

# Your Options For Raising Finance - Santander's Perspective

Association of Retained  
Council Housing

20<sup>th</sup> April 2011

 Santander

CORPORATE BANKING

# Overview

- **Santander & Our Commitment**
- **Context: HRA Reform**
- **Private Finance**
  - **Broad Comparative Market**
  - **HRA Funding**
  - **How Can Santander Help?**

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# Commitment to Social Housing: Registered Providers

**Leading Funder**  
with loan commitments to  
RPs approaching  
£10 billion



**Record Growth**  
over the past 5 years our  
investment has increased  
by more than 50%



**Track Record**  
of consistent support to  
the social housing sector  
for over 20 years



**Long Term**  
commitment to the sector  
backed by our strength &  
stability



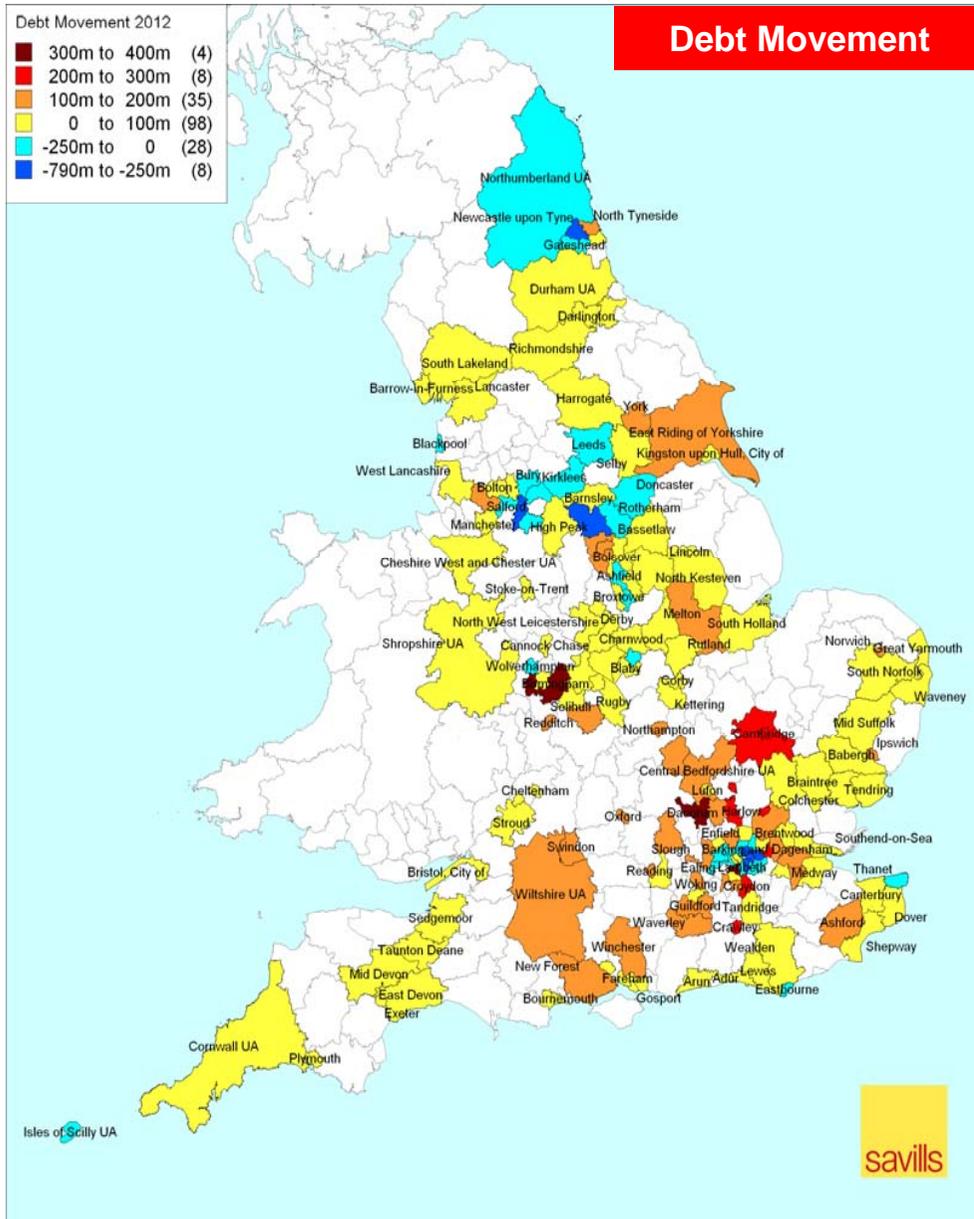
**300+ Customers**  
comprising a diverse  
range of RPs spread  
across the UK



