



CLARION
HOUSING GROUP

Presentation to fixed income investors

Clare Miller – Chief Executive Officer

Mark Hattersley – Chief Financial Officer

Richard Cook – Group Development Director

Gareth Francis – Director of Treasury &
Corporate Finance

December 2019

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Agenda

- ◆ **Strategic overview**
- ◆ **Operating overview**
- ◆ **Development**
- ◆ **Financial review**
- ◆ **Treasury review**



Credit highlights

- Regulatory grading of G1/V1 – committed to good governance and positive regulatory engagement. IDA scheduled for January.
- Continued financial strength and discipline central to corporate strategy. Focus on operating efficiency to create additional capacity.
- Customer satisfaction remains paramount. Current levels of 79.8%, despite significant changes in service delivery.
- Maintained focus on Fire Safety - including significantly increased spend (proactive enhancements)
- IT enabled business transformation - Enterprise Resource Planning system now rolled out across whole organisation. Will lead to further integration of people and processes.
- Further strengthening of development capability, ahead of growth in output
 - increased mix of affordable units
 - 2019 business plan reflects a more gradual increase in development activity
- Group Executive - retiring members replaced, team refresh complete. New Group Chair started in July; two new Group Board members started in November.
- Recently awarded “Certified Sustainable Housing Label” – first pan-European accreditation, assessing a wide range of sustainability criteria. Continued significant ESG activity.
- Significant charitable achievements realised in 2019, e.g.:
 - £125m social value created
 - Supported 4,009 people into work

SOLID PLATFORM BUILT - UNDERPINS DELIVERY OF CORPORATE OBJECTIVES



CLARION
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Strategic Overview



Strategic priorities

Strategic Themes

- The housing and service provider of choice
- A successful, respected and influential national business
- Building new homes and successful communities

Enabling Objectives

- Maintain our financial resilience
- Exploit new technology and innovation to drive business benefit and improve customer experience
- A great place to work



Putting customers at the heart of our business



Delivering a seamless customer service offer, relevant to customer needs across all available channels



Ensuring the Housing Association structure best enables the delivery of good quality homes and services



Ensuring our housing is good quality, fit for purpose, well managed, sustainable and affordable

Mission

To provide good quality, affordable, homes and neighbourhoods to people inadequately served by the market

Operating environment

- Potential new Regulator scheme
- Increasing customer service expectations
- Fire Safety and Building Regulation review
- Continuing Welfare Benefit Reform
- Sales



CURRENTLY NO CHANGE TO OUR STRATEGIC AMBITIONS – BUT A RECOGNITION
THAT CONTINUED DISCIPLINE AND FOCUS IS NEEDED TO ACHIEVE THEM

A National Landlord

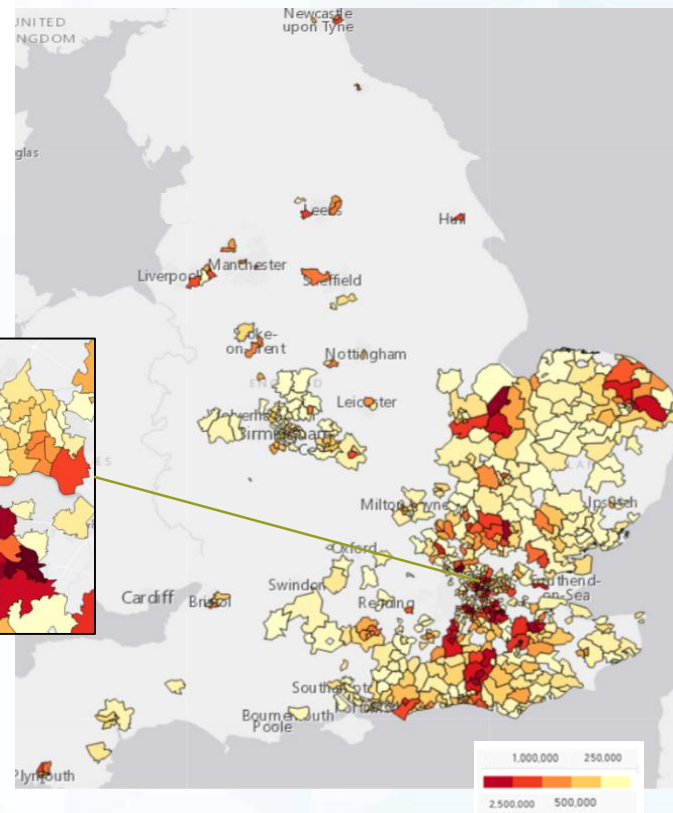
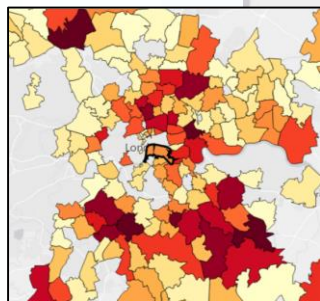
ANNUAL RENTAL INCOME (£ per postal district)



Current footprint extends from Plymouth to Newcastle, but

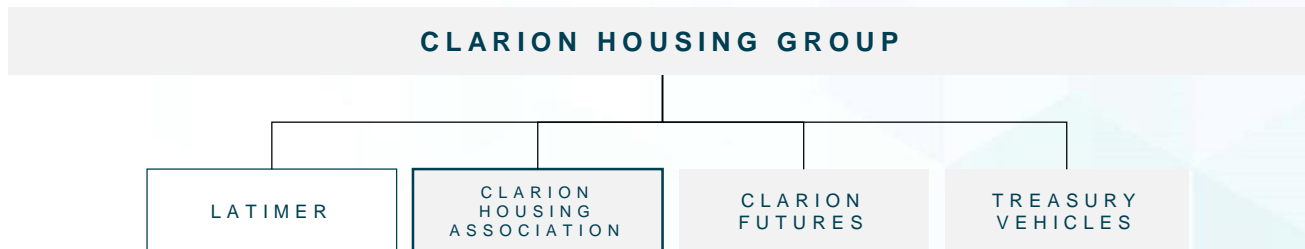
Of our c.125,000 homes:

- c.49,000 are in Greater London generating 42% of rental income
- c.27,000 are in the South East generating 24% of rental income
- 80% of rental income in Greater London, Home Counties and SE



STRONG DEMAND FOR OUR PROPERTIES

Corporate and Governance Structure



AUDIT AND RISK COMMITTEE (CHAIR: JOHN COGHLAN)

Advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. Has oversight of the risk framework, advising the Group on the effectiveness of arrangements.

INVESTMENT COMMITTEE (CHAIR: MARK HATTERSLEY)

Responsible for scrutiny of all proposed projects involving major investment, by way of acquisition, development, regeneration or major repairs. Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

GROUP EXECUTIVE TEAM (CEO: CLARE MILLER)

Responsible for assisting the Group CEO in the development and implementation of strategy, budget and operational performance.

TREASURY COMMITTEE (CHAIR: TANIA BRISBY)

Advises on funding strategy for the Group and provides expert opinion to the borrowers within the group.

