



# 2019/20 INTEGRATED ANNUAL REPORT

Together, building a brighter future for our communities



# Contents

- **NHFC Overview**
- **2019/20 Performance**
- **Areas of Success**
- **2019/20 AG Report**
- **Outlook**



# ABOUT THE NHFC



## WHO WE ARE

The National Housing Finance Corporation, SOC Ltd, (NHFC) is a Schedule 3A Public Entity, **supporting housing delivery through the provision of affordable housing finance**. The organisation has been in existence since 1996, operating on a national level, providing wholesale funding in the affordable housing market. Our funding focus has primarily been social housing institutions, non-banking retail intermediaries, privately owned property developers, construction companies and investors. The secondary focus had been loan origination and other forms of wholesale funding (equity and quasi-equity) that was made available to intermediaries that operate within the affordable housing market sector. **Our mandate has since expanded to include rural housing as well as supplying bridging finance to developers and construction companies.**



National Scale Issuer Rating: Affirmed at

**Long Term: A+ (ZA)**

**Short Term: A1 (ZA)**

International Scale Issuer Rating:

revised down (change in the mapping methodology)

**Long-term: BB to BB-**

After the above rating actions were confirmed, these were subsequently withdrawn for analytical reasons, the foremost being the amalgamation of the 3 Human Settlements DFIs.

Overview of our Business Structure

The NHFC has four revenue generating divisions or units.

The established retail model of the business is being discontinued, in keeping with our current business strategy.

Our revenue-generating functions derive from:



Debt Lending and Subsidy Programmes



Equity Investments and Subsidiaries



Programme and Fund Management



Incremental Housing Finance (urban and rural unsecured lending)

# NHFC Overview

- Established: 1996
- Type of Organisation: Development Finance Institution
- Ownership: State Owned Company, 100% SA Government
- Total Assets: R6.28 bn (31 March 2020 - Group)
- Total Liabilities: R1.65 bn (31 March 2020 – Group)
- Funding Status: Self sustaining
- Main Business: Broadening and deepening access to affordable housing finance for the low-middle income SA Households
- Geographic Activities: National
- Number of Employees: 123

# Strategic Objectives

Expanding housing finance activities, through the effective provision of housing finance solutions to enable Gap Market households to have a choice in meeting their housing needs.



Facilitating increased and sustained lending by financial institutions to the lower end of the housing market. Conduct the business activities of the NHFC in an exemplary manner to ensure continued financial sustainability and greater developmental impact.



Facilitating a transformative change within the affordable housing sector.

Continuously stimulating and enabling the low-to-middle income housing sector by providing robust, relevant, and timely research and market analysis.



Driving the process of changing the strategy of the NHFC to that of an entity ready to assume the role of the HSDB.



# Performance Highlights



LOAN APPROVALS:

**R939 MILLION**

(74% OF THE TARGET WAS APPROVED)



DISBURSEMENTS:

**R724 MILLION**

(62% OF TARGET WAS DISBURSED)



BEE FUNDING AND DISBURSEMENTS:

**R566 MILLION**

(97% OF THE TARGET) WAS DISBURSED TO BEE CLIENTS WITH R83 MILLION  
BEING FOR FOR WOMEN AND YOUTH OWNED COMPANIES



IMPACT (HOUSING UNITS AND LOANS FACILITATED:

**35 356**

(52% OF TARGET) HOUSING OPPORTUNITIES  
DELIVERED MADE UP OF 2 669 HOUSING UNITS AND  
32 687 INCREMENTAL HOUSING LOANS



FUNDS LEVERAGED:

**R1 135 MILLION**

(88% OF TARGET) WAS ACHIEVED



# Performance Highlights cont....



## OPERATIONAL PERFORMANCE

**32 687**

INCREMENTAL HOUSING OPPORTUNITIES  
THROUGH DISBURSEMENTS

**R939 MILLION**

VALUE OF APPROVED LOANS

**2 669**

HOUSING UNITS THROUGH DISBURSEMENTS

**R724 MILLION**

VALUE OF DISBURSED FUNDS

## FINANCED LINKED INDIVIDUAL SUBSIDY PROGRAMME

**1 167**

NUMBER OF  
SUBSIDIES DISBURSED

**R123 MILLION**

VALUE OF SUBSIDY  
APPLICATIONS APPROVED

**2 212**

NUMBER OF SUBSIDY  
APPLICATIONS APPROVED

**R60 MILLION**

VALUE OF SUBSIDIES  
DISBURSED

## DEVELOPMENTAL IMPACT



**R566 MILLION**

DISBURSEMENTS TOWARDS EMERGING BEE  
ENTREPRENEURS INCLUDING WOMEN AND YOUTH

# Performance Snapshot

-  Disbursements are **R724 million** and approvals stood at **R939 million**.
-  Leveraged funds of **R1.1 billion** from the private sector into the affordable housing space.
-  FLISP achieved **R123 million** approvals resulting in commitments being higher than the **R95 million** allocation. The amount leveraged from banks is **R943 million** to a planned **R215 million**.
-  An improved Cost to Income Ratio of 46,7%, and credit loss ratio of 1,5% against a target of 63% and 2,5%, respectively. Group surplus of **R220 million**, and is 358% of budget **R48 million**.
-  Leveraged **R1.1 billion** from the private sector resulting in the delivery of **2 972** housing units.

## Priorities

- ❖ NHFC ICT Strategy - Definition & Implementation Business Modernisation Strategy
- ❖ Establishing a sustainable **funding model** for the NHFC to support the Human Settlement development expansion
- ❖ Conducted a skills audit to determine employee competency levels post consolidation
- ❖ Deployment of fast, agile, cross-functional teams
- ❖ Operationalising the modified Finance Linked Individual Subsidy Programme (FLISP)

## Response to Operating Environment

- ❖ Last month of the financial year, the President invoke emergency powers and declare a National State of Disaster in terms of Disaster Management Act
- ❖ The NHFC developed and implemented COVID-19 relief interventions in the form of repayment moratorium, thereby preserving delivery channels
- ❖ The NHFC prioritised the health and safety of its employees, ensure employees have resources to work remotely at level 5 and 4
- ❖ To ensure business continuity & operational efficiency during lock down, effective & response IT plans were put in place during lockdown

# Areas of Success - Partnerships

## ❖ TUHF Holdings Limited

- ✓ The NHFC owns 32.6% of the ordinary shares in TUHF which is a well established intermediary in the affordable housing market.
- ✓ NHFC's single largest client, with an exposure of R582 million in the form of equity and debt capital exposure, attracted R3,2 billion .

## ❖ Housing Investment Partners (Pty) Limited (HIP)

- ✓ The NHFC is invested in HIP as a 33.3% ordinary shareholder
- ✓ NHFC's capital investment of R270 million has further attracted an additional R1.1 billion from various institutional investors.

## ❖ International Housing Solutions (Pty) Limited (IHS)

- ✓ The NHFC has invested R247 million in equity
- ✓ This capital has been matched by an additional R1.8 billion in equity and quasi-equity capital from other institutional investors

