



LAYING STRONG FOUNDATIONS FOR TOMORROW'S SUCCESS

ANNUAL PERFORMANCE PLAN

2022 - 2024

(3 years beginning 1 April 2021)

TABLE OF CONTENTS	PAGE
EXECUTIVE AUTHORITY STATEMENT	3
ACCOUNTING AUTHORITY STATEMENT.....	5
OFFICIAL SIGN-OFF	7
ABBREVIATIONS AND ACRONYMS	8
PART A: OUR MANDATE	11
1. Constitutional Mandate.....	11
2. Legislative and Policy Mandates.....	11
3. Institutional Policies and Strategies over the five-year planning period.....	13
4. Relevant Court Rulings	14
PART B: OUR STRATEGIC FOCUS.....	17
5. Situational Analysis.....	17
6. External Environment Analysis	18
7. Internal Environment Analysis.....	34
PART C: MEASURING OUR PERFORMANCE	54
8. Measuring the Impact	54
9. Institutional Programme Performance Information.....	54
10. Programme resource considerations and budget	71
11. Updated Key risks and mitigation from the SP	77
12. Public Entities	78
13. Infrastructure Projects.....	78
14. Public-Private Partnerships (PPPs)	78
PART D: TECHNICAL INDICATOR DESCRIPTION (TID)	83
ANNEXURES TO APP:.....	120
ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN.....	120
ANNEXURE B: CONDITIONAL GRANTS	120
ANNEXURE C: CONSOLIDATED INDICATORS	120
ANNEXURE D: DISTRICT DEVELOPMENT MODEL	120
ANNEXURE E: NHFC STRATEGIC RISK REGISTER	121
ANNEXURE F: FINANCIAL BUDGET 2021-2023.....	123
ANNEXURE H: MATERIALITY FRAMEWORK.....	135

EXECUTIVE AUTHORITY STATEMENT

The MTSF 2020/25 and APP were recently revised to consider the effects of the COVID_19 pandemic. The country at the time of drafting the new Annual Performance Plans is on lockdown level one, but the impact of COVID_19 and the measures the country implemented to limit and slowdown the spread of the pandemic have had significant impact on the economy.

The new MTSF is now defined as the combination of the NDP five year implementation plan for the priorities outlined in the electoral mandate and the integrated monitoring framework. The focused 7 priorities identified allows for a much better outline of required deliverables, resources and the delivery timelines.

The following 7 priorities for the 2019/20 to 2024/25 have been derived from the electoral mandate and the SONA:

1. Economic Transformation and job creation;
2. Education, skills and health;
3. Consolidation of the social wage through reliable and quality basic services;
4. **Spatial Integration, Human Settlements and local government;**
5. Social Cohesion and safe communities;
6. A capable, ethical and developmental state; and
7. A better Africa and World.

The Human Settlements focus is primarily priority number 4, and the Department will focus on achieving a spatially just and transformed national space economy that enables equal access to social services and economic opportunities in cities, regions and rural areas.

The Vision 2030 and the NDOHS five-year Strategic priorities, has guided the development of both the Strategic Plans and the Annual Performance Plans for the human settlements' entities.

The National Housing Finance Corporation SOC Ltd (NHFC) strategic plan is therefore primarily developed in alignment with the NDP and NDoHS MTSF strategic priorities. The NHFC's principal mandate is to broaden and deepen access to the financing and development of sustainable Human Settlements in the low to middle income South African households.

The Board of the NHFC is, therefore, expected to guide and provide strategic leadership to management to ensure an effective implementation of the five-year Strategic Plan, commencing with its APP 2020/2021, being the first year of that plan.

The NDoHS endorses the plan as approved by the Board and commits to its support for the achievement of the set targets. I have full confidence in the Board and management team's ability to achieve the outputs and targets reflected in this plan.



L.N. SISULU, MP
MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION

ACCOUNTING AUTHORITY STATEMENT

The key role for the NHFC remains the need to address market failure – ‘crowd in’ the private sector and not necessarily displace or compete with the existing banks and non - bank financial intermediaries. In addressing market failure, the following remain of significance – increasing scale to achieve impact, improving the delivery and operational efficiencies, whilst remaining sustainable over the long term.

The year 2020/21 was a watershed year in that the country had to take extraordinary measures to limit and slowdown the spread of the COVID-19, which was a highly infectious disease. These measures have included country wide lockdowns, travel bans, restrictions on citizens from participating in large gatherings, temporarily closing social venues and encouraging employees to work from home. These measures have had a significant impact on the economy and are expected to result in residual effects for some time to come.

The country’s context is further exacerbated by the already pre-existing structural challenges the economy is facing. These are all impacting our clients who are facing an extremely uncertain future due to inability to forecast economic outlook because of uncertainty over the pandemic outlook.

In order to effectively address the human settlements finance needs, in a sustainable manner, a coordinated and integrated financial institutional structure able to effectively leverage government grants, wholesale and investments, so as to maximize private sector funding and participation, as well as household contributions, is paramount.

It is for this reason that, in this new financial year and the forthcoming medium term period, the NHFC’s priority will be to establish the Human Settlements Development Bank (“HSDB”) through an enabling Act and the operationalisation of the Bank. The context of the Bank’s operation will be that of maximising the developmental impact, improving the quality of life of households in the under-served segment of the low to middle income market and also drive the transformation of the human settlements sector, while remaining self-sustaining.

The achievement of this objective relies on the relentless oversight and leadership of the Board and the support of the Shareholder.

The five-year Strategic Plan is aligned to the planning cycle and outlines the NHFC’s impact statement, outcomes, related outcome indicators and also informs its Annual Performance Plan.

This Annual Performance Plan sets out how the NHFC will implement the second year of the Strategic Plan. The 2020/21 financial year has been adversely affected by the lockdown that brought most economic sectors to a standstill. The full effect of this must still be discovered.



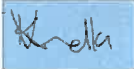
Phekane Ramarumo
2021.03.07 21:39:51
+02'00'

P. Ramarumo
Acting Chairman of the Board
National Housing Finance Corporation SOC Ltd

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan:


- Was developed by the management of the NHFC under the guidance of the Board;
- Takes into account all the relevant policies, legislation and other mandates for which the NHFC is responsible; and
- Accurately reflects the Impact, Outcomes and Outputs which the NHFC will endeavour to achieve over the period 2021/22 to 2023/24.

Signature:  Kyansambo Vundla
2021.03.05 14:04:42
+02'00'


K. Vundla
Chief Financial Officer

Signature:  Sizwe
Tati

S. Tati
Acting Chief Executive Officer

Signature:  Mandu Mamatela
2021.03.05
12:05:13 +02'00'

M. Mamatela
Executive Manager: Strategy

Signature:  Phekane
Ramarumo
2021.03.07
21:40:46 +02'00'

P. Ramarumo
Acting Chairman of the Board

Approved By:

Signature: _____

Honourable L. N. Sisulu, MP

Minister for Human Settlements, Water and Sanitation

ABBREVIATIONS AND ACRONYMS

APP	Annual Performance Plan
BNG	Breaking New Ground
CAHF	Centre for Affordable Housing Finance in Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
DAS	Development, Additionality and Sustainability
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
EEAB	Estate Agency Affairs Board
ESIA	Environmental and Social Impact Assessment
FLISP	Finance-linked Incremental Subsidy Programme
FSC	Financial Sector Charter
GBE	Government Business Enterprise
GC	Government Component
GDP	Gross Domestic Product
GPF	Gauteng Partnership Fund
GTAC	Government Technical Advisory Centre
GVA	Gross Value Added (an alternate measure of the size of the economy to GDP)
HDA	Housing Development Agency
HR	Human Resources
HS	Human Settlements
HSDB	Human Settlements Development Bank
IDC	Industrial Development Corporation
IoT	Internet of Things

ICT	Information and Communications Technology
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NT	National Treasury
DoHS	Department of Human Settlements, Water and Sanitation
MOU	Memorandum of Understanding
DPSA	Department of Public Service and Administration
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NCR	National Credit Regulator
NDoHS	National Department of Human Settlements, Water and Sanitation
NEF	National Empowerment Fund
NHBRC	National Home Builders Registration Council
NHFC	National Housing Finance Corporation SOC Limited
NT	National Treasury
NURCHA	National Urban Reconstruction and Housing Agency NPC
PDI	Previously Disadvantaged Individual
PE	Public Entity
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
POA	Programme of Action
PSA	Public Service Act
RDP	Reconstruction and Development Programme
RFI	Retail Finance Intermediary
RHLF	Rural Housing Loan Fund NPC
ROE	Return on Equity
SCI	State Controlled Institution
SEFA	Small Enterprise Finance Agency
SH	Social Housing

SHRA	Social Housing Regulatory Authority
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
TOR	Terms of Reference
TUHF	TUHF Holdings Limited

PART A: OUR MANDATE

1. Constitutional Mandate

Constitution of RSA Act No 108 of 1996 - Section 26 of the Constitution guarantees the right to have access to housing. The State is mandated to take steps to achieve the progressive realisation of this right.

2. Legislative and Policy Mandates

Table 1: Overview of legislative and policy mandates

Regulation	Purpose
Housing Act, 1997 (Act No. 107 of 1997)	The Act provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government
Companies Act, 71 of 2008 and the Companies Regulations, 2011	To ensure the Regulatory Framework for enterprises of all types and sizes promotes growth, employment, innovation, stability, good governance, confidence and international competitiveness
Housing Consumers Protection Measures Act, 1998 (Act. No. 95 of 1998) as amended by Act No. 27 of 1999)	The Act makes provision for the protection of housing consumers, and to provide for the establishment and functions of the National Home Builders Registration Council
Consumer Protection Act (68 of 2008)	To promote a fair, accessible and sustainable market place for consumer products and services
Public Finance Management Act, 1 of 1999 (PFMA) and Treasury Regulations	To promote good financial management within the public service in order to maximise service delivery through the effective and efficient use of limited resources
Financial Intelligence Centre Act No 38 of 2001	To establish a Financial Centre and Money Laundering Advisory council to combat money laundering activities
National Credit Act, Act 34 of 2005	To promote and advance the social and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry, to protect consumers
Financial Sector Regulation Act No. 9 of 2017	Introduces the Twin Peaks model of financial sector regulation in South Africa and establishes Prudential Authority under the SARB and Financial Sector

Regulation	Purpose
	Conduct Authority (replacing FSB). The purpose of the Act is to achieve a stable financial system that works in the interest of financial customers and supports balanced and sustainable economic growth.
Housing Development Act (No. 107 of 1997)	Principles of development of housing framework for operating in subsidy market
Rental Housing Act, 1999 (Act. No 50 of 1999)	This Act defines the responsibility of government in respect of rental housing property to create mechanisms to promote the provision of rental housing property.
Home Loan and Mortgage Disclosure Act of 2000	The Act promotes fair lending practices by encouraging financial institutions to disclose information and identifies discriminatory lending patterns

Policy Mandates (Current and planned policy initiatives)

As a development financial institution which was established by the National Department of Housing in 1996, NHFC's operations are influenced by a broad range of policies:

- **White Paper: A New Housing Policy and Strategy for South Africa, 1994** – which is a broader policy document on the challenges that the country faced around housing and the substantive responses and strategy to the challenge (which include the planned establishment of the National Housing Finance Corporation);
- **Government Notice, no.1378 of 17 October 1997**, Designation of an institution of which the activities do not fall within the meaning of “The business of a bank” (“The National Housing Finance Corporation Limited”);
- **National Housing Act, 1997** (Act No.107 of 1997) providing for the facilitation of a sustainable housing development process.
- **The National Housing Code, 2000 amended in 2009**, which sets the underlying policy principles, guidelines, norms and standards which apply to Governments various housing assistance programmes introduced since 1994; and
- **Breaking New Ground (BNG), 2004**, A Comprehensive Plan for the new Sustainable Human Settlements. There was a shift in focus from social to financial/wealth creation and from quantitative to qualitative standards.

The NHFC typically plays a critical role in informing and influencing policy through commenting on various policy documents that have an impact on the operations of the business.

3. Institutional Policies and Strategies over the five-year planning period

The National Development Plan sets out a comprehensive plan to eliminate poverty and reduce inequality by 2030, by drawing on the energy of the country's people, growing an inclusive economy and building key capabilities including the necessary skills and infrastructure, building the capacity of the state, and promoting leadership and partnerships throughout society.

The Department of Human Settlements is committed to the NDP's vision of transforming human settlements and the spatial economy to create more functionally integrated, balanced and vibrant urban settlements by 2030. It also envisages that by 2030, measurable progress towards breaking apartheid spatial patterns would be achieved. This places a responsibility on the Department of Human Settlements to ensure that the apartheid geography and the fractured housing and land markets are dealt with.

The NDP outlines the following objectives and actions as core to radically revising the human settlements housing sector and creating liveable neighbourhoods:

Objectives

- Strong and efficient spatial planning system, well integrated across the spheres of government.
- Upgrade all informal settlements on suitable, well located land by 2030.
- More people living closer to their places of work.
- Better quality public transport; and
- More jobs in or close to dense, urban townships.

Actions

- Reforms to the current planning system for improved coordination.
- Develop a strategy for densification of cities and resource allocation to promote better located housing and settlements.
- Substantial investment to ensure safe, reliable and affordable public transport.

- Introduce spatial development framework and norms, including improving the balance between location of jobs and people.
- Conduct a comprehensive review of the grant and subsidy regime for housing with a view to ensure diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility. This should include a focused strategy on the housing gap market, involving banks, subsidies and employer housing schemes.
- National spatial restructuring fund, integrating currently defused funding.
- Establish a national observatory for spatial data and analysis.
- Provide incentives for citizen activity for local planning and development of spatial compacts.
- Introduce mechanisms that would make land markets work more effectively for the poor and support rural and urban livelihoods.

The NHFC as an apex human settlement development financial institution, will play a critical role in contributing to the objectives of the NDP. Over the next 5-year period 2020 – 2025, the NHFC strategy will be concentrated around the following actions stated in Chapter 8 of the NDP:

Conduct a comprehensive review of the grant and subsidy regime for housing with a view to ensure diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility. This should include a focused strategy on the housing gap market, involving banks, subsidies and employer housing schemes.

- Introduce mechanisms that would make land markets work more effectively for the poor and support rural and urban livelihoods.
- Reforms to the current planning system for improved coordination.
- Develop a strategy for densification of cities and resource allocation to promote better located housing and settlements.

4. Relevant Court Rulings

Not applicable

Aligned to this mandate, the 2020/21–2024/25 Strategic Plan outlines the high-level strategic framework of the NHFC as follows:

Vision

Serving the households evolving needs of access and affordability to adequate housing, in support of developing quality living environment.

Purpose

To prioritise the development impact through Transformation and Sustainability.



Figure 1: Overall Mission of the NHFC

Based on its mandate imperative, the NHFC will have a unique approach to doing business. Whilst it is primarily anchored as a development finance institution, with a predominant wholesale offering, it will be flexible enough that it will adopt a hybrid model through its strategic partnerships to make markets more inclusive, while leveraging partner's funding, infrastructure, skills, competencies, systems, innovation and entrepreneurial process. The choice of strategic partners in each instance, is determined critically by both the desired results and the development objectives.

With increased risk appetite the NHFC seeks to invest or provide finance where, typically, banks would not participate. This will include:

- Addressing missing/unserved segment of the housing market;
- Entering new markets such as unlocking the township residential property market, student accommodation, backyard rental (small scale landlords) and micro living solutions;
- Addressing severe liquidity constraints or perceived commercial risk;
- Facilitating financial closure (longer tenure to improve viability) or take equity stakes; and

- Support project preparation, including scoping, pre-feasibility and feasibility work to bankable projects.

Specifically, NHFC's purpose is to directly fill the gap in the human settlement's financing market. The NHFC will predominantly provide finance to catalyse, attract and mobilise the involvement of the private sector, by:

- **Pulling** along like-minded partners (e.g. IFC, AfD, AfDB, etc.);
- **Pushing** the laggards (reluctant partners);
- Acting as a **lead arranger** – “bank of first choice in human settlements financing”; and
- Using **blended finance** solutions to bridge gaps and address market barriers in strategic important and high development impact areas.

In addition to its core functions, the NHFC will utilise grant funding (through its proposed Development Fund) to:

- Contribute beyond what is available or otherwise absent from the market (Additionality);
- Contribute to catalyse market development and mobilisation of private sector resources;
- Achieve impact that is sustainable and promotes commercial viability;
- Address market failure effectively and efficiently and minimise the risk of market distortion (crowding out private finance); and
- Promote adherence to high standards, in areas of Corporate Governance, Environment impact, Integrity, Transparency and Disclosure (ESG – Developmental Outcomes).

Values

Our guiding values: OPTICA

- Ownership
- Passion & Purpose
- Teamwork
- Integrity
- Creativity
- Achievement

A comprehensive NDoHS MTSF intervention 2019-2024 and how the NHFC contribution is aligned is outlined in the NHFC 2020-2025 Strategic Plan. The plan outlined here is the second year of the five-year strategic plan.

PART B: OUR STRATEGIC FOCUS

5. Situational Analysis

South Africa has not been immune to the negative effects emanating from reactions to the pandemic and this is further exacerbated by the already pre-existing structural challenges the economy is facing. The GDP growth for quarter 2 2020 shrank by 16.4% (51% annualised) or 17.1% when compared to the same quarter last year signalling the damage caused by the COVID 19 lockdown on the economy. South Africa moved to Lockdown alert level 1 as from midnight, 20 September 2020, easing the strain on the economy as more industries open operations. This is expected to see increased consumer spend and business confidence as the Entertainment and Tourism sectors open their doors resulting in a stimulated economic growth curve.

The RMB/BER business confidence index has shown a slight growth and improvement from the record low slum it had fallen to earlier in the year. While this is somewhat pleasing, overall sentiment remains heavily depressed. The South African Reserve Bank Monetary Policy Committee on 17 Sept 2020 left the Repo Rate unchanged in a split vote decision citing that the Central Bank has played its role to stimulate the economy after a total of 300 bps cut in 2020 and other measures put in place .

Construction sector continues to contract throughout the remainder of 2020 with a bleak outlook. High national debt and the massive decline in building permits for both residential and non-residential buildings is weighing in on the industry's output over the short and medium terms.

Our clients are all impacted as they face various challenges:

- Extremely uncertain future due to inability to forecast economic outlook because of uncertainty over the pandemic outlook;
- Production interruptions due to pandemic management functions being implemented;
- Lower demand due to economic slowdown and reduced business activity;
- Potential requirement for interim liquidity and uncertainty over future liquidity requirements and sources; and
- Potential impact on company solvency, covenant breaches due to temporary interruptions.

The core priority for the NHFC in the medium term remains the establishment of the Human Settlements Development Bank (HSDB), the maximising of its developmental impact, thus improving the quality of life in its target market and also driving transformation in the human settlements sector, while remaining self-sustaining.

In order to effectively meet the human settlements finance needs, in a sustainable manner, a coordinated and integrated financial institutional structure able to effectively leverage government grants, wholesale and investments, so as to maximize private sector funding and participation, as well as household contributions, is paramount. The achievement of this objective relies on the relentless oversight and leadership of the Board and the support of the Shareholder.

The process of tabling the Bill before Parliament before the end of the current financial year, 2020/21 remains paramount. This section of the plan outlines the strategic thrusts to be pursued and an external and internal analysis of the operating environment.

6. External Environment Analysis

In order to address the needs in the market and ensure that NHFC maximises its developmental impact in terms of its mandate, the external factors must be considered. When assessing the external environment, the macro economy, the stakeholders and the consumers were considered to ensure all components of the external environment were addressed.

6.1 PESTEL Analysis

The PESTEL analysis is a framework or tool used to analyse and monitor the macro-environmental factors that may have a profound impact on an organisation's performance. It is used to give a clear understanding of a situation and related internal and external factors.

Political Environment

Overtime there has been high levels of fraud and corruption which have reduced investor confidence resulting in a decline in the property market. The Minister of Housing in response to organized criminal activities and forceful occupation of Land, said "Municipalities must be vigilant and work with law enforcement agencies to counter these criminal syndicates".

On the other hand, the government has responded well to the emergence of risk due to the pandemic and has quickly adopted temporary countercyclical fiscal and monetary policy measures. The NDoHS and its entities in line with the post COVID 19 National Economic Plan will adjust the speed of other programme interventions into the housing production process using a set of existing supply driven subsidies, incentive and risk sharing programme instruments (Catalytic projects; Social/Rental and Affordable Housing) into supporting a range of supply linked players in the housing production chain.

The Impact of COVID-19 on an already subdued economic outlook, requires a public private supply side intervention to re-boot the property sector. This can be achieved by leveraging the banking and long term investment institutions into reigniting the housing market across income streams; by scaling up the most workable products, programmes and instruments to increase supply, and improve the quality of life in settlements (HSC's to serve as Financial Transactional Support Centres).

The Department of Human Settlements has secured funding for facilitation of affordable and backyard rent relief on a national basis for eligible tenants experiencing financial hardships due to COVID- 19 lockdown impact, such as loss of income from job losses. The rationale of the COVID-19 Affordable Rental Relief fund is to support residents who are at greatest risk of displacement due to non-payment of rent because of the COVID-19 pandemic. This will also offset corresponding lost revenue by landlords. The scheme, while noble has not yet been implemented as a consultation process for determining the appropriate legislative framework for establishment is still taking place. The customer relief measure take into account a temporary Relief Scheme which is temporary nature, and in line with the Disaster Management Act: 1 ("the DMA"), the Housing Act,:2 the Rental Housing Act:3 and the Social Housing Act:4.

Another consideration is determining the procedure which must be followed to establish the Relief Scheme to satisfy the procedural fairness requirements of the Promotion of Administrative Justice Act, 4 of 2000 (PAJA). Lastly, there is a need to review the proposed distribution options, whether they satisfy the principles of legality, administrative justice and constitutionality.

The Department of Human Settlements has also developed an Economic Recovery Plan focused on securing basic infrastructure as the base for both social protection and economic recovery. This Plan recognises the fact that housing has a significant impact on the economy.

Economic Environment

Macro-Economic Variables

VARIABLE	2020	2021	2022	2023	2024	2025
PPI	2.5%	4.2%	5.00%	5.00%	5.10%	5.10%
CPI	3.3%	4.3%	4.8%	5.0%	5.0%	5.1%
GDP	-9.2%	2.5%	1.8%	2.0%	2.2%	2.4%
Pop. Growth	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%
B/of Payments % GDP	-1.3%	-2.9%	-3.5%	-3.5%	-3.6%	-3.5%
Exports	-10.7%	4.3%	3.2%	3.9%	3.9%	4.2%
Imports	-17.1%	2.5%	3.9%	4.3%	4.7%	4.1%
HCE	-7.9%	1.8%	1.7%	2.0%	2.2%	2.4%
Salary Wage Increases	-4.7%	5.9%	5.5%	5.3%	6.1%	6.4%
Unemployment	31.6%	33.8%	31.9%	31.0%	30.2%	30.7%

Source: Investec- Table Research Unit

SARB Hands Tied

- SARB's headline Consumer Price Inflation forecast averages 3.3% in 2020, lower than the previous forecast, 4.0% in 2021 and 4.4% in 2022.
- The SARB forecasts a GDP contraction of -8.2% in 2020, compared to -7.3% forecast in July 2020.
- Despite the lower inflation outlook and worse than expected growth forecast, the MPC believes that there is no more room for rate cuts.

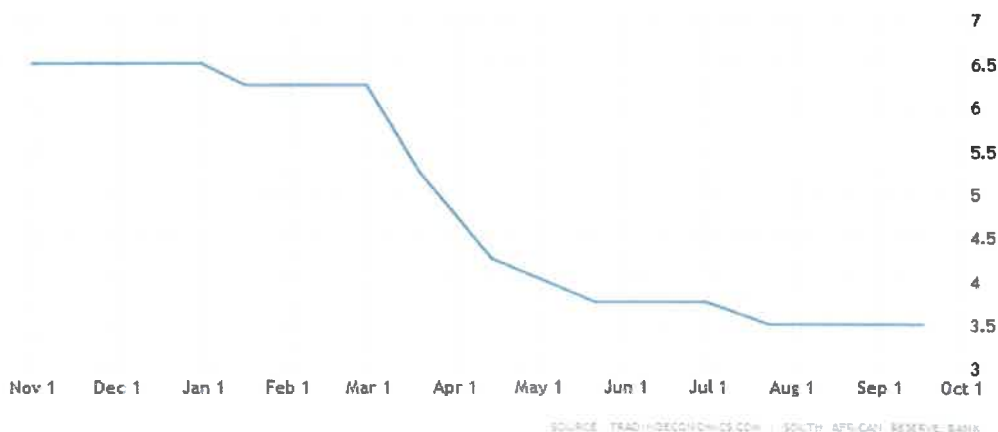
GDP

- The global economy has shown evidence of some recovery in Q3.2020, as expected, but it is clearly not a complete recovery by any means. This means that the recovery will not be a V shaped recovery but rather a slow, patchy and uneven between countries.
- Locally the economic effects of the crisis caused by the Covid-19 pandemic have been extensive and a recovery to pre-pandemic levels will take several years.
- South Africa's real GDP contracted by a massive 51.0 %(Annualized) in the second quarter of 2020, the largest contraction since quarterly records began in 1960, extending the economic recession to a fourth quarter.