REMUNERATION & NOMINATIONS COMMITTEE (CHAIR: SUE KILLEN)

Responsible for Board member and chief executive appointments. Agrees the remuneration strategy for all employees and remuneration for the Group CEO and executive directors.

NB: Summarised Group structure - only key entities shown.
Latimer - entity undertaking commercial activity

Group Board



DAVID AVERY (Group Chair, since July 2019)	Former President of European Operations for Novellus Systems, a Fortune 500 company. Held a variety of NED roles including an NHS Trust; currently NED at Gen2 Property Ltd.
SUE KILLEN (Vice Chair)	Former CEO of St John Ambulance. Previous career in government including Director General at the Department for Transport; leading work on drug abuse, preparations for single currency, various privatisations.
TANIA BRISBY (Treasury Committee Chair)	Former Director, Investment Banking at Deutsche Bank. Other former senior investment banking roles at Samuel Montagu and NatWest. Current FRC Disciplinary Tribunal Panel Member. Previously held various NED and advisory roles.
DAVID ORR (Housing Association Chair, since July 2019)	Former Chief Executive of the National Housing Federation (NHF) CEO of the NHF, thirty year career in housing, which includes time as the Chief Executive of Newlon Homes and working for Centrepoint. Former president of Housing Europe and previously Chief Executive of the Scottish Federation of Housing Associations
JOHN COGHLAN (Audit and Risk Committee Chair)	Chair of the Audit Committee at Severn Trent plc; a director of Associated British Ports and Chair of its Audit Committee and Chair of the Freight Transport Association Ireland.
RUPERT SEBAG-MONTEFIORE (Latimer Chair)	Recently retired from Board and Executive roles at Savills plc. Roles included Head of Global Residential and Chairman and Chief Executive of Savills (L&P) - Savills' largest subsidiary, including the main UK network.
GREG REED	CEO at HomeServe Membership (previously Chief Marketing Officer). Former Head of Credit Cards and Overdrafts at RBS; President UK Card Services at Bank of America.
AMANDA METCALFE (appointed in November 2019)	Place, Brand and Marketing Director at the Crown Estate. Previously UK Marketing Director in Ebay Inc.
GRAHAM FARRANT (appointed in November 2019)	Chief Executive of Bournemouth, Christchurch and Poole Council. Previously led organisations as Chief Executive in both the public and private sectors with a background in housing and local government.
CLARE MILLER	Chief Executive Officer
MARK HATTERSLEY	Chief Financial Officer
TREASURY COMMITTEE	
MEMBERS ON THE GROUP BOARD: OTHER MEMBERS:	Tania Brisby, Clare Miller, Mark Hattersley
KWOK LIU	Deputy Treasurer, National Grid. Trustee of the National Grid UK Pension Scheme.
ARUNA MEHTA	Former Director at TDA NExT. Currently a NED in Education and Housing. Career experience in technology, operations, programme and business management across Investment Bank, Asset Management and Investor Services.
MAXIM SINCLAIR	Head of UK Division Commercial Real Estate, Wells Fargo Bank. Former Head of UK Division Eurohypo in London and Luxembourg and Head of Property Finance Sanwa Bank. Previously at BNP and NatWest.

Group Executive Team



CLARE MILLER Chief Executive Officer	Clare was previously Affinity Sutton's Group Director of Governance and Compliance prior to the merger with Circle Housing to form Clarion in 2016. Prior to this she was an Executive Director at the Tenant Services Authority, with responsibility for housing association regulation. Clare has also worked for the Housing Corporation, where she led on the financial regulation of associations in special measures. Clare is a chartered accountant, qualifying with Coopers & Lybrand.
MARK HATTERSLEY Chief Financial Officer	Mark joined from Sovereign Housing Association where he was CFO for three years. Prior to joining Sovereign, he was Director of Finance & Infrastructure / Deputy CEO at Staffordshire University and Finance Director at Birmingham International Airport.
MICHELLE REYNOLDS Chief Operating Officer	Michelle was formerly Clarion's Group Director for Commercial Services and has served on the Group Executive team since Clarion was formed in 2016. Michelle has over 25 years experience; her previous roles include directorships at Affinity Sutton and William Sutton, and Chief Executive of Aashyana. As Chief Operating Officer, Michelle leads on the transformation of the Group's customer service offer to its 360,000 residents. Michelle also has responsibility for overseeing the long-term investment plan for new homes and neighbourhoods, creating mixed communities that are desirable and fit for the future.
RICHARD COOK Group Director of Development	Richard joined Clarion in February 2019 from Lendlease Europe, where he was Head of Residential and responsible for delivering 1,000 new homes per year of mixed tenure from open market to affordable. Richard joined Lendlease in 2010 as Head of Delivery of the Design and Build contracts on the Olympic Village for London 2012. His extensive career in residential development includes senior roles at Mace and George Wimpey PLC (now Taylor Wimpey PLC).
IAN WOOSEY Chief Information Officer	Ian joined Clarion Housing Group in February 2018 as the Group's first Chief Information Officer. Ian has worked in technology leadership, consulting and retail operations roles during his career, often leading large scale programmes. Prior to joining the Group, Ian was Chief Information Officer for the food distribution company Brakes and previously at Carpetright.
CATRIN JONES Group Director of Corporate Services	Pre-merger, Catrin joined Affinity Sutton as Director of Customer Services in 2013 having held a number of senior customer service roles in various sectors. After merger, Catrin was appointed Director of Business Transition, playing a vital role in the Group's transformational change programme. Catrin has responsibility for a range of corporate services including HR, Facilities, Deeds, Governance, Health & Safety, Internal Audit and Legal Services.
ROB LANE Group Commercial Director	Rob joined Clarion at the time of the merger as Director of Commercial Finance. A qualified accountant, Rob's career has included appointments in senior finance/Director roles in the Dominos Pizza Group and Network Rail Property. Rob is responsible for Clarion's subsidiary organisations - Centra, Clarion Response and Grange - as well leading Clarion's growing private rental sector business. Rob also leads on strategic asset management, including regeneration, and the Group's approach to future mergers and acquisitions.
CAROLINE ROMBACK Group Director of Corporate Affairs	Caroline is Group Corporate Affairs Director at Clarion Housing Group. She was previously Group PR & Marketing Director at Kier Group Plc, working with the FTSE 250 organisation through a five year period of acquisitive growth and change. With over 20 years of experience, she has held a number of in-house and agency roles, including in-house at WH Smith plc, as well as founding her own communications agency.