**Expert Solutions**  
delivery through highly  
experienced sector  
specialists



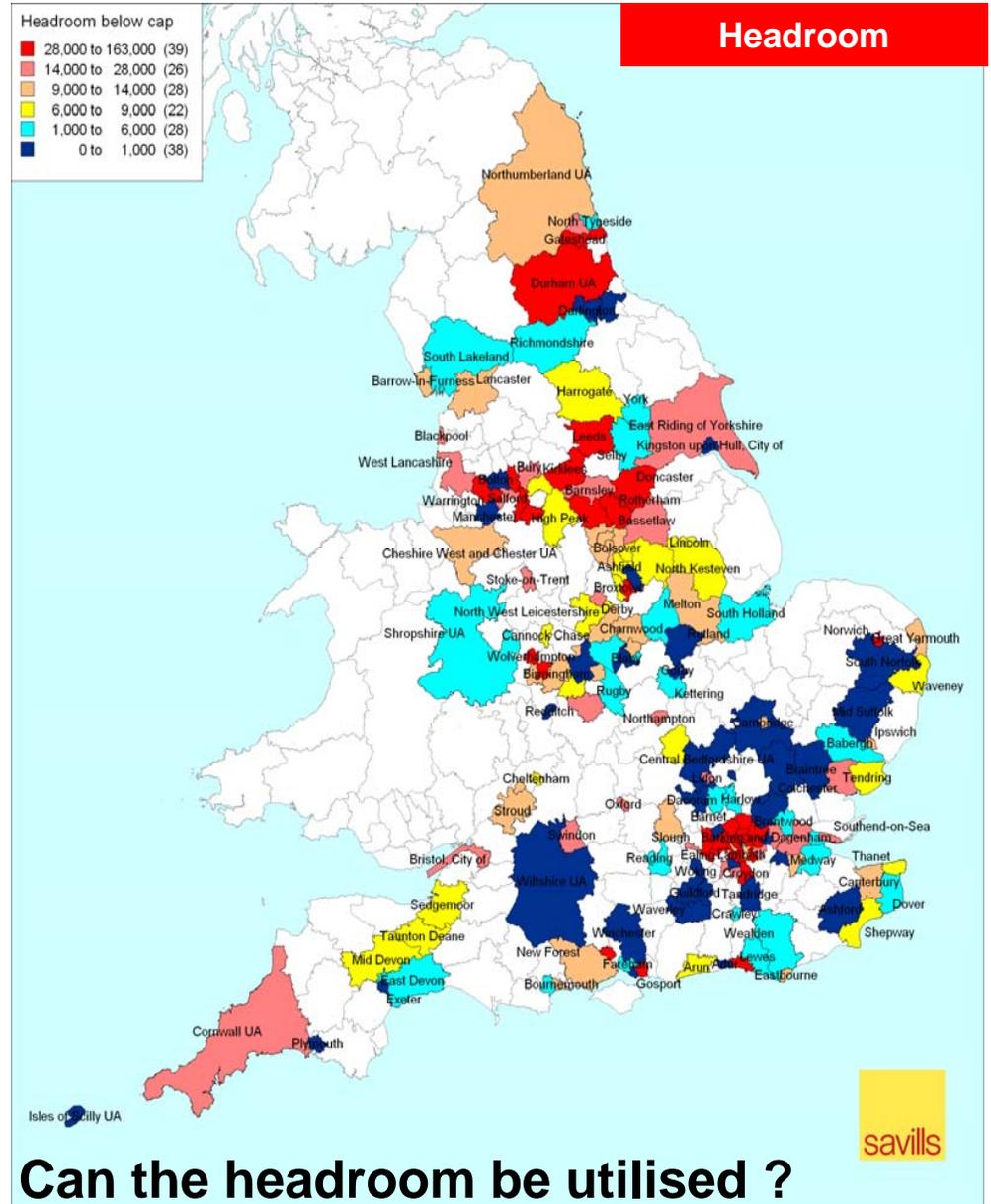
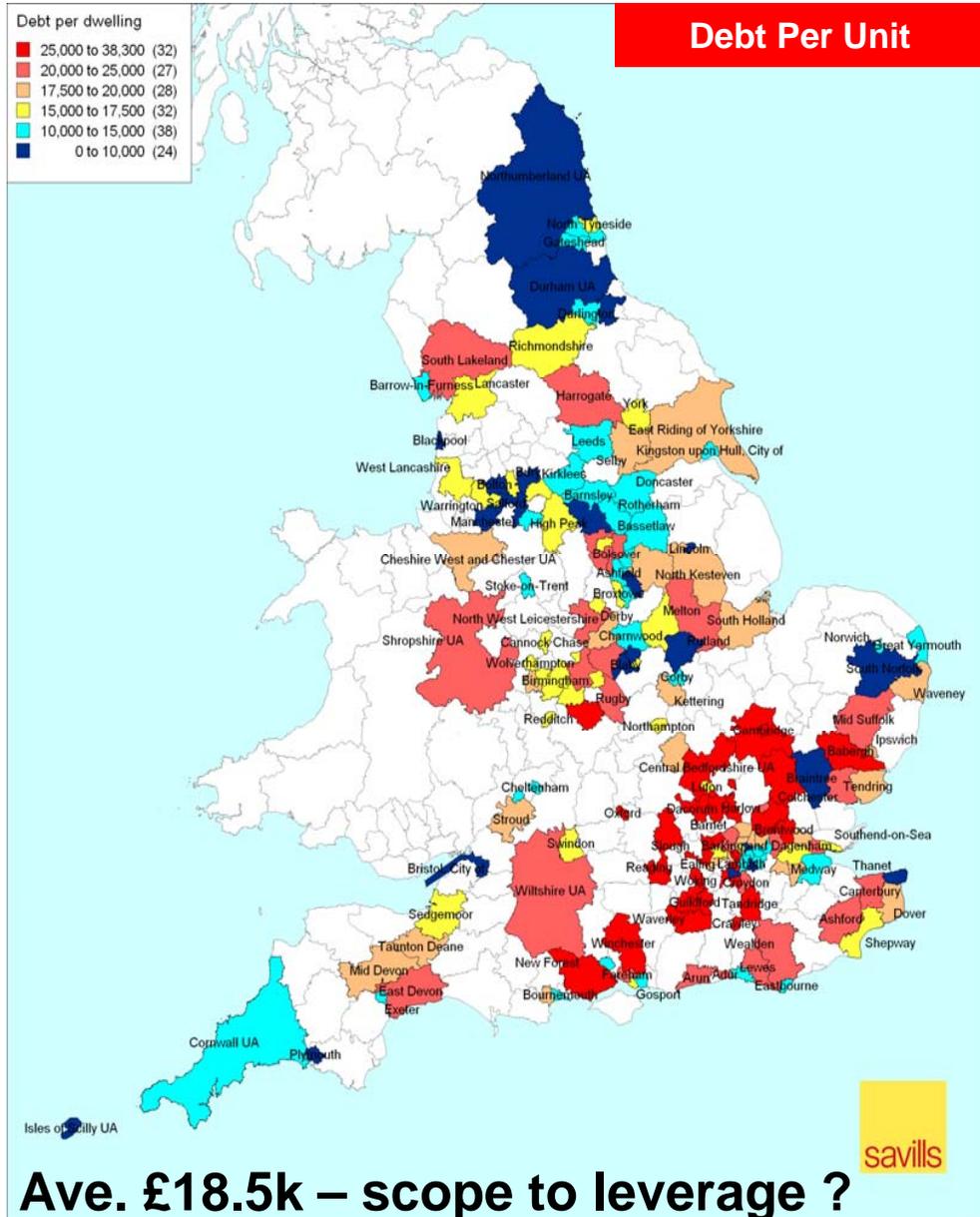
# Sector Context (1):