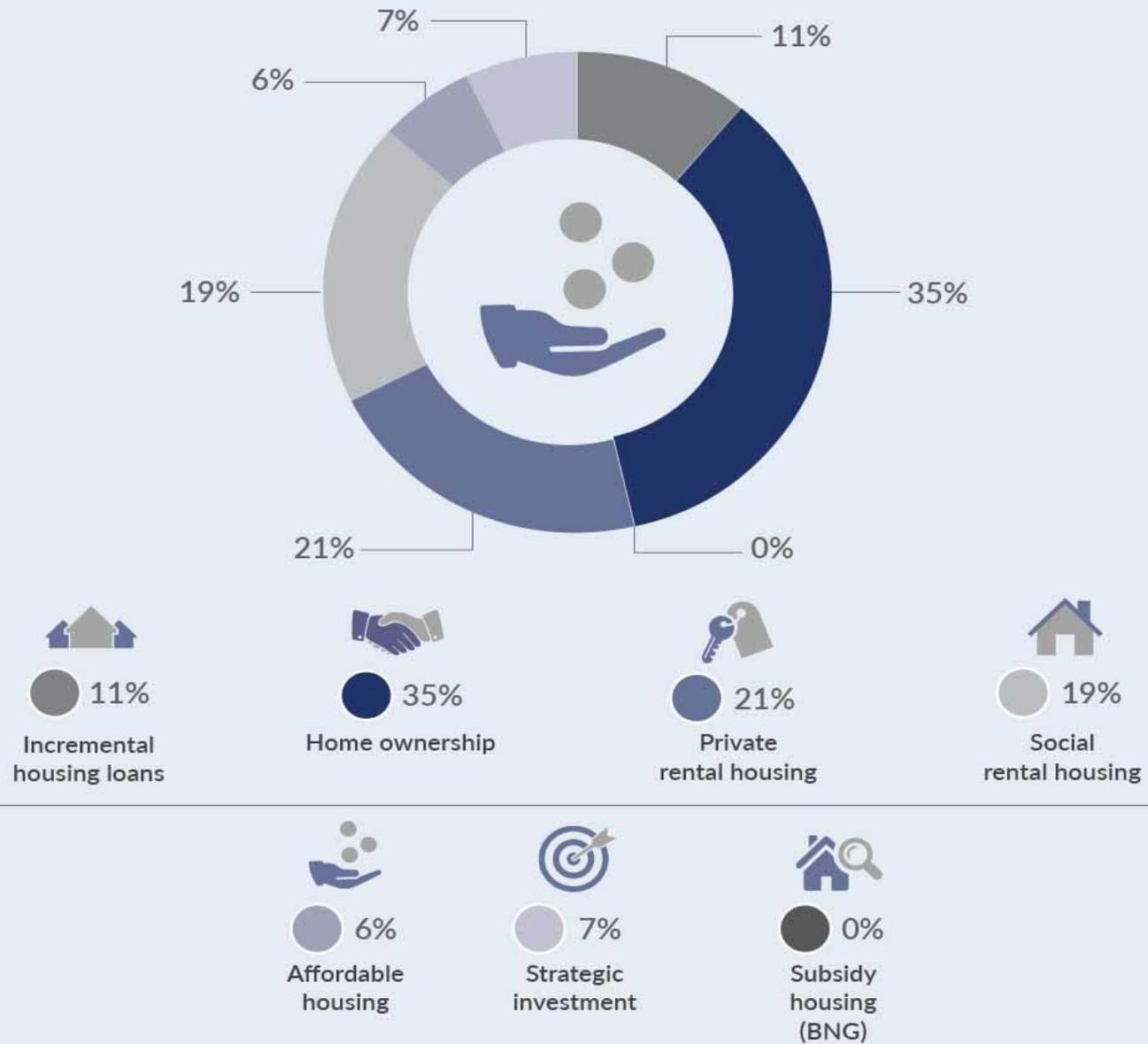
## ❖ Cape Town Community Housing Company (Pty) Limited (CTCHC)

- ✓ CTCHC is a wholly-owned subsidiary of the NHFC that has undergone a major restructuring of its operations in order to ensure it achieves a turn-around in financial performance.

