

NHFC ANNUAL REPORT PRESENTATION



Housing Portfolio Committee

**Mr. Samson Moraba
CEO**

16 October 2009



NHFC'S MANDATE, VISION, MISSION, OBJECTIVES AND OUTCOMES



Mandate

The National Department of Housing established the National Housing Finance Corporation Limited (NHFC) as a Development Financial Institution (DFI) in 1996 with the principle mandate of broadening and deepening access to affordable housing finance for the low to middle income households

Vision

To be the leader in development finance for the low to middle income housing market

Mission

Providing innovative and affordable housing finance solutions to the low and middle income households

NHFC'S MANDATE, VISION, MISSION, OBJECTIVES AND OUTCOMES



Objectives

Provide choice through the provision of housing finance

Encourage increased lending by financial institutions

Provide timely research and market analysis

Outcomes

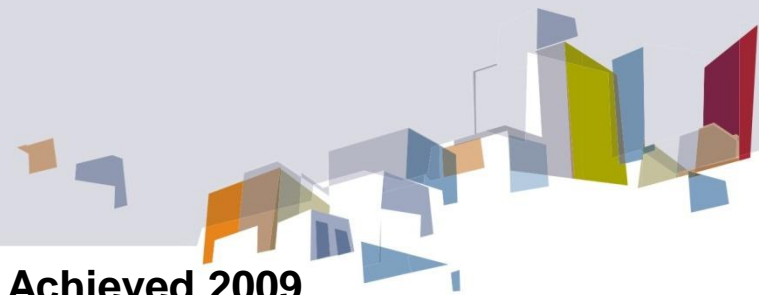
Housing opportunities created: 14,863

Beneficiaries Benefitting: 74,435

Private funds leveraged 1:2 (R435 million : R 705 million)

Provide increased opportunities down market - facilitation

THE PROMISE WE MADE



Last year we said we would

Significantly increase funding for rental and ownership initiatives and leverage funding from partners.



On the demand side, the retail home loan product Implementation will be operational by the 3rd quarter.



NHFC will provide technical assistance to Local and Provincial Governments to accelerate the development of integrated sustainable human settlements with projects in Eastern Cape, Limpopo and Western Cape in 2009.



Achieved 2009

11 939 units were financed through direct and leveraged funding. This is the highest number of units financed in one year in the 13 years of NHFC operations and R435 million was disbursed.

HFF became operational on 20 October 2008 and by year-end had approved 2 238 loans.

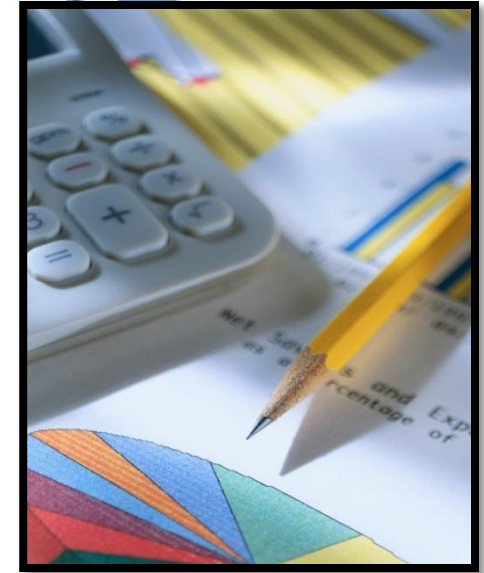
Progress has been made on all projects mentioned. The Corporation is also in discussion with other provinces embarking on such projects with the intention of providing technical assistance and/or funding.