- While official data for South Africa's GDP is not yet available for Q3.20, incoming monthly data readings shows the economy is seeing a partial recovery from Q2.20's lockdown restrictions. The Q3.20 rebound could be in the region of 30% qqsaa (quarter/quarter, seasonally adjusted annualized).
- With GDP continuing to contract (y/y), Stats SA estimates that just over two million individuals lost their employment, lowering the total number employed to 14.1million in a population of 60million, while those not economically active rose to 20.6million, from 15.4million in the first quarter.
- Consequently, HCE (Real Household income, Consumption and Expenditure) is negatively impacted and could see a decline of somewhat 11% by the end of 2020.

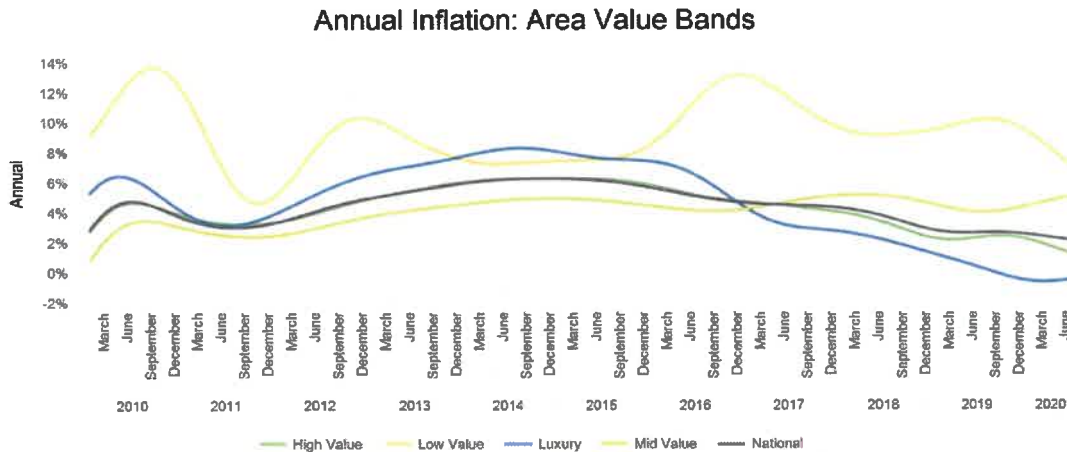
Inflation

- South Africa's inflation rate has dropped to 3.1% in August 2020 from 3.2% in July 2020, moving closer to the lower band of the South African Reserve Banks target range of 3 to 6%.
- On a month to month basis, consumer prices increased 0.2% following a 1.3% rise in the previous month.
- Prices slowed in the food & non-alcoholic beverages, housing & utilities, restaurants & hotels and miscellaneous goods and services.
- This contrasts with the increased inflation prices for the health sector and the alcoholic beverages & tobacco products.



Property Market

- The Low and mid value segments continue to buck the market trend by growing at more than 5% annually while the High Value and Luxury segments are inflating at rates below 2% per annum.



High Value: R700k to R1.5 million Low Value: <R250k Luxury: > R1.5 million Mid Value: R250k - R700k

Source: Lightstone, Residential Property Indices, August 2020

Building Plans

Results for January to July 2020

Table A – Recorded building plans passed by larger municipalities at current prices: January to July 2019 versus January to July 2020

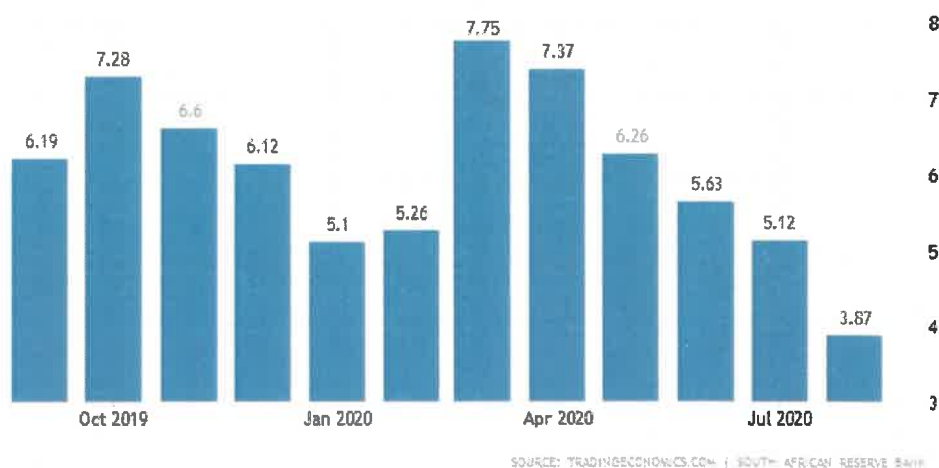
Estimates at current prices	Jan – Jul 2019	Jan – Jul 2020	Difference in value between Jan – Jul 2019 and Jan – Jul 2020	% change between Jan – Jul 2019 and Jan – Jul 2020
	1/	1/		
	R'000	R'000	R'000	
Residential buildings	34 571 687	17 770 715	-16 800 972	-48,6
-Dwelling-houses	17 667 754	10 641 233	-7 046 521	-39,8
-Flats and townhouses	16 432 281	6 959 107	-9 473 174	-57,6
-Other residential buildings	451 652	170 375	-281 277	-62,3
Non-residential buildings	13 417 111	8 134 179	-5 282 932	-39,4
Additions and alterations	17 488 042	9 974 076	-7 513 966	-43,0
Total	65 476 840	35 878 970	-29 597 870	-45,2

1/ 2019 and 2020 figures should be regarded as preliminary because of possible backlogs and incomplete reporting by municipalities.

- The value of recorded building plans passed (at current prices) decreased by 45.2% (-R29 597.9 million) during January to July 2020 compared with January to July 2019.
- Decreases were recorded for residential buildings (-48.6% or -R16 801,0 million), non-residential buildings (-39.4% or -R5 282.9 million) and additions and alterations (-43.0% or -R7 514,0 million) – see Table A.

Credit Extension

- South Africa's private sector credit rose by 3.87 percent year-on-year in August 2020, following a 5.12 percent growth in the previous month. This was the weakest rise in private credit since August 2010.

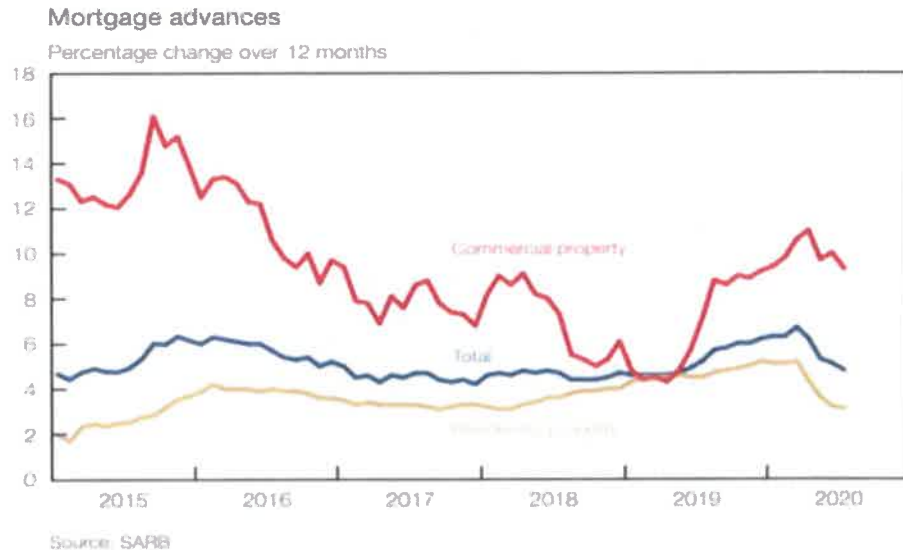


Sources: Stats SA and SARB
Quarterly Bulletin - June 2020, South African Reserve Bank

- Household debt declined in the second quarter of 2020, for the first time since the third quarter of 2002. The outstanding balances of most categories of credit extended to households decreased as the national lockdown and related uncertainty likely affected households' saving and spending patterns.
- The ratio of household debt to nominal disposable income increased significantly from 73.6% in the first quarter of 2020 to 85.3% in the second quarter as the notable quarter-to-quarter decline in nominal disposable income exceeded the decline in household debt

Mortgage Advances

- Growth in mortgage advances initially accelerated moderately further to 6.7% in March 2020 before moderating to 4.8% in July. The inability to view properties during the national lockdown was particularly evident in mortgage advances on the residential and farm properties with growth decelerating from 5.2% in March 2020 to 3.1% in July.
- The slowdown in residential mortgage advances was further exacerbated by the inability to process property transfers during this period.
- Growth in mortgage advances on commercial property was somewhat livelier, accelerating to 11.0% in April 2020 before moderating slightly to 9.3% in July.



Sociological factors

Historical spatial isolation policies have created rapid urbanization as predominantly previously disadvantaged and low-income households migrate from distant designated areas to metropolitan areas in order to increase proximity to economical activities and opportunities.

Rapid urbanization and population growth have increased migration to metropolitan areas as the market seeks to address spatial issues constructed by the previous regime. This rapid urbanisation is exerting pressure in urban human settlements and access to services and has resulted in the development of informal settlements that are a challenge to eradicate. At the same time, a significant number of citizens still remain in rural areas and need access to government services.

The limited exposure, education and awareness of financial planning, savings and wealth generation limits the lower end of the market from participating in property markets

COVID-19 is expected to create a wave of household borrower defaults resulting from unemployment or reduced income

Technological Environment

The emergence of new technologies globally and in the financial services industry in particular, has an impact on how the NHFC delivers their services to clients, stakeholders and shareholder. The rise of the digital economy, innovation and deployment of robust and responsive technologies will also impact the reach of NHFC and allow it to operate in new demographic locations. Adoption of innovative and new technologies will improve service delivery and operational efficiencies.

NHFC employees will be empowered and enabled with tools and technologies to deliver the required service as and when expected inline with client expectation.

With the emergence of innovation, fourth industrial revolution and technological advancements, cyber security incidents and threat landscape is worsening and most organisations are always on the backfoot because they focus at the issue through the lens of technology rather than that of business risk. Cyber security has become critical to long term sustainability of most businesses.

The advent of the Digital Era has brought new technologies and innovation into the market enabling lower income households to access affordable finance. These include enterprise mobility, the use of mobile and online platforms to source funding and utilisation of Blockchain, Big Data, Analytics, Internet of Things (IoT) and Artificial Intelligence (IA) to enable increased spatial planning.

Innovation in housing materials have led to cheaper raw materials required to build better quality housing. Building projects on a larger scale can dramatically change the productivity and cost of delivering housing, making it possible to employ techniques such as repeatability and off-site fabrication.

Environmental Factors

Increased awareness of enterprise ecological footprint has provided the market with new considerations to ensure that their needs are met in a sustainable manner.

Legal Environment

As a result of increased political scrutiny around affordable housing solutions and land reform, government is seeking to address historical imbalances with inclusive and equality seeking legislature aimed at previously disadvantaged households.

- The prevalent issues related to land reform and expropriation looms in the distance and casts a shadow within the market as it seeks clarity.
- Legislation approval processes hamper efficiencies.
- Current rental agreements and payment conditions will be negatively impacted by COVID-19 as businesses and households push back on payment agreements.

6.2 Implications for the economy and property sector:

- Growth stimulation and economic recovery will take much longer than initially forecasted.

- For the NHFC specifically, forecasting the projected collections, credit losses, interest income, approvals, and disbursements (our key value drivers) over 2020/21 will continue to be challenging, requiring COVID-19 adjusted strategies and sustainability plans to be mapped.
- The easing of the lockdown restrictions to alert level 1 has sparked some increase in economic activity but is currently not enough to save an ailing economy.
- South African borders are still being strictly monitored and not fully operational at this point, as a result, imports and exports will still be constrained and limited.
- The South African Monetary Policy Committee has cut the umbilical cord on the South African economy and in their last decision to hold the position of rates and further stating that they have done what they could to stimulate the economy and have projected an increase in rates at the next sitting.
- Majority of South Africans were not able to take advantage of the lower interest rates in terms of buying property due to the massive loss of income for most and increased cost of living.
- The property industry continues to bleed due to more stringent mortgage advance guidelines, resulting in most applicants being declined and unable to buy properties.

NHFC Focal Points

- Precautions are in place to deal with the higher risk of the spread of COVID 19 from a client liaison walk in space in the FLISP product to gear up for the renewed commitment and support of the banking sector on this product.
- The depressed economy is affecting many sectors and has resulted in job losses. Many residents within the rental properties, Social housing and affordable Housing space, have lost their income source and are unable to honour their monthly repayments. The NHFC has put in place COVID related relief measures in place to assist its clients. Some of these are developmental rearrangements of loan repayment. The NHFC has the capacity to assist its clients in need with 4 Months moratorium and still be viable. This translates to a decrease in projected lending income for the NHFC.
- The Minister of Human Settlements in response to organized criminal activities and forceful occupation of Land, said “Municipalities must be vigilant and work with law enforcement agencies to counter these criminal syndicates”.
- With business confidence at a record low, chances of the NHFC securing new business and making significant disbursements to already existing clients have dropped as the construction industry has been hit hard, not only by COVID-19 pandemic, but also by the recession and sovereign downgrades of the domestic economy into sub-investment grade.

- Credit extension remains a challenge and there has been a slow rate of credit advances by banks and financial sectors due to the state of our economy. This will impact the ability for people to secure mortgages and more people will be looking to the affordable housing space.

Stakeholder Analysis

Housing Finance Value Chain

The housing finance value chain is complex and dependant on a variety of stakeholders from both the public and private sector. Each stakeholder plays a critical role in executing, co-ordinating and facilitating the core functions of the value chain in order to ensure that value is transferred to the end consumer.

- **Planning:** This function entails the formation of a housing development project and involves the identification of demand and formulation of a plan in order to fulfil the demand. This is inclusive of the municipal and provincial planning processes.
- **Land and Tenure:** This function entails acquisition and provision of suitably located land needed for development. Tenure, zoning and title deeds are key elements of the process which enable developments to proceed.
- **Essential Infrastructure:** This function entails provision of basic services such as water, electricity, transport and sanitation to the development site. Site infrastructure is connected to municipal trunk infrastructure thus ensuring the development site has access to basic services.
- **Financing:** This function entails the provision the access to funding facilities in order to finance the development process. Developers and incremental financiers require affordable financial capital to be able to fund development projects.
- **Design and Building Services:** This function entails the process of designing adequate housing solutions and ensuring that production plans are approved by regulators.
- **Building Procurement:** This function entails obtaining the required raw materials from suppliers in order to enable the construction process.
- **Construction:** This function entails the process of developing housing and supervision of building activities.

- Property Management and Community Development:** This function entails the process of managing and maintaining housing developments and enhancing the surrounding environment to create a conducive healthy area for occupants of the development.



Figure 1: Housing Finance Value Chain

Human Settlements Development Bank Value Chain

The NHFC will be operating as a development bank and as such will be providing the function of financing within the housing finance value chain. In order to provide affordable and accessible financing to intermediaries, the NHFC will require certain functions to be in place that will facilitate the financing process. Therefore, the financing function has an internal value chain that allows financing to be provided to the intermediary.

Capital Provision: This function entails provision of funding from external sources that will capitalise the entity and enable funding to be provided to the intermediary by the financing institution.

Management: This function entails managing the operations of the financing institution and includes the strategic and operational direction of the entity. Key elements such as credit risk and investments need to be adequately managed to ensure capital provided can both produce returns and have a developmental impact.

Disbursement: This function entails distribution of capital in the forms of debt or equity to qualifying intermediaries at affordable rates that will catalyse the development of affordable housing within the sector.

Collection: This function entails collecting of payments due from intermediaries in a timely manner to ensure the financing institution is generating a positive return and is sustainable.

Internal Stakeholders

Internal stakeholders can be defined as groups or individuals who work within an organization. These stakeholders are directly involved in the actions of the entity in either a strategic or operational manner. The following internal stakeholders exist within the internal environment of the entity.

Table 2: Core stakeholders

Name	Function in Value Chain	Interest
Board of Directors	Governance	Strategic direction and oversight of the entity
Executive Committee	Management	Strategy Implementation and Operations of the entity
Employees	Disbursement/Collection/ Management	Source of income and career development

External Stakeholders

External stakeholders can be defined as individuals, groups and entities from the external environment that can either have a significant impact on the operations of the entity or be impacted significantly by the operations of the entity. The following external stakeholders exist within the external environment of the entity.

Table 3: External stakeholders

Name	Function in Value Chain	Role
National Credit Regulator Financial Sector Conduct Authority Financial Intelligence Centre	Financing	Regulator
National Treasury	Capital Provision	Finance provided is used in accordance with mandate
Department of Human Settlements	Capital Provision/Management	Entity delivers on mandate and transforms human settlement sector
Civil Society	Property Management and Community Development	Advocacy

Name	Function in Value Chain	Role
National Home Builders Registration Council	Planning, Land and Tenure and Essential Infrastructure	Regulator
Provincial Government	Planning, Land and Tenure and Essential Infrastructure	Partner
Local Government	Planning, Land and Tenure and Essential Infrastructure	Partner
Private Sector Financial Institutions	Financing	Supplier
Private Rental Developers	All Functions except financing	Intermediary Customer
Social Housing Institutions	All Functions except financing	Intermediary Customer
Short term Financers	Financing	Intermediary Customer
Provincial Development Financials Institutions	Financing	Intermediary Customer
Department of Public Services and Administration	Management	Ensures entity maintains a compliant and functioning public service
Private Sector Financers	Capital Provision	Financing provided generates adequate returns
Housing Finance Institutions	All Functions except financing	Intermediary Customer
Low Income Households	Property Management and Community Development	Beneficiary
Housing Development Agency	Planning, Land and Tenure and Essential Infrastructure	Partner
Social Housing Regulation Authority	Planning, Land and Tenure and Essential Infrastructure	Partner
Research Institutions	Across Value Chain	Partner

Housing Finance Market segments

The South African housing finance market comprises three broad market segments with financial products focused on and limited to each segment (see figure below). There is limited cross over between these segments.

Currently Government fully finances the lower segment (households earning less than R 3,500 per month). Households and private sector initiatives are mobilised in the middle (R 3,500 to R 22,000 per month household income) and upper segment (R 22,000 and above monthly household income).

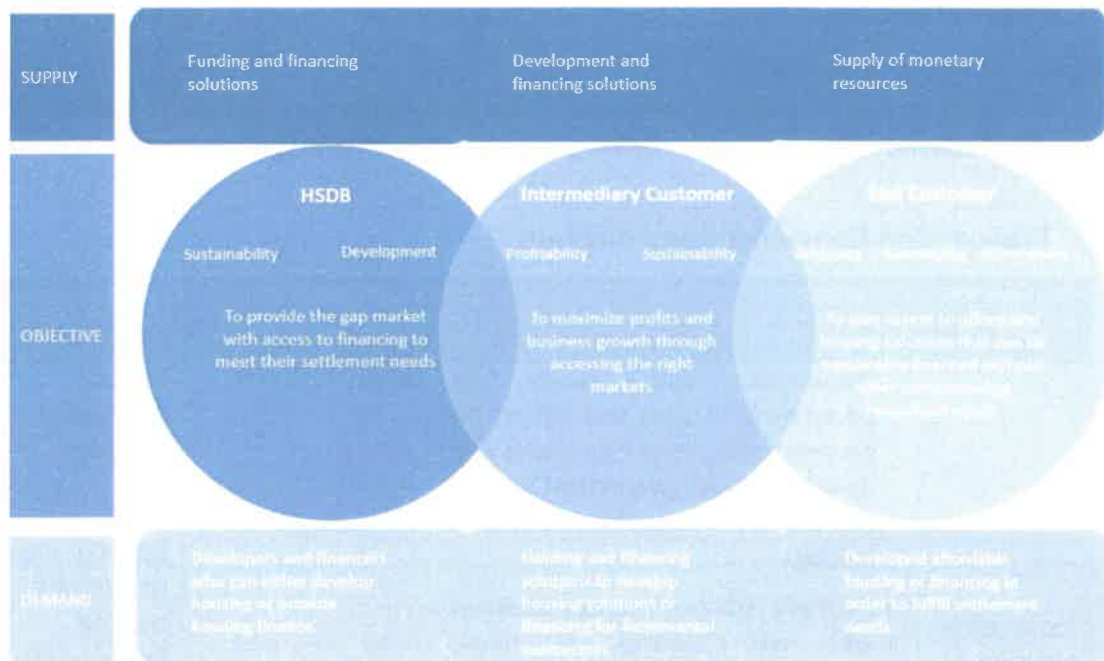


Figure 2: Affordable Housing Market

Defining Customer

NHFC proposed operating model will be in the role as a wholesale financier which shall provide suitable financing for retail financiers. The retail financiers will then provide affordable financing solutions to end consumers in need of affordable housing.

Thus, the NHFC will ultimately be providing affordable housing finance to individual consumers via an intermediary. That intermediary could be a social housing institution, a retail financial intermediary (such a micro lender providing loans for home improvements), building contractors/developers and other property investment companies (investing on rental housing stock). As such NHFC will need to provide services and financing to intermediaries which are viable and affordable.

End Consumer

The end customer represents the ultimate beneficiary of the product offered by NHFC and will be using the financing provided to either build, buy or rent formal accommodation. The end customer will be serviced by an intermediary which has strategically partnered with NHFC to meet demand and is defined based on gross household income.

Segmentation

NHFC in its role as a development bank will be focused on serving the gap market for affordable housing. The gap market consists of the following segments:

Table 4: End Consumer Segmentation

Consumer Segment	Definition	Household Income per month	Needs
Incremental Housing	Households who qualify for government housing and are on the housing waiting list or households who do not qualify for government housing and need financing for incremental building	R800 – R22 000	Funding for incremental housing solutions
	Currently reside in informal dwellings and are building a house incrementally		Building materials for renovations and building houses incrementally
	Households who have previously received a BNG house, but because of changing income circumstances want to extend/improve BNG house and possibly trade up, thereby supporting secondary housing market		
Social Housing	Households who fall outside the scope of government housing and are unable to obtain a mortgage loan from a bank	R1 500 – R15 000	Affordable social rental housing Subsidised accommodation
Affordable Housing	Households who fall outside the scope of government full housing subsidy and require a deposit in order to obtain a home loan from a financial institution	R3 501 – R22 000	Affordable private rental and ownership solutions Capital deposits for mortgage loans and other home loans

Intermediary

Intermediaries represent the strategic partners that will obtain funding from NHFC in order to service the demand of target end customers. NHFC will use the established infrastructure and implicit resources of the intermediaries to facilitate the flow of supply into the market.

Given the different needs of the end consumer, a multitude of intermediaries will be required in order to supply services to satisfy demand. The following intermediaries will be used to service the demands of the end consumer.

Table 5: Description of intermediaries

Intermediary	Description	Needs	End Consumer Serviced
Retail Financial Intermediaries	Lending businesses who provide short term loans to low income households who usually build on an incremental basis	Access to affordable funding below prime rates. Advisory and guidance to facilitate business growth	Incremental Housing market
Social Housing Institutions	Institutions who develop and manage social housing projects for low income households	Access to affordable funding Government funded subsidies for development costs	Social Housing market
Private Developers/ Contractors	Property developers who develop and sell housing across all income levels of households	Access to affordable funding below prime rates.	Affordable Housing Market Social Housing market Private Rental Market
Privately owned long term property investors	Property investors who develop and investment in property rental stock as well as stock for sale	Access to affordable housing finance	Private Rental Market Affordable Housing market (seeking rental stock)
Private Financial Institutions	Private sector banks that provide mortgage loans and other lending services for households	Guarantees for possible loan defaults granted to low income households Initial loan deposits from low income households	Affordable Housing

The NHFC operating in the capacity as a development financial institution will need to ensure the market failure within the affordable housing market is addressed. To address the market failure the NHFC will need to service the needs of low-income households through intermediaries that can either provide affordable and accessible finance or develop affordable housing stock.

7. Internal Environment Analysis

Currently, the NHFC is listed as a schedule 3A entity in the Public Finance Management Act 1999 and is registered in terms of the Companies Act of 2008. The NHFC is starting to operationalise the HSDB model whilst the drafting of the legislation is in progress.

The NHFC still continues in its existing legal format but will change its constitution documents to conform to the HSDB requirements that will be outlined in the legislation once it has been promulgated.

