Going forward, fixed term tenancies will be introduced to help minimise risk

Reduction in Housing Benefit for under 35's

- New tenancies for those under 35, will only be entitled to single room rate for Housing Benefit and those under 21 will have no automatic entitlement
- bpha will assist affected tenants with money advice and will seek to mitigate the on income by being more flexible with the types of tenancy we offer

Rents capped at LHA (tenancies starting from April 2017)

- This is unlikely to be an issue General Needs or Affordable Rented properties though does cause an issue for Supported Housing. Latest proposals from a Government review is that the cap will not take effect until 2019. bpha is assessing the financial impact of the LHA cap on Supported Housing and will not implement a detailed strategy on supposed housing until the Government proposals are final

Removal of the spare room subsidy (RSRS)

- As at August 16, bpha had only 514 units affected by RSRS. Tenants will be offered financial advice and the opportunity to downsize if they face financial difficulties

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Appendix 3 – Risk management and response

Risk Appetite

Effective risk management – a key priority



New assurance framework developed and the Board has defined its risk appetite for the first time, based on the following definitions:



Area	Risk appetite	What it means
Finance & Treasury	Cautious - 2	<ul style="list-style-type: none"> Accept the possibility of some well managed risk Relatively high gearing means that risk buffers above covenant and liquidity thresholds are required
Health & Safety and Service Delivery	Minimal - 1	<ul style="list-style-type: none"> Seek to minimise risk to as low a level as possible Accept that from time to time certain risks such as fires or lone working will be realised Zero tolerance approach on gas safety with annual safety checks a legal requirement
Strategy – innovation and diversification	Balanced - 3	<ul style="list-style-type: none"> To meet strategic goals, options which carry slightly higher risk may have to be pursued occasionally Some clearly defined risk on the basis of well assessed opportunities within a controlled framework
Regulation	Cautious - 2	<ul style="list-style-type: none"> The cautious approach follows the “comply or explain” principle
Reputation	Cautious - 2	<ul style="list-style-type: none"> Tolerance is limited to those events where there is little or no chance of significant repercussion

Effective Response

The three lines of defence framework launched in the new year



- bpha's approach to risk has evolved and in 2015/16 we adopted the well established three lines of defence model
- The three lines of defence enables us to remain alert and respond to issues effectively and quickly



Paul Gray
Chief Financial Officer

Gosia Motler
Head of Treasury