## ❖ Lendcor (Pty) Limited

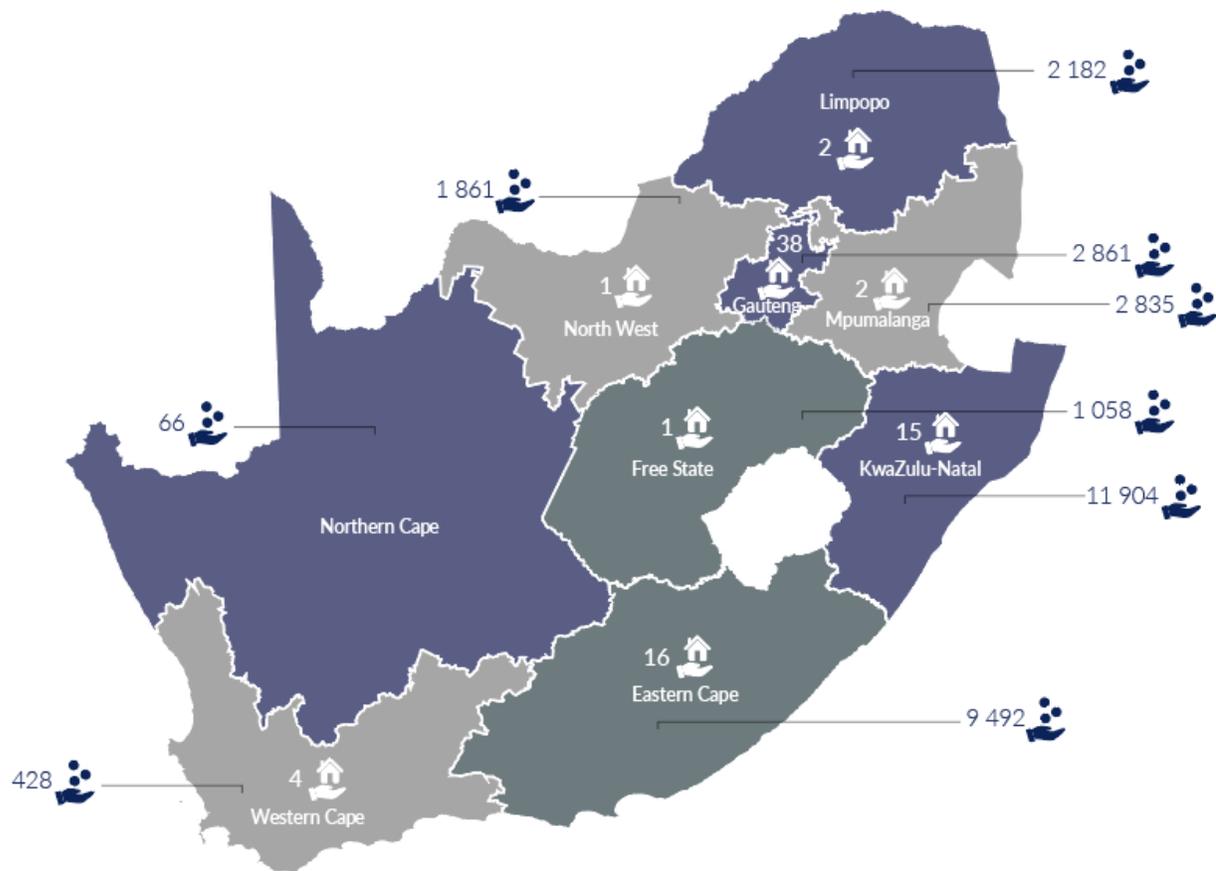
- ✓ The NHFC is a 20% equity investor in Lendcor, a provider of incremental housing loans to low income borrowers.

# Capital Allocation



## FOOTPRINT OF FINANCED HOUSING PROJECTS AND INCREMENTAL HOUSING LOANS DURING THE REPORTING YEAR

As a national entity, our mandate is to lend in all provinces. We achieve this national footprint through our intermediary and direct partners who have developed loan distribution channels in all provinces. The NHFC's reach in South Africa is depicted below and represents our dedication to all South Africans.



PROVINCE	NUMBER OF FINANCED HOUSING PROJECTS	NUMBER OF INCREMENTAL HOUSING LOANS
Gauteng	38	2 861
Eastern Cape	16	9 492
Western Cape	4	428
Free State	1	1 058
Northern Cape	0	66
KwaZulu-Natal	15	11 904
Limpopo	2	2 182
North West	1	1 861
Mpumalanga	2	2 835
<b>TOTAL</b>	<b>79</b>	<b>32 687</b>