NHFC's offering

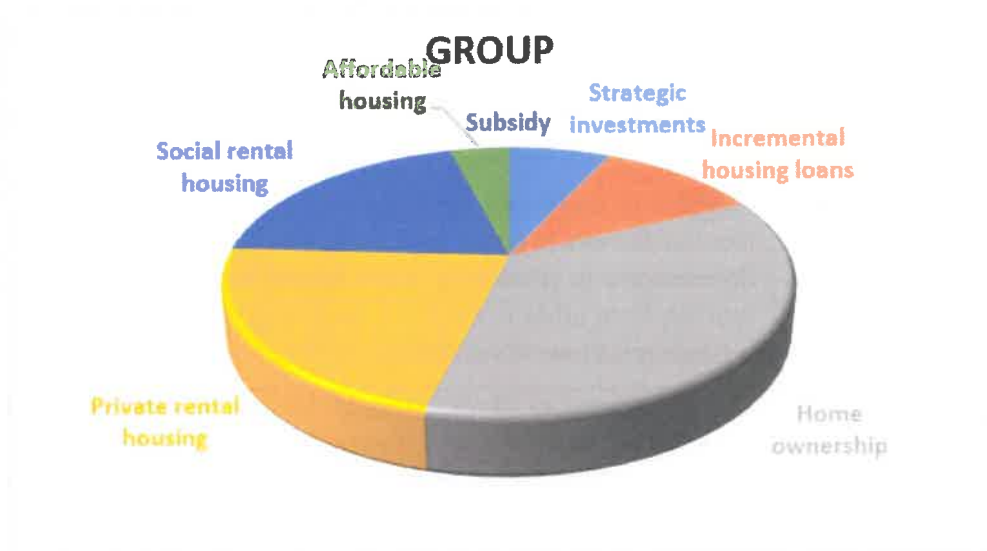
Product Offering Detail

Product	Product information
Social Housing Finance	<p>This is subsidised rental housing, made available by social housing institutions registered with the Social Housing Regulatory Authority (SHRA).</p> <p>NHFC provides 70% - 75% project funding as secured debt with the balance provided by SHRA and the Provinces in the form of grants and provincial subsidies.</p>
Private Rental Housing Finance	<p>NHFC provides medium- to long-term funding to develop or refurbish affordable privately-owned rental accommodation.</p>
Affordable and Subsidy housing - Bridging Finance	<p>NHFC provides bridging and development finance to contractors and developers involved in the development of subsidy and affordable housing. Funding is provided to contractors who have been awarded contracts by public and private sector entities for the construction of subsidy housing and related community facilities.</p> <p>Bridging finance entails offering bridging finance to contractors and developers who are building houses during the construction period phase. This type of finance is short-term based and assists contractors and developers with revolving facility finance that financed their approved work in progress certificates. This type of finance is designed to avoid construction stoppages on</p>

Product	Product information
	construction sites while work in progress invoices are processed by clients or other offices, for example Municipalities, Provinces, Deeds offices etc.
Incremental Housing Finance	<p>NHFC offers funding to non-banking intermediaries, who on-lend to homeowners, for incremental improvements, including additional living space.</p> <p>Funding is facilitated to empower both rural and urban low-income earners to better their living conditions. Intermediaries are encouraged to grow to a point where they are able to access funding from other institutions, crowding in the private sector as a funding partner to the NHFC.</p>
Home ownership	NHFC invests in developments where individuals purchase completed units through mortgages (with value typically, not exceeding R900 000). Loans are provided to homeowners via our clients who are non-banking retail intermediaries.
<p>Grant Facilitation: Example—</p> <p>a) Finance Linked Individual Subsidy Programme (FLISP)</p> <p>b) Residential Rental Relief Programme (RRRP)</p>	<p>The NDOHS commissioned NHFC to administer and facilitate the delivery and access to FLISP nationally with effect from 1 April 2019.</p> <p>The FLISP programme offers qualifying applicants a once off subsidy that can be used as down payment towards a home loan and a measurable opportunity of reducing the eventual monthly loan repayment instalments to make loan repayments affordable.</p> <p>The NDHOS has appointed NHFC to administer and facilitate delivery of residential relief grant to tenants who struggled with rent payment during 1 April 2020 to September 2020 because of financial distress due to economic lockdown resulting from COVID-19 pandemic.</p>
Strategic investments and Partnerships	NHFC works closely with investors, developers and housing development agencies and funds to leverage private sector and development funders to finance and create affordable housing stock.
Programme and fund management programme	Programme management and project implementation services are offered, under this programme, to provincial and local authorities. We therefore support the development of project and programme management capacity and enhance service delivery in the human settlement sector.

Based on the above offering, the NHFC capital allocation to the various segments is as follows:

Figure 3: NHFC's allocated capital



Strategic investments	Incremental housing loans	Home ownership	Private rental housing	Social rental housing	Affordable housing	Subsidy
7%	11%	36%	22%	20%	4%	0%

Structure

Governance Structure

The current structure of NHFC is that the various committees report into the Board of Directors who then report into the Minister of Human Settlements, Water and Sanitation, as identified below¹:

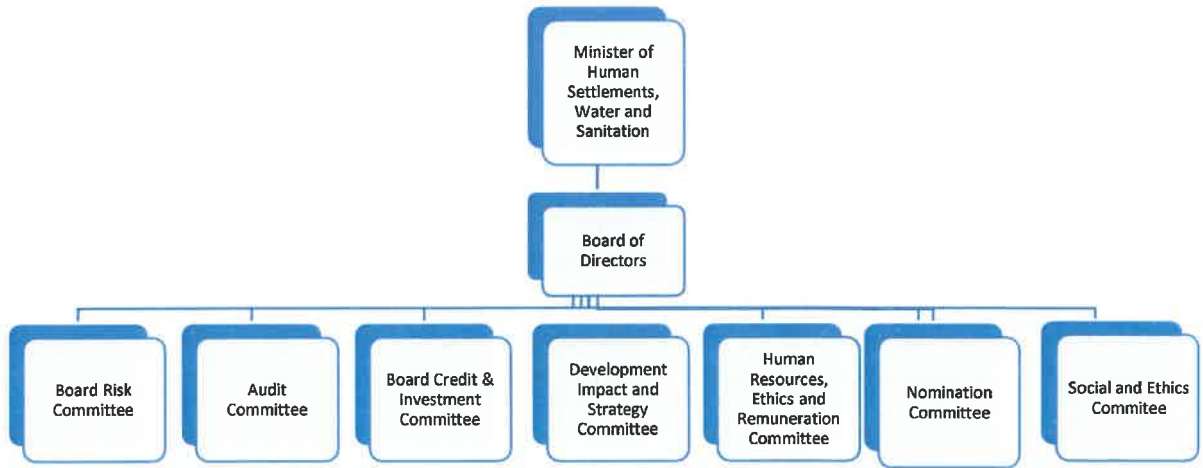


Figure 4: NHFC Current Governance Structure

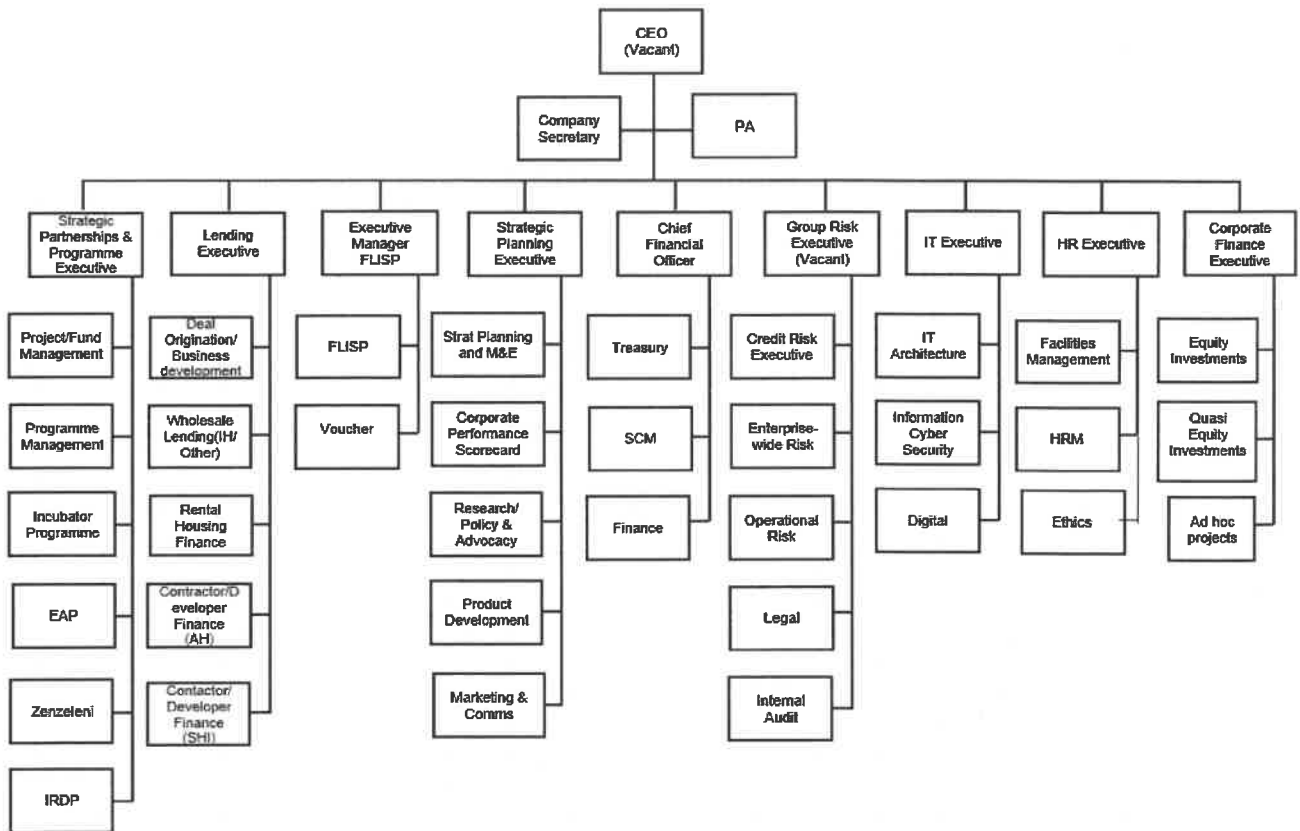
Board Structure

The NHFC board members are appointed by the Minister. The MOI provides for a maximum of 12 members and there are currently 8 members, including the Chairperson. Apart from the Acting CEO, the members are all independent, non-executive directors. The Board members' qualifications, experience and specialist skills across the industry, and within their own spheres of competence, enable them to provide balanced, independent advice and judgement in the decision-making process



Figure 5: NHFC Board Members

Organisational Structure



The NHFC EXCOM is accountable to the Board as illustrated in the governance section. The organisational delivery structure above is designed to align with the NHFC's market unique offering and value proposition and broad enough to consider growth in the business. While all functions are highly specialised and critical to the delivery of the organisation on its promise, an attempt has been made for sufficient allocation of resources to the business units which directly address the organisation's value add to our end to end strategic objective. Furthermore, structure design encourages collaboration between and among the functional areas.

These are key revenue generating units are:

1. Lending	To expand access to housing finance for NHFC target market
2. Equity Investments and subsidiaries	Key role is to develop strategic alliances and partnerships through investments in equity and quasi equity investments in companies that operate within the affordable housing market
3. Strategic Partnerships and Programme Management	Key role is to maximize development impact by facilitating partnerships and human settlements programmes.
4. Grant Facilitation	To expand access to housing finance for NHFC target market through facilitating access to subsidies such as FLISP and any other subsidy grant NHFC may be required by the shareholder to facilitate.

The following divisions provide a supportive role to the revenue generating divisions. The support divisions are:

5. Human Resources	Manages Human Capital
6. Finance and Treasury	Manages Solvency and Sustainability
7. Credit Management	Oversees the credit assessment process and collections of the loan book
8. EWR	Oversight of the Strategic and Operational Risk Framework
9. ICT	Oversees ICT Strategy and Business Technology enablement
10. Corporate Strategy, Marketing and Communications	Oversees Strategic Planning, Monitoring and evaluation, Research Marketing and Communications, Stakeholder Holder Management
11. Company Secretary	Oversees Secretariat functions for Board and management, Governance oversight and coordination between board members, committees and management. Oversight of shareholder returns

- ❖ A Retail Division which is managed under credit is a business unit which is currently in the process of being wound down for strategic reasons.

Strategic Partnerships and Equity Investments

One of the objectives of NHFC is to develop strategic alliances and partnerships through investments in equity and quasi equity investments in companies that operate within the affordable housing market. This is to assist with improving the capital structure of undercapitalised companies, introduce innovative solutions into the market and facilitate public and private partnerships. One other primary objective is to stimulate private sector investment through the NHFC investing risk capital which typically takes the first loss in such investments.

Currently, the NHFC has made equity investments into a variety of entities, as identified below²:

<p>Trust for Urban Housing Finance (TUHF)</p> <ul style="list-style-type: none"> • TUHF drives inner city investment by helping potential investors become property entrepreneurs and offers loans for the purchase and/or refurbishment of inner city residential property country-wide, with footprints currently in Gauteng, KwaZulu-Natal, Eastern Cape, Western Cape and the Free State • The NHFC owns an equity stake of 33% of TUHF and exposure through providing debt finance
<p>Housing Investment Partners (HIP)</p> <ul style="list-style-type: none"> • This is a strategic joint venture with the Old Mutual Capital Holdings (Pty) Ltd to introduce an innovative income linked housing product which enhances affordability for end-users • The NHFC holds a 33.3% equity stake in the HiP
<p>Cape Town Community Housing Company (CTCHC)</p> <ul style="list-style-type: none"> • CTCHC is a development company that provides affordable housing to Low income consumers in the subsidy and non-subsidy markets. The products and services provided include Installment Purchase Agreements (IPA), outright sale of houses for the GAP market, Sectional Title and Residential Housing units, Social and Private Rental and Project Management services. • Wholly owned subsidiary of NHFC
<p>Lendcor</p> <ul style="list-style-type: none"> • Lendcor is an established leader in the prudent financing of home improvements, mostly in rural areas. It is one of the primary non banking retail intermediaries in the unsecured lending market. • The NHFC has a 20% interest in Lendcor
<p>International Housing Solutions</p> <ul style="list-style-type: none"> • International Housing Solutions is a private equity fund manager in which the NHFC has committed R300 million of equity capital to Fund II as an anchor investor. The NHFC's equity investment has been matched with an additional R1.8 billion to create an equity & quasi equity fund of approximately R2.1 billion
<p>Kabo Financial Enterprise</p> <ul style="list-style-type: none"> • The NHFC has a 20% interest in Kabo which is a small non banking retail intermediary which provides unsecured loans to households for home improvements

Figure 6: NHFC Equity Investments

Delivery Model

The current delivery model is to make housing finance available to wholesale intermediaries, developers, rental landlords, contractors, and strategic partnerships for the facilitation of housing opportunities for households earning below R22 000 a month. The NHFC financing delivery model considers evolving policy frameworks on the need for integration and the development of sustainable settlements (well-located settlements close to work and amenities). This will require some level of flexibility in the household income definition to enable such integration of households of low and high incomes to achieve these policy objectives. In all instances therefore where NHFC finance developments (rental or ownership) a minimum threshold of 30% of units must be targeted towards the NHFC core incomes of households earning below R22 000.

Financing of the NHFC interventions will be largely from reserves, other financial institutions, and government grants. The main sources of income include interest on funding and dividends on investment. Currently dividend income is not a major contributor to revenue but as the investment portfolio grows, it too will increase³.

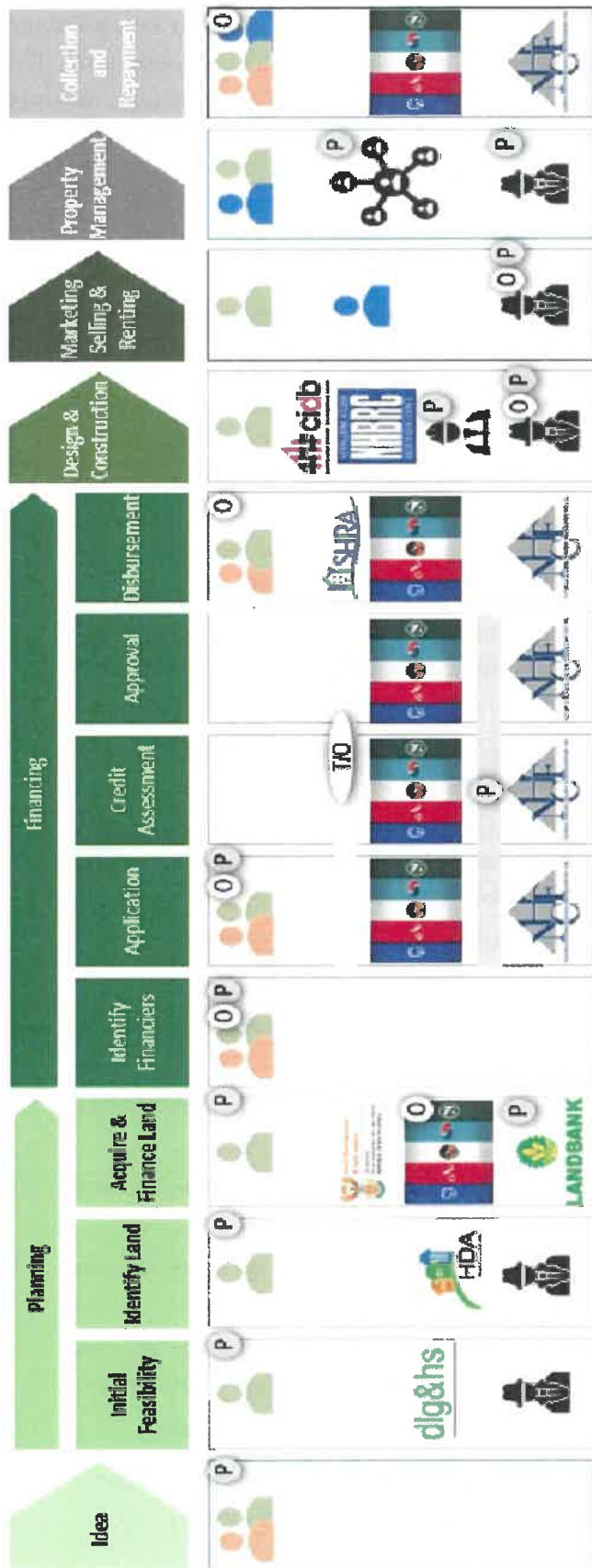
Demand and Supply Operating Model Offerings

The delivery model caters to both the demand and supply side of the South African affordable housing market. This is done by providing finance to its target market which will result in affordable housing (demand side) as well as delivering means through which the households' needs are adequately met (supply side). This is depicted in Figure 4 below.

The current user journey is shown Figure 4 below. It outlines the journey of the primary customer, being the developer and the financial intermediary, as well as when the end-user, being the house owner or renter, partakes in the journey.

It maps the journey from the initial idea through to the collection and repayment period. It also depicts the stakeholders involved at each step of the journey.

The current service delivery model is initiated by the intermediary and developer who go through several processes before reaching NHFC at the financing application phase. The process to receive the funding from NHFC is highly manual, with the application process requiring the applicant to physically submit their documents to NHFC at one of its branches. The credit approval process is performed internally and makes use of applications such as excel to run models. There is no cloud-based storage and all documents are stored physically, with some being stored locally (shared server drives and computer drives). The disbursement process is manual in that the funds are released by authorisers from the NHFC bank account into the applicant's designated account. From there, the financial intermediary will provide loan funding to the end-user, with the developer designing, constructing, selling or renting and managing the property. On the collection and repayment side, the repayment by the primary customer is done online via banking streams.



Key:

- Service Provider
- Contractor/Builder
- Management Company
- Physical, walk-in
- Telephones
- Online (web-based or App based)
- End user
- Financial intermediary
- Developer, social rental, affordable & private rental accommodation

Figure 7: Service Delivery Model

Strengths, Weaknesses, Opportunities and Threats facing NHFC

In order to analyse the current status and operations of NHFC as a consolidated entity, the Strengths, Weakness, Opportunities and Threats (**SWOT**) framework was used. The categories used are end users, funding, innovation, intermediaries, IT, legislation, mandate, market, marketing, monitoring, partnerships, people, performance, process, risk appetite, scale and track record.

Table 6: SWOT analysis

Category	Aspect	S	W	O	T	
End users	High rates of unemployment, poor economic growth, high levels of household indebtedness and the rising cost of construction impact on end user affordability, resulting in less demand for loans and/or higher default rates. The COVID-19 impact will exacerbate the situation					
	Opportunity to address the untapped market of finance for backyard rentals and the lowest end of the market					
	Opportunity to drive transformation in the human settlements sector to enable PDIs to participate meaningfully in the human settlements value chain					
	Opportunity to successfully accelerate the FLISP program and expand its reach and brand awareness					
	Increased political interference could result in further defaults and non-payments in the social rental housing sphere, impacting developers' abilities to meet obligations					
	There is much demand for affordable housing in both the rural and urban markets					
	Risk that the unemployment rate worsens resulting in higher default and an inability to recover loans					
Funding	Additional funding from Human Settlements presents opportunities to meet vision and mission					
	Historically, limited and inappropriate funding for the marginal and high-risk programs					
	Weak income statement limits the ability of NHFC to obtain funding as a result of an inability to meet repayment obligations					
	Current slow economic growth could impact the ability to raise funding from third parties and the rates at which NHFC can borrow					
	There is a risk of an inability to mobilize sustainable funding					
Innovation	Opportunity to drive innovation in the human settlements space, through research and partnership with the private sector					

Category	Aspect	S	W	O	T
Intermediaries	Emerging developers and other intermediaries are forced out of business as a result of increasing costs, weak consumer confidence and inconsistent lending cycles		■		
	There is a risk that there is a lack of supply of suitable and appropriate housing				■
IT	All information is stored locally, with no records classification and the physical servers are hosted locally at the NHFC offices		■		
	Insufficient cyber security to avoid the risk of exposing NHFC to cybercrimes, attack by hacktivists groups and to enable partnerships with financial institutions		■		
	There is a lack of sufficiently skilled ICT personnel to transform HSDB digitally		■		
	There is a high rate of manual processes and intervention which affects delivery and turnaround times		■		
Legislation	Delay in finalization of legislation will impact HSDB's commencement date				■
Mandate	Imbalance between high risk business and DFI's mandate to absorb the risk		■		
Marketing	Marketing to sell and promote products not operating optimally, limiting the ability to grow brand awareness amongst critical stakeholders		■		
	Opportunity to create greater brand awareness by leverage existing marketing capabilities			■	
Monitoring	NHFC has existing relationships with intermediaries to whom NHFC can offer its product	■			
Partnerships	Opportunity to build strategic partnerships with different entities including Retailers and Building Suppliers	■			
	Opportunity to support provinces and municipalities in programme management, financial management and technical support			■	
	Well-positioned as a state entity to provide Programme Management			■	
	Lack of consultation and transparency with stakeholders during consolidation and setup of NHFC could result in dilution of mandate			■	
	Relationships are slow to actualize				■
	There is a risk that the corporate cultures of NHFC will not merge cohesively as a result of the merger		■		
People	There is a risk that NHFC cannot attract and retain suitable talent due to an inappropriate value proposition				■
	Individual Development Plan in place to develop critical skills	■			
	Job descriptions and capacitation needs documented	■			

Category	Aspect	S	W	O	T
	Lack of job descriptions and capacitation needs documented		Red		
	Potential for a high churn within Board and EXCOM prior to finalization of NHFC resulting in a loss of knowledge		Red		
	Historical poor business performance and high defaults limits growth potential		Red		
Performance	Possible risk of not achieving the expected return from strategic investments		Red		
	NHFC may be subject to bureaucratic and administrative delays which will impact its processes and value chain				Red
Process	Inefficiencies and delays in developmental approvals, bulk services, flow of funds for subsidies				Red
	Most processes are highly manual, increasing the risk of error and fraud		Red		
	Customers have complained that the amount of approvals required to obtain funding from the entities is excessive and unnecessary		Red		
	Lack of proactive identification of bankable deals which results in limited disbursements, despite large cash balance		Red		
	Opportunities for realizing operational efficiencies and synergies, and a larger, more flexible pool of capital		Red		
	NHFC does not have an appropriate risk appetite to adequately serve the lower end of the market			Green	
Risk appetite	A larger balance sheet improves NHFC's access to funding due to improved leveraging power		Red		
Scale	Currently, NHFC operates at too small a scale to make a meaningful impact	Grey		Green	
	NHFC has existing experience in the human settlements value chain	Green	Grey		
Track record	Opportunity to drive innovation in the human settlements space, through research and partnership with the private sector	Green			

Findings from the internal analysis

The internal reflection revealed several areas that need to be addressed for NHFC to function optimally. The figure below summarises some of the key focus areas that should be considered for NHFC to leverage the strength of current consolidated structure and address the historical challenges. This will enable the future HSDB to position itself to capitalise on new opportunities and proactively manage threats.