HISTORY OF NHFC

PAST PERFORMANCE

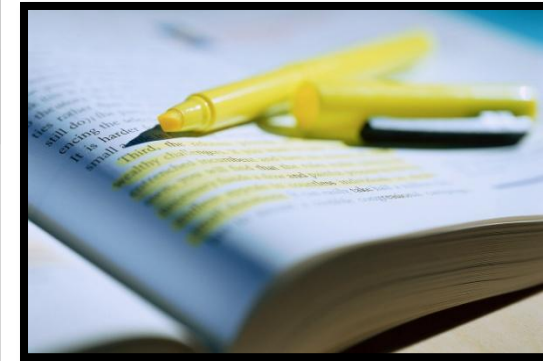
NHFC							
	2005	2006	2007	2008	2009	Forecast 2010	Total
Cumulative Impact 1997-2004	221,405						
<i>Housing units</i>	4,210	6,636	9,887	7,184	11,939	8,745	96,125
<i>Incremental housing loans</i>	8,557	8,879	4,556	6,937	2,924	9,733	215,467
Cumulative Housing Opportunities Funded	234,172	249,687	264,130	278,251	293,114	311,592	
Accumulated Disbursements Rm	1,930	2,141	2,411	2,780	3,294	4,086	

- The housing units provided in the 14 years of the existence of NHFC equate to an average of **6 866** per year. This compares to an average of **11 731** mortgage bonds provided per year for each of the major banks during the FSC period.
- The capital provided to NHFC amounted to **R1,08 billion** and from this loans of **R4,08 billion** have been made since inception. Many of the loans, particularly to social housing institutions and inner city landlords are long term loans.



KEY DELIVERY HIGHLIGHTS - 2009

- **2009 saw the highest number of units being funded by NHFC in a single year.**
- **Disbursements exceeded budget by 20%.**
- **Profit after tax was higher than budget. Bottom line was higher but impact did not meet expectations.**
- **“Crowded In” the private sector- HIP**
- **Consolidated CTCHC into the NHFC accounts. We now own 100% of the company having bought the 50% previously owned by the City of Cape Town .**
- **Funded with Absa the training of 400 Black Estate Agents**
- **Co-organised International symposium on Urban Development, Housing and Social Cohesion with AFD**



NHFC'S BUSINESS PERFORMANCE

PROJECTS



Number of loans approved	14
Value of loans disbursed ('000)	435,388
Number of housing units financed	11,718
Number of beneficiaries benefitting	58,590

COMMERCIAL



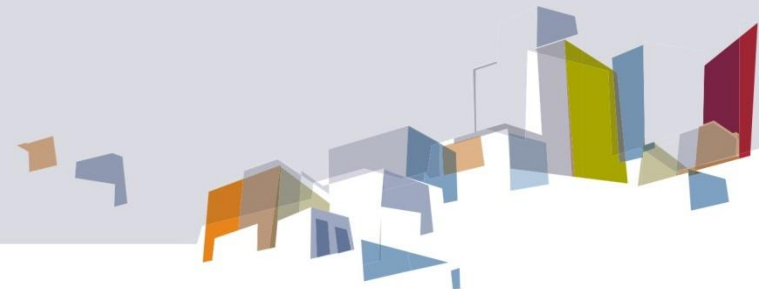
Number of loans approved	3
Value of loans disbursed ('000)	75,701
Number of incremental loans and units financed - Intermediaries	3,145
Number of beneficiaries benefitting	15,725

RETAIL

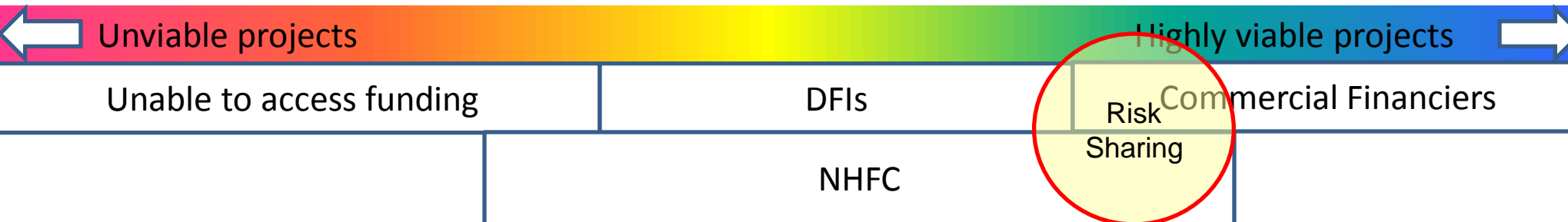


Number of loans approved	2,238
Value of loans disbursed (R'000)	3,000
Number of housing units financed	20
Number of beneficiaries benefitting	100

