142 New Cavendish Street
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BLEND

OUTCOMES STATEMENT

1 JANUARY 2024 — 31 DECEMBER 2024

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A. INTRODUCTION

In accordance with the Conduct of Business Sourcebook (COBS) 18.12.21R to 18.12.23R, Blend Loan Network Limited ("Blend Network") must publish, within four months of its financial year-end, an Outcomes Statement.

Outcomes Statements are required to be publicly available on the Blend Network website for 10 years.

The Outcomes Statement shows the expected and actual default rate of all loans originated within a financial year by reference to the risk categories used by the firm.

The firm will disclose borrower default where:

a) the borrower is unlikely to meet its obligations under the P2P agreement without the platform enforcing any relevant security interest; or

b) the borrower is past the contractual due date by more than 180 days.

B. ASSUMPTIONS

EXTERNAL ASSUMPTIONS

HOUSING MARKET & INTEREST RATES

Since 2008/2009 we have seen very low interest rates. This changed in 2022/2023 when the Bank of England steadily increased interest rates to a peak of 5.25%. In addition, the mini-budget released in Q3 2022 caused a significant amount of market uncertainty and volatility which has since stabilised. In 2024, interest rates remained relatively stable, with the Bank of England making two reductions to interest rates. At the end of 2024 the Bank of England interest rate was 4.75%.

In terms of the UK housing market, after a challenging 2023 there was a moderate recovery in 2024. The number of sales increased by 7.3% compared to 2023 with a notable uptick towards the end of the year. The market was also buoyed by mortgage rates falling from the previous peaks and increased consumer confidence, although regional variations persisted.

There is also expected to be changes to the planning system. Given that details on the changes are still emerging, the impact of these are still unclear. Furthermore, these changes will likely take time to filter through to the market. The market expects to see higher transaction volumes in 2025; however, upcoming tax changes could unsettle the market.

COST OF ENERGY AND MATERIALS INCREASE

As noted in previous Statements, the price of energy and materials has been high in recent years. After peaking in 2022, the price of building materials has stabilised with a decrease in the rate of inflation for building materials seen in 2024. Prices for some materials, such as gravel, sand and concrete blocks saw significant decreases in 2024, however, metal doors and windows continued to rise in cost. Energy prices remained high, but the rate of increase slowed compared to the sharp rises seen in recent years.

Blend Network continues to maintain close on-site monitoring of each individual loan currently live on the platform to make its best endeavours to ensure each borrower can service their ongoing credit obligations in relation to the Blend Network lender base. Any forecasted difficulties will be addressed by the firm in a proactive manner to ensure that the loans remain performing as far as possible and that expectations on returns are appropriately managed through timely and up to date developments on loans portfolios.

Updates are made to lenders on a loan-by-loan basis either email or via the platform. Blend Network's credit team takes into consideration the macroeconomic environment and continuously adjusts its lending parameters accordingly.

INTERNAL ASSUMPTIONS

In addition to the External Assumptions detailed herein, there are a number of assumptions pertaining specifically to each scheme that the firm funds. The key assumptions that the firm tracks are as follows:

- Borrower's equity
- Borrower's experience
- Loan to Value
- Loan to Costs
- Liquidity of the asset
- Location
- Profit of the project
- Exit strategy

2025 EXPECTED RETURNS & DEFAULT RATE

The table below shows the expected annualised percentage return after fees, but before bad debt and taxes, with interest not re-lent, for loans that will be listed on Blend Network's platform in 2025. Calculated taking an average of the Annual Interest Rate (AIR) across all loans. The average AIR isn't weighted based on the value of monies lent and assumes that the average AIR is achievable based on lending the same amount to all loans listed on the platform.

When investing in a loan, there is a risk that the loan does not perform which represents a Default. A default does not always represent a loss. The loan can repay in full late, or the security can be sold and potentially repay the full amount. The risk of Default is higher than the risk of loss. The actual return is calculated as the actual return deducted by the actual loss.

	Risk Category	**Average Annual Interest Rate (AIR)**	**Expected Losses**	**Expected Default Rate**	**Average AIR After Expected Losses**
2025 *(1 Jan – 31 Dec 2025)*	A	9.00%	0.50%	1.00%	8.50%
	B	9.50%	1.00%	4.00%	8.50%
	C	10.00%	1.50%	7.50%	8.50%
	D	12.00%	3.00%	12.50%	9.00%

C. LOAN BOOK PERFORMANCE

In line with the FCA's definition, a borrower must have missed a payment for more than 180 days or they are unlikely to meet their obligations without the enforcement of a security for a default to have occurred. This Outcomes Statements has therefore been structured on this basis. A Project refers to one real estate financing project. Projects may be funded by more than one Loan.