Figure 8: Summary of internal analysis

Structure

- The current governance structure appears appropriate
- The board is appropriately skilled, however, **consideration must be given to the age and gender of the members, and the appropriate succession planning must take place**

Operating Model

- The company has **strong geographical presence** across South Africa and needs to continue to **maintain those touch points** nationally
- **Strategic partnerships are imperative** to the success and sustainability of the company and a **defined Strategic Partnership Strategy** would further enhance their ability to achieve their objectives

Financial Analysis

- The Group's balance sheet shows **capacity to leverage** with a low debt to equity ratio. However, consideration must be given to the **ability to service the debt**.
- There is **clearly demand for the product offerings** as the loans and advances balances continue increasing
- The entity has a **high cost to income ratio** which needs to be addressed to ensure **financial sustainability**

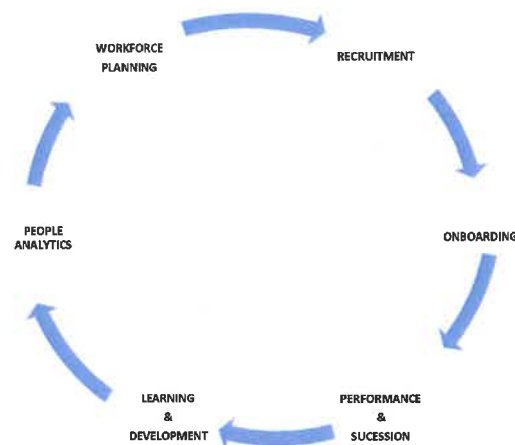
SWOT Analysis

- **NHFC has knowledge and existing partnerships and stakeholder relationships** which will stand it in good stead to achieve its objectives and maximize development impact
- The **numerous weaknesses** in terms of **processes and operations are being addressed** in order to achieve sustainability and continuity
- The **weaknesses and the economic situation present many opportunities** for NHFC to play a pivotal role in the human settlements value chain and **maximize its development impact whilst remaining sustainable**, if addressed and target appropriately

Overview of Support Functions

Human Resources Overview

Human Resource Management (HRM), pertains to formal systems created for the management of people in an organization. Typically, this includes processes and systems to recruit, training and develop our employees, managing their performance and retaining those who add value in our organization. Simply put, our Talent Management cycle is inclusive but not limited to the following processes:



Implementing the Talent Management Framework

Workforce planning enables us to clarify our future human resource needs based on the HSDB requirements. This takes into consideration our current staff compliment, possible upcoming retirements and anticipated attrition- based on history, to determine if there is a need to recruit or reskill to meet the requisite HSDB resource needs.

Recruitment

In gearing towards the HSDB, we were consciously aware of role/functional duplication as a result of the merger. Consequently, a moratorium was put on external recruitment, except for key roles and/ or where scarcity of skills was an issue. Furthermore, our developmental approach to staff migration ensures that in conducting internal recruitment and selection, we condone developmental gaps of redeployed employees as we also tackle the challenge of role duplication.

Job Evaluation Process

In order to deal with post-merger role duplications, different Job naming conventions and different job grading systems, we undertook a companywide including executive job review process, evaluation and grading, which culminated in a single Job grading and standard job naming conventions. With job evaluation done, this will also clarify different levels of work and related remuneration. Where disparities in the remuneration are apparent, this will be dealt with in line with the NHFC Remuneration policy.

Training and Development

Post skills audit, we developed a Skills Development Plan, which straddles two financial years; 2021/2022. Our Employee Development rests on four pillars: strategically to upskill and reskill employees who were redeployed in order to address role duplication, which came about as a result of consolidation, to build leadership bench strength and provide experiential learning to young graduates, thereby building our employee pipeline while also contributing to the country-wide capacity building of youth. At an operational level, we aim to build technical depth of our employees and to support our employee aspirational development needs. With the implementation of this plan, NHFC employees will be technically ready to meet the challenges of HSDB.

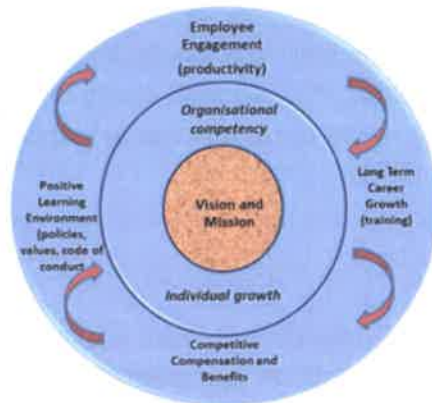
NHFC/HSDB Delivery Structure

The NHFC has organised itself to deliver as HSDB both at company level as well as at divisional levels. To this end, the divisional structures have been reviewed in line with the HSDB organogram to ensure alignment.

Employee Value Proposition (EVP)

Our talent management strategy focus in the Annual Performance Plan is still on ensuring that the staff are adequately capacitated both technically and at leadership level to deliver on the HSDB expectations. To this end, our employee value proposition aims at creating productive, engaged and competent employees who are adequately motivated and remunerated to deliver on our mandate. As a result, a review of talent management strategy was done to focus more on organisational developmental agenda (Succession planning and Pool, Employee Retention, encourage internal Promotions and Dual Career planning) to transform the organisation.

HR EMPLOYEE VALUE PROPOSITION(EVP)



Credit Management

The Credit Risk Department is responsible for managing the risk associated with both loans and equity issued by the NHFC, from before lending occurs until our loans are repaid and equity sold.

To do this it has three sections:

- The New Business Section assesses all proposals received from the Lending, Corporate Finance and Strategic Partnerships Divisions. This is to ensure that from the onset, the NHFC does not disburse funds without being confident that they will be repaid.
- The Credit Risk Section monitors all clients once disbursements have been made. They assess the clients' ongoing ability to pay by reviewing their management reports, as well as ensuring that payments are made on time.
- The Turnaround and Collections Section deals with clients who, despite the best efforts of the other two sections, have defaulted and are considered non-performing. They manage restructuring, legal action, business rescues and where appropriate liquidate clients.

The key performance measures for the Credit Risk Department are the loan loss ratio and the non-performing loan percentage.

KPI	2020/21	2021/22	2022/23	2023/24
<i>Credit loss ratio</i>	3.0%	2.8%	2.5%	2.5%
<i>Non-performing loans</i>	32%	30%	25%	25%

EWR

Corporate Support Services (CSS)

The purpose of CSS is to provide strategic leadership, enterprise wide risk management and legal support services to the entity. For this to be achieved we have:

- a) To provide support to business units to manage the risk environment they operate in.
- b) To ensure that the entity complies with all applicable legislation.
- c) To ensure good internal control environment.
- d) To provide legal support to NHFC, including legal advice, SLA that protects the interests of NHFC.

ICT

The role of the ICT division is to interpret the current and future positioning of the organisation and put in place effective, responsive, enabling, empowering and secure digital capabilities to assist the organisation to achieve its strategic and operational objectives. The division provides strategic direction and takes responsibility for definition and implementation of the ICT strategy. It supports the business of the company and ensures aligning ICT strategy with overall business strategy. It influences business process innovation for the creation of strategic value and improved delivery. The division participates in the development and implementation of the company's business strategy, advising on appropriate technologies, and the protection of company knowledge and intellectual property.

The division is in partnership with business by implementing technological capabilities that will assist the business to achieve its mandate and objectives, by ensuring consistent, secure and optimal availability of ICT services for business planning, forecasting and effective decision making. It enables and support the NHFC information technology needs and initiatives for operational efficiencies. It is also the responsibility of the department for meeting the requirements of internal and external customers, both to provide a stable, reliable computing environment and to provide access to information generated by and maintained by the NHFC in a timely and user-friendly way. The five core functions of the division are:

- ICT Operations and Support;
- ICT Application Development, Implementation, Support and Optimisation;
- ICT Infrastructure Development and Business Continuity Management
- ICT Information Security, IT Risk, Records Management, Privacy (POPI implementation) and Information Governance Management
- ICT Strategy, Business Analysis, Governance, Contract Management.

The ICT division has established five enduring core outcomes for the ICT organisation that will serve as the foundation for all current and future ICT strategies. The five core outcomes of NHFC ICT are to:

- Have competent and capacitated ICT human capital;
- Digitise and optimise content and information management;
- Strengthen IT governance and Risk management;
- Stabilise and ensure adequacy of ICT infrastructure; and
- Ensure effective Information and Cyber Security.

The ICT division seeks to implement effective digital capability that will enable NHFC to achieve its mission of providing innovative and affordable housing finance solutions to the low-to-middle income housing market. It is the aim of the ICT division of the NHFC to implement technologies and innovative measures in the most efficient, secure and cost-effective manner possible, as well as in a context of building institutional respectability for NHFC and its related stakeholders.

Corporate Strategy, Marketing and Communications

The strategy division is responsible for driving the corporate strategy formulation and implementation. This division also oversees the organisational performance, through monitoring and evaluation. It also oversees research to draw market insights and intelligence to provide advisory to business and the sector as a whole.

The division will also lead strategic initiatives like the consolidation and establishment of the HSDB.

The other area in this division is the Corporate Communications and Marketing. The responsibilities include the development of marketing strategies, stakeholder management. As well as managing the Corporate Social Investment

Company Secretariat

- a. Oversight of all company secretarial functions and corporate governance within the organisation.
- b. Interaction with board members, and board and board committees and executive management.
- c. Ensure legislative compliance at CIPC.
- d. Provision of annual returns required by the shareholder in terms of the PFMA.

- e. Oversight of Committee terms of references, delegation of authority, board evaluation and shareholder's compact.

PART C: MEASURING OUR PERFORMANCE

Institutional Programme Performance Information

8. Measuring the Impact

In accordance with the Theory of Change framework, NHFC has designed its strategy with the intention of contributing to making impact in relation to outcome 8 of the National Development Plan, being:

Impact Statement Sustainable human settlements and improved quality of household life

9. Institutional Programme Performance Information

The NHFC has 5 programmes and aligned sub programmes:

PROGRAMME No.	PROGRAMME NAME	CORE FUNCTIONS
Programme 1	Administration	<p>To provide strategic leadership, management and support services to the entity:</p> <ul style="list-style-type: none"> • Finance and Supply Chain Management • Company Secretary • Human Resources Management • Information Technology Management • Corporate Strategic Planning, Marketing and Communications • Group Risk (Credit, EWR, Legal)
Programme 2	Lending and Investments	<p>To expand access to housing finance for NHFC target market through funding (debt, equity & quasi equity) with the following products:</p> <ul style="list-style-type: none"> • Private Rental Housing Finance • Social Housing Finance • Affordable Housing (Bridging Finance) • Subsidy Housing (Bridging Finance) • Incremental Housing Finance • Affordable Housing - Strategic Investment

PROGRAMME No.	PROGRAMME NAME	CORE FUNCTIONS
Programme 3	Grant facilitation	<ul style="list-style-type: none"> • To expand access to housing finance for NHFC housing market through facilitating access to subsidy grant funding such as FLISP and any other grant that the shareholder may require the NHFC to facilitate.
Programme 4	Sector transformation	<ul style="list-style-type: none"> • To expand participation of previously disadvantaged individuals (particularly women and youth), B-BBEE compliant companies and support the establishment of start ups • Disbursements to PDIs • Supplier Development • Enterprise Development
Programme 5	Programme management and strategic partnerships	<ul style="list-style-type: none"> • To maximise development impact by facilitating partnerships and human settlement programs • Increased focus on crowding in private sector

PROGRAMME 1	ADMINISTRATION
--------------------	-----------------------

Programme purpose : To provide strategic leadership, management and support services to the entity.

Programme 1 Outcomes, outputs, performance indicators and *annual* targets.

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Functional, Efficient and Integrated Government	Unqualified audit	Audit Outcome	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings
	Compliant Statutory Reports	Percentage of compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts
	Internal audit annual plan	Percentage implementation of the approved internal audit plan	100% implementation of the annual Internal Audit Plan	100% implementation of the annual Internal Audit Plan	100% implementation of the annual Internal Audit Plan	80% implementation of the approved audit plan. Delays were experienced in finalising the annual plan and budget.	100% implementation of the annual Internal Audit Plan	100% implementation of the annual Internal Audit Plan	100% implementation of the annual Internal Audit Plan
	Anti-Fraud and Corruption Reports	Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented	100% implementation of the approved Anti-Fraud and Corruption Implementation Plan	100% implementation of the approved Anti-Fraud and Corruption Implementation Plan	100% implementation of the approved Anti-Fraud and Corruption Implementation Plan	100% implementation of the approved Anti-Fraud and Corruption Implementation Plan	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan
	Risk Management Report	Percentage implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan
	Credit losses manageable	Credit loss ratio	2.8%	2.9%	2.2%	2.0%	2.8%	2.5%	2.5%
		Non-performing loans within long term covenants	19.4%	31.8%	36.8%	33.5%	36.2%	22.4%	20.0%

Programme 1 Outputs, performance indicators and *quarterly* targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Unqualified audit	Audit Outcome	Unqualified audit opinion with no material findings	Submission of AFS and Performance Information on predetermined objectives for 2020/21 to auditors	Unqualified audit opinion with no material findings	Implementation of Audit Action Plan	Implementation of Audit Action Plan
Compliant Statutory Reports	Percentage of compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts	100 % compliance with statutory tabling and prescripts
Internal audit reports	Percentage implementation of the approved internal audit plan	100% implementation of the approved internal audit plan	25% implementation of the approved internal audit plan	50% implementation of the approved internal audit plan	50% implementation of the approved internal audit plan	100% implementation of the approved internal audit plan
Anti-Fraud and Corruption Reports	Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan	100% implementation of the approved anti-fraud and corruption implementation plan
Risk Management Report	Percentage implementation of the approved risk management plan	100% implementation of the approved risk management plan	25% implementation of the approved risk management plan	50% implementation of the approved risk management plan	75% implementation of the approved risk management plan	100% implementation of the approved risk management plan
Credit losses manageable	Credit loss ratio (annualised quarterly)	2.8%	1.9%	1.9%	2.8%	2.8%
	Non-performing loans within long term covenants	36.2%	33.5%	31.6%	36.2%	36.2%

Explanation of planned performance over the medium-term period – Programme 1

The Enterprise Wide Risk Management (EWRM) division contributes to the achievement of the organisational mandate by assisting with managing the enterprise wide risk for the NHFC. NHFC risk management approach follows a co-ordinated approach in the identification, analyses and managing of organisational risks, being outlined within legislative requirements, local and international best practices. The approach is informed by the principles of The King Report on Corporate Governance (King VI), the risk management best practice standards (ISO: 31000 2009) and the National Treasury Risk Management Guidelines (April 2010).

For the 2021/22 financial year the focus will be on the enhancement of EWRM function. This entails the following functions: Strategic and operational risk management, Insurance, defining the risk appetite statement, Business continuity and Internal and External Audit management and Compliance Management. A key focus area is the implementation of Business Continuity.

PROGRAMME 2	Integrated Human Settlements Planning and Development Programme
--------------------	--

Programme purpose : Contribute to the development of policy, planning and research in the creation of sustainable and integrated human settlements, oversee the delivery of the integrated residential development programme, and participate in coordination of intergovernmental partnerships with stakeholders.

Sub-Programmes Strategic Partnerships and Lending (Subsidy Housing Finance)

Outcomes, outputs, performance indicators and *annual* targets.

Sub-Programme 2a – Strategic Partnerships

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing	Growing participation of private sector financing in affordable housing	Value of NHFC's contribution to strategic partnerships (R'm)		New Indicator			50	100	100
		Value leveraged from NHFC's strategic partnerships (R'm)		New Indicator			150	300	300
		Incremental year on year alignment of future financing activities to PSHSDAs		New Indicator			10%	10%	10%
		Participate in the development of a partnership framework between private sector developer and the NDHS and its entities		New Indicator			Approved Framework	-	-

Sub-Programme 2b – Lending (Subsidy Housing Finance)

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Improved delivery of affordable housing	Disbursements of approved loans	Value of disbursements (R'm)							
		Subsidy Housing - Bridging Finance (R'm)	New Indicator	102	236	84	228	239	251
		Value of approval (R'm)							
		Subsidy Housing - Bridging Finance (R'm)	New Indicator	76	64	79	154	171	197

Outputs, performance indicators and *quarterly* targets

Sub-Programme 2a – Strategic Partnerships

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Growing participation of private sector financing in affordable housing	Value of NHFC's contribution to strategic partnerships (R'm)	50	-	25	-	25
	Value leveraged from NHFC's strategic partnerships (R'm)	150	-	50	50	50
	Incremental year on year alignment of future financing activities to PSHDAs	10%	-	-	-	10%
	Participate in the development of a partnership framework between private sector developer and the NDHS and its entities	Approved Framework	Approved Framework	-	-	-

Sub-Programme 2b – Lending (Subsidy Housing Finance)

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of disbursements (R'm)					
	Subsidy Housing - Bridging Finance (R'm)	228	51	51	51	75
	Value of approvals - (R'm)					
	Subsidy Housing - Bridging Finance (R'm)	154	39	40	45	30

Sub-Programme 2a – Strategic Partnerships

Explanation of planned performance over the medium-term period – Programme 2

The NDP and the current MTSF have prioritise spatial transformation as a key area for the sector and government in general. There are several policy and programmatic instruments that have been put in place to support the achievement of this goal. The Minister has gazetted 136 PSHDAs as areas to receive extra ordinary support in budgets, policies, and programme that advance development of housing, infrastructure and general investment that support development of sustainable, integrated, and inclusive human settlements and urban landscapes. The programme of packaging large scale IRDP programme was initiated through HDA in collaboration with the private sector. The programme has been reinforced by the recent establishment of Infrastructure South Africa (ISA) in the Presidency to support the packaging, financing and implementation of housing and infrastructure strategic projects (SIPs). Social housing and Student accommodation are also housing segments that are receiving priority and this is demonstrated by the doubling of social housing targets to 30

000 units for the MTSF to be achieved by SHRA. The NDHS is strengthening its sector coordination role by establishing a sector Technical Working Group and a Priority Housing Projects Steering Committee. To further strengthen this role the Department and Entities are tasked to develop a framework to guide structuring of partnerships with private developers.

The consolidation of the sector DFIs was undertaken with the NHFC serving as the nucleus towards the establishment of a bigger DFI that secures financing scale, impact, and effective market orchestration. Mobilisation of private sector participation and finance with strengthened collaborations and syndications is the central role expected of NHFC. The NHFC's Balance Sheet is critical to be optimally utilise and yet recognise that the sectoral financing requirements are far bigger than the current balance sheet. Other finance mobilisation mechanisms must take root in on and off-balance sheet structures and build fruitful relationship with multilateral agencies, banking and non-banking lenders. The planned leveraging of equity and debt is looking at a minimum leveraging rate 1:4 and this should improve with improved organisational positioning of NHFC in the market.

Sub-Programme 2b – Lending (Subsidy Housing Finance)

- a) **The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution's mandate including, where applicable, priorities in relation to women, youth and people with disabilities.**

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 20219-2024 MTSF (refer to section 16).

- b) **Description of planned performance in relation to the programme's outputs:**

The planned performance for the APP includes a total disbursement of R 718 Million in the 3 year cycle which will begin with a contribution of R 228 Million in 2021/2022. Furthermore, Approvals planned for the period include R 522 Million in the 3 year cycle which will begin with a contribution of R 154 Million in 2021/2022.

PROGRAMME 3	Informal Settlements Upgrading Programme
--------------------	---

Programme purpose : Provide policy, planning and capacity support for upgrading informal settlements, and oversee implementation of the Informal Settlements Upgrading Programme in terms of volume 4, part 3 of the 2009 housing.

(Not applicable to NHFC)

PROGRAMME 4	Rental and Social Housing Programme
--------------------	--

Programme purpose : Promote the provision of affordable rental housing, and develop capabilities in the rental housing sector through intergovernmental collaboration

Programme 4 Outcomes, outputs, performance indicators and *annual* targets.

Programme 4 – Lending (Social and Rental Housing Finance)

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Improved delivery of affordable housing	Disbursements of approved loans	Value of disbursements (R'm)							
		Social Housing Finance (R'm)	110	77	36	50	95	138	205
		Private Rental Housing Finance (R'm)	152	188	109	33	124	278	309
		Value of approval (R'm)							
		Social Housing Finance (R'm)	82	232	35	256	301	325	358
		Private Rental Housing Finance (R'm)	311	33	215	121	119	155	201

Programme 4 Outputs, performance indicators and *quarterly* targets

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of disbursements (R'm)					
	Social Housing Finance (R'm)	95	26	26	19	23
	Private Rental Housing Finance (R'm)	124	23	11	11	79
	Value of approvals - (R'm)					
	Social Housing Finance (R'm)	301	75	75	75	75
	Private Rental Housing Finance (R'm)	119	30	30	30	30

Explanation of planned performance over the medium-term period – Programme 4

- a) **The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution’s mandate including, where applicable, priorities in relation to women, youth and people with disabilities.**

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 2019 -2024 MTSF (refer to section 16).

- b) **Description of planned performance in relation to the programme’s outputs:**

- The planned performance for the APP includes a total disbursement of R 1, 149 Billion in the 3 year cycle which will begin with a contribution of R 219 Million in 2021/2022. Furthermore, Approvals planned for the period include R 1, 495 Billion in the 3 year cycle which will begin with a contribution of R 420 Million in 2021/2022.

PROGRAMME 5	Affordable Housing Programme
--------------------	-------------------------------------

Programme purpose : Provision of affordable housing finance.

Sub-Programmes Affordable Housing Finance, Investments, and Grant Facilitation (FLISP)

Outcomes, outputs, performance indicators and *annual* targets.

Sub-Programme 5a – Affordable Housing Finance and Investments

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Improved delivery of affordable housing	Disbursements of approved loans	Value of disbursements (R'm)							
		Affordable Housing - Bridging Finance (R'm)	New Indicator	42	68	246	180	248	262
		Incremental Housing Finance (R'm)	New Indicator	63	184	69	183	313	329
		Affordable Housing -Strategic Investments (R'm)	119	98	91	130	143	178	218
		Value of approval (R'm)							
		Affordable Housing - Bridging Finance (R'm)	New Indicator	96	215	643	456	469	472
		Incremental Housing Finance (R'm)	New Indicator		409	100	398	418	439
		Affordable Housing -Strategic Investments (R'm)	-	-	-	240	242	250	263

Sub-Programme 5b – Grant facilitation (FLISP)

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Improved delivery of affordable housing	Disbursements of FLISP subsidies	Number of subsidy applications received	n/a	n/a	n/a	4 653	7 188	8 186	8 566
		Number of Subsidy Applications Approved	n/a	n/a	2 212	n/a	7 100	7 353	7 685
		Number subsidies disbursed	n/a	n/a	1 167	4 334	5 762	7 332	7 678
		Value of approvals FLISP Grant (R'm)	n/a	n/a	n/a	267	460	480	484
Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing		Value of disbursements--FLISP Grant (R'm)	n/a	n/a	60	249	346	358	360
		Amount leveraged from financial institutions (R'm)	n/a	n/a	943	2 117	3 220	2 000	2 000

Programme 5 Outputs, performance indicators and quarterly targets

Sub-Programme 5a – Affordable Housing Finance and Investments

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Disbursements of approved loans	Value of disbursements (R'm)					
	Affordable Housing - Bridging Finance (R'm)	180	35	65	45	35
	Incremental Housing Finance (R'm)	183	23	54	54	52
	Affordable Housing -Strategic Investments (R'm)	143	22	39	30	52
	Value of approvals - (R'm)					
	Affordable Housing - Bridging Finance (R'm)	456	56	130	135	135
	Incremental Housing Finance (R'm)	398	63	120	115	100
Affordable Housing -Strategic Investments (R'm)	242	60	75	45	62	

Sub-Programme 5b – Grant facilitation (FLISP)

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Disbursement of FLISP subsidies	Number of applicatons received	7 188	1 200	1 600,0	2 100	2 288
	Number of applicatons approved	7 100	900	1 400	2 300	2 500
	Number of subsidy disbursed	5 762	700	1 400	1 900	1 762
	Value of approvals (R`m)	460	80	100	140	140
	Value of Disbursements (R`m)	346	60	80	100	106
	Amount leveraged from Financial institutions (R`m)	3 220	560	700	980	980

Explanation of planned performance over the medium-term period – Programme 5

Sub-Programme 5a – Affordable Housing Finance and Investments

The contribution of its outputs to achieving the intended outcomes and impact in the Strategic Plan and the institution’s mandate including, where applicable, priorities in relation to women, youth and people with disabilities.

Through the output indicators of Approvals and Disbursements we are contributing towards the outcomes of improved delivery of affordable housing opportunities in the 20219-2024 MTSF (refer to section 16).

Description of planned performance in relation to the programme’s outputs:

The planned performance for the APP includes a total disbursement of R 2,053 Billion in the 3 year cycle which will begin with a contribution of R 506 Million in 2021/2022. Furthermore, Approvals planned for the period include R 3,407 Billion in the 3 year cycle which will begin with a contribution of R 1,096 Billion in 2021/2022. Forecasting is informed partly by consideration of historical performance of the product/portfolio and the need for achievable improvement. The Affordable Housing Portfolio disbursement achievement has been averaging at below R 100 million over the recent years, although there was a significant improvement in the current financial year, the improvement was mainly due to one out of ordinary bulk disbursement to one client. The forecasted R 180 Million for the 2021/2022 financial year was informed by the need for improvement from previous financial years which as stated were averaging at less than R 100 million, plus consideration of the current economic and market circumstances that are negatively impacted by COVID 19. In summary 2021/2022 forecast were reduced in line with the portfolio’s historical performance, consideration of the need for performance improvement, and consideration of COVID 19 negative impact specifically on the market.