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Operating Overview



2018/19 highlights

	12 MONTHS TO 31 MARCH 2019 (FY 2018/19) ACTUAL	TARGET
RESIDENT SATISFACTION	80.5%	80%
RESIDENT SATISFACTION WITH REPAIRS	89.8%	85%
ARREARS	4.8%	4%
HOMES OWNED AND MANAGED AT THE END OF THE PERIOD/YEAR	124,333	-
OCCUPANCY RATE	98.6%	98.5%
REPAIRS COMPLETED ON TIME	95.4%	95%
PROPERTIES MEETING DECENT HOMES STANDARD	100%	100%
SOCIAL VALUE OF COMMUNITY INVESTMENT ACTIVITY	£125m	-

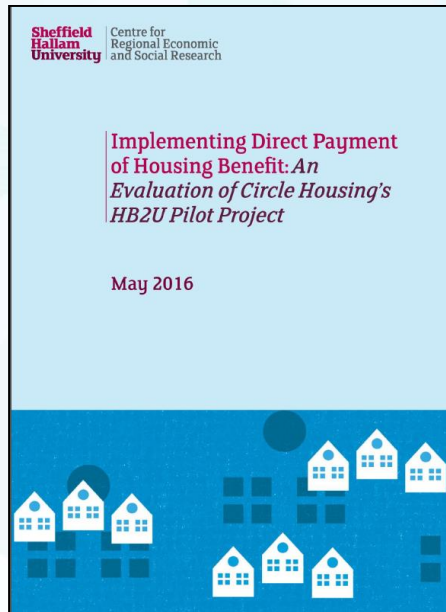
Welfare Benefit Reform

UNIVERSAL CREDIT

- We currently have c.10,000 tenancies with customers on UC
- So far, transition to UC has not had a material impact on arrears in Clarion (slight increase in line with total portfolio)
- Significant proactive work with new UC claimants by Welfare Team

BENEFIT CAP AND UNDER OCCUPATION

- Minimal exposure to Benefits Cap and Under Occupation but continue to provide support and advice
- With growing UC numbers, the overall significance of the Benefit Cap and Under Occupation is decreasing



WE CONTINUE TO OPERATE A RANGE OF MITIGATION MEASURES, FROM ADVICE AND SUPPORT TO ACTIVE CREDIT CONTROL

WE ALSO MAINTAIN PRUDENT PLANNING ASSUMPTIONS

ERP enabled Business Change Programme

Significant scope – customer, asset and finance

First phase (“1a”) – legacy Affinity Sutton – went live in April 2018 as planned but was not without some issues/challenges

Second phase (“1b”) – legacy Circle – went live in November 2019 as planned – smooth execution

Focusing now on leveraging the benefit of the system and driving efficiencies

We will move into regular Continuous Improvement releases after Phase 1b is bedded in



TECHNOLOGY IS A KEY ENABLER OF CORPORATE STRATEGY

Fire safety

- Clarion was the first HA to publish Fire Risk Assessments (FRAs) for all blocks over six storeys
- Strategic FRA actions taken beyond the legal requirements: alarms, upgrading self-closing doors, fire stopping
- Fire Safety team established prior to Grenfell and expanded thereafter. Recently consulted by MHCLG due to our experience and proactive approach to fire safety.
- Extensive inspections and remedial work undertaken across all taller buildings. Same comprehensive approach now being applied to low-rise buildings with vulnerable customers.
- Have undertaken fire door tests on existing composite doors to see if they meet the performance standard and have shared the results with our peers
- Completed passive fire safety work (such as fire door installation and fire stopping) going beyond the regulatory standards in all buildings where we identified work was required:
 - Work was required (and completed) on 24 of our 27 10+ storey blocks
 - Work was required (and completed) on 116 of our 16-9 storey blocks

£21.6m
FY19

£23.3m
FY20
planned

CONTINUED PROACTIVE TOTAL SAFETY APPROACH BEYOND THE LEGAL REQUIREMENTS

Fire Projects – Leading the Way

Legacy fire safety work completed



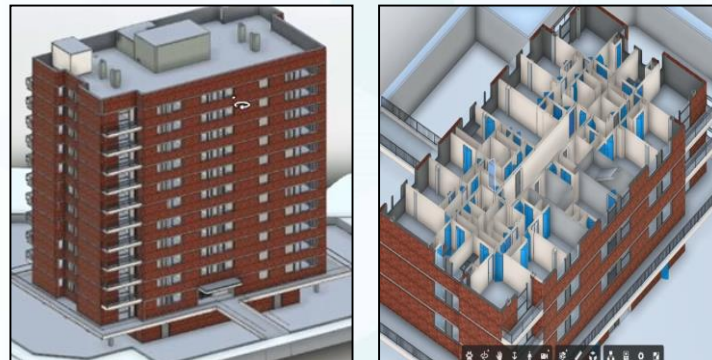
Fire stopping and fire door-sets

Cladding checks



Replacing ACM cladding

Adopting Golden Thread – digital record



Creation of a 'digital twin'

Building Information Modelling – Video



Environmental, Social and Governance (ESG)

- ESG focus embedded in the Group:
 - Sustainability and CSR teams
 - Large social impact through Clarion Futures
 - Dedicated regional resident involvement teams
 - Improving energy efficiency of our homes
 - Commitment to good governance
- Recently awarded “Certified Sustainable Housing Label” – first pan-European accreditation assessing comprehensive range of sustainability criteria
- Published Sustainable Housing Finance Framework
<https://www.clarionhgc.com/about/sustainability/sustainable-housing-finance-framework/>
- Founding member of advisory group led by The Good Economy looking to establish an industry-wide approach to ESG and impact performance measures

imug | rating

Expert Opinion

Expert Opinion on the Sustainable Housing Finance Framework of Clarion Housing Group

imug has been commissioned to provide an independent Expert Opinion on the Sustainable Housing Finance Framework of Clarion Housing Group.

This present Expert Opinion is based on our review of the Issuer and its Sustainable Housing Finance Framework (dated November 2019) in accordance with the voluntary SBP, GBP and GLP guidelines (June 2018).

imug is of the opinion that Clarion Housing Group's Sustainable Housing Finance Framework is in line with the four core components of the Social Bond Principles (SBP) and complies in part with the Green Bond Principles (GBP) and Green Loan Principles (GLP).

FRAMEWORK



- ✓ Use of proceeds (SBP: compliant; GBP: partly compliant)
- ✓ Process for project evaluation and selection (SBP and GBP compliant)
- ✓ Management of proceeds (SBP and GBP compliant)
- ✓ Reporting (SBP and GBP compliant)

ISSUER



- ✓ Sustainability management
- ✓ Controversy check
- ✓ Certified Sustainable Housing Label

OPINION



Clarion Housing Group is an issuer with a positive overall sustainability performance. Its Sustainable Housing Finance Framework, intended to support the issuer's financing activities, was thoroughly analysed and assessed to be appropriate for supporting the general issuance of sustainable debt instruments (bonds and loans). The framework is fully aligned to the SBP, while compliance with market standards such as GBP and GLP is available under specific requirements which the issuer intends to meet. The projects defined in the framework are expected to contribute to five Sustainable Development Goals (UN SDGs), namely Goals 1, 7, 10, 11 and 13.