Year	Period	Loans Funded (Number of)	Projects with Interest Arrears (>90 Days)	Performing Loans (Number of)	Project Defaults (Historic)	Project Technical Defaults* Resolved In Period	Project Technical Defaults* (Current)	Projects in Recovery (Current)	Lender Losses (Amount Lost £)
2024	1 Jan – 31 Dec	41	0	26	0	1 (2 loans)	3 (15 loans)	0	0
2023	1 Jan – 31 Dec	30	0	25	0	0	1 (5 Loans)	0	0
2021/22	1 Jul – 31 Dec*	49	0	49	0	0	0	0	0
2020/21	1 Jul – 30 Jun	28	0	28	0	0	0	0	0
2019/20	1 Jul – 30 Jun	18	0	18	0	0	0	0	0
2018/19	1 Jul – 30 Jun	16	0	16	0	0	0	0	0
2017/18	1 Jul – 30 Jun	11	0	10	1	0	0	0	0
TOTAL		**193**	**0**	**172**	**1**	**1**	**4**	**0**	**0**

* Technical Default means that a borrower is past the original contractual payment due date by more than 180 days. Where a project is in Technical Default, but not in Recovery it means that we have extended the terms of the facility and are working with the borrower to achieve full repayment.

RISK & RETURN

Blend Network loans are categorised into one of five fixed risk categories. This categorisation takes place at the start of each project and will apply for all future loans in relation to that project:

— **Category A**: Low Risk. Very strong criteria on the project with a strong experience from the borrower and a low LTV.

— **Category B**: Medium Risk. At least one the main criteria (LTV or Experience) is a medium risk.

— **Category C**: Medium- High Risk. The parameters of the project have produced a medium – high risk score. It can be a highly experienced borrower with a higher LTV or medium experienced borrower with a medium LTV as examples.

— **Category D**: High Risk. The parameters of this project have produced a high-risk score but acceptable. The parameters are higher than a moderate project but still within the credit policy.

— **Category E**: Very High Risk. At least one of the parameters is too high and the firm will reject the deal.

D. RETURNS BY YEAR

The below returns are the average annualised net returns before bad debt and taxes for loans originated year on year.

Year		Risk Category			
		A	B	C	D
2024	Expected	9.00%	9.50%	N/A	N/A
1 Jan – 31 Dec	Actual	10.00%	10.00%	N/A	N/A
2023	Expected	8.60%	10.00%	N/A	N/A
1 Jan – 31 Dec	Actual	9.58%	9.68%	N/A	N/A
2022	Expected	8.50%	9.35%	N/A	N/A
1 Jul – 31 Dec	Actual	7.81%	8.50%	N/A	N/A
2021/22	Expected	7.50%	8.75%	N/A	N/A
1 Jul – 30 Jun	Actual	7.37%	8.83%	N/A	N/A
2020/21	Expected	8.00%	9.50%	N/A	N/A
1 Jul – 30 Jun	Actual	8.00%	9.38%	N/A	N/A
2019/20	Expected	8.00%	9.75%	12.00%	N/A
1 Jul – 30 Jun	Actual	8.00%	9.50%	12.00%	N/A
2018/19	Expected	8.00%	10.50%	12.00%	N/A
1 Jul – 30 Jun	Actual	8.00%	10.50%	12.00%	N/A
2017/18	Expected	N/A	11.20%	12.00%	14.00%
1 Jul – 30 Jun	Actual	N/A	11.20%	12.60%	14.00%

NOTE: N/A means that the firm did not offer any loans at this risk category.

Reasons why the actual return earnt may differ from the interest rate at origination:

— The default and / or delinquency rate being different to expectations.
— Macroeconomic factors such as inflation.
— Actual Loan volumes differing from forecasts.
— Depending on the supply and demand for loans from both a borrowers and lenders risk / return pricing perspective, the loans could be risked priced either below or above the Target Rate.
— Reduction in interest payable due to changes in borrower's behaviour resulting in more early redemptions.
— Increase in interest payable (penalty interest) due to borrower's not being able deliver on their exit strategy on or behalf the loan maturity date.

E. HISTORICAL RETURNS BY RISK CATEGORY

The table below shows the historical expected annualised percentage return after fees, but before bad debt and taxes, with interest not re-lent. Calculated taking an average of the Annual Interest Rate (AIR) across all loans. The average AIR isn't weighted based on the value of monies lent and assumes that the average AIR is achievable based on lending the same amount to all loans listed on the platform. When investing in a loan, there is a risk that the loan does not perform which represents a Default. A default does not always represent a loss. The loan can repay in full late, or the security can be sold and potentially repay the full amount. The risk of Default is higher than the risk of loss. The actual return is calculated as the actual return deducted by the actual loss.

