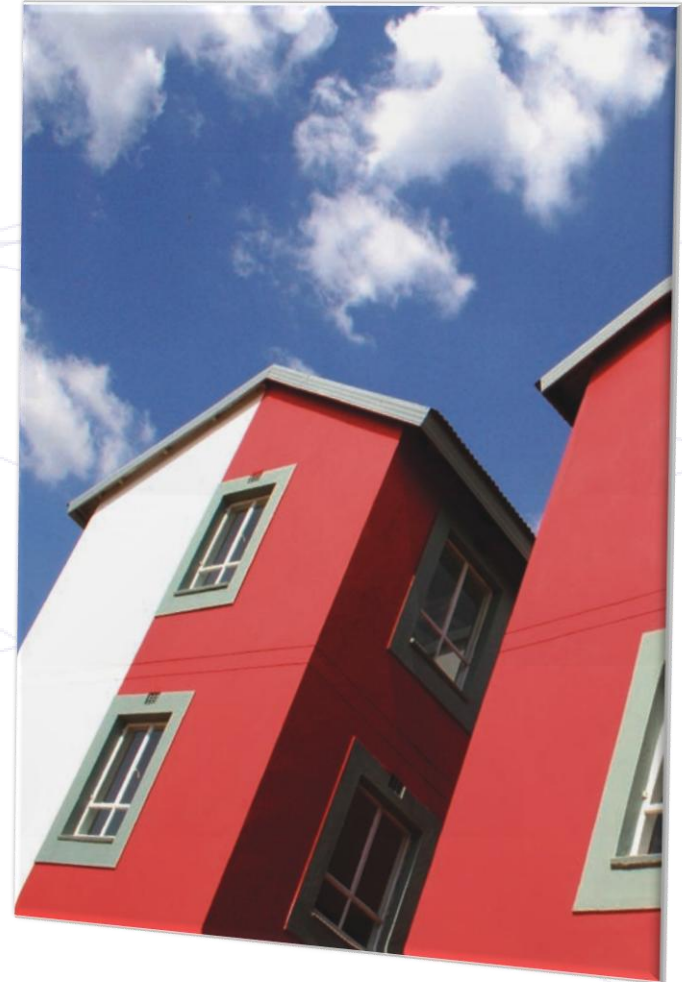


**Annual Report Presentation
to the
Housing Portfolio Committee
Mr. Samson Moraba
CEO
15 September 2010**



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- ❑ Mandate, Vision, Mission
- ❑ Strategic Objectives
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NHFC'S MANDATE, VISION, MISSION,

Mandate

The National Department of Human Settlements 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 STRATEGIC OBJECTIVES

STRATEGIC OBJECTIVES

Expand housing finance activities, through the effective provision of housing finance solutions, thus enabling the low to middle income households to have choice of renting or owning or incrementally building, to meet their housing needs.

Facilitate the increased and sustained lending by financial institutions to the lower end of the housing market.

Mobilise finance into the human settlement space, on a sustainable basis, in partnership with the broadest range of institutions.

Fund well located suitable land parcels mainly through established public agencies.

Stimulate the low to middle income housing sector, by providing robust, relevant and timely research and market analysis to practitioners and housing consumers.

NHFC'S OUTCOMES

OUTCOMES

Housing opportunities created: Affordable Rental, Ownership and Incremental
11,160