ESG IS IN OUR DNA

Clarion Futures

- Clarion Futures is the Group's charitable foundation
- Through Clarion Futures, Clarion will invest £150m over ten years in 3 core areas:
 - **Clarion Futures Communities:** make Clarion's estates and neighbourhoods attractive, inclusive and vibrant places to live
 - **Clarion Futures Jobs & Training:** support our residents into work through a national employment and training programme
 - **Clarion Futures Money & Digital:** support our residents to manage their finances more effectively and to get online
- For a full spectrum of Clarion Futures' activities and achievements: <https://www.clarionhgc.com/charitable-foundation/>
- Key achievements in 2019:
 - ✓ £125m Social Value created for residents and communities
 - ✓ Supported 4,009 persons into work
 - ✓ Placed 250 people into apprenticeships
 - ✓ Awarded more than £255,000 in community grants to 58 projects
 - ✓ Supported 1,803 residents with money guidance and energy advice
 - ✓ Helped 3,731 residents to access free debt advice
 - ✓ Delivered 14,536 digital skills support interventions

The Clarion Index 2019

- The Clarion Index is Clarion's annual behavioural insights survey of 2,000 residents
- Residents are surveyed about their lives, community and opinions by an independent market research agency
- Clarion's residents have an average annual income of c.£15k

Index 2019 Highlights



The Clarion Index 2019

Summary findings from Clarion's annual behavioural insights survey



- Responses are used to guide decision-making at all levels in Clarion with the objective to
 - Improve our customer services
 - Identify support needs
 - Target initiatives (for example Clarion's digital champion initiative)
 - Evidence our impact on the community



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Development

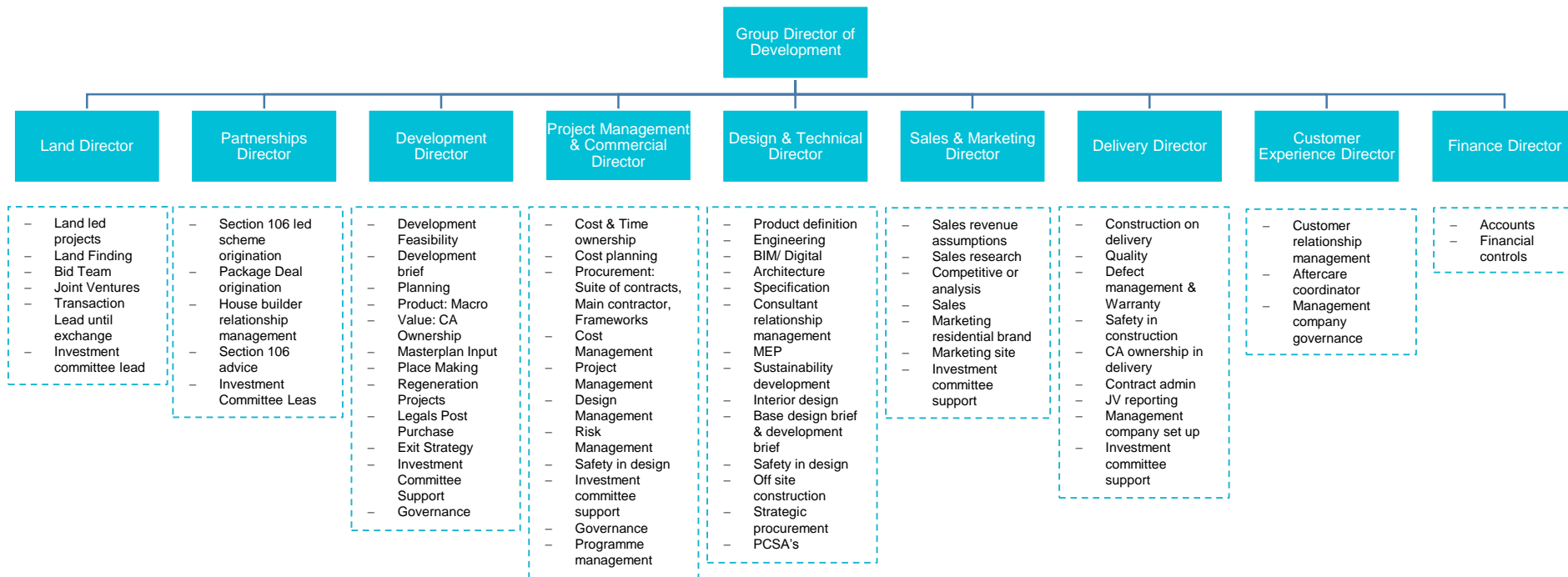


Overview of development strategy

- Robust governance structure and processes
- Investment appraisal methodology kept relevant as part of rigorous approach to development
- Quality is a key priority
- Geographical spread
- Continual monitoring of sales risk with risk share via JVs
- Limited market / private sale exposure
- Mid market positioning – not focusing on high end London residential
- Strong shared ownership presales
- Prudent grant assumptions

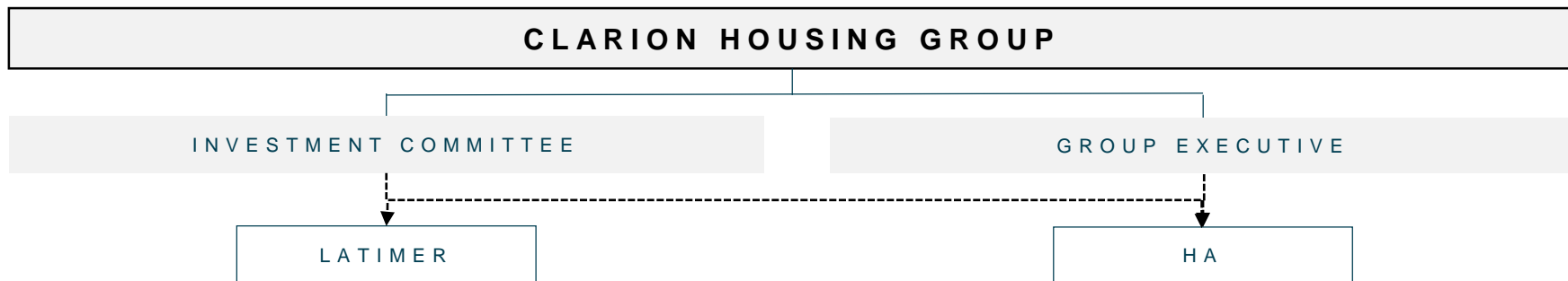
FOCUS ON MAINTAINING CREDIT QUALITY

Development structure



ACTION ALREADY TAKEN TO CATER FOR INCREASING ACTIVITY

Corporate and Governance structure



Legal entities

GROUP BOARD

- Ultimate responsibility for effective governance of the Group, including its development activity
- Sets strategic direction, approves major projects
- Delegates day to day responsibility to Group Executive

LATIMER

- Board includes three NEDs with funding and development expertise
- Chair - Rupert Sebag-Montefiore (recently retired from Savills plc)
- Independent Business Plan and strategic objectives
- Independent investment decisions

Committees

INVESTMENT COMMITTEE (CFO chaired)