## HRA Reform

- £13bn new / increased debt (136 LA's)
- CLG Valuation Methodology
- Some losers....but mostly winners ?
- Housing 'stand-alone' business
  - cashflow to service debt
  - business plan (out)performance
  - headroom utilisation
  - treasury management
  - active asset management
  - new housing development?
  - partnerships?
- Partial stock transfers

# Sector Context (2):



Maps reproduced courtesy of Savills (L&P) Limited - Housing Investment Consultancy

Contacts: Robert Grundy & Cathy Osborn



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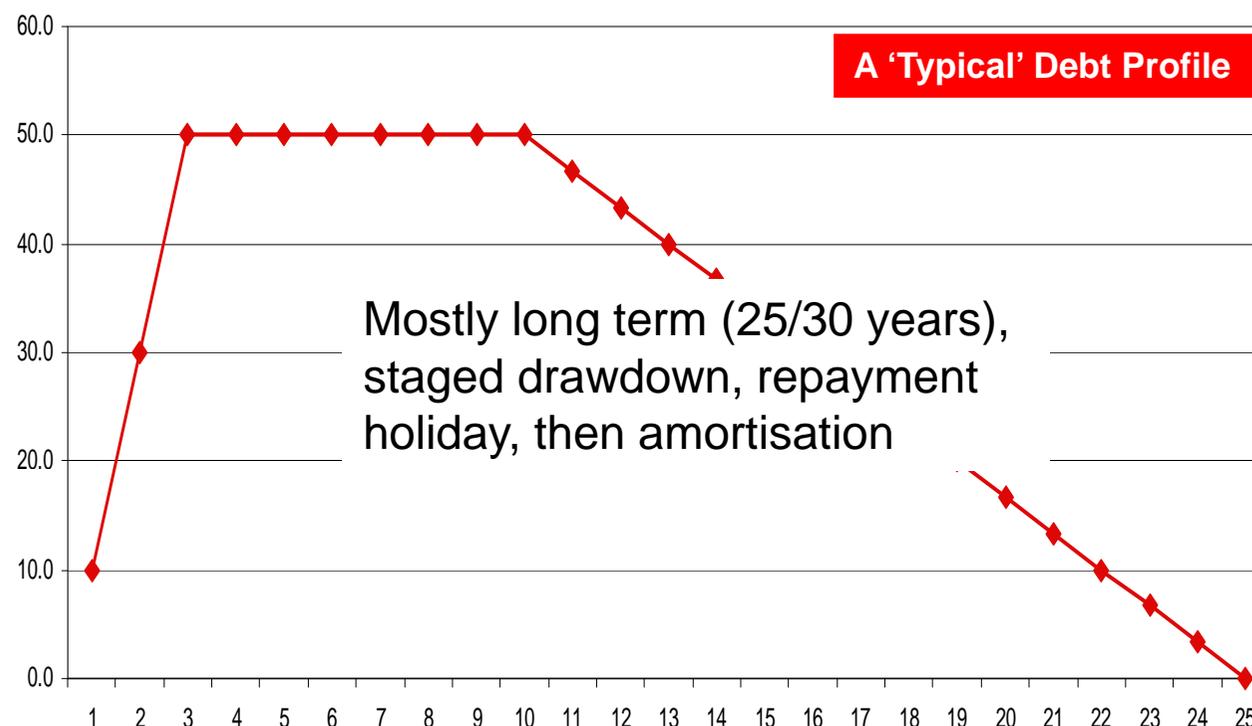
# Private Finance: Broad Comparative Market

## Registered Providers

- 20+ year record, £62bn Loans, no losses to date.
- Fully secured against social housing stock & highly regulated (TSA).
- Revolving capability
- LIBOR and Fixed Rates