Number of beneficiaries benefitting
42,408

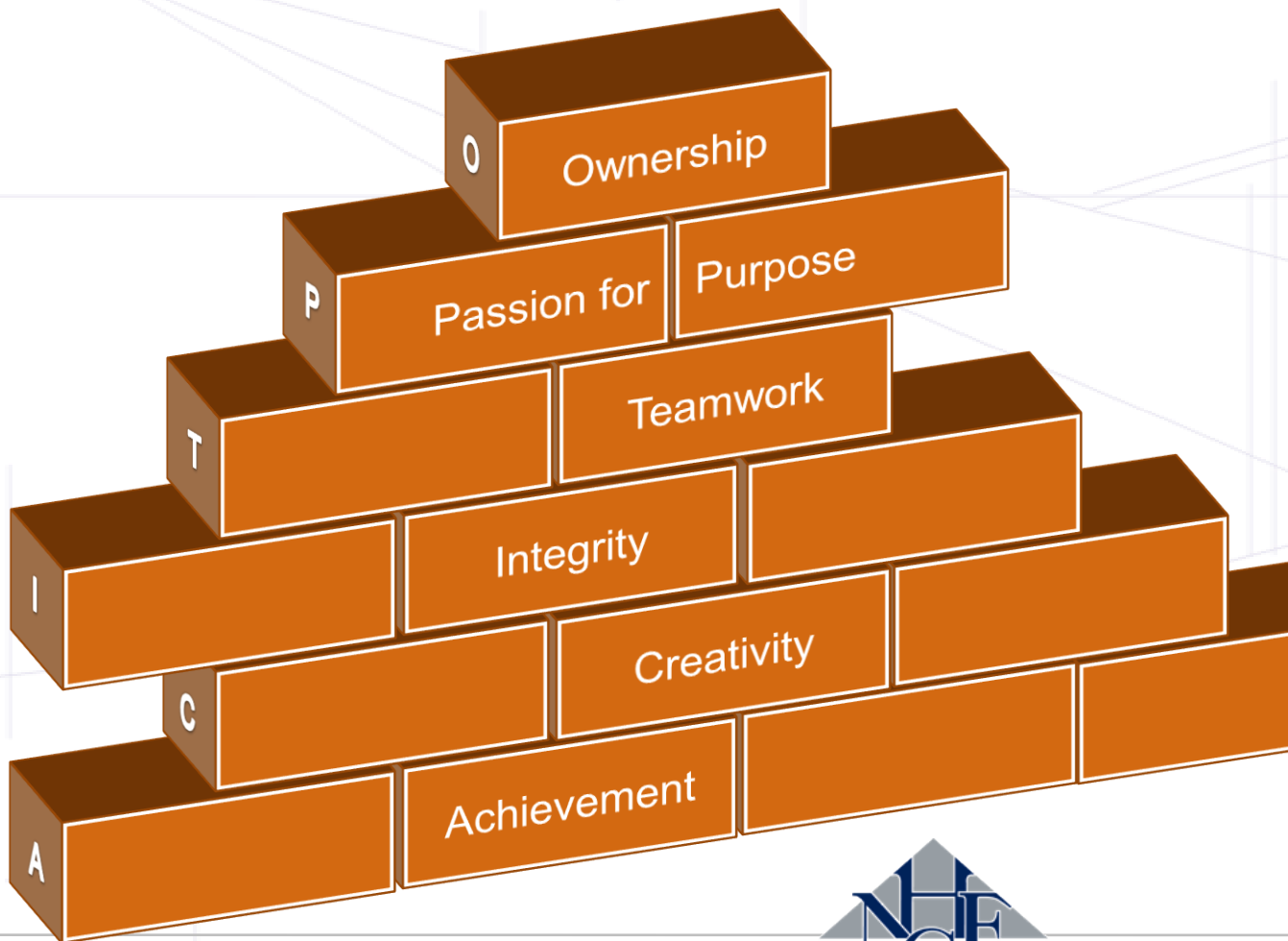
Funding impact
R670 million

Private capital and investment leveraged
R662 million

Jobs created
1 418

Social amenities and energy efficient housing solutions

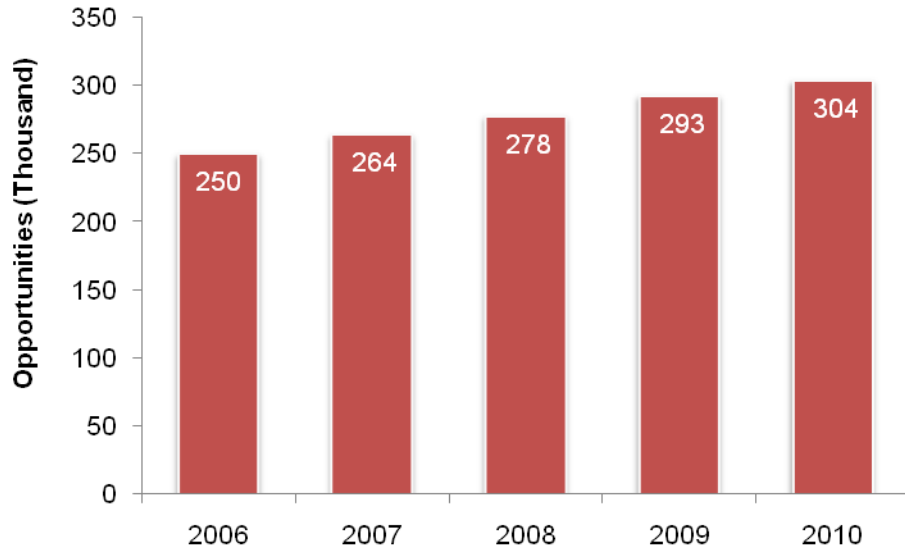
THE NHFC VALUES



HISTORY OF NHFC

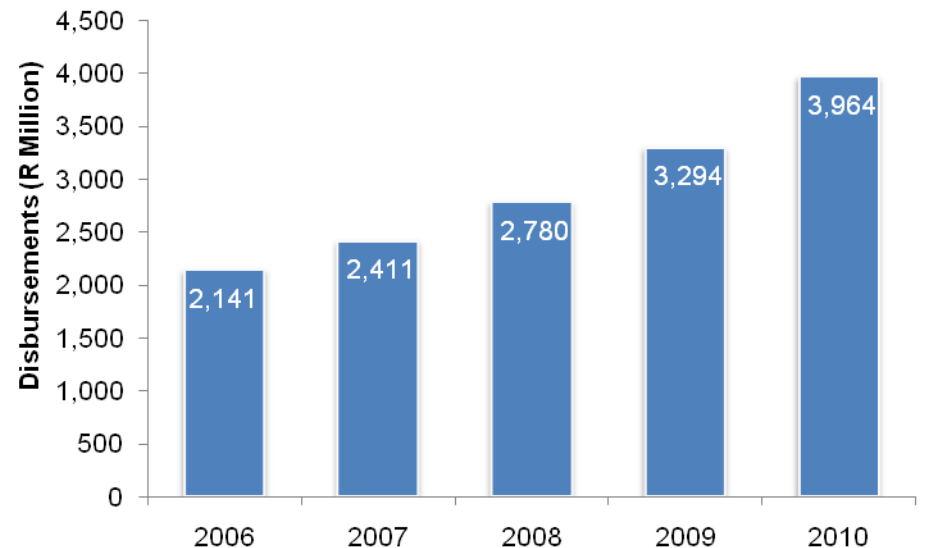
PAST PERFORMANCE

Cumulative housing opportunities
2006 - 2010



The housing units provided in the 14 years of the existence of NHFC equate to an average of **6 882** 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.

Cumulative disbursements
2006 - 2010



The capital provided to NHFC amounted to **R1,08 billion** and from this loans of **R3,96 billion** have been made since inception. Many of the loans, particularly to social housing institutions and inner city landlords are long term loans.

OPERATING ENVIRONMENT

- ❑ Global economic downturn – signs of recovery
- ❑ Level of job losses
- ❑ Declining real disposable income
- ❑ Affordability challenges due to high levels of indebtedness
- ❑ Low interest rate environment
- ❑ Overall low volume of business in the market



KEY DELIVERY HIGHLIGHTS - 2010

- ❑ External funding and PFMA approvals thereof secured. Signed an agreement with AFD for the rand equivalent of EUR20 million and in the process of concluding an agreement with EIB for the rand equivalent of EUR30 million.
- ❑ NHFC adapts its approach and strategies to align with the Human Settlements priorities and developmental impact expectations.
- ❑ In spite of operating conditions achieved:
 - Funding impact, including leveraged funds - R1,332 million
 - Impact, including leveraged through others – 33 660 housing opportunities created
- ❑ The Boitekong Project, a Public Private Partnership with Implats to provide end user finance to their employees, won the Southern African Housing Foundation Project of the Year 2009 International Award.