Sub-Programme 5b and c : FLISP Grant Facilitation (FLISP)

a) Contribution to outcomes and impact in the Strategic Plan

Finance Linked Individual Subsidy Programme (FLISP):

- We are contributing to affordable and bridging finance housing for delivery as FLISP units as contribution to the Number of houses and serviced sites delivered through a range of programmes in the housing code, wherein the target is set at 470 000 in the MTSF period
- The focus is on the number of households earning between R3501- R22000 per annum provided with subsidies through the financed linked individual subsidy programme, with MTSF target set at 20 000.
- Since the inception of the FLISP, its implementation has been linked with mortgage finance only. However, the changes approved changes by MINMEC in July 2018 provides for

implementing FLISP with non-mortgage products—incremental housing loans and pension backed housing loans. Addition of these non-mortgage finance products is intended to enhance the uptake of the FLISP as many working people are unable to access mortgage finance for various reasons. However, the new products pose new risks. Accordingly, NHFC will procure services to assist in designing implementation of processes and product specifications to mitigate risks associated with linking FLISP to these new products; and has budgeted accordingly for this exercise.

b) Description of planned performance in relation to the programme's outputs:

Finance Linked Individual Subsidy Programme

- For the 2021/22 financial year, we have added a new indicator—namely number of subsidy applications approved. The indicator was used in 2019/20 year but was erroneously omitted in 2020/21. The main driver of FLISP performance will be the increase in number of FLISP applications from the open market, which we expect as FLISP marketing gains traction and more FLISP allocation is made to meet demand for the subsidy. We further expect to see improved performance as FLISP implementation get slinked to non-mortgage products, such as Pension Backed Loans and Incremental Loans. This will lead to the demand for subsidies and we expect this to contribute to the improvement of performance of all output indicators.

PROGRAMME 6	Sector Transformation
--------------------	------------------------------

Programme purpose : To expand participation of previously disadvantaged individuals (particularly women, and youth) and support the establishment of start-ups

Outcomes, outputs, performance indicators and *annual* targets.

Outcome	Output	Output indicators	Annual Targets						
			Audited performance			Estimated Performance (Baseline)	MTEF Period		
			2017 / 18	2018 / 19	2019 / 20	2020/21	2021/2022	2022/23	2023/24
Increased penetration and participation of low-to middle income households and businesses owned by PDI in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	Value of disbursements targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributor (R'm)	217	446	566	286	284	426	474
		Value of disbursements targeted towards designated groups, included in above total (R'm)	New Indicator		83	41	243	365	407
		Value disbursements to PDI on managed programmes- Programme Management(R)	New Indicator				220	242	200
		Total value of projects managed - programme management (R'm)	New Indicator			100	245	255	200
		Value of funds managed (R'm)	New Indicator			50	278	180	200
		Facilitate two funding entrepreneur incubator programmes in partnership with key stakeholders in the sector.	New Indicator				Incubator funding SPV	Incubator funding SPV	-

Outcomes, outputs, performance indicators and *quarterly* targets.

Output	Output indicators	Annual Target	Quarterly Target	Quarterly Target	Quarterly Target	Quarterly Target
		2021/2022	Q1	Q2	Q3	Q4
Increased focus on extension of funding to previously disadvantaged intermediaries	Value of disbursements targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributor (R'm)	284	56	73	63	92
	Value of disbursements targeted towards designated groups, included in above total (R'm)	243	48	62	54	79
	Value disbursements to PDI on managed programmes- Programme Management(R)	220	55	55	55	55
	Total value of projects managed - programme management (R'm)	245	61	61	61	61
	Value of funds managed (R'm)	278	70	70	70	70
	Facilitate two funding entrepreneur incubator programmes in partnership with key stakeholders in the sector.	2		1		1

Sector Transformation

Contribution to outcomes and impact in the Strategic Plan

Through the output indicators of Value of disbursements targeted towards B-BBEE compliant companies as well as the Value of Disbursements targeted towards women and youth companies, NHFC is contributing towards the outcomes of increased penetration and participation of low-to middle income households and businesses owned by PDIs in the housing market in the Strategic Plan.

Programme management will be contributing to additionality and development impact by managing housing delivery or retrofit through previously disadvantaged Small, Medium, and Micro Enterprises.

To strengthen the participation of small enterprises the NHFC plans to create incubator programmes as structure pathways for economic inclusion, sustained economic participation and access to finance.

This will contribute to the economy by increasing number of jobs and sustainable entrepreneurship.

Description of planned performance in relation to the programme's outputs:

- The planned performance for the APP includes a total disbursement to B-BBEE compliant companies of R 1, 184 Billion in the 3 year cycle which will begin with a contribution of R 284 Million in 2020/2021. Included in the B-BBEE compliant company disbursements, is planned disbursements towards B-BBEE compliant companies with women and youth participation with a total of R 1, 015 Billion planned for the 3 year cycle which will begin with a contribution of R 243 in 2020/2021.
- For the 2021/22 financial year, we have modified or replaced 'Percentage disbursements to PDI on managed programmes- Programme Management(%)' indicator to 'Value disbursements to PDI on managed programmes- Programme Management(R)' as we needed to quantify the contribution by monetary value instead of percentage value. This does not change the contribution expected from programme management but shows it in monetary value.
- Value disbursements to PDI on managed programmes that is the total proportion of project paid to previously disadvantaged individuals (Small Medium and Micro Enterprises (SMMEs) and designated groups on programmes managed by NHFC.
- This will be measured in percentage on the annual capital expenditure and Seventy nine percent of the annual capital expenditure for 2020/21 is expected to be spent.
- Total value of projects managed, that is the Total Rand value of projects that are managed by NHFC, including budget items that are not directly disbursed by NHFC. These projects emanate from signed agreements with different Human Settlements Provinces and/ or Municipalities (clients).
- Programme Management unit is planning to manage an amount of R245 million for 2020/21 financial year.

- Value of funds managed, that is the value of funds managed by NHFC's on behalf of clients in line with a signed service level agreement.

We expecting to achieve 100% maximum as projected for funds managed in 2020/21 financial period.

10. Programme resource considerations and budget

FINANCIAL OVERVIEW OF THE NHFC GROUP

The Annual Performance Plan include includes the consolidation of the following Active Subsidiary Companies

- Cape Town Community Housing Company (Proprietary) Limited (CTCHC),
- Mortgage Default Insurance Company (Proprietary) Limited (MDIC),
- NHFC Management Services (Proprietary) Limited, and

Included in the Annual performance plan is the forecasted performance from some for quasi equity investments held by the NHFC. These investments increase the overall performance. This inclusion is a result of a change in accounting treatment post year end.

Controlled Entity

- Housing Investment Partners Trust 1 and Trust 2

Non Controlled Entity

- International Housing Solutions Fund II

Included in the Annual Performance Plan is the forecasted performance from the quasi equity investments held by the NHFC. This inclusion in the budget is a result of a change in the accounting of quasi equity investments held. These investments have increased the overall performance with the impact included in the group financial results.

ANNUAL PERFORMANCE PLAN ASSUMPTIONS

Post Covid-19 the operating environment has shifted, along with a significant number of the assumptions underpinning the projections.

The key drivers of business performance for the NHFC as a lending business are the loan book growth, quality of the loan book (level of impairments and write offs), the interest margin, the capital structure (debt and equity mix) and the cost efficiency of the business and general market conditions impacting the underlying market.

The income of the NHFC is sensitive to movements in interest rate and other general economic indicators which impact the demand for housing projects.

The outlook for the prime lending rate has reduced from previous periods and the credit loss ratio is expected to increase from previous experience.

In a response to the negative impact on the projections the NHFC have relooked at the timing of the planned FY2021 investment in IT Capex spend and expenditure that was earmarked for the expected growth as the HSDB in the FY2021. This expenditure has now been included in FY2022 and beyond.

The following assumptions have also been used in the budget formulation

Funding raised

Budget Year	Shareholder grant funding	Debt funding
2021/22	-	-
2022/23	-	-
2023/24	-	R 500 million

Prime lending rate

Budget Year	Assumptions
2021/22	7.8%
2022/23	8.3%
2023/24	8.8%

Credit loss rate

Budget Year	Assumptions
2021/22	2.8%
2022/23	2.5%
2023/24	2.5%

Consumer price index

Budget Year	Assumptions
2021/22	3.2%
2022/23	4.8%
2023/24	4.8%

Disbursements

Budget Year	Assumptions (R' million)
2021/22	R 982
2023/24	R 1 394
2023/24	R 1 573

Summary of the Income Statement Budget

Group

	GROUP							
	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	Revised		
						2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Interest on loans and advances	181 786	248 460	269 055	256 660	213 911	235 979	271 741	395 663
Revenue from controlled entities	166 562	194 766	210 045	199 542	199 542	201 537	204 560	207 629
Interest on Investments	70 325	77 125	105 444	60 000	64 956	57 175	50 178	43 616
Sale of houses	17 685	3 381	20 468	20 094	29 755	-	-	-
Management fees	-	1 591	7 549	11 817	3 596	18 623	19 647	20 728
Fees on loans for construction projects	-	2 432	3 367	5 238	5 344	5 638	5 948	6 275
Dividends received	2 532	13 837	9 960	-	14 464	17 766	32 592	54 718
FLISP recovery	-	2 040	5 525	15 400	19 010	22 399	23 085	23 160
Rental income	13 548	15 860	15 575	13 375	12 710	13 409	-	-
Revenue	452 438	559 492	646 989	582 126	563 288	572 525	607 751	761 788
Interest paid	(18 532)	(25 779)	(22 334)	(22 783)	(22 010)	(14 860)	(12 783)	(52 657)
Finance costs from controlled entity	(92 934)	(106 747)	(119 934)	(133 736)	(133 736)	(135 324)	(134 405)	(130 979)
Net revenue	340 972	426 966	504 721	425 607	407 542	422 841	460 563	568 152
Cost of sales	(16 435)	(3 014)	(20 707)	(19 003)	(30 140)	-	-	-
Net impairments and bad debts	(61 725)	(84 973)	(66 630)	(104 694)	(75 802)	(91 647)	(87 415)	(128 158)
Net impairments and bad debts from Controlled entities	(10 603)	(24 378)	(15 314)	(21 104)	(9 034)	(15 000)	(20 558)	(19 190)
Gross profit	252 209	314 601	402 071	280 806	292 566	316 994	352 590	420 804
Other operating Income	14 406	6 567	26 187	16 157	10 432	8 936	8 685	7 540
Operating expenses	(112 879)	(162 099)	(203 660)	(228 087)	(213 847)	(266 214)	(283 345)	(297 856)
Operating expenses from controlled entities	(27 678)	(32 671)	(34 384)	(26 647)	(34 544)	(26 869)	(26 227)	(25 559)
Operating profit	126 058	126 398	190 214	42 229	54 608	11 846	51 703	104 929
Fair value adjustments	(5 104)	5 795	1 157	(10 696)	(10 696)	-	-	-
Share of profit of an associate	3 988	13 457	28 362	14 130	4 541	4 791	5 054	5 332
Surplus before for the year	124 942	145 650	219 733	45 663	48 453	16 637	56 757	110 261
Income tax expense	-	-	-	-	-	-	-	-
Surplus for the year	124 942	145 650	219 733	45 663	48 453	16 637	56 757	110 261

Company

	COMPANY							
	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	Revised		
						2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Interest on loans and advances	172 954	223 981	249 707	240 720	203 857	225 421	260 656	384 023
Share of residual income in controlled entities	35 347	9 171	18 261	31 523	36 722	36 794	37 898	39 035
Interest on Investments	69 700	76 295	102 616	60 000	61 000	57 000	49 900	42 000
Management fees	-	6 936	11 643	16 029	19 706	20 852	22 064	23 348
Fees on loans for construction projects	-	2 432	3 367	5 238	5 344	5 638	5 948	6 275
Dividends received	2 532	13 837	9 960	-	14 464	17 766	32 592	54 716
FLISP recovery	-	2 040	5 525	15 400	19 010	22 399	23 085	23 160
Rental income	10 961	14 007	14 174	13 375	12 710	13 409	-	-
Revenue	291 494	348 699	415 253	382 285	371 812	399 278	431 242	572 558
Interest paid	(18 532)	(20 032)	(22 335)	(17 786)	(17 054)	(14 560)	(12 783)	(52 658)
Net revenue	272 962	328 667	392 918	364 499	354 759	384 718	418 459	519 900
Net impairments and bad debts	(72 556)	(104 725)	(70 095)	(102 000)	(71 797)	(87 442)	(83 000)	(123 522)
Gross profit	200 406	223 942	322 823	262 499	282 962	297 276	335 459	396 378
Other operating income	8 562	4 571	2 844	22 230	-	-	-	-
Operating expenses	(100 297)	(144 875)	(192 911)	(220 210)	(203 850)	(276 252)	(272 981)	(286 913)
Operating profit	108 671	83 638	132 756	64 519	79 112	21 025	62 478	109 465
Fair value adjustments	18 601	107 568	(84 062)	(10 696)	(10 696)	-	-	-
Surplus before for the year	127 272	191 206	48 694	53 824	68 416	21 025	62 478	109 465
Income tax expense	-	-	-	-	-	-	-	-
Surplus for the year	127 272	191 206	48 694	53 824	68 416	21 025	62 478	109 465

The NHFC business is highly susceptible to interest rate changes with more than 90% of its lending book linked to the prime lending rate. The South African Reserve Bank has since January 2020 cut the repo rate by 2.75% as a measure to revive the economy.

The rate cut significantly impacts the NHFCs profitability, with every 1% reducing the bottom line by an estimated +/- R 20m.

Rates are expected to recover to previous levels in the 2022/23 financial year.

The level of disbursements is a key driver in determining the income generating ability of the NHFC. Due to contraction in the economy at large in FY2021, disbursements in FY2022 is expected to increase by 65% to approximately R1bn in a drive to recover from the impact the downturn had on the lending operations. The impact of a low interest rate environment means that the additional interest revenue earned is not as exponential as it would have been previously.

The credit loss ratio which reflects the quality of the loan book is expected to be under pressure in the FY2021/2022 period with possible recovery to 2.5% in FY 2022/2023.

The fluctuations in the credit loss ratio provide added volatility to the income statement with a 1% decline in the credit loss ratio reducing profitability +/- R30m.

To gear the entity for the effective implementation of the HSDB, significant investment in IT CAPEX and hiring of necessary skills is required. Planned investment to improve IT infrastructure and hiring for new positions was deferred from FY2021 to FY2022.

Operating expenses will increase from R234m to R266m.

As a result of lower interest rates and increased investment in IT and Staff and other discretionary costs NHFC expects a decline in profitability of 15% on a company level from forecast for FY21 of R51m to R43m and 4% from forecast for FY21 of 48m to R 50m for the NHFC Group for FY2021.

Short to medium term outlook and impact (Years 2021/22, 2022/23 and 2023/24)

As a DFI, considering the COVID 19 Pandemic, the NHFC has received numerous requests from its clients indicating a need for capital and interest moratoriums for 4 – 6 months. Increased risk in terms of loan recoverability due to extended terms will be monitored by the credit team to ensure the required pre-emptive action is taken to reduce losses.

The cash reserves are expected to increase from initial expectations in the short run given the reduction of the disbursements, but at this time where liquidity is paramount to ensure the sustainability of an entity to post this economic crisis, these additional buffers are welcome. Due to increased disbursement in a lower interest rate environment and increasing costs.

Impact on existing borrowings

The NHFC is also a borrower of debt with two foreign debt facilities and two local debt facilities, these facilities require the NHFC to make available approximately R 38.2 million in its cashflows towards servicing its capital instalment obligations:

- Agence Francaise de Developpement (AFD)
 - This loan bears interest at a fixed rate of 6,078% per annum and is repayable in equal semi-annual capital instalments of R7.8 million
- European Investment Bank (EIB)
 - This loan bears interest at a quarterly variable rate of 3M Jibar with a maximum margin of 0,40% per annum and is repayable in semi-annual equal capital instalments of R8.3 million
- Development Bank of South Africa (DBSA)
 - The loan bears interest at a fixed rate of 7,56% per annum payable

Because of the uniqueness of the challenge at hand, the permutations of where the 2021/22 year will unfold are many, but what is apparent is that the COVID 19 virus is going to have a much greater and more prolonged impact on the NHFC than any stakeholder can without any certainty predict.

Impact on financial covenants

Recent discussions with EIB to amend the covenants because of the impact of the changes in the economy have been positive. This has resulted in alignment on the NHFCs underlying performance with the financial covenant thresholds.

The NHFC remains in a strong cash position and is well capitalised, this holds the NHFC in a good position to continue to service its debt facilities and ride out any protracted economic downturn.

Key Financial Indicators

Key Financial Indicators		Actual	Actual	Actual	Budget	Forecast	Revised Budget		
		2 018	2 019	2 020	2 021	2 021	2 022	2 023	2 024
Surplus before tax (R'm)	Group	124 942	145 650	219 733	45 663	48 453	16 637	56 757	110 261
	Company	127 272	191 206	48 694	53 824	68 416	21 025	62 478	109 465
Return on equity (%)	Group	4,0%	3,3%	4,7%	1,0%	1,0%	0,4%	1,2%	2,3%
	Company	4,2%	4,4%	1,1%	1,2%	1,5%	0,5%	1,4%	2,3%
Return on assets (%)	Group	2,8%	2,4%	3,6%	0,7%	0,8%	0,3%	0,9%	1,6%
	Company	3,9%	4,0%	1,0%	1,1%	1,4%	0,4%	1,3%	2,0%
Cost to income ratio (%)	Group	41%	45%	47%	60%	64%	73%	66%	56%
	Company	36%	43%	49%	57%	57%	72%	65%	55%
Credit Loss ratio incl bad debts (%)	Group	2,4%	1,4%	1,5%	3,3%	2,0%	2,2%	2,2%	2,6%
	Company	3,7%	1,9%	1,8%	4,4%	2,5%	2,8%	2,5%	2,5%
Debt:Equity (%)	Group	39%	34%	32%	30%	29%	31%	30%	38%
	Company	8%	8%	7%	6%	6%	5%	4%	14%
Interest cover ratio (times)	Group	2,1	2,1	2,5	1,3	1,3	1,1	1,4	1,6
	Company	7,9	10,5	3,2	4,0	5,0	2,4	5,9	3,1
Net loan book growth	Group		28%	-1%	-4%	5%	8%	8%	11%
	Company		35%	-4%	-10%	3%	7%	11%	17%

Return on equity: profit after tax/ closing net assets
Return on assets: profit before taxation/ closing total assets (excluding funds under management)
Cost to Income: total operating costs/ total operating income
Credit loss ratio incl bad debts: current year impairment and bad debts charge/ (closing gross loans and advances plus current year bad debts charge)
Debt to equity: interest bearing financial liabilities/ closing net assets
Interest cover ratio: profit before tax excluding interest expense/ interest expense

Refer to Annexure F for budget financials.

11. Updated Key risks and mitigation from the SP

Outcome	Key Risk	Risk Mitigation
1. Functional, Efficient and Integrated Government	Qualified audit opinion	<ul style="list-style-type: none"> Compliance with all applicable regulatory legislation; prescripts, guidelines and practises.
	Delayed establishment of HSDB	<ul style="list-style-type: none"> Robust engagement with NDoHS
	Challenge in balancing developmental mandate with financial sustainability	<ul style="list-style-type: none"> Revise financial model Revise and implement impairment policies Review Remuneration and Bonus models Develop and implement Business Continuity Plan Develop and implement PoPI framework and policy Approve and implement Draft IT strategy and IT Governance Framework Implement policies Finalise and circulate Risk Appetite statement Review and implement Product Pricing policy and strategy
	Credit losses too high for sustainability	<ul style="list-style-type: none"> Improved financial modelling at assessment stage Quality performance monitoring of clients Good credit control procedures fully implemented
2. Improved delivery of affordable housing	<p>Failure to deliver on the targets in the shareholder's mandate</p> <p>Delays in achieving the agreed deliverables due to the COVID-19 pandemic.</p>	<ul style="list-style-type: none"> Semi-annual engagements with shareholder on the mandate and their expectations as per shareholder compact Introduction of new products/design in line with risk appetite (lending and strategy) Revision and re-alignment of the strategic plan and budget.

Outcome	Key Risk	Risk Mitigation
3. Increased access to affordable finance that is spatially just to enable social cohesion	Inability to attract or establish suitable developers, retail intermediaries and funding partners	<ul style="list-style-type: none"> • Update and implement targeted marketing and communications strategy • Develop and implement stakeholder engagement strategy • Sign partnership agreement with research company • Develop and implement strategic partners strategy and framework
4. Increased penetration and participation of low-to middle income market	Inability to increase participation due to limited knowledge and awareness of NHFC's product offering	<ul style="list-style-type: none"> • Update and implement targeted marketing and communications strategy • Develop and implement Consumer education strategy

12. Public Entities

Not applicable

13. Infrastructure Projects

Not applicable

14. Public-Private Partnerships (PPPs)

Not applicable

15. Contribution to 2019 - 2024 MTSF

Implementation of Human Settlements Medium Term Strategic Framework 2019 - 2024

The NHFC in setting its Outcomes and Outputs took into consideration the priorities and targets outlined by the NDOHS and will be contributing towards these, a summary of the NDOHS targets are outlined below, followed by NHFC's contribution towards these.

INDICATORS	2024 TARGETS	
Priority development areas targeted for achieving spatial transformation through multi-programme integration are declared	94 priority development areas declared for human settlements development	
An integrated implementation programme for the 94 priority development areas completed	Development Plans for all 94 priority developed areas, categorised and prioritised with budgets and finance options	
Number of houses and serviced sites delivered through a range of programmes in the housing code	470 000 housing units	
	300 000 serviced sites	
	Rezone 100% of acquired land within the priority development areas	
Number of rental housing units delivered in priority development areas	30 000 Social Housing	
	12 000 CRU	
Number of informal settlements	1 500 informal settlements upgraded / formalised to Phase 3 (in terms of the Human Settlements Code)	
Number of title deeds registered	Total number of title deeds registered = 1 193 222	
	Title deeds Backlog (1303 222)	New title deeds
	Pre- 1994: 45 535	Post- 2019: 300 000
	Post-1994: 50 845	
	Post- 2014: 346 842	

The NHFC contribution towards the MTSF targets is shown below:

Housing Opportunities	NDOHS MTSF Targets	NHFC 5 Year Targets	Actual	Forecast	Forecast	Forecast	Forecast
			Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Social Housing Finance Units	30 000	3,642	485	360	740	857	1,200
Private Rental Housing Finance Units (including Leveraged Units)**		3,481	642	278	618	905	1,038
Affordable Housing Units*		7,216	2,577	1,670	1,625	858	486
Affordable Housing - Bridging Finance Units		4,142	92	50	1,250	1,350	1,400
Subsidy Housing - Bridging Finance Units	470 000	17,468	1,845	800	4,702	4,937	5,184
FLISP units#		26,273	1,167	4,334	5,762	7,332	7,678
Sub-Total Units		62,222	6,808	7,492	14,697	16,239	16,986
Incremental Housing Loans ^		138,595	32,687	12,000	22,500	34,825	36,583
Bridging Affordable – Service Sites	300 000	2,255	-	25	200	980	1,050
Total Housing Opportunities		203,072	39,495	19,517	37,397	52,044	54,619

* Number of units or mortgage loans originated through strategic partnerships such as HIP and 'HIS.

** Private Rental Housing Finance Units are inclusive of Private Rental Leveraged Units

^ Incremental house loans included as Housing opportunities created, as these are loans and not units.

FLISP unit numbers are the same as number of FLISP Beneficiaries.

Indicator 2: Number of implementation programmes for priority development

Under programme 5: Programme Management and Strategic Partnerships, the NHFC has an indicator to develop a multi-year investment plan for priority development areas. Detail of which will be operationalized. In developing the multi-year investment plan the first year will formalize a working relationship with the HDA regarding catalytic projects and their financing including collaboration agreements. Furthermore, there will be alignment of GIS platform and capabilities as well as development of the investment alignment to PHDA's and processes. The 2nd and 3rd years will see the multi-year project investment and financing plan based on projected pipeline of bankable projects.

Indicator 6: Number of Social Housing Units delivered

Refer to MTSF contribution table above, as well as Program 2: Lending and Investment output indicators, where amount of social housing finance disbursed is included.

Indicator 8: Number of housing units delivered through subsidy mechanism to households earning R 0 – R 3500

Refer to MTSF contribution table above, as well as Program 2: Lending and Investment output indicators, where amounts disbursed for Incremental Loans is included.

Indicator 9: Number of approved subsidy applications for purchasing a unit through the Financed Linked Individual Subsidy Programme (FLISP)

Refer to MTSF contribution table above, as well as Programme 3: FLISP Grant facilitation where the intended approvals, disbursements and number of subsidies are included. Furthermore, a 5-year business plan has been included as a Programme 3 output indicator expected in 2020/2021, and the Business Plan will be approved by the NHFC Board and presented to the Department of Human Settlements in 2020/21. A marketing strategy targeting FLISP beneficiaries will also be developed, detail of which will be in the operational plan. FLISP team has developed a FLISP Marketing Action Plan that it will start implementing in 2020/21 and collaborate with the Communications Directorate of the Department in the marketing and communications efforts to raise awareness about FLISP to the general public.

Indicator 16: Consumer Protection Programmes

The number of consumer disputes submitted and resolved to be captured and reported in the narrative of the quarterly report. The NHFC reaches the household through a wholesale delivery channel, thus intermediaries interact directly with consumers. The only division that interfaces directly with consumers is FLISP, and consumer disputes will be reported on a quarterly basis from this area

Indicator 17: Residential Property Sector transformation

The NHFC has identified its purpose for existence as that of prioritising the developmental impact through transformation and sustainability. One of its strategic pillars is to:

Transform the Human Settlements through facilitation of market participation that enables the prioritisation of inclusivity, taking into account size, previously disadvantaged individuals (“PDIs”), Women and Youth, in the sustainable development of integrated human settlements

To this end, the NHFC commits to disburse 30% of its annual target to women and youth projects. The provision of loans will be towards B-BBEE compliant companies including women and youth (youth shareholders in client companies with age equal to or less than 35 years). Social Housing NPC's do not have shareholders so age will apply to Directors.