NHFC POSITIONING IN THE HOUSING MARKET

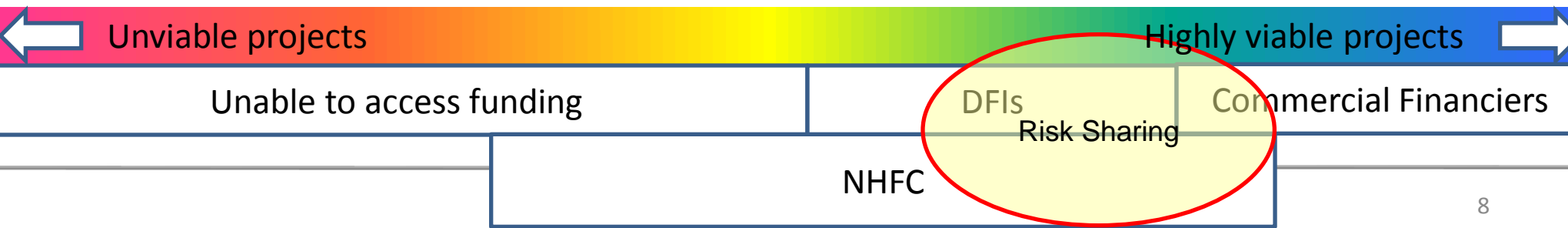


Pre-Crisis:

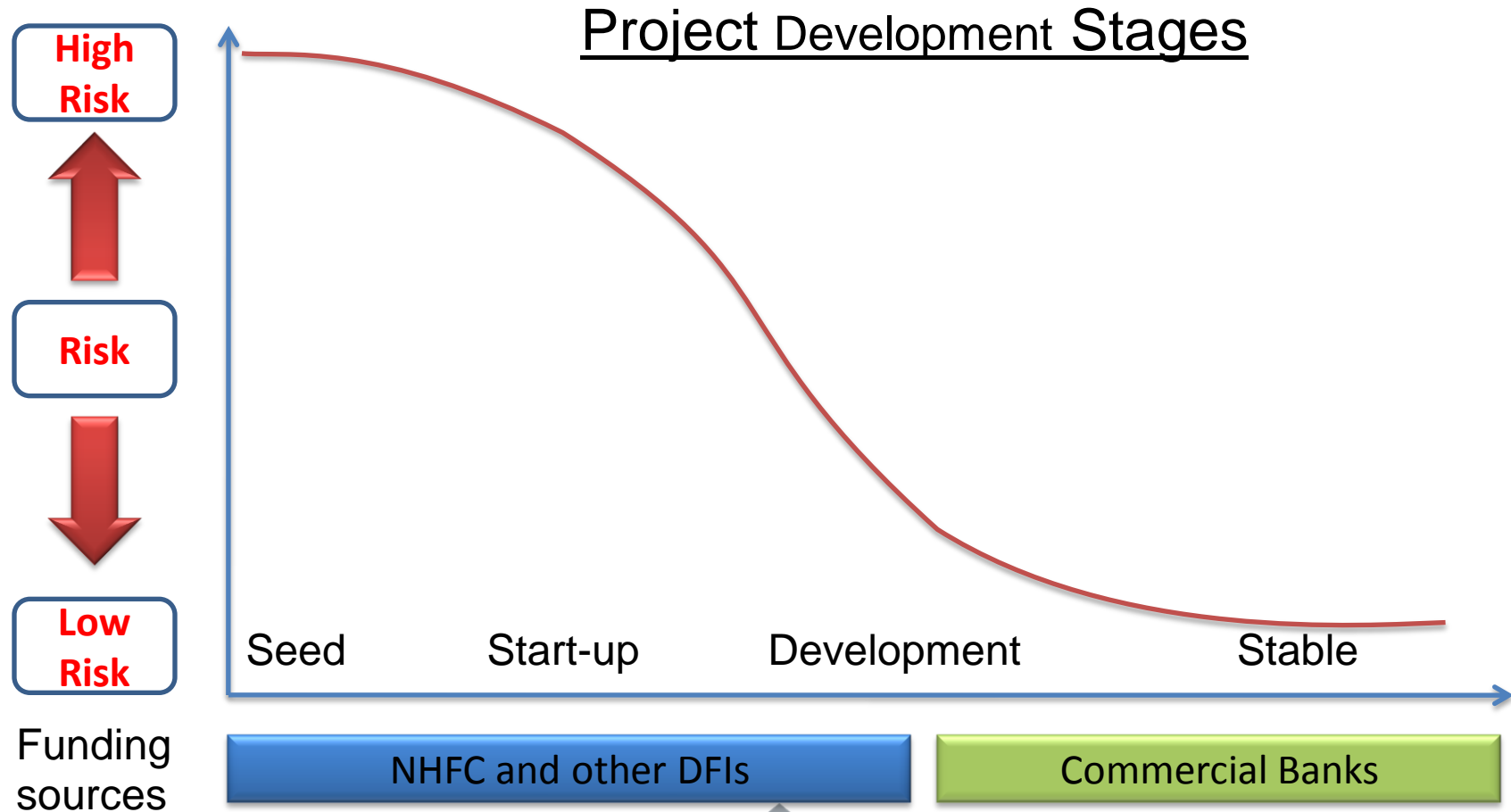


- Numerous economic sectors under increased pressure
- Overall shift in risk spectrum – more projects becoming unviable and risk profiles rising
- Commercial financiers tightening credit criteria – larger market gap for NHFC and other DFIs to fill
- More risk sharing could entice commercial financiers to partially fill the gap and stimulate credit flow
- NHFC extends itself to address to broader portion of the housing delivery

Current Conditions:



NHFC PORTFOLIO PROFILE



IMPACT OF ECONOMIC DISTRESS TO END USERS

Constraints

Higher level of indebtedness

Very low affordability levels

Decreased or no income (unemployment)

Expectations for higher levels of funding for infrastructure

NHFC RETAIL EXPERIENCES



Demands

Increased volume of end-user applications

Higher cost of financing from traditional funders

Minimum deposit required from end users

Potential high level of impairments due to high risk



IMPACT OF ECONOMIC DISTRESS TO END USERS

COMMERCIAL BANKS

- Shorter-term view
- Tighter credit criteria
- Less credit being granted
- Request for high deposits
- High cost of finance

NHFC

- Long-term view on the market
- Accommodative credit criteria, willing to consider reasonable applications for funding
- Assisting end users in distress
- Treat the end user with dignity

STRATEGIC PARTNERSHIPS

NHFC originally continues to look to partnerships with the private and public sectors to deliver on its mandate.

- **An innovative offering, that provides end-user choice - HIP.**
- **Increases our involvement in inner city regeneration through TUHF.**
- **Expanding housing delivery through public partnerships – CTCHC (City and Provinces)**



ABRIDGED BALANCE SHEET



Balance Sheet as at 31 March 2009

	2009 R'000	2008 R'000
Loans assets	1,053,790	929,485
Other non-current assets	87,034	10,961
Non-current assets	1,140,824	940,446
Current assets	1,617,956	1,652,975
Total assets	2,758,780	2,593,421
Capital and reserves	2,158,810	2,045,769
Non-current liabilities	547,288	516,481
Current liabilities	52,683	31,171
Total equity and liabilities	2,758,780	2,593,421