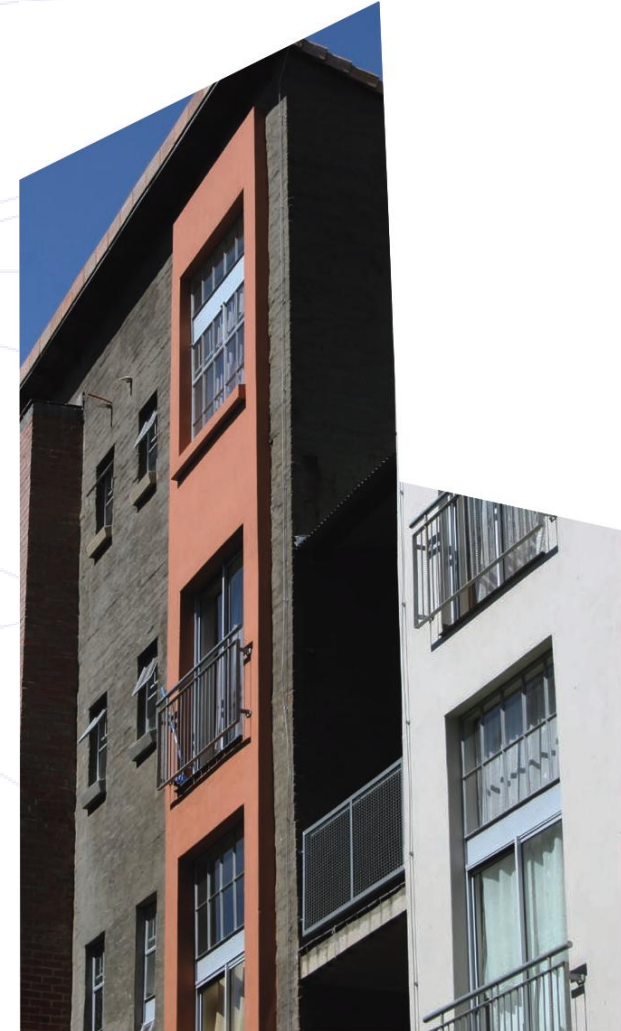
FACTORS IMPACTING PERFORMANCE

❑ Impact

- Lower than expected volume of business overall
- Larger loan sizes than budgeted for Commercial business
- Reduced retail business

❑ Financial

- Overall low volume business in the market
- Continued declining interest rates
- Significant impairment charges
- Reduction in planned Retail disbursement



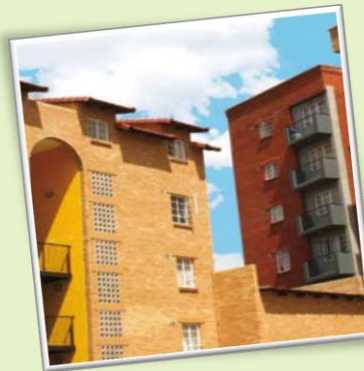
BUSINESS PERFORMANCE DIVISIONS

PROJECTS 2010



Number of loans approved	10
Value of loans approved (R'm)	455
Value of disbursements (R'm)	407
Housing opportunities created	7 869

COMMERCIAL 2010



Number of loans approved	3
Value of loans approved (R'm)	90
Value of disbursements (R'm)	112
Housing opportunities created	2 616

RETAIL 2010



Number of loans approved	920
Value of loans approved (R'm)	226
Value of disbursements (R'm)	151
Housing opportunities created	675

STRATEGIC PARTNERSHIPS

- ❑ **Cape Town Community Housing Company (CTCHC)**
Process underway to redesign the CTCHC business model in order to turn entity into a viable and sustainable operation to attract potential equity investors.
- ❑ **Trust for Urban Housing Finance (TUHF)**
NHFC continues to extend its impact in the private rental space, particularly in the inner city of Johannesburg through its partnership with TUHF.
- ❑ **Housing Investment Partnership (HIP)**
Operationalisation of HIP slower than expected due to protracted robust development of the funding framework by both key stakeholders and other institutional investors. With the progress and agreement signed by shareholders, HIP's project pipeline will be rolled-out in the current year.