Part of the transformation is ensuring the B-BBEE codes and preferential procurement targets, as well as enterprise development are achieved. The NHFC has established a committee to oversee the implementation of these targets, which are outlined in the AOP

PART D: TECHNICAL INDICATOR DESCRIPTION (TID)

PROGRAMME 1 TIDs	ADMINISTRATION
Indicator Title	Audit Action Plan implemented
Definition	Indicator measures the prudent and efficient use and management of the entity's resources; delivery on the mandate and compliance with applicable legislation for example the PFMA, Treasury Regulations and Guidelines, Corporate Governance and applicable entity Policies.
Source of data	Auditor General's opinion report and Management report from Auditor General
Method of calculation / Assessment	An unqualified audit report on the financial statements with no adverse comment in the report of the auditor general on the quality of financial information presented. An unqualified audit opinion on the performance information with no adverse comment on quality of the information.
Means of verification	Scrutiny of the auditor general's report
Assumptions	Availability of Auditor General's report and Management report from the Auditor General
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation type	Non-cumulative
Reporting cycle	Quarterly and Annually
Desired performance	100% compliance with applicable Legislation, Corporate governance pre-cripts, Financial reporting standards and entity Policies. Unqualified audit opinion.
Indicator responsibility	CFO

Indicator Title	Percentage of compliance with statutory tabling and prescripts
Definition	<p>The indicator measures the level of compliance by the entity to key corporate governance requirements as outlined in legislation and other corporate governance guidelines/regulations (PFMA, Treasury Regulations and Guidelines).</p> <p>Corporate Support Services with regards to all relevant policies, guidelines, legislation and regulations that ensure a habitable and conducive working environment.</p>
Source of data	<p>DOHS</p> <p>Registers, compliance reports</p> <p>Previous annual reports</p> <p>Annual financial statements</p>
Method of calculation / Assessment	The standard requirements for compliance requires the entity to comply 100% with relevant compliance frameworks as reflected under the definition of this indicator.
Means of verification	<p>Quarterly Reports</p> <p>Proof of submission</p>
Assumptions	Annual Performance Plans and quarterly reports are submitted on time and the information contained therein is reliable.
Disaggregation of Beneficiaries (where applicable)	Not applicable
Calculation type	Non-Cumulative
Spatial Transformation (where applicable)	Not applicable
Reporting cycle	Quarterly and Annual
Desired performance	100% Compliance with relevant key governance prescripts and requirements.
Indicator responsibility	Executive Committee

Indicator Title	Percentage implementation of the approved internal audit plan
Definition	Implementation and completion of annual internal audit plan
Source of data	Internal audit reports and internal audit progress reports
Method of calculation / Assessment	Number of audits completed as per internal audit plan
Means of verification	Approved Three year rolling plan and One-year operational audit plan Status/progress Report on the implementation Internal Audit Plan Internal Audit Reports issued
Assumptions	Unrestricted access to internal audit reports
Disaggregation of Beneficiaries (where applicable)	Not applicable
Calculation type	Cumulative (Year to date)
Spatial Transformation (where applicable)	Not applicable
Reporting cycle	Quarterly and Annually
Desired performance	100% audit completed as per approved audit plan which will results in reasonable assurance to management on the adequacy and effectiveness of the system internal controls, risk management and governance processes.
Indicator responsibility	GM : Enterprise Wide Risk Management

Indicator Title	Percentage of the approved Anti-Fraud and Corruption Implementation Plan implemented
Definition	Execution of the approved anti-fraud and corruption implementation plan
Source of data	Anti-fraud and corruption register
Method of calculation / Assessment	Number of activities as per approved anti-fraud corruption implementation plan
Means of verification	Approved anti-fraud and corruption implementation plan Status/progress report on the approved implementation of the anti-fraud and corruption plan activities Investigation Reports
Assumptions	Unrestricted Access to records
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation type	Non-Cumulative
Reporting cycle	Quarterly and Annually
Desired performance	100% execution of the approved anti-fraud and corruption implementation plan.
Indicator responsibility	GM : Enterprise Wide Risk Management

Indicator Title	Percentage implementation of the approved risk management plan
Definition	Risk management implementation plan is aligned to risk management strategy and unpacks specific risk management activities that will be implemented for the particular year
Source of data	Risk registers
Method of calculation / Assessment	Total number of activities implemented vs total number of planned activities for the period
Means of verification	Risk Monitoring tool Strategic Risk Register Status Report to EXCO and Board
Assumptions	Complete, accurate, timeous risk information and co-operation from internal stakeholders (Risk Champions and Risk Owners)
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation type	Cumulative
Reporting cycle	Quarterly and Annually
Desired performance	Risk management embedded into strategic day to day operations, performance measurement as well as during decision making processes.
Indicator responsibility	GM : Enterprise Wide Risk Management

Indicator Title	Credit loss ratio
Definition	The indicator measures the percentage of debtors that are impaired or written off in a 12 month period. For quarterly reporting the figures are annualised.
Source of data	Financial reports
Method of calculation / Assessment	The value of impairments on debtors reflected in the Statement of Comprehensive Income divided by the gross value of debtors reflected in the Statement of Assets and Liabilities
Means of verification	Calculation
Assumptions	Nil
Disaggregation of Beneficiaries (where applicable)	Not applicable
Calculation type	Non-Cumulative
Spatial Transformation (where applicable)	Not applicable
Reporting cycle	Quarterly and Annual
Desired performance	Progressive achievement of the risk appetite targets for credit risk.
Indicator responsibility	Credit Risk Executive

Indicator Title	Non-performing loans
Definition	The indicator measures the percentage of debtors that are 90 days or more behind in their payments.
Source of data	Financial reports
Method of calculation / Assessment	The value of debtors who have loans 90 days and more in arrears divided by the gross value of debtors reflected in the Statement of Assets and Liabilities
Means of verification	Calculation
Assumptions	Nil
Disaggregation of Beneficiaries (where applicable)	Not applicable
Calculation type	Non-Cumulative
Spatial Transformation (where applicable)	Not applicable
Reporting cycle	Quarterly and Annual
Desired performance	Progressive achievement of the risk appetite targets for credit risk.
Indicator responsibility	Credit Risk Executive

PROGRAMME 2 TIDs	Integrated Human Settlements Planning and Development Programme
-------------------------	--

Indicator title	Value of NHFC's contribution to strategic partnerships (R'M)
Definition	The Total rand value committed by NHFC to leverage formal partnerships to increase the provision of housing.
Source of data	<ul style="list-style-type: none"> • Partnership agreements signed, • Minutes of sanctioning committees
Method of calculation or assessment	Annualized total rand value of commitments made to strategic partnerships.
Means of verification	Perusal of partnership agreements signed, Perusal of minutes of sanctioning committees
Assumptions	Partnership collaborations may be of technological nature of any other form that advances the common interests, however the Rand value equivalent invested by the partner will count.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope of the Partnership agreement.
Spatial transformation (where applicable)	In line with scope of the Partnership agreement.
Calculation type	Cumulative (year-end),
Reporting cycle	Annual
Desired performance	Higher leveraging ratio
Indicator responsibility	Executive Strategic Partnership and Programme Management

Indicator title	Value leveraged from NHFC's strategic partnerships (R'M)
Definition	The total rand value of contributions leveraged from NHFC's strategic partnerships to improve the provision of housing or associated processes.
Source of data	<ul style="list-style-type: none"> • Partnership agreements signed, • Minutes of sanctioning committees
Method of calculation or assessment	Annualized total rand value or none monetary equivalent of commitments made to strategic partnerships.
Means of verification	Perusal of partnership agreements signed, Perusal of minutes of sanctioning committees
Assumptions	Partnership collaborations may be of a technological nature or any other form that advances the mutual interests. The Rand value equivalent invested by the partner will count.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope of the Partnership Agreement.
Spatial transformation (where applicable)	In line with scope of the Partnership Agreement.
Calculation type	Cumulative (year-end),
Reporting cycle	Annual
Desired performance	Higher leveraging ratio
Indicator responsibility	Executive Strategic Partnership and Programme Management and collaborating internal divisions.

Indicator title	Incremental year on year alignment of future financing activities in relation to PSHDA's.
Definition	NHFC financing activities are a lagging indicator, where developers and borrowers invest. As developers grow their investment in PSHDA's so will NHFC's financing activities.
Source of data	<ul style="list-style-type: none"> • Annualised value of financing activities in gazetted PSHDA areas relative to previous year's baseline. • Information plotted and aggregated in line with the Geographic Information System (GIS).
Method of calculation or assessment	<ul style="list-style-type: none"> • Annualised value of financing activities in gazetted PSHDA areas relative to previous year's baseline.
Means of verification	<ul style="list-style-type: none"> • Information plotted and aggregated in line with the Geographic Information System (GIS).
Assumptions	<ul style="list-style-type: none"> • As NHFC financed developers grow their investment in PSHDA's so will NHFC's financing activities. (lag indicator) • Credit and investment criteria and related decision processes will incorporate location in PSHDA's as a consideration and reporting matter. • GIS capability will be in place to address the geographic dimension of this measure.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with data sets or set reporting requirements.
Spatial transformation (where applicable)	PSHDA vs non-PSHDAs.
Calculation type	Cumulative (year-end),
Reporting cycle	Annual
Desired performance	Increasing trend towards PSHDA's
Indicator responsibility	Executive Strategic Partnership and Programme Management

Indicator title	Participate in the development of a partnership framework between private sector developers, NDHS, and its entities
Definition	The Partnership Framework seeks to define how the sector will partner with private developers in complex priority housing development. It will define and delineate roles of each party, including that of NHFC/HSDB, outline deal structuring mechanisms and financing mechanism and distribution of accruing benefits. The new apex financier role of NHFC in its various facets will find expression in the framework as it will be for other entities.
Source of data	DG approved framework
Method of calculation or assessment	DG approved framework
Means of verification	DG approved framework
Assumptions	<ul style="list-style-type: none"> • That it will draw from current best practices that are implementable in the SA operating environment. • Relevant specialist expertise will be mobilised by the public sector parties to enable effective leadership and adoption of new practices, • Paramount is to optimise fruitful collaboration with the private sector.
Disaggregation of beneficiaries (where applicable)	Role definition of developers and entities and NDHS
Spatial transformation (where applicable)	Priority housing development are one of the drivers of spatial transformation and their location is key.
Calculation type	Completion and approval of the framework
Reporting cycle	quarterly
Desired performance	Timeous completion and implementation
Indicator responsibility	Executive Strategic Partnerships and Programme Management

Indicator Title	Value of disbursements – Subsidy Housing – Bridging Finance (R'M)
Definition	Provision of bridging finance to contractors for subsidised housing development projects to bridge contractor cash flows during construction.
Source of Data	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report) supported by "NHFC" / Subsidiary bank statements
Method of Calculation/ Assessment	Funds disbursed to clients
Means of Verification	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report) supported by "NHFC" / Subsidiary bank statements.
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to bridging finance for contractors.
Indicator Responsibility	Programme Manager – Subsidy Housing (Bridging Finance)

Indicator Title	Value of approvals – Subsidy Housing – Bridging Finance (R'M)
Definition	Value of loans approved for the provision of bridging finance to contractors building subsidised free housing to bridge contractor cash flows during construction
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	Programme Manager – Subsidy Housing (Bridging Finance)

PROGRAMME 4 TIDs	Rental and Social Housing Programme
-------------------------	--

Indicator Title	Value of disbursements – Social Housing Finance (R'M)
Definition	Provision of finance to rental housing developments accredited by the Social Housing Regulatory Authority and funded through debt finance and consolidated capital grants.
Source of Data	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report, PPS) from client
Method of Calculation/ Assessment	Funds disbursed to clients
Means of Verification	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report, PPS)
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to housing finance thus enabling the low to middle income households to have choices of renting, owning or incrementally building to meet their needs.
Indicator Responsibility	GM: Lending

Indicator Title	Value of disbursements – Private Rental Housing Finance (R'M)
Definition	Provision of finance to rental housing developments which are private in nature, with no grant contributions and are only funded through debt and equity.
Source of Data	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report, PPS) from clients
Method of Calculation/ Assessment	Funds disbursed to clients
Means of verification	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report, PPS)
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to housing finance thus enabling the low to middle income households to have choices of renting, owning or incrementally building to meet their needs.
Indicator Responsibility	GM: Lending

Indicator Title	Value of approvals – Social Housing Finance (R'M)
Definition	Value of loans approved for the provision of finance to rental housing developments accredited by the Social Housing Regulatory Authority and funded through debt finance and consolidated capital grants.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	GM: Lending

Indicator Title	Value of approvals – Private Rental Housing Finance (R'M)
Definition	Value of loans approved for the provision of finance to rental housing developments which are private in nature, with no grant contributions and are only funded through debt and equity.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	GM: Lending

PROGRAMME 5 TIDs	Affordable Housing
-------------------------	---------------------------

Indicator Title	Value of disbursements – Affordable Housing – Bridging Finance (R'M)
Definition	Provision of bridging finance to affordable housing developers to facilitate delivery of serviced stands and top structure (housing units), to bridge developer cash flows during construction
Source of Data	Funds disbursed to clients
Method of Calculation/ Assessment	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report) from clients.
Means of verification	Drawdown requisition form with draw specific supporting documentation (Payment Certificates, invoices, PM Report) supported by "NHFC" / Subsidiary bank statements.
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to bridging finance for contractors/developers
Indicator Responsibility	Programme Manager – Affordable Housing (Bridging Finance)

Indicator Title	Value of disbursements – Incremental Housing Finance (R'M)
Definition	Provision of wholesale funding to retail finance intermediaries for on-lending to the NHFC target market in line with the loan contract. The value of funds disbursed to retail intermediaries combined with the value of funds collectable but not collected due to a moratorium being granted.
Source of Data	Drawdown request form as well as internal signed drawdown checklist.
Method of Calculation/ Assessment	Funds disbursed to clients combined with amounts that would have been repaid if not for moratoria granted on funds due for repayment during the year
Means of verification	Funds disbursed to clients
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to rural and urban housing end-users
Indicator Responsibility	Programme Manager – Incremental Housing Finance

Indicator Title	Value of disbursements – Affordable Housing Strategic Investments (R'M)
Definition	Provision of wholesale funding to housing development projects post approval of applications
Source of Data	Drawdown requisition form with draw specific supporting documentation from client
Method of Calculation/ Assessment	Funds disbursed to clients
Means of verification	Drawdown requisition form with draw specific supporting documentation
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Broaden and deepens access to housing finance thus enabling the low to middle income households to have choices of renting, owning or incrementally building to meet their needs.
Indicator Responsibility	Executive: Corporate Finance

Indicator Title	Value of approvals – Affordable Housing - Bridging Finance (R'M)
Definition	Value of loans approved to developers and contractors to bridge developer cash flows during construction
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Facilities approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	Programme Manager – Affordable Housing (Bridging Finance)

Indicator Title	Value of approvals – Incremental Housing Finance (R’M)
Definition	Value of Loans approved to retail finance intermediaries for on-lending to the NHFC target market in line with the loan contract.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Loans approved by the relevant governance structures in line with the delegated authority. Facilities may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	Programme Manager – Incremental Housing Finance

Indicator Title	Value of approvals – Affordable Housing Strategic Investments (R'M)
Definition	Value of investments approved for certain clients where the NHFC has strategic equity investments. Funding is used to bolster the balance sheet in order to attract other sources of funding which is used for the provision of wholesale funding to housing development projects for ownership, social housing and private rental, including inner cities and for incremental housing purposes.
Source of Data	Minutes of approval by highest applicable sanctioning committee or signed resolutions from COSEC
Method of Calculation/ Assessment	Investments approved by the relevant governance structures in line with the delegated authority. Investments may be withdrawn and/or not taken up by the client.
Means of verification	Minutes of approval by highest applicable sanctioning committee or signed resolutions.
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator Responsibility	Executive: Corporate Finance (and Strategic Investments)

Finance Linked Individual Subsidy Programme (FLISP):

Indicator title	Number of FLISP applications received
Definition	Number of applications received from FLISP business channels.
Source of Data	Fully completed subsidy application forms received after quality check has been performed
Method of calculation	Aggregate number of completed subsidy application forms received
Means of verification	Number of processed subsidy applications
Assumptions	Funds available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-to-date), Cumulative (year-end)
Reporting cycle	Quarterly
Desired performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market. The more subsidy applications received, the higher the number of processed subsidy applications
Indicator responsibility	Programme Manager

Indicator Title	Number of FLISP applications approved
Definition	Number of FLISP subsidies approved for beneficiaries from FLISP applications received
Source of Data	Outcomes of the Population Register, Deeds Register and NHDDB database search results which are the basis on which FLISP approvals are made.
Method of Calculation/ Assessment	FLISP approved as per subsidy quantum table
Means of verification	Number of processed subsidy applications
Assumptions	Fund available to approve
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Higher performance than target is desirable to indicate ability to crowd in other institutions and role players to assist in addressing the housing gap and contribute to access to affordable housing in the target market
Indicator Responsibility	Programme manager

Indicator title	Value of disbursements - FLISP Grant (R'M)
Definition	Provision of grants to approved FLISP beneficiaries, approved post application and approval processes of the NHFC.
Source of data	Payment requisition (authorized) with standard supporting documentation and bank reconciliation from finance department
Method of calculation	Actual Funds disbursed to clients.
Means of Verification	Payment requisition (authorized) with standard supporting documentation and bank reconciliation
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting cycle	Quarterly
Desired performance	Broaden and deepens access to housing finance thus enabling the low to middle income households to have choices of renting, owning or incrementally building to meet their needs.
Indicator responsibility	Programme Manager

Indicator title	Value of approvals - FLISP Grant (R'M)
Definition	Rand value of FLISP grants approved from applications received.
Source of Data	Letter of grant issued to beneficiary following a successful search on the HSS.
Method of calculation	Aggregate number and value of subsidies approved for successfully searched beneficiaries.
Means of verification	Letter of grant issued to beneficiary
Assumptions	FLISP funds available
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-to-date), Cumulative (year-end)
Reporting cycle	Quarterly
Desired performance	Robust pipeline towards the provision of affordable housing finance solutions to the low-to middle income housing market.
Indicator responsibility	Programme Manager

Indicator Title	Number of FLISP Subsidies disbursed
Definition	Number of FLISP subsidies granted to end users post approval of applications
Source of Data	Transfer documents of Title Deed Copy from attorneys
Method of Calculation/ Assessment	Actual pay-outs as recorded monthly
Means of verification	Transfer documents of Title Deed Copy
Assumptions	FLISP disbursement report is value and complete
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Higher performance than target is desirable to indicate ability to crowd in other institutions and role players to assist in addressing the housing gap
Indicator Responsibility	Programme Manager

Indicator title	Amount leveraged from financial institutions (R' M)
Definition	Value of home loans granted by the Financial institutions to FLISP beneficiaries
Source of data	Letter of grant issued to beneficiary following a successful search on the HSS and loan agreements between the financial institutions and approved FLISP beneficiaries.
Method of calculation	Aggregate number and value of loan amounts granted by financial institutions as a result of subsidies approved and disbursed for successfully searched beneficiaries.
Means of Verification	Letter of grant issued to beneficiary and beneficiary home loan agreement with a financial institution and the home loan amount indicated in the agreement
Assumptions	Successful transfer of property to beneficiaries
Disaggregation of beneficiaries (where applicable)	n/a
Spatial transformation	n/a
Calculation type	Cumulative (year-to-date), Cumulative (year-end),
Reporting cycle	Quarterly
Desired performance	Higher value of amount leveraged home loans is desired and the high value of home loans granted by the financial institutions to deliver more affordable housing units
Indicator responsibility	Programme Manager

PROGRAMME 6 TIDs	SECTOR TRANSFORMATION
-------------------------	------------------------------

Indicator Title	Value of disbursements targeted towards B-BBEE Compliant Companies – Level 4, 3, 2, 1 Contributor (R'M)
Definition	Provision of loans towards B-BBEE compliant companies including women and youth (youth = shareholders in client companies with age equal to or less than 35 years). Social Housing NPC's don't have shareholders so age will apply to Directors. (Women = women shareholders in client companies with a minimum 30% women ownership). Social Housing NPC's don't have shareholders so 30% will apply to number of Directors.
Source of Data	<p>Lending Activities including: Leveraged B-BBEE compliant company Disbursements - A list of all B-BBEE compliant clients, women, and youth to whom an intermediary or client (e.g TUHF) has disbursed funding sourced from other funders from TUHF</p> <p>Private Rental Housing Finance B-BEE compliant company Disbursement – Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation from Clients</p> <p>Social Housing Finance Disbursement - Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation from Clients</p> <p>Affordable Housing - Bridging Finance Disbursement – Drawdown request Form demonstrating disbursements to women, youth and B-BBEE compliant companies supported by "NHFC" / Subsidiary bank statements and drawdown specific supporting documentation.</p> <p>Subsidy Housing – Bridging Finance Disbursement - Drawdown request Form demonstrating disbursements to women, youth and B-BBEE compliant companies supported by "NHFC" / Subsidiary bank statements and drawdown specific supporting documentation for B-BBEE.</p> <p>Incremental Housing Finance – Drawdown request form from client Form demonstrating disbursements to women, youth and B-BBEE compliant companies as well as internal signed drawdown checklist</p>
Method of Calculation/ Assessment	Funds disbursed to B-BBEE compliant clients including women and youth by NHFC directly or indirectly by TUHF
Means of Verification	<p>Leveraged B-BBEE compliant Disbursements - A list of all B-BBEE compliant clients, women, and youth to whom an intermediary or client (e.g TUHF) has disbursed funding sourced from other funders from TUHF</p> <p>Private Rental Housing Finance B-BBEE Disbursement – Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation</p> <p>Social Housing Finance Disbursement - Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation</p>

	<p>Affordable Housing – Bridging Finance Disbursement – Drawdown request supported by “NHFC” / Subsidiary bank statements and drawdown specific supporting documentation for B-BBEE compliant clients</p> <p>Subsidy Housing – Bridging Finance - Drawdown request supported by “NHFC” / Subsidiary bank statements and drawdown specific supporting documentation for B-BBEE compliant clients</p> <p>Incremental Housing Finance – Drawdown request form from as well as internal signed drawdown checklist</p>
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	35% of total Lending and Investment disbursements to be allocated to be to B-BBEE compliant companies including women, youth, people with disabilities and military veterans.
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Promotes participation of women, youth and B-BBEE compliant companies in the affordable property market.
Indicator Responsibility	GM: Lending and Programme Managers

Indicator Title	Value of disbursements targeted towards designated groups (R'M)
Definition	<p>Provision of wholesale funding towards women and youth, people with disabilities, and military veterans specifically (youth = shareholders in client companies with age equal to or less than 35 years). Social Housing NPC's don't have shareholders so age will apply to Directors. (Women = women shareholders in client companies with a minimum 30% women ownership). Social Housing NPC's don't have shareholders so 30% women will apply to number of Directors. (Disabilities = disabled shareholders in client companies with any level of ownership). Military veterans as confirmed by the provincial departments and/or relevant authorities).</p>
Source of Data	<p>Lending Activities including: Leveraged B-BBEE compliant company Disbursements - A list of all B-BBEE compliant clients, women, and youth to whom an intermediary or client (e.g TUHF) has disbursed funding sourced from other funders from TUHF</p> <p>Private Rental housing Finance B-BBEE Disbursement – Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation from Clients</p> <p>Social Housing Finance Disbursement - Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation from Clients</p> <p>Affordable Housing – Bridging Finance Disbursement Form demonstrating disbursements to women, youth and B-BBEE compliant companies – Drawdown request supported by "NHFC" / Subsidiary bank statements and drawdown specific supporting documentation.</p> <p>Subsidy Housing – Bridging Finance Disbursement - Drawdown request Form demonstrating disbursements to women, youth and B-BBEE compliant companies supported by "NHFC" / Subsidiary bank statements and drawdown specific supporting documentation.</p> <p>Incremental Housing Finance – Drawdown request form demonstrating disbursements to women, youth and B-BBEE compliant companies from client as well as internal signed drawdown checklist</p>
Method of Calculation/ Assessment	Funds disbursed to designated groups by NHFC directly, or indirectly by TUHF
Means of Verification	<p>Leveraged B-BBEE Disbursements - A list of all B-BBEE compliant clients, women, and youth to whom an intermediary or client (e.g TUHF) has disbursed funding sourced from other funders from TUHF</p> <p>Private Rental housing Finance B-BBEE compliant company Disbursement – Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation</p> <p>Social Housing Finance Disbursement - Requisition Form demonstrating disbursements to women, youth and B-BBEE compliant companies including draw specific supporting documentation</p> <p>Affordable Housing – Bridging Finance Disbursement – Drawdown request supported by "NHFC" / Subsidiary bank statements and drawdown specific supporting documentation for B-BBEE compliant clients</p>