# Statement of Financial Performance

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	Group		Company	
		2020 R'000	Restated 2019 R'000	2020 R'000	Restated 2019 R'000
Interest on advances	3	479 100	443 226	249 707	223 981
Interest received on investments	3	105 444	77 125	102 616	76 295
Rental income	3	15 575	15 860	14 174	14 007
Dividends received	3	9 960	13 837	9 960	13 837
Sale of houses	3	20 468	3 381	-	-
Management fees	3	13 074	3 631	17 168	8 977
Share of residual interest in controlled entities	3	-	-	18 261	9 171
Fees on advances	3	3 367	2 432	3 367	2 432
<b>Revenue</b>		<b>646 988</b>	<b>559 492</b>	<b>415 253</b>	<b>348 700</b>
Cost of sales	4	(20 707)	(3 014)	-	-
Net impairments and write offs	6	(81 944)	(109 351)	(70 095)	(104 725)
<b>Gross surplus</b>		<b>544 337</b>	<b>447 127</b>	<b>345 158</b>	<b>243 975</b>
Other operating income	5	26 187	6 567	2 844	4 571
Operating expenses	6	(238 042)	(194 770)	(192 912)	(144 875)
<b>Operating surplus</b>		<b>332 482</b>	<b>258 924</b>	<b>155 090</b>	<b>103 671</b>
Investments Fair value and Impairments	20 & 8	1 157	5 795	(84 062)	107 568
Income from associates	7	28 362	13 457	-	-
Finance costs	9	(142 268)	(132 526)	(22 334)	(20 032)
<b>Surplus for the year</b>		<b>219 733</b>	<b>145 650</b>	<b>48 694</b>	<b>191 207</b>

8%

Interest on  
Advances

16%

Total Revenue

22%

Operating  
Expenses

34%

Surplus for the  
year

# Statement of Comparison of Budget to

Group	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Interest on advances	327 702	-	327 702	479 100	151 398	Note 3
Interest received on investments	54 000	-	54 000	105 444	51 444	Note 3
Rental income	11 789	-	11 789	15 575	3 786	Note 3
Dividends received	-	-	-	9 960	9 960	Note 3
Sale of houses	46 770	-	46 770	20 468	(26 302)	Note 3
Management fees	5 807	-	5 807	13 074	7 267	Note 3
Other income	20 290	-	20 290	26 187	5 897	Note 5
Fees on advances	-	-	-	3 367	3 367	Note 3
<b>Total revenue</b>	<b>466 358</b>	<b>-</b>	<b>466 358</b>	<b>673 175</b>	<b>3 367</b>	
<b>Expenditure</b>						
Impairments and bad debts	(102 800)	-	(102 800)	(81 944)	20 856	Note 6
Cost of sales	(51 214)	-	(51 214)	(20 707)	30 507	Note 4
Operating expenses	(240 561)	-	(240 561)	(238 042)	2 519	Note 6
<b>Total expenditure</b>	<b>(394 575)</b>	<b>-</b>	<b>(394 575)</b>	<b>340 693</b>	<b>53 882</b>	
Finance costs	(28 881)	-	(28 881)	(142 268)	(113 387)	Note 9
Fair value adjustment	-	-	-	1 157	1 157	Note 8&20
Share of surpluses or deficits from associates	4 825	-	4 825	28 362	23 537	Note 7
<b>Surplus for the year</b>	<b>47 727</b>	<b>-</b>	<b>47 727</b>	<b>219 733</b>	<b>172 006</b>	