Financial Performance – Summary Income 2009

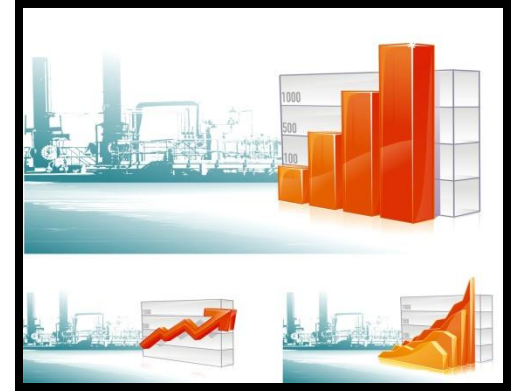
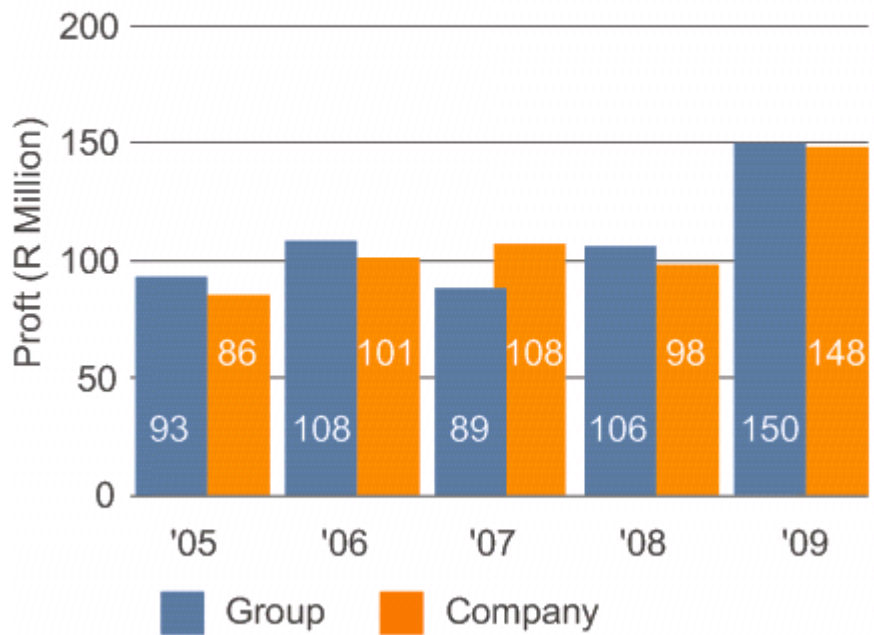
	Group	Company		
	Actual 2009 R'000	Actual 2009 R'000	Variance %	Budget 2009 R'000
Lending income	105,928	110,649	-5%	116,015
Sale of houses	7,033	-		
Operating income	112,961	110,650	-5%	116,015
Cost of sales	(7,395)	-		
Impairments	(17,739)	(17,739)	-41%	(12,564)
Net operating income	87,827	92,910	-10%	103,451
Operating expenses	(99,730)	(92,005)	19%	(113,751)
Net operating profit/loss	(11,903)	905	-109%	(10,300)
Investment and sundry income	165,722	147,593	61%	91,813
Finance costs	(2,059)	-		-
Share of loss of an associate	(1,262)	-		-
Profit before tax	150,498	148,498	82%	81,513
Income tax expense	(42,487)	(40,984)		(23,639)
Profit for the period	108,011	107,515	86%	57,874



FINANCIAL PERFORMANCE



Profit before taxation 2005-2009



FINANCIAL PERFORMANCE – 2009



Financial Performance

**Profit before tax
(82% above)**

Operating income

- *Increased level of impairments and write off on book sold (Protea Financial Services Group)*