	<p>Subsidy Housing – Military Veterans Disbursements – Letter of confirmation from respective provincial departments indicating the number and value of units allocated and handed to Military Veterans in projects which have been bridge funded by the NHFC</p> <p>Incremental Housing Finance – Drawdown request form from as well as internal signed drawdown checklist</p> <p>Over and above, sworn affidavits and other supporting legally valid documents to be utilized.</p>
Assumptions	Funds available to disburse
Disaggregation of beneficiaries (where applicable)	<p>30% of total Lending and Investment disbursements to be allocated to the following groups:</p> <ul style="list-style-type: none"> - 90% target towards women, - 7% targeted towards youth, - 2.5% targeted towards people with disabilities, and - 0.5% military veterans
Spatial transformation	n/a
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Promotes participation of women, youth and people with disabilities and military veterans in BBBEE compliant companies in the residential property market.
Indicator Responsibility	GM: Lending and Programme Managers for Affordable, Subsidy and Incremental Housing

Indicator title	Value of disbursements to PDI on managed programmes
Definition	The total proportion of project paid to previously disadvantaged individuals (Small Medium and Micro Enterprises (SMMEs)) and designated groups on programmes managed by NHFC
Source of data	Programmes payments made for value of work completed by the target group. Also the signed agreement between NHFC and SMME's.
Method of calculation or assessment	Proportion of payments made to SMMEs (target group) against the total budget of managed programmes
Means of verification	<ul style="list-style-type: none"> • Value of contracts to SMMEs • Invoices • BBBEE status of paid entities • SLAs of managed programmes
Assumptions	NHFC programme management services used by client in line with policies governing the entity.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope agreed with the client and codified in the SLA
Spatial transformation (where applicable)	In line with scope agreed with the client and codified in the SLA
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting cycle	Quarterly
Desired performance	A percentage of the annual Capital Expenditure (for 2020/21- 79%)
Indicator responsibility	Executive Strategic Partnership and Programme Management

Indicator title	Total value of projects managed – Programme Management (R'M)
Definition	Total Rand value of projects that are managed by NHFC, including budget items that are not directly disbursed by NHFC. These projects emanate from signed agreements with different Human Settlements Provinces and/ or Municipalities (clients).
Source of data	Service Level Agreements signed with Clients
Method of calculation or assessment	Summation of all project budgets in signed agreements including budget expended by client directly on earned value in managed projects.
Means of verification	Service Level Agreements/Contracts signed
Assumptions	NHFC programme management services used by client in line with policies governing the entity.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope agreed with the client and codified in the SLA
Spatial transformation (where applicable)	In line with scope agreed with the client and codified in the SLA
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting cycle	Quarterly
Desired performance	Higher
Indicator responsibility	Executive Strategic Partnership and Programme Management

Indicator title	Value of funds managed – Programme Management (R'M)
Definition	Value of funds managed by NHFC's on behalf of clients in line with a signed service level agreement.
Source of data	Service level agreements
Method of calculation or assessment	Quantitative – summation of all agreement commitments
Means of verification	Funds transferred for projects or financial commitments related to projects
Assumptions	NHFC programme management services used by client in line with policies governing the entity.
Disaggregation of beneficiaries (where applicable)	Disaggregation in line with scope agreed with the client and codified in the SLA
Spatial transformation (where applicable)	In line with scope agreed with the client and codified in the SLA
Calculation type	Cumulative (year-end), cumulative (year-to-date)
Reporting cycle	Quarterly
Desired performance	Higher
Indicator responsibility	Executive Strategic Partnership and Programme Management

Indicator title	Initiate two entrepreneur incubator programmes in partnership with key stakeholders in the sector.
Definition	An entrepreneur incubator is a programme that gives entrepreneurs access to finance at the back of support interventions that mitigate risks associated with limited experience and any other vulnerabilities. As a lending institution NHFC recognizes that it may not have all the capabilities to provide other programme requirements beyond finance, hence the need for partnerships.
Source of data	<ul style="list-style-type: none"> • Service level Agreement or MOU signed between the NHFC and the stakeholder incubator programmes, • Programme plan,
Method of calculation or assessment	Service level Agreements or MOU signed between the NHFC and the stakeholders related to the incubator programmes
Means of verification	Service level Agreement/ MOU
Assumptions	<ul style="list-style-type: none"> • Mutual interest to broaden inclusion of entrepreneurs, • Parties have resources to invest in fulfilment of their defined roles.
Disaggregation of beneficiaries (where applicable)	Aimed towards previously disadvantaged individuals that are assessed to qualify for participation including designated groups (women, youth and people living with disabilities).
Spatial transformation (where applicable)	N/A unless specified in the SLA/MOU
Calculation type	Cumulative (YTD)
Reporting cycle	Annually
Desired performance	Higher number
Indicator responsibility	Programme Manager

ANNEXURES TO APP:

ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN

No amendments

ANNEXURE B: CONDITIONAL GRANTS

Not applicable

ANNEXURE C: CONSOLIDATED INDICATORS

Not applicable

ANNEXURE D: DISTRICT DEVELOPMENT MODEL

Not applicable

ANNEXURE E: NHFC STRATEGIC RISK REGISTER

Risk No.	Outcomes	Process owner	Risks When/Where/How	Causes	Consequences	Inherent Risk Status Assessed Probability Impact	Risk Appetite and/or Tolerance Levels	Current controls	Residual Risk Status Assessed Probability Impact	Risk Treatment
1	<p>Outcome</p> <p>Improved delivery of affordable housing</p>	<p>Accountable</p> <p>Strategy</p> <p>Responsible</p> <p>Lending</p>	<p>Failure to deliver on the targets in the shareholder's mandate</p>	<p>Challenging market conditions resulting in limited participation and lack of affordability</p> <p>Inflexible product design and credit processes</p> <p>Misalignment between board and shareholder expectations</p>	<p>Not achieving developmental targets</p> <p>Limited disbursements</p> <p>Not achieving developmental targets as defined and interpreted by shareholder</p>	<p>25</p> <p>5</p> <p>5</p>	<p>Risk Appetite</p> <p>Adequate capital committed to transformation - 1%</p> <p>Provincial contribution - No loan targets >15% more funds than mandate population</p> <p>If using outside mandate 10%</p> <p>Risk Tolerance:</p> <p>Inadequate capital committed to transformation - 1.5%</p> <p>Provincial - No loan province >20% more funds than mandate population</p> <p>If using outside mandate 15%</p>	<p>Approved policies and delegations of authority</p> <p>Approved APP and shareholder compact</p>	<p>35</p> <p>4</p> <p>4</p>	<p>Semi-annual engagements with shareholder on the mandate and their expectations as per shareholder compact</p> <p>Introduction of new products/design in line with risk appetite (ending and strategy) (December 2021)</p>
2	<p>Outcome</p> <p>Increased access to affordable finance to enable end-users to have appropriate, spatially just and adequate housing</p>	<p>Accountable</p> <p>Strategic Investments</p> <p>Responsible</p> <p>Strategy (Marketing & Communication)</p>	<p>Inability to attract or establish viable developers, retail intermediaries and funding partners</p>	<p>Poor economic conditions limit activity in the housing development market</p> <p>Lack of innovation and development to address poor economic conditions</p> <p>Lack of incentives for private sector to participate in affordable housing market</p> <p>Lack of proximity in identification of potential partners and customers</p> <p>Lack of targeted marketing and stakeholder management strategy</p> <p>Stovepiped or alternative financing solutions</p>	<p>Limited activity in the housing development market</p> <p>Limited private sector participations</p> <p>Limited pool of clients</p> <p>High portfolio concentration risk</p>	<p>25</p> <p>5</p> <p>5</p>	<p>Risk Appetite</p> <p>Return on equity 6.2%</p> <p>Net interest in core sensibility - 4.1%</p> <p>Risk Tolerance</p> <p>Return on equity 5%</p> <p>Net interest in core sensibility - 4.1%</p>	<p>Approved SP and APP</p> <p>Approved Marketing Strategy</p>	<p>20</p> <p>5</p> <p>4</p>	<p>Implement targeted marketing and communications strategy (June 2021)</p> <p>Develop and implement stakeholder engagement strategy (June 2021)</p> <p>Develop and implement strategic partners strategy and framework (June 2021)</p>
3	<p>Outcome</p> <p>Increased penetration and participation of low to middle income households in the housing market</p>	<p>Accountable</p> <p>Strategy</p> <p>Responsible</p> <p>Lending & Marketing</p>	<p>Inability to increase participation due to limited knowledge and awareness of FSD B's product offering</p>	<p>Ineffective implementation of targeted marketing and stakeholder management strategy</p> <p>Low levels of awareness of economic opportunities creating a barrier to participate in the housing market</p>	<p>Poor brand presence and market visibility</p> <p>Limited take-up of product offering</p> <p>Limited pool of clients</p>	<p>25</p> <p>5</p> <p>5</p>	<p>Risk Appetite</p> <p>Adequate capital R11.5 billion</p> <p>Debt Equity 100%</p> <p>Risk Tolerance:</p> <p>Adequate capital R24.4 billion</p> <p>Debt Equity 40%</p>	<p>Approved Marketing Strategy</p>	<p>20</p> <p>5</p> <p>4</p>	<p>Update and implement targeted marketing and communications strategy (June 2021)</p> <p>Develop and implement Consumer education strategy (June 2021)</p>

4	Outcome	Accountable	Functional, efficient and integrated government	Strategic Partnership	<p>Difficulty in ensuring collective communication and integrated action from required stakeholders</p> <p>Blockages are not adequately identified within the housing value chain</p> <p>Lack of support from other stakeholders within the value chain</p> <p>Alignment of plans and budgets</p>	<p>Delays in the construction process and availability of and connectivity to basic services</p> <p>Increase in service delivery protests</p> <p>Increase in number of households considered to be informal dwellings</p> <p>Failure of developers</p>	<p>20</p> <p>3</p> <p>4</p>	Risk Appetite	<p>Portfolio m/c: No sector: > 25%</p> <p>Book growth > 11% < 32%</p> <p>Risk Tolerance:</p> <p>Portfolio m/c: No sector: > 30%</p> <p>Book growth < 3% > 36%</p>	<p>Align decision process to Policy Housing Development Areas (December 2021)</p> <p>Develop and implement stakeholder engagement policy and strategy (Oxoid Delivery Model, forums and platforms) (December 2021)</p> <p>Develop and implement Strategic Partnerships Framework (December 2021)</p>	-20	
5	Outcome	Accountable	Functional, efficient and integrated government	CEC	<p>Delayed establishment of HSDB</p>	<p>HSDB will not come to fruition</p> <p>Lack of buy-in from stakeholders</p> <p>Stakeholders opposing the process</p> <p>High staff turnover due to uncertainty</p>	<p>18</p> <p>4</p> <p>3</p>	Risk Appetite	<p>Draft Business Case</p> <p>Draft Bill</p> <p>Approved NCHS Policy</p>	<p>Robust engagement with NCHS</p>	12	3
6	Outcome	Accountable	Functional, efficient and integrated government	Finance	<p>Lack of adequate funding</p> <p>Lack of appropriate and enabling IT Infrastructure</p> <p>Insufficient capabilities to execute on strategy</p> <p>Inadequate return on equity</p> <p>Inappropriate capital structure and mix</p> <p>Inadequate consultation amongst internal and external stakeholders</p> <p>Limited succession planning in place to ensure continuity</p> <p>Inability to attract, place and retain talent</p> <p>Not adequately positioning HSDB to comply with company legislation</p> <p>Ineffective governance oversight</p>	<p>Longer turnaround times and decreased efficiencies</p> <p>Not achieving strategy</p> <p>Breach of financial covenants</p> <p>Adverse credit rating</p> <p>Not achieving APP targets</p> <p>Lack of continuity, appropriate skills and institutional knowledge</p> <p>High turnover of key personnel</p> <p>Fines, penalties and loss of confidence by clients, investors and shareholders</p>	<p>20</p> <p>6</p> <p>3</p>	Risk Appetite: Operational	<p>IT - Breakdown repairs: 6 hrs</p> <p>HR - Excessive Vacancy: 8%</p> <p>Reputational damage: 0</p> <p>Risk Tolerance: Operational</p> <p>IT - Breakdowns repairs: 12 hrs</p> <p>HR - Excessive Vacancy: 9%</p> <p>Reputational damage: 2</p> <p>Risk Appetite: Financial</p> <p>Return on Equity 0.2%</p> <p>Net Interest Income sensitivity 41%</p> <p>Liquidity coverage ratio 1.53%</p> <p>Credit Ratio 1.25%</p>	<p>Review financial model (June 2021)</p> <p>Review and implement maintenance policies (March 2021)</p> <p>Review Remuneration and Bonus models (Feb 2022)</p> <p>Develop and implement Business Continuity Plan (Nov 2021)</p> <p>Develop and implement PoPI framework and policy (March 2021)</p> <p>Implement policies (ongoing)</p> <p>Finalise and circulate Risk Appetite Statement (July 2021)</p> <p>Review and implement Product Pricing policy and strategy (June 2021)</p>	20	3
				HR, IT, Credit	<p>Challenge in blending developmental mandates with financial sustainability</p>	<p>Risk Tolerance: Financial</p> <p>Return on Equity 2%</p> <p>Interest Rate sensitivity 49%</p> <p>Liquidity coverage ratio - 53%</p> <p>Credit Ratio 2%</p>	20				20	3

ANNEXURE F: FINANCIAL BUDGET 2021-2023

COMPANY

Statement of Comprehensive Income

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	Revised		
						2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Interest on loans and advances	172 954	223 981	249 707	240 720	203 857	225 421	260 655	384 023
Share of residual income in controlled entities	35 347	9 171	18 261	31 523	35 722	36 794	37 898	39 035
Interest on Investments	69 700	76 295	102 616	60 000	61 000	57 000	49 000	42 000
Sale of houses	-	-	-	-	-	-	-	-
Management fees	-	6 936	11 643	16 029	19 706	20 852	22 064	23 348
Fees on loans for construction projects	-	2 432	3 367	5 238	5 344	5 638	5 948	6 275
Dividends received	2 532	13 837	9 960	-	14 464	17 766	32 592	54 718
FLISP recovery	-	2 040	5 525	15 400	19 010	22 399	23 085	23 160
Rental income	10 961	14 007	14 174	13 375	12 710	13 409	-	-
Revenue	291 494	348 699	415 253	382 285	371 812	399 278	431 242	572 558
Interest paid	(18 532)	(20 032)	(22 335)	(17 786)	(17 054)	(14 560)	(12 783)	(52 659)
Net revenue	272 962	328 667	392 918	364 499	354 759	384 718	418 459	519 900
Cost of sales	-	-	-	-	-	-	-	-
Net impairments and bad debts	(72 555)	(104 725)	(70 095)	(102 000)	(71 797)	(87 442)	(83 000)	(123 522)
Gross profit	200 406	223 942	322 823	262 499	282 962	297 276	335 459	396 378
Other operating income	8 562	4 571	2 844	22 230	-	-	-	-
Operating expenses	(100 297)	(144 875)	(192 911)	(220 210)	(203 850)	(276 252)	(272 981)	(286 913)
Employee	(53 593)	(95 358)	(130 380)	(135 929)	(132 260)	(154 561)	(165 549)	(175 387)
Travel and accommodation	(508)	(1 286)	(1 700)	(740)	(1 217)	(2 000)	(2 110)	(2 226)
Communication	(904)	(1 412)	(734)	(2 491)	(1 862)	(2 754)	(2 906)	(3 065)
Computer costs	(1 355)	(2 119)	(1 102)	(9 963)	(6 351)	(14 917)	(15 737)	(16 602)
Depreciation	(1 014)	(2 028)	(2 053)	(7 812)	(1 477)	(12 291)	(12 205)	(10 688)
Marketing, promotions and workshops	(1 396)	(1 363)	(1 160)	(3 021)	(1 809)	(10 662)	(11 248)	(11 857)
Office Expenses/Printers and stationery	(1 454)	(1 840)	(2 878)	(2 408)	(1 680)	(2 479)	(2 351)	(2 462)
Consulting	(3 669)	(4 509)	(8 574)	(10 655)	(19 665)	(26 390)	(23 902)	(25 217)
Audit fees	(2 157)	(3 832)	(6 908)	(6 279)	(6 900)	(7 245)	(7 643)	(8 064)
Legal fees	(1 153)	(2 977)	(4 667)	(5 500)	(1 233)	(4 500)	(4 748)	(5 009)
Directors fees and expenses	(3 875)	(4 450)	(4 911)	(5 835)	(5 835)	(7 512)	(7 926)	(8 362)
Administration	(2 567)	(3 003)	(4 452)	(4 130)	(3 734)	(4 558)	(4 809)	(5 073)
Training and development	(928)	(1 336)	(997)	(2 410)	(1 756)	(5 000)	(3 165)	(3 339)
Premises	(5 746)	(6 396)	(9 064)	(8 549)	(8 996)	(7 894)	(8 684)	(9 552)
President Place and other	(9 978)	(12 966)	(13 331)	(14 489)	(9 076)	(13 489)	-	-
Operating profit	108 671	83 638	132 766	64 519	79 112	21 025	62 478	109 465
Fair value adjustments	18 601	107 568	(84 062)	(10 696)	(10 696)	-	-	-
Share of profit of an associate	-	-	-	-	-	-	-	-
Surplus before for the year	127 272	191 206	48 694	53 824	68 416	21 025	62 478	109 465
Income tax expense	-	-	-	-	-	-	-	-
Surplus for the year	127 272	191 206	48 694	53 824	68 416	21 025	62 478	109 465

Statement of Financial Position

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Non Current Assets	2 451 979	3 309 602	3 246 682	2 994 478	3 418 991	3 672 563	4 118 086	4 794 349
Loans asset	1 887 103	2 540 787	2 443 609	2 129 407	2 527 752	2 708 518	3 016 746	3 543 697
Investment in controlled entities	258 218	376 560	341 170	379 307	341 170	371 170	401 170	401 170
Investment in non controlled entities	88 200	156 917	254 456	241 109	297 631	387 631	502 631	662 631
Investment property	60 000	66 000	62 300	66 000	62 300	-	-	-
Property, plant and equipment	1 954	2 221	2 843	13 457	8 032	25 140	15 435	4 746
Intangible assets	-	-	-	-	-	-	-	-
Investment in associates	156 504	167 117	142 104	165 197	182 105	182 105	182 105	182 105
Current Assets	905 073	1 457 263	1 649 413	1 974 619	1 601 613	1 341 464	901 585	756 358
Other receivables and prepayments	23 449	22 809	28 649	27 599	28 649	28 649	28 649	28 649
Income tax receivable	33 912	35 169	35 169	-	-	-	-	-
Cash and cash equivalent	313 680	910 830	889 437	965 712	830 483	668 461	415 917	362 862
Held to maturity investment	534 032	488 445	696 158	981 309	742 380	644 354	457 019	374 847
Total Assets	3 357 052	4 766 865	4 896 095	4 969 098	5 020 603	5 014 027	5 019 671	5 550 707
Net Assets and Liabilities								
Equity	3 033 464	4 348 545	4 447 239	4 507 205	4 515 655	4 536 679	4 598 157	4 708 623
Issued Capital	842	842	842	842	842	842	842	842
Share premium	879 158	879 158	879 158	879 158	879 158	879 158	879 158	879 158
Grant capital	730 000	1 545 038	1 656 698	1 595 038	1 656 698	1 656 698	1 656 698	1 656 698
Other reserves	-	199 284	137 624	199 284	137 624	137 624	137 624	137 624
Accumulated surplus/(deficit)	1 423 464	1 724 223	1 772 917	1 832 683	1 841 333	1 862 357	1 924 835	2 034 301
Non current liabilities	216 086	300 270	264 429	227 332	227 665	189 775	151 483	587 760
Other financial liabilities	216 086	300 270	264 429	227 332	227 665	189 775	151 483	587 760
Current liabilities	107 503	118 040	184 427	234 561	277 183	287 573	269 031	254 324
Trade Creditors	5 001	14 671	14 773	48 970	14 773	14 773	14 773	14 773
Other financial liabilities	32 394	38 245	36 764	38 245	37 890	38 292	38 722	64 150
Funds under management	62 672	32 637	97 085	103 860	188 725	198 713	179 741	139 606
Provision	17 436	32 487	35 795	43 486	35 795	35 795	35 795	35 795
Total Net assets and liabilities	3 357 053	4 766 865	4 896 095	4 969 098	5 020 603	5 014 027	5 019 672	5 550 707

Statement of Cash Flows

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Forecast R'000	2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Cash flow from operating activities							
Receipts	245 811	318 071	376 358	330 746	356 846	387 396	527 249
Sale of goods	-	314 534	371 484	292 030	313 596	342 247	480 741
Interest, dividends and rent on land	5 605	3 537	4 874	38 716	43 251	45 149	46 508
Payments	(419 562)	(247 322)	(289 138)	(385 097)	(630 993)	(767 511)	(1 094 045)
Compensation of employees	(61 968)	(55 433)	(96 576)	(132 260)	(154 561)	(165 549)	(175 387)
Good and services	(28 787)	(37 806)	(64 485)	(70 113)	(109 400)	(95 227)	(100 838)
Interest paid	(18 532)	(18 873)	(23 173)	(17 054)	(14 560)	(12 783)	(52 658)
Net cash payment to customers	(310 275)	(135 210)	(104 904)	(200 670)	(352 472)	(493 952)	(765 163)
Other payments	-	-	-	35 000	-	-	-
Net cash flows from operating activities	(173 751)	70 748	87 220	(54 350)	(274 146)	(380 114)	(566 797)
Cash flows from investing activities							
Purchase of assets	(1 289)	(2 305)	(2 677)	(13 248)	(20 000)	(2 500)	-
Proceeds from sale of assets	9	9	18 261	-	62 000	-	-
Movement in investment in associates	-	(13 035)	-	-	-	-	-
Proceeds from sale of investment property	67 197	45 587	(207 713)	(46 222)	98 027	187 335	82 172
Decrease/(increase) in held to maturity	-	-	-	-	-	-	-
Net cash flow from investing activities	65 908	30 256	(192 129)	(59 470)	140 027	184 835	82 172
Cash flows from Financing activities							
(Repayment)/increase of borrowings	(32 687)	(34 989)	(37 322)	(36 764)	(37 890)	(38 292)	461 705
Movement in funds under management	13 447	(3 290)	64 577	91 630	9 988	(18 972)	(40 135)
Grant capital	100 000	80 000	50 000	-	-	-	-
Acquisition from merger	-	454 425	-	-	-	-	-
Net cash flow from financing activities	80 760	496 146	77 255	54 866	(27 902)	(67 264)	421 570
Net increase or decrease in cash and cash equivalents	(27 083)	597 150	(27 654)	(58 954)	(162 022)	(252 544)	(63 055)
Cash and cash equivalents at the beginning of the year	340 765	313 680	917 091	859 437	830 483	668 461	415 917
Cash and cash equivalents at the end of the year	313 682	910 830	889 437	830 483	668 461	415 917	352 862

Company Quarterly Statement of Comprehensive Income

	Quarter 1 Budget R'000	Quarter 2 Budget R'000	Quarter 3 Budget R'000	Quarter 4 Budget R'000	2022 Budget R'000
Revenue	83 859	93 435	106 204	115 780	399 278
Interest on Lending operations	45 084	51 847	60 864	67 626	225 421
Share of residual income in controlled entities	7 359	8 463	9 934	11 038	36 794
Interest on Investments	11 400	13 110	15 390	17 100	57 000
Sale of houses	-	-	-	-	-
Management fees	5 213	5 213	5 213	5 213	20 852
Fees on loans for construction projects	1 409	1 409	1 409	1 409	5 638
Dividends received	4 441	4 441	4 441	4 441	17 766
FLISP recovery	5 600	5 600	5 600	5 600	22 399
Rental income	3 352	3 352	3 352	3 352	13 409
Cost of sales	(8 744)	(17 488)	(30 605)	(30 605)	(87 442)
Net impairments and bad debts	(8 744)	(17 488)	(30 605)	(30 605)	(87 442)
Gross profit	75 114	75 947	75 599	85 176	311 836
Other operating income	-	-	-	-	-
Operating expenses	(82 876)	(67 682)	(63 814)	(61 880)	(276 252)
Employee	(46 368)	(37 868)	(35 704)	(34 622)	(154 561)
Travel and accomodation	(600)	(490)	(462)	(448)	(2 000)
Communication	(826)	(675)	(636)	(617)	(2 754)
Computer costs	(4 475)	(3 655)	(3 446)	(3 341)	(14 917)
Depreciation	(3 687)	(3 011)	(2 839)	(2 753)	(12 291)
Marketing,promotions and workshops	(3 198)	(2 612)	(2 463)	(2 388)	(10 662)
Office Expenses/Printers and stationery	(744)	(607)	(573)	(555)	(2 479)
Consulting	(7 917)	(6 466)	(6 096)	(5 911)	(26 390)
Audit fees	(2 174)	(1 775)	(1 674)	(1 623)	(7 245)
Legal fees	(1 350)	(1 103)	(1 040)	(1 008)	(4 500)
Directors fees and expenses	(2 254)	(1 841)	(1 735)	(1 683)	(7 512)
Administration	(1 367)	(1 117)	(1 053)	(1 021)	(4 558)
Training and development	(1 500)	(1 225)	(1 155)	(1 120)	(5 000)
Premises	(2 368)	(1 934)	(1 824)	(1 768)	(7 894)
Other	(4 047)	(3 305)	(3 116)	(3 021)	(13 489)
Operating profit	(7 761)	8 265	11 785	23 295	35 584
Fair value adjustment	-	-	-	-	-
Finance cost	(4 368)	(3 567)	(3 363)	(3 261)	(14 560)
Surplus before tax	(12 129)	4 698	8 422	20 034	21 025
Income tax expense	-	-	-	-	-
Surplus for the year	(12 129)	4 698	8 422	20 034	21 025