46%

Interest on  
Advances

44%

Total Revenue

-  
0,5%

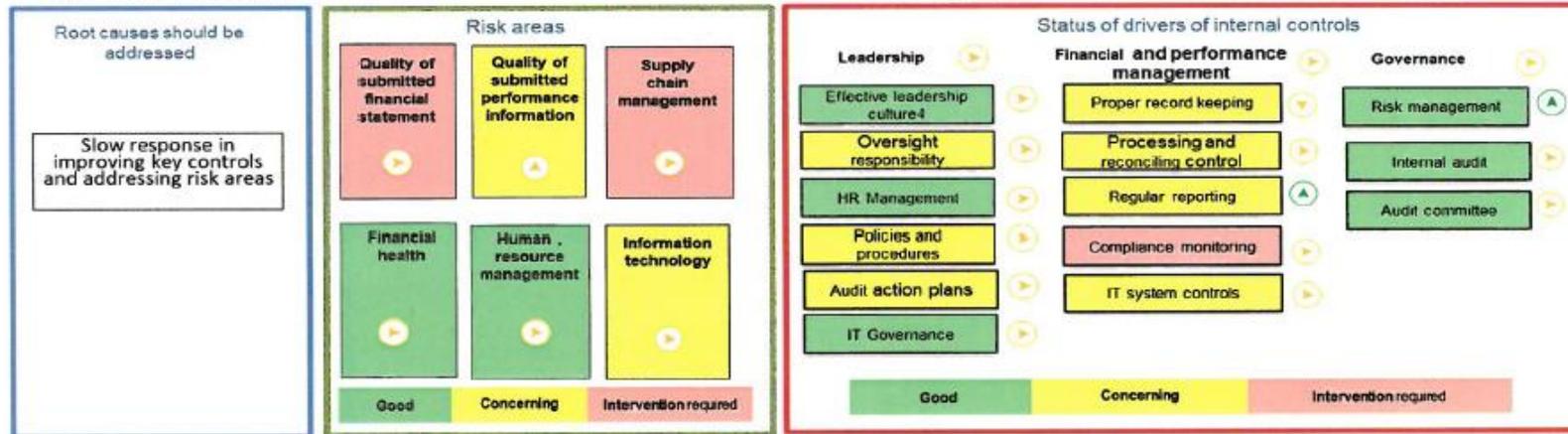
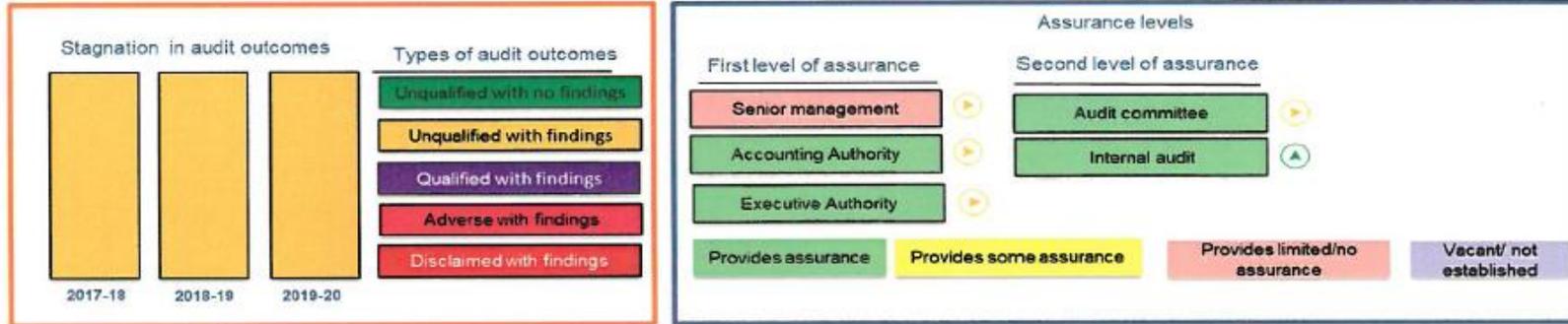
Operating  
Expenses

365  
%

Surplus for  
the year

# SUMMARY OF THE KEY FINDINGS OF THE AUDITOR GENERAL REPORT

Management report of the National Housing Finance Corporation SOC Limited



# OUTLOOK

- ❖ Looking forward to finalization of the Draft Legislation for HSDB
- ❖ To drive scale, we commenced with tailoring of our operating model to be responsive to the market we serve.
- ❖ To strengthen our digital technology platform to create greater resilience to our operations, significantly improve efficiencies, and delight our customer experience
- ❖ Establish a sustainable funding model to support the Human Settlement development expansion - position the NHFC/HSDB, as an ecosystem orchestrator in the Human Settlement funding and financing
- ❖ Embed our strategic partnership model - effectively leverage both public and private sector partners in delivering mega integrated human settlements development projects.



**THANK YOU**