142 New Cavendish Street
London, W1W 6YF

OUTCOMES STATEMENT

1 JANUARY 2023 — 31 DECEMBER 2023

INTRODUCTION

In line with the FCA's Policy Statement PS19/14 which came into force on the 9th December 2019, and 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.

In our last published outcomes statement, we stated that:

> *"Blend has changed its financial year, its financial year will now run from 1 January to 31 December, previously 1 July to 30 June. As we undergo this change there will be an extended financial year which will span 1 July 2022 – 31 December 2023. To prevent an 18 month gap where no Outcomes Statement is provided, we are publishing this interim version to cover 1 July 2022 – 31 December 2022."*

This paragraph contained incorrect information. Blend did change its financial year, but it extended its financial year in 2022. Meaning that it had an extended financial year that ran 1 July 2021 – 31 December 2022. The interim Outcomes Statement and the statement published in Summer 2022 ensured that all relevant data was published as we transitioned to the new financial year.

This Outcomes Statement will cover the 2023 Financial Year which spans 1 January 2023 – 31 December 2023. We note that there has been no gap in reporting and all relevant data has been published in 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.

EXTERNAL ASSUMPTIONS

HOUSING MARKET & INTEREST RATES

Since 2008/2009 we have seen very low interest rates, this changed in 2023 when the Bank of England increased interest rates to 5.25%. In addition, the mini-budget released in Q3 2022 caused a lot of market uncertainty and volatility, this has now stabilised.

As mentioned, we have seen the Bank of England raise interest rates throughout 2023 peaking at 5.25% in August 2023. This has now stabilised and this where the interest rate remains at the time of writing. It is anticipated that the Bank of England will reduce interest rates in the region of 50bps within 2024.

BLEND has tightened its risk appetite in order to mitigate against this risk of these macroeconomic events.

The increase in interest rates led to fewer property transactions being seen throughout much of 2023, and therefore transaction volumes were lower than previous years, the market did however pick up towards the end of the year and we anticipate this growth to continue into 2024.

COST OF ENERGY AND MATERIALS INCREASE

With the price of energy and materials remaining high we are continuing to maintain close on-site monitoring of each individual loan currently live in the platform to ensure each borrower is able to 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 adjust its lending parameters accordingly.

INTERNAL ASSUMPTIONS

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

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.

Year	Period	Loans Funded (number of)	Interest Arrears[1] (>90 Days)	Performing loans (number of)	Loan Defaults[3] (historic)	Loan Defaults[4] (current)	Lender Losses (amount lost £)
2023	1 Jan – 31 Dec	30	0	30	0	0	0
2021/22	1 Jul – 31 Dec*	49	0	49	0	0	0
2020/21	1 Jul – 30 Jun	28	0	28	0	0	0
2019/20	1 Jul – 30 Jun	18	0	18	0	0	0
2018/19	1 Jul – 30 Jun	16	0	16	0	0	0
2017/18	1 Jul – 30 Jun	11	0	10	1	0	0
TOTAL		**152**	**0**	**151**	**1**	**0**	**0**

* This period covers 18 months from 1 July 2021 to 31 December 2022 owing to a change in our accounting reference period.

RISK & RETURN

All Blend Network loans are split into 5 fixed risk categories:

— **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. This can also apply to loans that have been funded but classified as 'non-performing'. The reason could be an over-run on the costs for example with no solution to provide the additional funding. Those loans are not tradable on the secondary market.

RETURNS BY YEAR

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

YEAR		CATEGORY			
		A	B	C	D
2017/18	Expected	N/A	11.20%	12.00%	14.00%
Jul - Jun	Actual	N/A	11.20%	12.60%	14.00%
2018/19	Expected	8.00%	10.50%	12.00%	N/A
Jul - Jun	Actual	8.00%	10.50%	12.00%	N/A
2019/20	Expected	8.00%	9.75%	12.00%	N/A
Jul - Jun	Actual	8.00%	9.50%	12.00%	N/A
2020/21	Expected	8.00%	9.50%	12.00%	N/A
Jul - Jun	Actual	8.00%	9.38%	N/A	N/A
2021/22	Expected	7.50%	8.75%	N/A	N/A
Jul - Jun	Actual	7.37%	8.83%	N/A	N/A
2022	Expected	8.50%	9.35%	10.25%	N/A
Jul - Dec	Actual	7.81%	8.50%	N/A	N/A
2023	Expected	8.60%	10.00%	12.00%	14.00%
Jan - Dec	Actual	9.58%	9.68%	N/A	N/A

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.

2024 EXPECTED RETURNS

The table below denotes the expected annualised percentage return after fees, but before bad debt and taxes for active loans that will be listed on the platform between 1 January 2024 and 31 December 2024, 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	Average AIR After Expected
A	9.00%	0.50%	8.50%
B	9.50%	1.00%	8.50%
C	10.25%	2.50%	7.75%
D	12.00%	3.00%	9.00%

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.