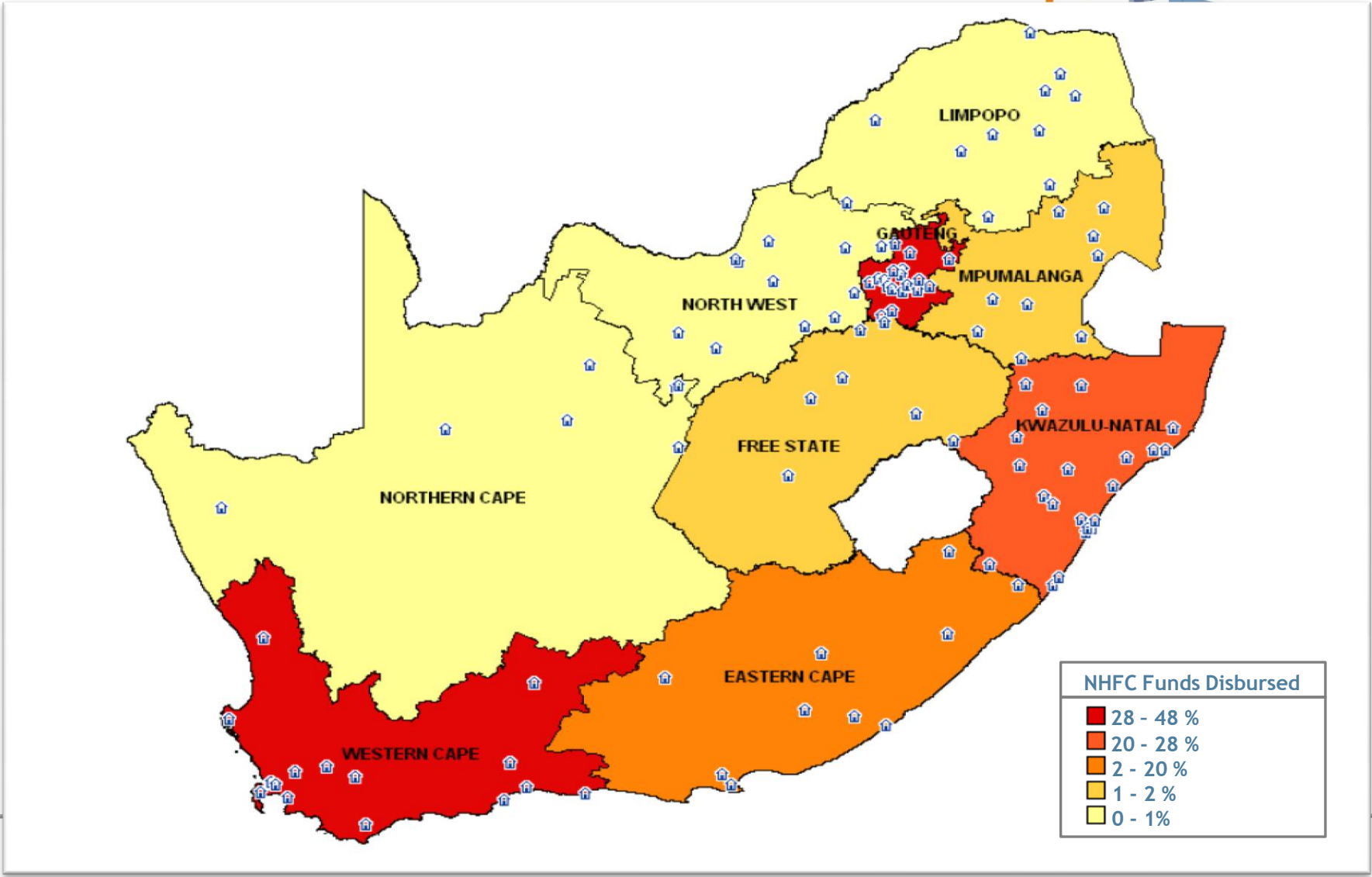
(10% below)

Operating Expenses

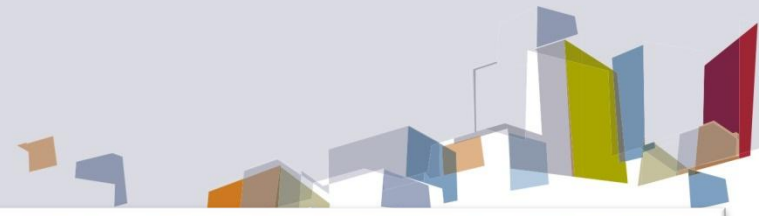
- *Under expenditure in employee, marketing, travel, office and computer costs.*
(19% below)
- Investment and sundry income**

 - *Higher than budgeted interest rates for most part of the year.*
(61% above)