GROUP

Consolidated Statement of Comprehensive Income

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	Revised		
						2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Interest on loans and advances	181 786	248 460	269 055	256 660	213 911	235 979	271 741	395 663
Revenue from controlled entities	166 562	194 766	210 045	199 542	199 542	201 537	204 560	207 629
Interest on Investments	70 325	77 125	105 444	60 000	64 956	57 175	50 178	43 616
Sale of houses	17 665	3 381	20 468	20 094	29 755	-	-	-
Management fees	-	1 591	7 549	11 817	3 596	18 623	19 647	20 728
Fees on loans for construction projects	-	2 432	3 367	5 238	5 344	5 638	5 948	6 275
Dividends received	2 532	13 837	9 960	-	14 464	17 766	32 592	54 718
FLJSP recovery	-	2 040	5 525	15 400	19 010	22 399	23 085	23 160
Rental Income	13 548	15 860	15 575	13 375	12 710	13 409	-	-
Revenue	452 438	559 492	646 989	582 126	563 288	572 825	607 751	751 788
Interest paid	(18 532)	(25 779)	(22 334)	(22 783)	(22 010)	(14 560)	(12 783)	(52 657)
Finance costs from controlled entity	(92 934)	(106 747)	(119 934)	(133 736)	(133 736)	(135 324)	(134 405)	(130 979)
Net revenue	340 972	426 986	504 721	425 607	407 542	422 641	460 563	568 152
Cost of sales	(16 435)	(3 014)	(20 707)	(19 003)	(30 140)	-	-	-
Net impairments and bad debts	(61 725)	(84 973)	(66 630)	(104 694)	(75 802)	(91 647)	(87 415)	(128 158)
Net impairments and bad debts from controlled ent	(10 603)	(24 378)	(15 314)	(21 104)	(9 034)	(15 000)	(20 558)	(19 190)
Gross profit	252 209	314 601	402 071	280 806	292 566	315 994	362 590	420 804
Other operating income	14 406	6 567	26 187	16 157	10 432	8 936	8 685	7 540
Operating expenses	(140 557)	(194 769)	(238 044)	(254 734)	(248 391)	(313 084)	(309 573)	(323 415)
Employee	(72 032)	(105 663)	(132 748)	(138 635)	(135 137)	(157 988)	(169 324)	(179 521)
Travel and accomodation	(651)	(1 733)	(2 472)	(794)	(1 690)	(3 579)	(3 765)	(3 961)
Communication	(1 653)	(755)	(777)	(2 598)	(2 376)	(3 381)	(3 553)	(3 725)
Comptuer costs	(2 479)	(1 244)	(1 165)	(10 391)	(6 351)	(14 917)	(15 737)	(16 602)
Depreciation	(1 060)	(2 074)	(2 120)	(7 824)	(1 545)	(13 303)	(13 265)	(11 799)
Marketing,promotions and workshops	(1 364)	(1 363)	(1 160)	(3 021)	(1 809)	(10 662)	(11 248)	(11 867)
Office Expenses/Printers and stationery	(2 920)	(5 186)	(5 040)	(2 847)	(1 884)	(2 748)	(2 637)	(2 756)
Consulting	(3 625)	(4 787)	(9 011)	(11 197)	(19 870)	(26 390)	(23 902)	(25 217)
Audit fees	(2 157)	(4 082)	(6 885)	(6 838)	(7 425)	(7 559)	(7 977)	(8 417)
Legal fees	(1 146)	(4 812)	(5 883)	(6 490)	(2 560)	(4 926)	(4 976)	(5 153)
Directors fees and expenses	(3 875)	(4 450)	(4 911)	(5 835)	(5 835)	(7 512)	(7 926)	(8 362)
Administration	(1 748)	(4 043)	(6 237)	(5 115)	(3 848)	(4 699)	(4 957)	(5 232)
Training and development	(965)	(1 384)	(1 005)	(2 501)	(1 792)	(5 040)	(3 205)	(3 383)
Premises	(6 763)	(7 691)	(10 933)	(9 249)	(10 362)	(9 010)	(9 832)	(10 814)
President Place and other	(10 441)	(12 829)	(13 313)	(14 753)	(11 364)	(14 500)	(1 042)	(1 048)
Operating expenses from controlled entities	(27 678)	(32 671)	(34 384)	(26 647)	(34 544)	(26 869)	(26 227)	(25 559)
Operating profit	126 058	128 398	190 214	42 229	54 608	11 846	51 703	104 929
Fair value adjustments	(5 104)	5 795	1 157	(10 696)	(10 696)	-	-	-
Share of profit of an associate	3 988	13 457	28 362	14 130	4 541	4 791	5 054	5 332
Surplus before for the year	124 942	145 650	219 733	45 663	48 453	16 637	56 757	110 281
Income tax expense								
Surplus for the year	124 942	145 650	219 733	45 663	48 453	16 637	56 757	110 281

Consolidated Statement of Financial Position

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Budget R'000	2021 Forecast R'000	2022 Budget R'000	2023 Budget R'000	2024 Budget R'000
Non Current Assets	3 327 637	4 394 332	4 418 058	4 260 355	4 605 727	4 945 207	5 351 873	5 984 487
Loans asset	1 773 023	2 480 920	2 411 474	2 240 261	2 529 949	2 794 129	3 158 046	3 717 763
Loans from controlled entities	1 205 747	1 332 072	1 346 379	1 432 005	1 432 005	1 482 498	1 439 953	1 383 538
Investment in non controlled entities	88 200	156 917	254 456	241 109	297 631	387 631	502 631	662 631
Investment property	60 000	66 000	62 300	66 000	62 300	-	-	-
Property, plant and equipment	2 104	2 324	2 973	13 565	8 162	25 270	15 565	4 876
Investment in associates	176 290	202 194	226 902	165 197	182 105	182 105	182 105	182 105
Instalment sale receivable	22 273	153 905	113 574	102 217	93 574	73 574	53 574	33 574
Current Assets	1 111 021	1 619 557	1 858 202	2 080 932	1 671 116	1 478 508	1 040 813	906 173
Other receivables and prepayments	16 119	22 789	20 985	27 599	32 850	32 848	32 852	32 857
Income tax receivable	33 912	35 169	35 169	-	-	-	-	-
Properties developed for sale	160 719	14 684	-	-	-	-	-	-
Cash from controlled entities	35 796	82 135	103 011	51 451	51 451	95 218	93 343	100 175
Cash and cash equivalent	330 443	976 335	1 002 879	1 010 824	844 435	706 088	457 597	398 293
Held to maturity investment	534 032	488 445	696 158	991 058	742 379	644 354	457 020	374 848
Total Assets	4 438 658	6 013 889	6 276 260	6 341 287	6 276 843	6 423 715	6 392 686	6 890 660
Net Assets and Liabilities	3 133 495	4 400 860	4 627 317	4 718 913	4 649 565	4 686 201	4 722 959	4 833 220
Equity	842	842	842	842	842	842	842	842
Issued Capital	879 158	879 158	879 158	879 158	879 158	879 158	879 158	879 158
Share premium	730 000	1 545 038	1 656 698	1 595 038	1 656 698	1 656 698	1 656 698	1 656 698
Grant capital	51 736	251 020	189 360	251 020	189 360	189 360	189 360	189 360
Other reserves	1 471 759	1 724 802	1 901 259	1 992 855	1 923 507	1 940 143	1 996 901	2 107 162
Accumulated surplus/(deficit)	1 197 789	1 474 252	1 437 632	1 367 627	1 329 357	1 428 066	1 357 417	1 758 325
Other financial liabilities	227 576	379 204	344 872	266 335	228 165	190 275	151 983	588 280
Financial liabilities from controlled entities	970 213	1 095 048	1 092 760	1 101 192	1 101 192	1 237 791	1 205 434	1 170 065
Current liabilities	107 374	138 776	211 311	254 847	297 922	329 448	312 310	298 115
Trade Creditors	4 304	22 076	30 588	48 970	28 138	27 952	27 793	27 659
Other financial liabilities	32 394	40 637	36 927	38 245	37 890	38 292	38 722	64 150
Funds under management	52 672	43 121	107 546	124 146	195 793	227 105	209 694	171 207
Provision	18 004	32 942	36 250	43 486	36 100	36 100	36 100	36 100
Total Net assets and liabilities	4 438 658	6 013 889	6 276 260	6 341 287	6 276 843	6 423 716	6 392 686	6 890 660

Consolidated Statement of Cash Flow

	2018 Actual R'000	2019 Actual R'000	2020 Actual R'000	2021 Forecast R'000	2022 Forecast R'000	2023 Forecast R'000	2024 Forecast R'000
Cash flow from operating activities							
Receipts	277 886	519 946	682 252	555 667	562 414	610 489	753 053
Sale of goods	17 685	3 381	20 468	29 755	-	-	701 625
Interest, dividends and rent on land	252 250	518 536	612 654	492 873	512 457	559 071	51 428
Other income	7 951	-1 971	49 130	33 038	49 958	51 417	-
Payments	(451 217)	(497 661)	(499 284)	(677 742)	(790 441)	(989 986)	(1 310 914)
Compensation of employees	(69 775)	(75 851)	(100 944)	(135 137)	(157 988)	(169 324)	(179 521)
Good and services	(31 761)	(69 057)	(108 642)	(141 849)	(141 793)	(126 964)	(132 096)
Interest paid	(18 532)	(131 367)	(143 107)	(155 746)	(149 884)	(147 188)	(183 636)
Net cash payment to customers	(331 149)	(221 386)	(146 591)	(280 010)	(340 776)	(546 491)	(815 662)
Other payments	-	-	-	35 000	-	-	-
Net cash flows from operating activities	(173 331)	22 285	182 968	(122 075)	(228 027)	(379 498)	(567 861)
Cash flows from investing activities							
Purchase of assets	(1 420)	(2 307)	(2 771)	(13 248)	(20 000)	(2 500)	-
Proceeds from sale of assets	-	9	-	-	62 000	-	-
Movement in investment in associates	-	-	-	-	-	-	-
Proceeds from sale of investment property	67 197	45 587	(207 711)	(46 221)	98 026	187 334	82 172
Decrease/(increase) in held to maturity	-	-	-	-	-	-	-
Net cash flow from investing activities	65 777	43 289	(210 482)	(59 469)	140 026	184 834	82 172
Cash flows from Financing activities							
(Re payment)/increase of borrowings	(33 563)	53 867	(39 610)	(116 707)	(37 890)	(38 292)	461 705
Movement in funds under management	13 447	(3 290)	64 544	88 247	31 312	(17 410)	(38 488)
Grant capital	100 000	80 000	50 000	-	-	-	-
Acquisition from merger	-	531 876	-	-	-	-	-
Net cash flow from financing activities	79 884	682 463	74 934	(28 460)	(6 579)	(55 702)	423 218
Net increase or decrease in cash and cash equivalents	(27 670)	728 027	47 420	(210 004)	(94 580)	(250 366)	(52 472)
Cash and cash equivalents at the beginning of the year	358 113	330 443	1 058 470	1 105 890	895 886	801 306	559 940
Cash and cash equivalents at the end of the year	330 443	1 058 470	1 105 890	895 886	801 306	550 940	498 468

Group Quarterly Statement of Comprehensive Income

	Quarter 1 Budget R'000	Quarter 2 Budget R'000	Quarter 3 Budget R'000	Quarter 4 Budget R'000	2022 Budget R'000
Revenue	118 397	133 237	153 025	167 866	572 525
Interest on loans and advances	47 196	54 275	63 714	70 794	235 979
Revenue from controlled entities	40 307	46 354	54 415	60 461	201 537
Interest on Investments	11 435	13 150	15 437	17 152	57 175
Sale of houses	-	-	-	-	-
Management fees	4 656	4 656	4 656	4 656	18 623
Fees on loans for construction projects	1 409	1 409	1 409	1 409	5 638
Dividends received	4 441	4 441	4 441	4 441	17 766
FLISP recovery	5 600	5 600	5 600	5 600	22 399
Rental income	3 352	3 352	3 352	3 352	13 409
Cost of sales	(10 666)	(21 329)	(37 326)	(37 326)	(106 647)
Cost of sales	-	-	-	-	-
Net impairments and bad debts	(1 500)	(3 000)	(5 250)	(5 250)	(15 000)
Net impairments and bad debts from controlled entities	(9 165)	(18 329)	(32 076)	(32 076)	(91 647)
Gross profit	107 732	111 908	115 699	130 539	465 878
Other operating income	2 234	2 346	2 212	2 145	8 936
Operating expenses	(93 925)	(76 705)	(66 116)	(70 131)	(313 084)
Employee	(47 396)	(38 707)	(36 495)	(35 389)	(157 988)
Travel and accomodation	(1 074)	(877)	(827)	(802)	(3 579)
Communication	(1 014)	(828)	(781)	(757)	(3 381)
Computer costs	(4 475)	(3 655)	(3 446)	(3 341)	(14 917)
Depreciation	(3 991)	(3 259)	(3 073)	(2 980)	(13 303)
Marketing,promotions and workshops	(3 198)	(2 612)	(2 463)	(2 388)	(10 662)
Office Expenses/Printers and stationery	(825)	(673)	(635)	(616)	(2 748)
Consulting	(7 917)	(6 466)	(6 096)	(5 911)	(26 390)
Audit fees	(2 268)	(1 852)	(1 746)	(1 693)	(7 559)
Legal fees	(1 478)	(1 207)	(1 138)	(1 103)	(4 926)
Directors fees and expenses	(2 254)	(1 841)	(1 735)	(1 683)	(7 512)
Administration	(1 410)	(1 151)	(1 085)	(1 053)	(4 699)
Training and development	(1 512)	(1 235)	(1 164)	(1 129)	(5 040)
Premises	(2 703)	(2 208)	(2 081)	(2 018)	(9 010)
President Place and other	(4 350)	(3 553)	(3 350)	(3 248)	(14 500)
Operating expenses from controlled entities	(8 061)	(6 583)	(6 207)	(6 019)	(26 869)
Operating profit	16 041	37 548	51 795	62 553	161 730
Interest paid	(4 368)	(3 567)	(3 363)	(3 261)	(14 560)
Finance costs from controlled entity	(40 597)	(33 154)	(31 260)	(30 313)	(135 324)
Fair value adjustments	-	-	-	-	-
Share of profit of an associate	1 198	1 258	1 186	1 150	4 791
Surplus before tax	(27 727)	2 084	18 357	30 129	16 637
Income tax expense	-	-	-	-	-
Surplus for the year	(27 727)	2 084	18 357	30 129	16 637

Group Budget per Programme

	Budget 2021/22						
	Programme 1	Programme 2		Programme 4	Programme 5		TOTAL
	Adminstration	Programme Management	Subsidy Housing	Rental and Social Housing	Affordable Housing	Grant Facilitation	
Employee	110 076	14 488	3 890	8 486	7 729	12 402	157 072
Travel and accomodation	1 451	1 489	76	154	277	62	3 508
Communication	2 328	213	51	481	129	168	3 371
Computer	14 917	-	-	-	-	-	14 917
Depreciation	12 255	1 000	-	-	-	-	13 255
Marketing,promotions and workshops	7 489	-	9	9	9	3 147	10 662
Office Expenses/Printers and stationery	1 550	105	32	608	35	414	2 743
Consulting	25 590	-	-	-	-	800	26 390
Audit fees	7 559	-	-	-	-	-	7 559
Legal fees	4 925	-	-	1	-	-	4 926
Directors fees and expenses	7 512	-	-	-	-	-	7 512
Administration	1 949	76	-	-	4	2 667	4 695
Training and development	5 040	-	-	-	-	-	5 040
Premises	8 515	450	-	-	-	-	8 965
Other	15 599	-	-	-	-	-	15 599
Fund management fees in controlled entities	-	-	-	-	26 869	-	26 869
Total Operating Expenses	226 755	17 820	4 058	9 738	35 051	19 660	313 083
Impairment and bad debts	-0	-	1 153	61 904	43 590	-	106 647
Interest paid	0	-	-	6 334	143 550	-	149 884
Total expenditure	226 756	17 820	5 211	77 976	222 191	19 660	569 614
	-			-		-	

	Budget 2022/23						
	Programme 1	Programme 2		Programme 4	Programme 5		TOTAL
	Adminstration	Programme Management	Subsidy Housing	Rental and Social Housing	Affordable Housing	Grant Facilitation	
Employee	117 702	15 404	4 132	9 012	8 209	14 866	169 324
Travel and accomodation	1 615	1 560	79	156	290	65	3 765
Communication	2 482	223	53	483	135	176	3 553
Computer	15 737	-	-	-	-	-	15 737
Depreciation	12 217	1 048	-	-	-	-	13 265
Marketing,promotions and workshops	7 916	-	9	9	9	3 305	11 248
Office Expenses/Printers and stationery	1 414	110	33	609	36	435	2 637
Consulting	24 103	-	-	-	-	840	24 943
Audit fees	7 977	-	-	-	-	-	7 977
Legal fees	4 974	-	-	2	-	-	4 976
Directors fees and expenses	7 926	-	-	-	-	-	7 926
Administration	2 206	80	-	-	4	2 667	4 957
Training and development	3 205	-	-	-	-	-	3 205
Premises	9 337	495	-	-	-	-	9 832
Other	-	-	-	-	-	-	-
Fund management fees in controlled entities	-	-	-	-	26 227	-	26 227
Total Operating Expenses	218 811	18 920	4 306	10 272	34 910	22 354	309 572
Fair value adjustment	-	-	-	-	-	-	-
Impairment and bad debts	-0	-	1 100	59 046	47 828	-	107 973
Interest paid	0	-	-	4 998	142 190	-	147 188
Total expenditure	218 811	18 920	5 406	74 315	224 927	22 354	564 733
	-			-		-	

	Budget 2023/24						
	Programme 1	Programme 2		Programme 4	Programme 5		TOTAL
	Adminstration	Programme Management	Subsidy Housing	Rental and Social Housing	Affordable Housing	Grant Facilitation	
Employee	121 005	16 354	4 388	12 709	8 718	16 348	
Travel and accomodation	1 678	1 635	82	194	304	68	3 961
Communication	2 590	234	56	519	141	185	3 725
Computer	16 602	-	-	-	-	-	16 602
Depreciation	10 701	1 098	-	-	-	-	11 799
Marketing,promotions and workshops	8 350	-	9	28	9	3 470	11 867
Office Expenses/Printers and stationery	1 475	115	35	638	37	457	2 756
Consulting	25 382	-	-	-	-	882	26 264
Audit fees	8 417	-	-	-	-	-	8 417
Legal fees	5 150	-	-	3	-	-	5 153
Directors fees and expenses	8 362	-	-	-	-	-	8 362
Administration	2 477	84	-	-	4	2 667	5 232
Training and development	3 383	-	-	-	-	-	3 383
Premises	10 270	545	-	-	-	-	10 814
Other	-	-	-	-	-	-	-
Fund management fees in controlled entities	-	-	-	-	25 559	-	25 559
Total Operating Expenses	225 841	20 065	4 570	14 090	34 772	24 076	323 415
Fair value adjustment	-	-	-	-	-	-	-
Impairment and bad debts	-0	-	1 612	86 566	59 170	-	147 348
Interest paid	-0	-	-	45 311	138 325	-	183 636
Total expenditure	225 841	20 065	6 182	145 967	232 268	24 076	654 399
	-			-		-	

ANNEXURE G: MTSF CONTRIBUTION

NHFC CONTRIBUTIONS TO 2019/24 MTSF (Progress is reported Quarterly)

INTERVENTION INDICATOR	ACTIVITIES
1. Number of Implementation Programmes for priority development areas completed	Develop a multi-year investment Plan for PDA's
2. Number of Social Housing Rental Units delivered	Provide finance for delivery of subsidised rental housing.
3. Number of housing units delivered through subsidy mechanism to households earning R0 - R3500	Provide finance to contractors for delivery of subsidised BNG housing units
4. Number of approved subsidy applications for purchasing a unit through the financed linked individual subsidy programme	Develop a five year plan for the allocation of the 20 000 subsidies
	Disburse 20 000 FLISP funding assistance to relevant financial institutions of qualifying beneficiaries
	Implement a communication strategy targeting FLISP beneficiaries
	Keep record of all applications (approved/rejected) for FLISP (Report on number of applications received, approved and rejected)
	Report on the total volume and amount of subsidies disbursed
	Report on the number of households that received subsidy assistance
	Report on the number of consumers with access to affordable finance and the total volume of disbursement
	Report on the number of beneficiaries that received incremental housing loans as well as the total value of loans disbursed
	Report of trends on the repayment of incremental housing loans
	Number of consumer disputes submitted and resolved within 90 days

	(report on % of consumer complaints that have been resolved within 90 days)
5. Transactional Support Programme implemented	Establish the presence of transactional support sites
	Report on transactional support programmes
6. Residential Property sector transformation achieved	In collaboration with the DHS, develop the implementation strategy with targets for the transformation of the residential property sector

ANNEXURE H: MATERIALITY FRAMEWORK

FOR THE PURPOSE OF THE INTERPRETATION OF AND COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, ACT 1 OF 1999 (“PFMA”)

Disclosure of Material Losses – Section 55(2) (b) of the PFMA.

This section of the framework seeks to provide guidance on the quantum of losses that should be disclosed in the Annual Financial Statements of the NHFC. Section 55(2) (b) of the PFMA classifies these losses under three categories as follows:

Material Losses	Proposed Framework	Resulting Figures for 2018/19*	Recommended Disclosure Practice	Preventative Measures
<ul style="list-style-type: none"> ▪ Criminal conduct losses ▪ Irregular expenditure ▪ Fruitless and wasteful expenditure 	<p>Quantitative: 0.5% of Revenue</p>	R1.2 million	Each loss due to criminal conduct, irregular expenditure or fruitless and wasteful expenditure, as identified, will be evaluated in context of the expense category to which it relates to determine whether it qualifies for disclosure in the Annual Financial Statements.	NHFC’s systems and processes are designed and are continually reviewed to ensure the prevention and detection of all such expenditure, irrespective of the size thereof.

* Based on latest audited financial statements

Significance - Section 54(2) of the PFMA

Section 54(2) of the PFMA requires that before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing, inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:

PFMA	TERMS AS SET OUT IN THE SECTION	APPLICATION OF SECTION 54(2) OF PFMA TO THE NHFC
Section 54(2)(a)	Establishment or participation in the establishment of a company	All transactions of this nature that require the Corporation to take up equity or equity related loans in a company to be established will require an application.

PFMA	TERMS AS SET OUT IN THE SECTION	APPLICATION OF SECTION 54(2) OF PFMA TO THE NHFC
		<p>Where the Corporation will not have an interest (equity or loans) in the company to be established, for example where it is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, an application need not be made.</p>
Section 54(2)(b)	Participant in a <u>significant</u> partnership, trust, joint venture or similar arrangement.	<p>The following will require that an application be made in terms of this Section:</p> <ul style="list-style-type: none"> • Any participation that entails incorporation under the Companies Act (or similar foreign legislation). • Any transaction not entailing incorporation of monetary value of more than 1% of total assets, <u>other than project funding given in the normal course of business.</u> • A participation in any partnership, trust, joint venture or similar arrangement that is located outside the republic of South Africa.
Section 54(2)(c)	Acquisition or disposal of a significant shareholding in a company	<p>The following will require that an application be made in terms of this section:</p> <ul style="list-style-type: none"> • Ownership control is affected. • The NHFC's right to pass or block a special resolution will be affected • There is a change of ownership of at least 20% • For an acquisition, any transaction that results in a shareholding of at least 20% in a company. • Regardless of the percentage holding, any direct equity investment exceeding 1% of total assets of the NHFC.

PFMA	TERMS AS SET OUT IN THE SECTION	APPLICATION OF SECTION 54(2) OF PFMA TO THE NHFC
Section 54(2)(d)	Acquisition or disposal of a significant asset.	<p>The following will require an application in terms of this section:</p> <ul style="list-style-type: none"> • Any asset with a value of more than 5% of the total assets of the NHFC, excluding financial instruments. • Disposal of the major part of the assets of the NHFC. • Assets classified as current assets according to generally accepted accounting practice need not be regarded as falling under this subsection.
Section 54(2) (e)	Commencement or cessation of a significant business activity.	<p>Any business activity outside the NHFC's core business will require an application in terms of this section.</p>
Section 54(2) (f)	<p>A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.</p>	<p>The NHFC should make an application in terms of this Section if:</p> <ul style="list-style-type: none"> • Any change in interest in the rand value of which exceeds 1% of the total assets; • Where the nature of the NHFC's interest changes between any of the vehicles (that is, between a partnership, trust, unincorporated joint venture or similar arrangement); • Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement); or • Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement).