FINANCIAL PERFORMANCE

Abridged statement of financial position




	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Loans and receivables - advances	1,333,359	1,053,790	1,401,775	1,116,234
Instalment sale receivables	46,168	54,831	-	-
Investment property	59,174	42,100	48,400	42,100
Other non-current assets	12,843	12,849	30,000	28,785
Non-Current assets	1,451,543	1,163,570	1,480,175	1,187,119
Properties developed for sale	54,334	57,851	-	-
Other current assets	1,379,771	1,537,359	1,338,816	1,500,531
Total assets	2,885,649	2,758,780	2,818,991	2,687,650
Equity	2,216,356	2,158,810	2,186,110	2,141,152
Non-current liabilities	631,111	547,287	615,778	531,261
Current liabilities	38,182	52,683	17,103	15,237
Total equity and liabilities	2,885,649	2,758,780	2,818,991	2,687,650

FINANCIAL PERFORMANCE

Summary statement of comprehensive income

	Group	Company		
	Actual R'000	Actual R'000	Budget R'000	Variance %
Interest on advances	111 099	116 838	183 489	-36%
Interest on investments	75 691	73 287	71 022	3%
Sale of houses	61 176	-	-	-
Other income	64 591	31 519	6 966	352%
Total income	312 557	221 644	261 477	-15%
Impairments	(72 888)	(72 888)	(16 214)	-350%
Cost of sales	(60 170)	-	-	-
Operating expenses	(103 876)	(89 933)	(136 429)	34%
Operating profit	75 623	58 823	108 834	-46%
Share of loss of associate	(1 014)	-	-	-
Interest paid	(1 448)	-	-	-
Profit before tax	73 161	58 823	108 834	-46%
Tax	(15 615)	(13 865)	(30 473)	-
Profit after tax	57 546	44 958	78 361	-43%

FINANCIAL PERFORMANCE

Profit before tax	<i>Below budgeted disbursements</i> <i>Low interest rates</i> <i>Significant impairments</i>	46% below	
Operating Expenses	<i>Under expenditure in marketing, computer and outsourced services</i>	34% below	
Other income	<i>Fair value gain on investment property</i> <i>Tax refund</i> <i>SA Housing Trust advances book settled in full</i>	352% above	