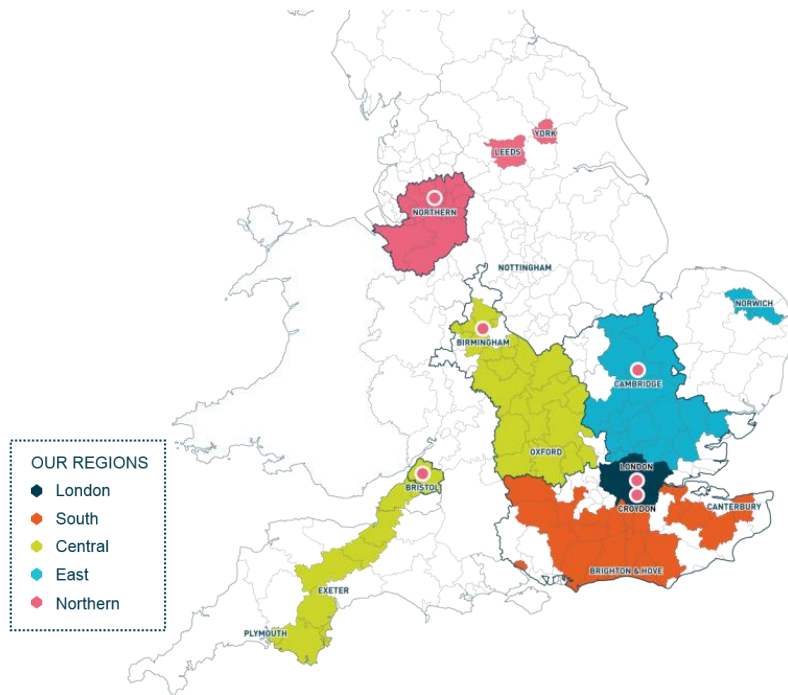
- Scrutinises all proposed major investment, by way of acquisition, development, regeneration or major repairs
- Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

GROUP EXECUTIVE

- Day to day oversight of the management of the business
- Assists Group CEO with development and implementation of strategy, budget and operational performance.

CLEAR RISK SEGREGATION WHILST ROBUST GROUP OVERSIGHT AND CONTROL MAINTAINED

Development Strategy



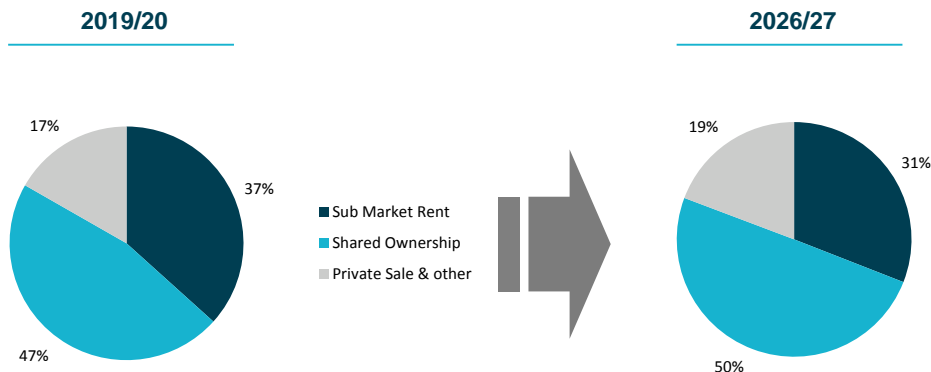
OBJECTIVES

- Continue to build organisational capacity
- Managed, sustainable growth
- Geographic spread focussed on high demand areas
- Controlled market exposure
- Mid-market positioning of sales product
- Quality - building well-designed homes that exceed customer expectations & minimise environmental impact
- Partnership - developing long term relationships through strategic partnerships and JVs

BUILDING SUSTAINABLY TOWARDS OUTPUT OF 5,000 p.a.

Long term development target handovers

- Target of 5,000 homes per year steady state by 2026/27
- Maintaining core social goals: private sale <20% on average; 2019/20 = 17%



Prudent Development Approach

- ✓ **Visibility:** very good view on the delivery of our business plan in the next two years
- ✓ **Flexibility:** possibility to scale up or down depending on market conditions
- ✓ **Long term view:** development plans are not subject to buying over-priced assets in the short term
- ✓ Units to be acquired will be subject to assessment of market conditions

Clarion retains the opportunity to adapt the plan to market conditions

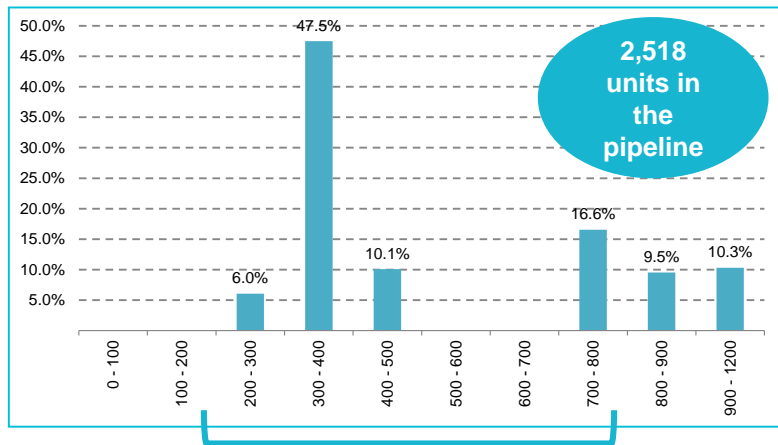
PROVIDING AFFORDABLE HOMES WHILST MINIMISING MARKET SALE RISK

Development sales positioning

Average Sales Prices

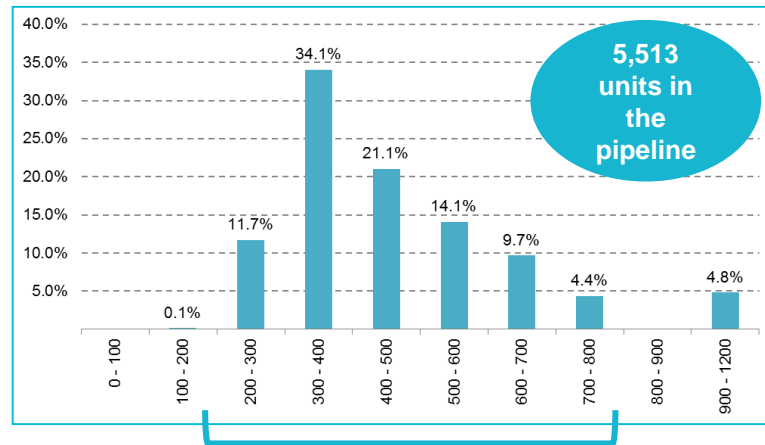
Market Sales	£400k £455 psf <small>weighted avg selling price</small>
First tranches	£116k £426 psf <small>weighted avg selling price</small>