## Post Credit Crunch

- Highly variable lender capacity, appetite and terms.
- Trend towards shorter term finance (3-5 years)
- Dislocation of LIBOR vs Funding Costs
- Margins reflect Funding and increasing Liquidity Costs
- Re-emergence of Bond Finance (margin range 100-115bp + Long Term Gilts)



# Private Finance: HRA Funding

## Issues to Consider

- External 'Credit Rating' ?
- Linkage to housing 'business plan' and strategy
- Treasury Management (Loans / Deposits / Interest Rate Risk)
- Relative inflexibility of PWLB / Bond finance
- Price comparison (certainty of cost of funding + margin + fees)
- Lender Due Diligence / Documentation Simplicity

## The Role of Banks – Loan Finance

- Important element of balanced funding portfolio – 'top slice'
- Flexibility will be key differentiation (e.g., revolving facilities)
- Bridge to bond facilities
- Pricing and terms will be determined by the market
- Developing effective relationships crucial
- Lender sector knowledge could add value: understanding the housing 'business'



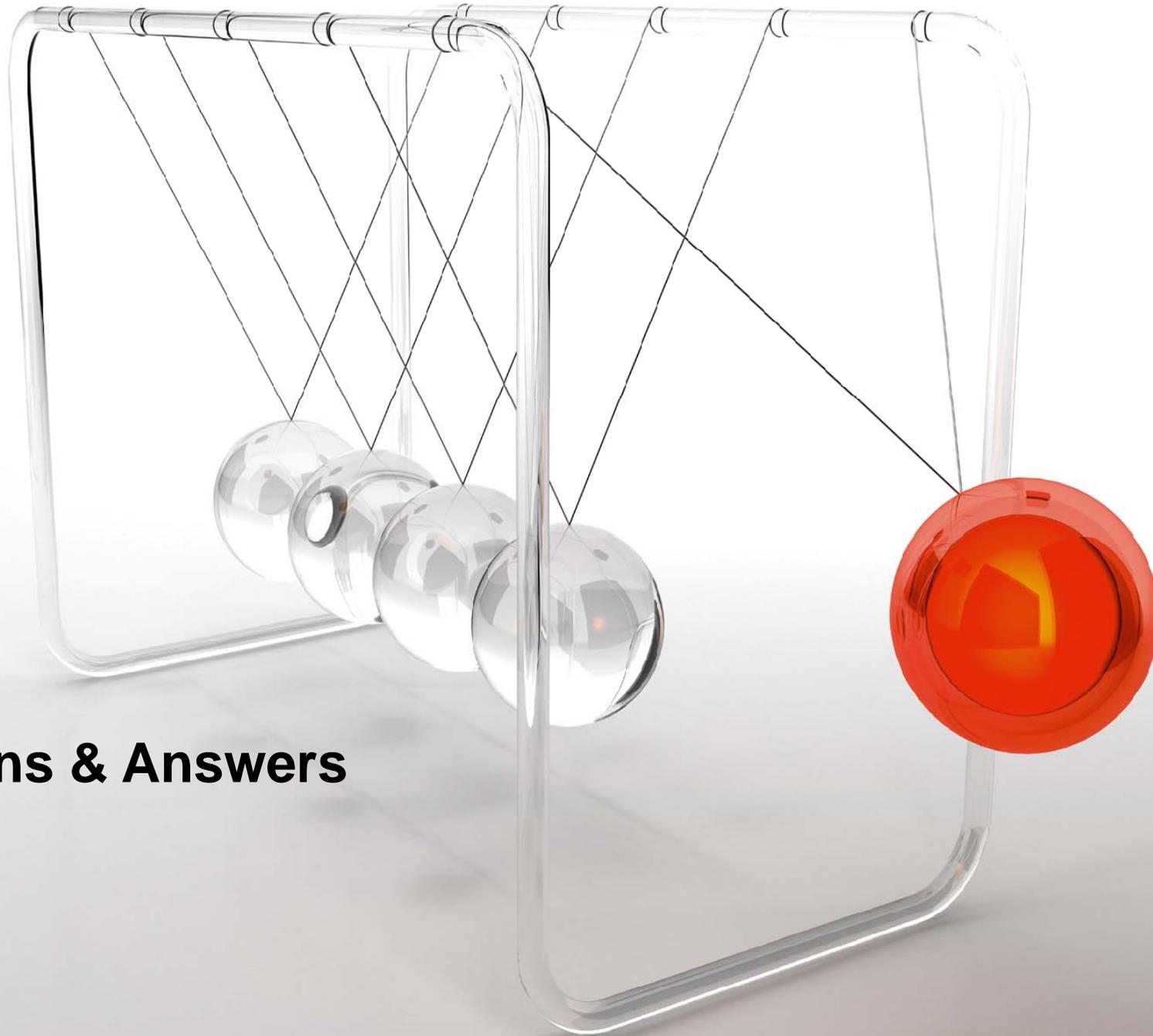
# How can Santander Help ?