NHFC PROVINCIAL FOOTPRINT



NHFC FUNDED PROJECTS



Guildford Court - Berea



Morgens Village – Cape Town



Hillary - Umkhumbaan



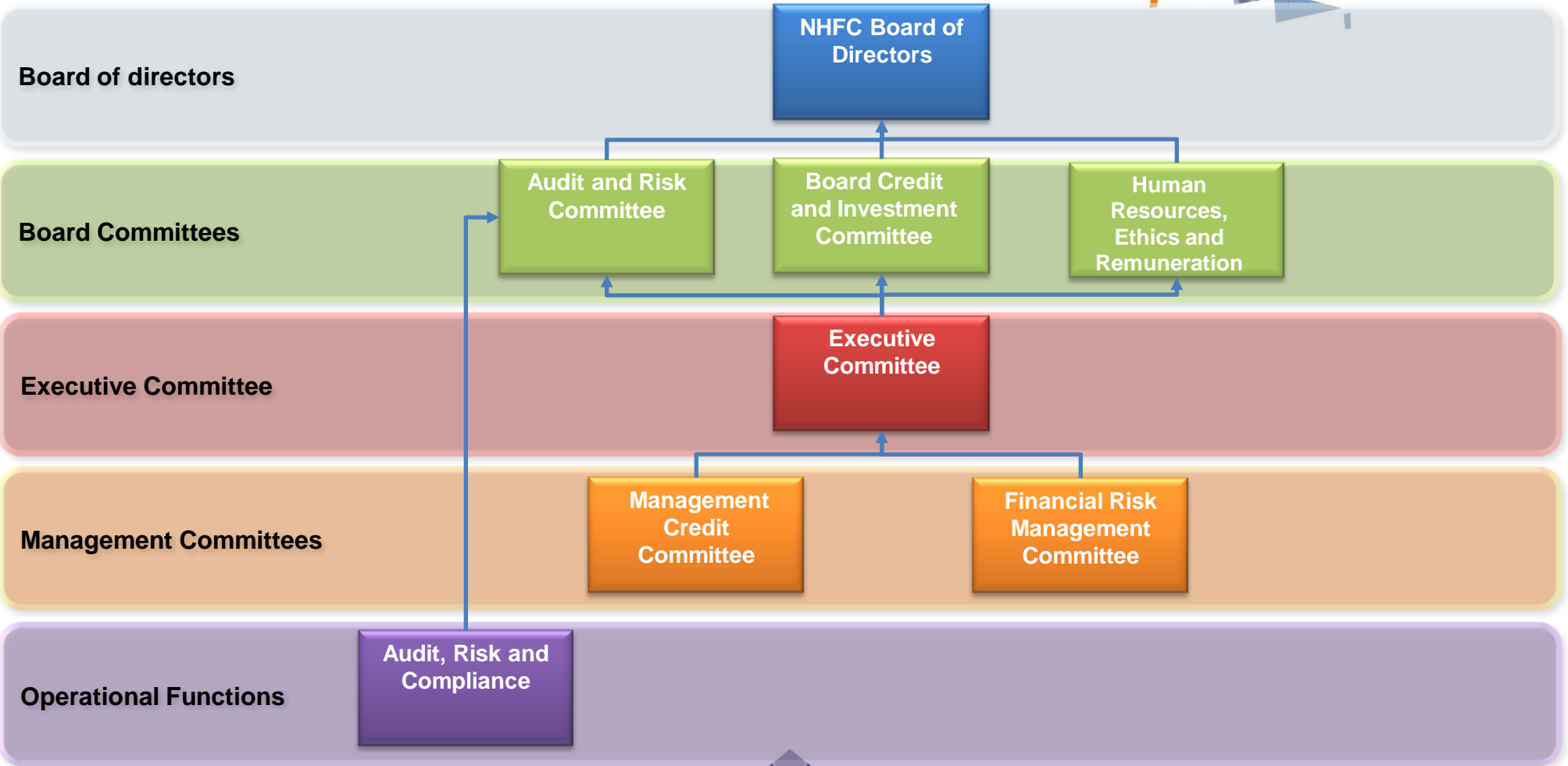
NHFC Retail Impala - Rustenburg

CORPORATE GOVERNANCE

- **NHFC conforms to the requirements of the King 2 report and the Protocol on Corporate Governance.**
- **The Corporation had a reporting irregularity for the first time in purchasing the shares in CTCHC but this was subsequently approved by the Minister. This is fully described in the annual report.**
- **Unqualified audit report for 14 years**
- **NHFC remains a Schedule 3(A) entity**
- **All necessary committees are in place in terms of the PFMA**



GOVERNANCE STRUCTURE



CONCLUDING REMARKS



The NHFC continues to play its part in the upliftment of communities through the provision of finance for sustainable human settlements by....

- **Providing choice through the provision of housing finance**
- **Encouraging increased lending by financial institutions to the low end of the market**
- **Providing timely research and market analysis to empower the low income households decision making, including consumer education**