Market Sales



80% in mid-market

Shared Ownership

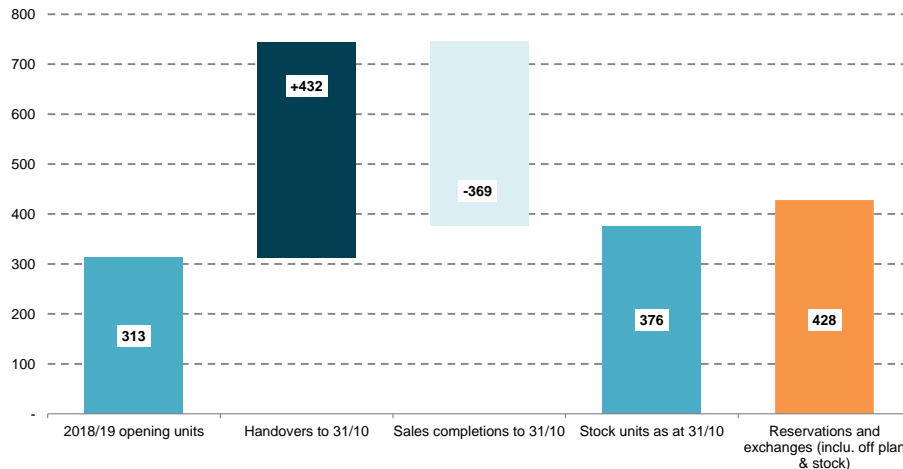


95% in mid-market

FOCUS ON MID-MARKET SEGMENT

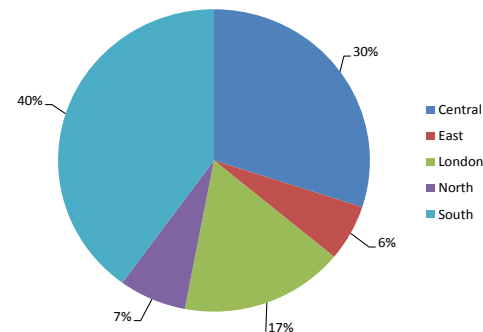
Stock levels, reservation & exchanges

- At the end of October there was a small increase in gross stock by 63 units
 - The majority of which (40%) were in the South with 17% in London and 43% across the other regions
- However, forward risks are mitigated by high exchanges (97) and reservations (331) – especially in shared ownership

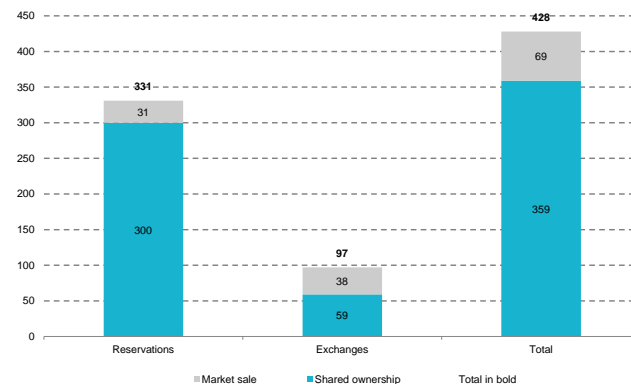


MAJORITY OF STOCK NOT CONCENTRATED IN A SINGLE AREA

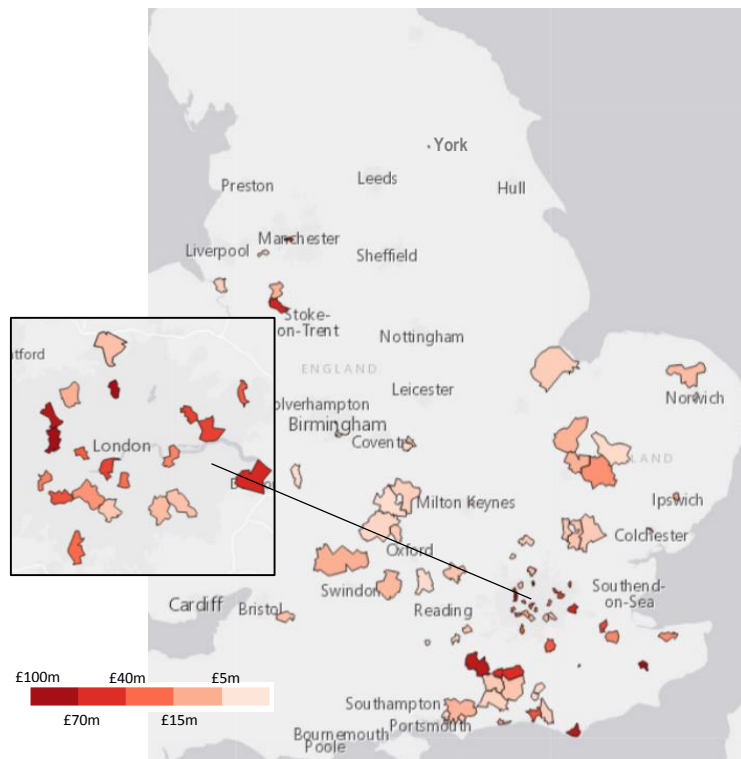
Location of stock (gross)



Reservations & exchanges by tenure



Existing development pipeline



Total pipeline

- c. 16,000 units including JVs and c.3,000 units from own estate regeneration
- Sales strategy – targeting mid-market segment, c.£200-£800 psf (see next slide)
- Geographically diversified
- Key near term market sale projects:

Project	Units
Abbey Road, Sandbach	116
Conningbrook Lakes, Ashford	240
Furness Quay, Salford	172
Cocoa Works, York	195
Green Lanes, Haringey	117
Tollgate, Westminster	109
Total	949

GEOGRAPHICALLY DIVERSIFIED EXPOSURE; MEASURED MARKET SALE RISK



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Financial Review



Financial Strategy & Principles

- ◆ **Sustainable and robust financial profile** that enables us to achieve our corporate ambitions – and attract strong demand from funding markets
- ◆ **A clear corporate split** between regulated and non regulated activities transitioning to a non-recourse commercial funding for Latimer
- ◆ Asset sales remain a central plank of strategy – **we will not just “gear up”**



Statement of Comprehensive Income

2018/19 vs 2017/18 and H1 2019/20* vs H1 2018/19*

	ACTUAL 2018/19 £m	ACTUAL 2017/18 £m	ACTUAL H1 2019/20 £m	ACTUAL H1 2018/19 £m
RENT & OTHER INCOME	721.7	731.4	358.9	363.5
SHARED OWNERSHIP, OPEN MARKET SALES	94.2	97.2	43.2	46.6
TURNOVER	815.9	828.6	402.1	410.1
OPERATING COSTS	(481.6)	(478.9)	(242.0)	(229.5)
COST OF SALES	(85.3)	(73.4)	(36.7)	(37.9)
ASSET DISPOSAL SURPLUS	33.3	29.1	14.5	12.3
OPERATING SURPLUS	282.3	305.4	137.9	155.0
HEADLINE OPERATING MARGIN	35%	37%	34%	38%
OTHER GAINS/(LOSSES) & SURPLUSES, INCLUDING JCES	13.1	(1.2)	(4.5)	0.4
NET FUNDING COSTS	(141.9)	(146.7)	(63.9)	(68.6)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX	153.5	157.5	69.5	86.8