- **Our Expertise, Sector Knowledge, Strength & Stability**
- **Commitment to build / broaden support for Local Authorities**

- |                      |                            |
|----------------------|----------------------------|
| - Banking            | - Supply Chain Finance     |
| - Rental Collections | - Asset Finance            |
| - Deposits           | - Treasury Risk Management |

- **Flexible and pragmatic approach to Relationship Management**
- **Loan and Bond capability – complementary funding sources**
- **We will engage, listen and create bespoke solutions**





## Questions & Answers

# Additional Information

# Santander in the UK



## A brief history of Santander Corporate Banking

Santander has operated in the UK for over **60 years**, growing its UK business in **2004** through the **acquisition** of **Abbey**

In **2008** Santander acquired **Alliance & Leicester** and the savings and retail deposits of **Bradford & Bingley**

In **2009** Abbey UK Corporate Banking and parts of Alliance & Leicester Commercial Bank became **Santander Corporate Banking**

In **2010** Santander agreed to buy parts of the banking business of the **RBS Group**

By end **2010** the existing retail **branch network** will have been rebranded and by late **2011** migration of the acquired RBS customers will be underway

In coming together, these businesses make Santander the UK's third largest bank, currently with **over 25 million customers** and **over 1,300 branches**

# Financial Strength

Long established

Variety of funding sources

Prudent risk approach

Standard & Poor's long-term AA credit rating

	Standard & Poor's long-term	Standard & Poor's short-term	Fitch Ratings long-term	Fitch Ratings short-term
 Santander UK plc	AA	A-1+	AA-	F1+
HBOS Plc	A	A-1	AA-	
HSBC Bank Plc	AA	A-1+	AA	F1+
Lloyds TSB Bank Plc	A+	A-1	AA-	F1+
RBS Group Plc	A	A-1	AA-	F1+
Barclays Bank Plc	AA-	A-1+	AA-	F1+

Source: Bloomberg 04.01.2011



# Awards

“Santander is, without a doubt, the bank which has best negotiated the economic crisis, and which has best made use of the opportunities which have arisen”

– The Banker magazine

## Accolades that speak for themselves:

**Best UK Bank**

**2008 - 2010**



Euromoney

**Santander**

**Global Bank of the Year**

**2009**



The Banker magazine

**Santander**

**Bank of the Year in the United Kingdom**

**2009 - 2010**



The Banker magazine

**Santander**

**Business Bank of the Year**

**2009 - 2011**



Business Moneyfacts

**Santander**

**Best Business Current Account Provider**

**2003 - 2011**



Business Moneyfacts

**Santander**

\*previously awarded to Alliance & Leicester Commercial Bank, part of the Santander Group

**Santander**

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# Local Authorities

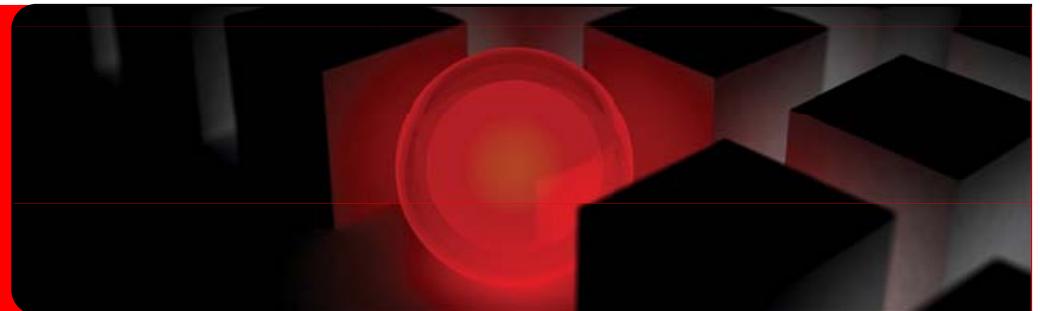
Experienced in delivering **integrated solutions** to the majority of **Local Authorities**