	Risk Category	Average Annual Interest Rate (AIR)	Expected Losses	Expected default rate	Average AIR After Expected Losses
2024 *1 Jan – 31 Dec 2024*	A	9.00%	0.50%	1.00%	8.50%
	B	9.50%	1.00%	4.00%	8.50%
	C	10.25%	2.50%	7.50%	7.75%
	D	12.00%	3.00%	12.50%	9.00%
2023 *1 Jan – 31 Dec 2023*	A	8.60%	0.50%	1.00%	8.10%
	B	10.00%	1.00%	4.00%	9.00%
	C	12.00%	2.50%	7.50%	9.50%
	D	14.00%	4.25%	12.50%	9.75%
2022* *1 July 2021 – 30 June 2022 & 1 July 2022 – 31 December 2022*	A	8.00%	0.50%	1.00%	7.50%
	B	9.50%	1.00%	4.00%	8.75%
	C	12.00%	2.50%	7.50%	9.50%
	D	14.00%	4.25%	12.50%	9.75%
2021 *1 July 2020 – 30 June 2021*	A	8.00%	0.50%	1.00%	7.50%
	B	9.50%	1.00%	4.00%	8.75%
	C	12.00%	2.50%	7.50%	9.50%
	D	14.00%	4.25%	12.50%	9.75%

* The firm changed its accounting period in 2022. This is why two periods are shown for 2022.

F. DEFAULTS BY RISK CATEGORY

The three tables below show the defaults incurred since firm was founded. The tables distinguish between property development loans where the borrower has defaulted on their loan to the extent that there have been capital losses caused to investors, projects where the borrower has been over 180 days late in repaying their loan(s) and projects where the borrower has defaulted, but capital and interest have been recovered meaning no loss to investors. Defaults in the tables below are recorded in the year in which the first loan of a project was originally issued.

RATE OF ACTUAL DEFAULT

This table shows the number of defaults incurred that have resulted in investors losing their capital.

		Risk Category			
Year	**Period**	**A**	**B**	**C**	**D**
2024	1 Jan – 31 Dec 2024	0	0	N/A	N/A
2023	1 Jan – 31 Dec 2023	0	0	N/A	N/A
2022*	1 Jul 2021 – 30 Jun 2022 & 1 Jul – 31 Dec 2022	0	0	N/A	N/A
2021	1 Jul 2020 – 30 Jue 2021	0	0	N/A	N/A
2020	1 Jul 2019 – 30 Jun 2020	0	0	0	N/A
2019	1 Jul 2018 – 30 Jun 2019	0	0	0	N/A
2018	1 Jul 2017 – 30 Jun 2018	0	0	0	0
2017	1 Jul 2016 – 30 Jun 2017	0	0	0	0

NOTE: N/A means that the firm did not offer any loans at this risk category.

RATE OF TECHNICAL DEFAULT

This table shows the number of technical defaults incurred. A technical default is defined as a project in which the borrower is more than 180 days past the original contractual repayment date.

		Risk Category			
Year	**Period**	**A**	**B**	**C**	**D**
2024	1 Jan – 31 Dec 2024	0	0	N/A	N/A
2023	1 Jan – 31 Dec 2023	0	1 Project (4 Loans)	N/A	N/A
2022*	1 Jul 2021 – 30 Jun 2022 & 1 Jul – 31 Dec 2022	0	1 Project (3 Loans)	N/A	N/A
2021	1 Jul 2020 – 30 Jue 2021	0	1 Project (5 Loans)	N/A	N/A
2020	1 Jul 2019 – 30 Jun 2020	0	0	0	N/A
2019	1 Jul 2018 – 30 Jun 2019	0	0	0	N/A
2018	1 Jul 2017 – 30 Jun 2018	0	0	0	0
2017	1 Jul 2016 – 30 Jun 2017	0	0	0	0

NOTE: N/A means that the firm did not offer any loans at this risk category.

RATE OF PROJECTS DEFAULTED

This table shows the number of projects defaulted where a third party has been engaged to manage the recovery of the loan, resulting in investors receiving their capital and interest.

		Risk Category			
Year	**Period**	**A**	**B**	**C**	**D**
2024	1 Jan – 31 Dec 2024	0	0	N/A	N/A
2023	1 Jan – 31 Dec 2023	0	0	N/A	N/A
2022*	1 Jul 2021 – 30 Jun 2022 & 1 Jul – 31 Dec 2022	0	0	N/A	N/A
2021	1 Jul 2020 – 30 Jue 2021	0	0	N/A	N/A
2020	1 Jul 2019 – 30 Jun 2020	0	0	0	N/A
2019	1 Jul 2018 – 30 Jun 2019	1 Project (1 Loan) all Capital and Interest Recovered			N/A
2018	1 Jul 2017 – 30 Jun 2018	0	0	0	0
2017	1 Jul 2016 – 30 Jun 2017	0	0	0	0

NOTE: N/A means that the firm did not offer any loans at this risk category.

G. RISK MANAGEMENT & SUMMARY

In accordance with FCA rules and guidelines Blend Network has in place a Risk Management Framework which is appropriate to the nature, scale and complexity of its business.

The aim of the Risk Management Framework is to ensure that the firm applies due consideration to the associated risks when underwriting a new loan and the ongoing monitoring to minimise defaults on the platform.

To assess such risks, a risk and pricing framework has been created to fit in with Blend Network's business model and is monitored and updated as required to remain in full compliance with the FCA's rules and guidelines.