H1 2019/20

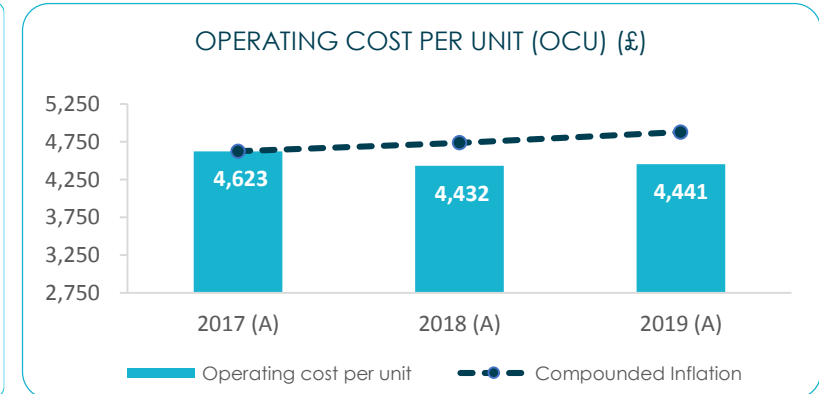
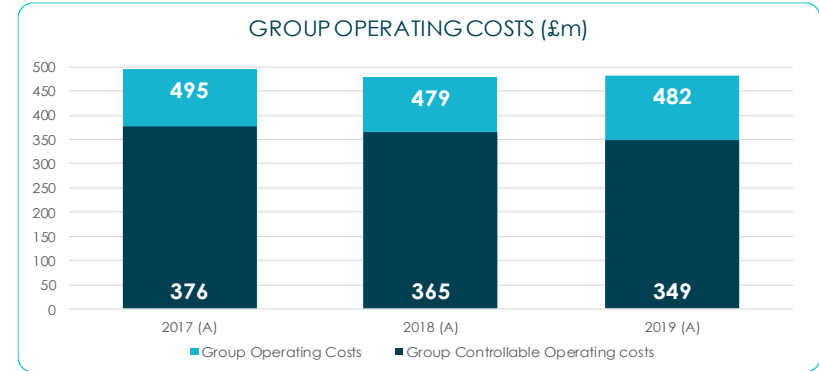
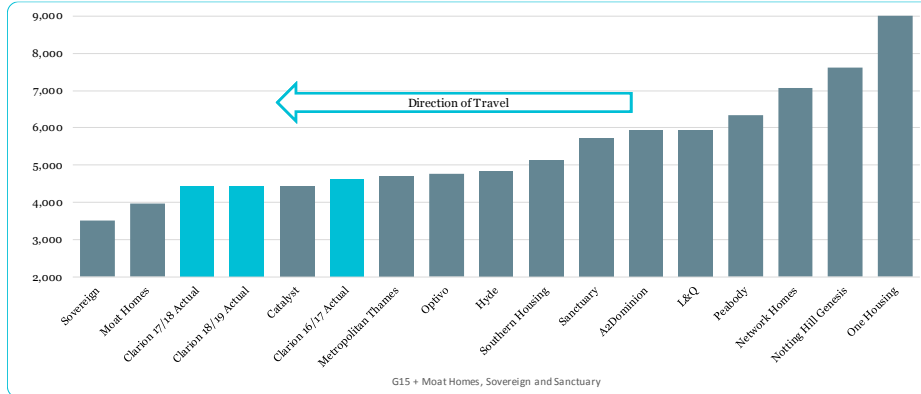
COST REDUCTION
CURRENTLY OFFSET
BY INCREASED
EXPENDITURE, BUT
CONTINUED DRIVE
FOR EFFICIENCY
NOW FURTHER
ENABLED BY
TECHNOLOGY

SOLID PERFORMANCE in 2018/19, DESPITE CONSIDERABLE COST PRESSURES

* Auditor reviewed half year accounts

Operating Costs

- £27m (7%) reduction in controllable operating costs achieved (FY19 vs FY17) – equates to £47m in real terms (11%)
- RSH social housing cost per unit £4,520 (FY2018) – 5th in G15, 7% below £4,870 average
- Total OCU decreased on lower operating costs to £4,441 for FY2019



COST REDUCTION CREATES INVESTMENT CAPACITY

2019 Long Term Financial Plan – key change vs 2018

- **Slower development programme build-up** – ‘target’ development output (5,000 homes p.a.) assumed to be reached now FY2027 (2018 LTFP: FY2022)
- **Removal of private rented tenure** – previously 20% of the programme was assumed to be for private rent
- **Increase of affordable tenures** (replacing private rent) – this means more sub-market rent and sub-market sale (shared ownership) is assumed in the draft LTFP
- **Lower income from asset sales** – in particular income assumed from ‘portfolio sales’ of existing assets to other HAs been reduced



Asset Disposals

- Key Drivers Disposals Strategy:

- Based on the Real Estate Strategy – “Clarion 2040” setting out long term portfolio targets for asset quality, geography, archetype, etc
- Exit non-core areas but
- Ensure that homes are sold to HAs (or LAs) with good customer service standards, sound financial strength and a commitment to the local area

- 2018/2019 LTFP changes

- 2019: total of c.12,000 units assumed over 10 years
- Decrease of c.1,100 units compared to 2018
- Adjusted down valuations in LTFP 2019

- 2 Pilots Schemes successfully completed

- **Preston (March 2019)** – 306 units sold to Community Gateway Association; 265 social rent and 41 Housing for Older People
- **Stafford (April 2019)** – 154 units sold to Stafford and District Rural Housing; 152 General needs and 2 supported housing



Next 10 years

ASSET SALES REMAIN A KEY SOURCE OF FUNDING

Financial Golden Rules

Status as at March 2019 based on management accounts

	GROUP		HA GROUP		LATIMER	
	RULE	STATUS	RULE	STATUS	RULE	STATUS
EBITDA MRI CASH INTEREST COVER ¹	>1.5x	1.42	>1.5x	1.48	>1.5x	n/a*
OPERATING MARGIN ²	>30%	30.9%	>35%	35%		
NET DEBT / TURNOVER ³	<4.0x	4.5				
SALES AS A % OF TURNOVER	<40%	14.2%				
SOCIAL HOUSING INTEREST COVER			>1.3x	1.58		
HA INVESTMENT IN LATIMER (% REVENUE RESERVES) ⁴			<20%	17.6%		
SALES WIP (£M)					<600	273
VALUE AT RISK COVERAGE ⁵					>1.5x	6.5

Lowered from 4.5 times

- The Financial Golden Rules are Clarion's internal financial metrics and set thresholds for financial planning. They act as "early warning" signals.

* No external interest payable in 2018/2019

1 measures the ratio of earnings before interest, tax, depreciation/amortisation, grant amortisation, surplus on existing property sales and major repairs investment against gross interest payable (i.e. with no deduction for capitalised interest)

2 excludes sales of existing property.