Specialist understanding of **Government-related organisations** and how to identify **strategic issues** that need addressing

A **supplier payments solution** to help **reduce the cost** of finance for your suppliers, helping you to manage your supply chain

A **leading player** in the **social housing, healthcare** and **education** sectors

Helping you to meet the needs of your local community



# Supplier Payments

Protecting your supply chain with **early non-recourse payments** at a **lower cost**, provided free to the buyer

**Increases** your working capital, **reduces** your costs and cultivates **stronger trading relationships**

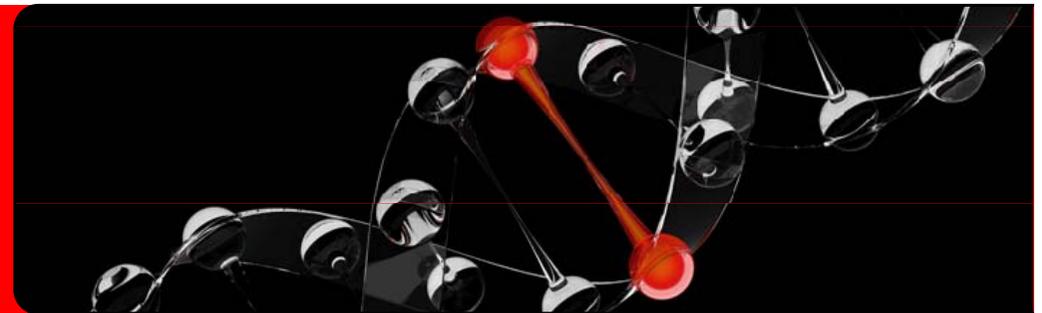
You **benefit** because you still pay at invoice maturity, but early settlement **maximises trading opportunities**

This solution has been offered by the Santander Group for over **20 years**, and is used by more than **275,000** businesses

Our service includes:

- Domestic and international suppliers
- Supplier on-boarding
- Electronic remittance advices
- Same/next day payment

**Support your supply chain**



# Asset Finance

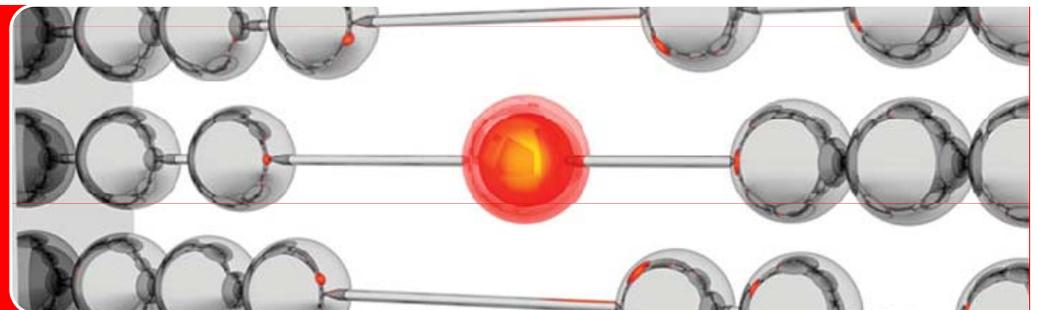
The **acquisition** of **assets** is a **major commitment** for most businesses, often draining working capital

Numerous **options**, with terms and structures that **work for you**

Our flexible range of **asset finance solutions** can significantly **ease your cash flow** management

A variety of solutions including **finance lease, operating lease, hire purchase sale** and **lease back** as well as **fleet management** solutions

**Expert funding structures tailored to your business**



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