3 based on the full year turnover for the Group, including Jointly Controlled Entities

4 measures the Housing Associations' equity or debt invested in Latimer as a proportion of Housing Association revenue reserves

5 measures the impact of a 35% fall in house prices against Latimer's equity and reserves

Summary

- ◆ Solid performance, despite considerable cost pressures
- ◆ Financial risks well managed and mitigated – debt service always covered by low-risk activities
- ◆ Continued drive for efficiency gains, for example:
 - IT enabled business transformation
 - Office rationalisation programme
 - In-sourcing
 - Procurement etc
- ◆ Capacity created to reinvest in assets and service delivery

MAINTAINING FINANCIAL RESILIENCE REMAINS A STRATEGIC PRIORITY



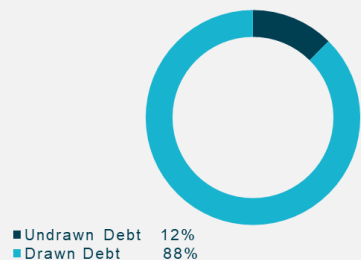
CLARION
HOUSING GROUP

Treasury Review



Debt and Liquidity Overview

TOTAL COMMITTED FUNDING



KEY DATA (September 2019 POSITION)

Total committed funding

£4.6bn

Of which £566m bank undrawn

Strong Liquidity position

£667m

Consisting of £101m cash and £566m undrawn facilities

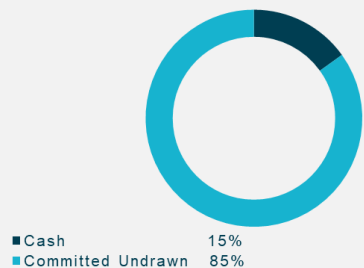
Hedged position

89% fixed

Fair Value Derivatives

£(424m)

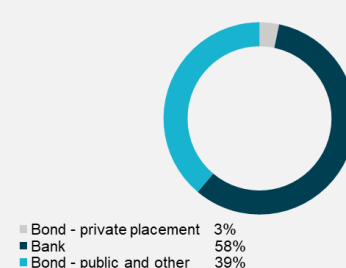
LIQUIDITY



HEDGING ACTIVITY

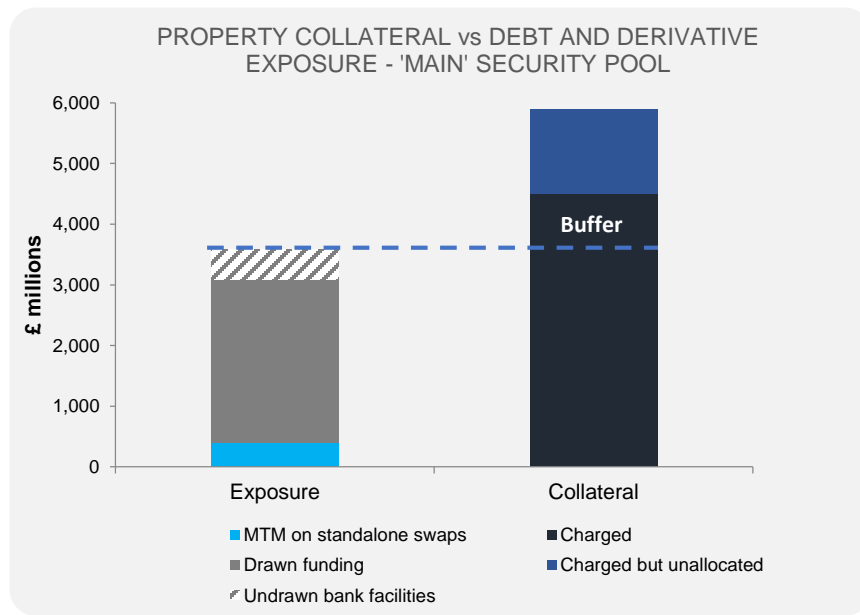
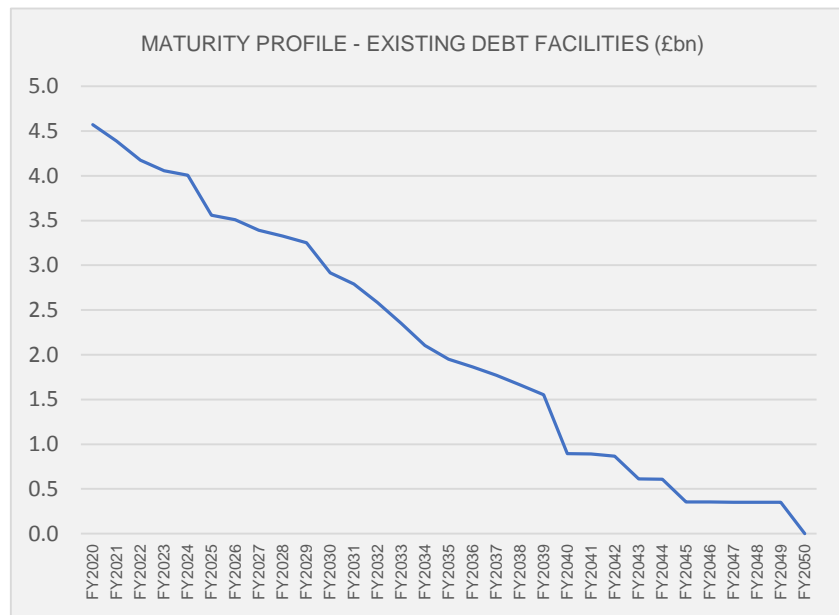


COMMITTED FACILITY MIX



STRONG LIQUIDITY; GOOD COST VISIBILITY; DIVERSIFIED FUNDING SOURCES

Facility Profile and Property Security position



MANAGEABLE REFINANCE RISK; EXTREMELY STRONG SECURITY POSITION

Funding strategy and key recent actions

Strategy

- Ensure sufficient security of funding
- Maintain liquidity
- Secure flexible funding arrangements
- Diversify funding sources
- Improve speed/access to market
- Lower cost of new funding

Key recent actions

- £250m EMTN issuance in January 2019; £100m further notes issued in July 2019
- Extension of RCFs with three banks
- Increase in the value of the main property security pool by >£0.6bn
- New bank relationships planned
- Sustainable Housing Finance Framework set up and accredited, including SPO Expert Opinion

CONSISTENT STRATEGY; CONTINUED FOCUS ON FUNDAMENTALS

Public Credit Ratings

Moody's: A3 (stable) (updated 10 December 2019)

Credit strengths cited include:

- One of the largest housing associations in the UK
- Stable financial metrics and consistent strategy
- Ample unencumbered assets and bespoke treasury policy

S&P: A (negative) (updated 23 July 2019)

- “Clarion will continue to benefit from strong access to external liquidity, large undrawn committed facilities, and stable earnings from its significant social housing asset base”
- “Clarion displayed solid financial performance in FY2019, with resilient sales revenues in a challenging market”
- “We take a positive view of Clarion's prudent financial policies”

MAINTAINING A STRONG INVESTMENT GRADE RATING / CREDIT FUNDAMENTALS
CONTINUE TO PLAY A KEY ROLE IN OUR FUNDING STRATEGY

**Thank
You**



CLARION
HOUSING GROUP

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