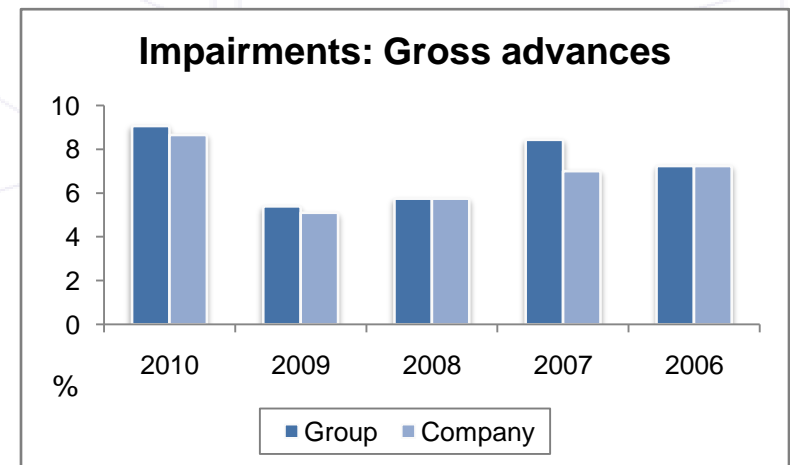
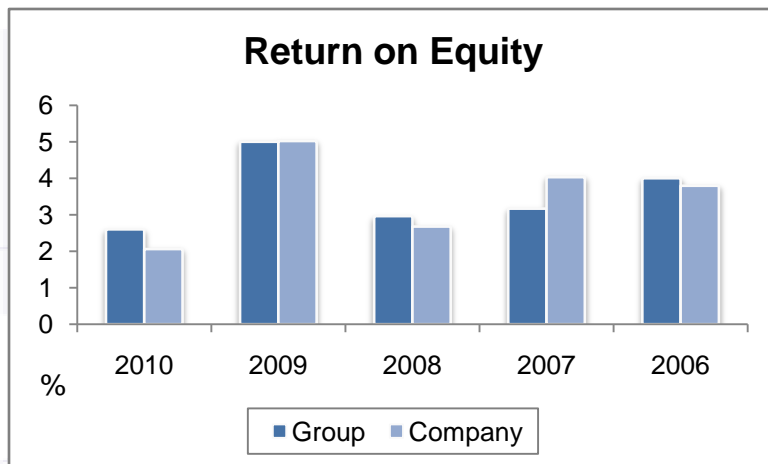
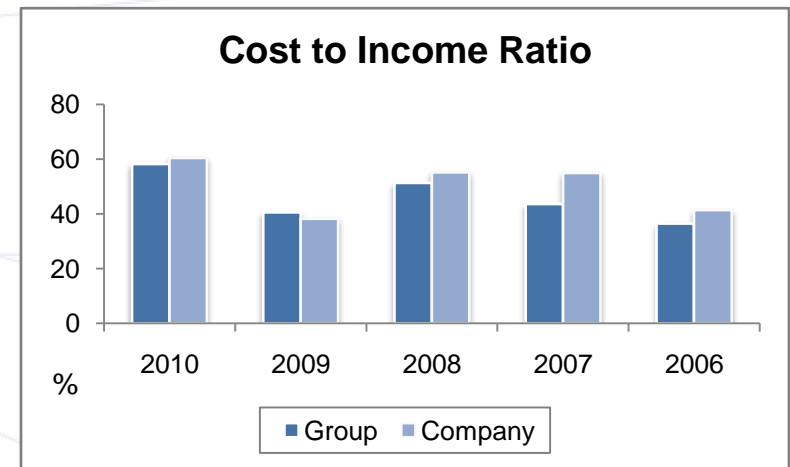
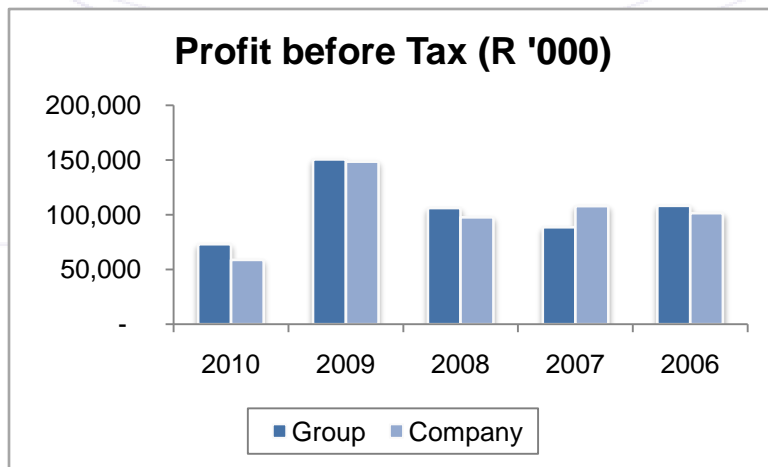
FINANCIAL PERFORMANCE IMPAIRMENTS

- ❑ The difficult operating environment also impacted our clients.
- ❑ Impairments of R72.8 million raised for the financial year; three clients contributed 65%.
- ❑ Each experienced a unique set of risks that may be mitigated by, amongst others, restructuring, re-capitalisation and turnaround.

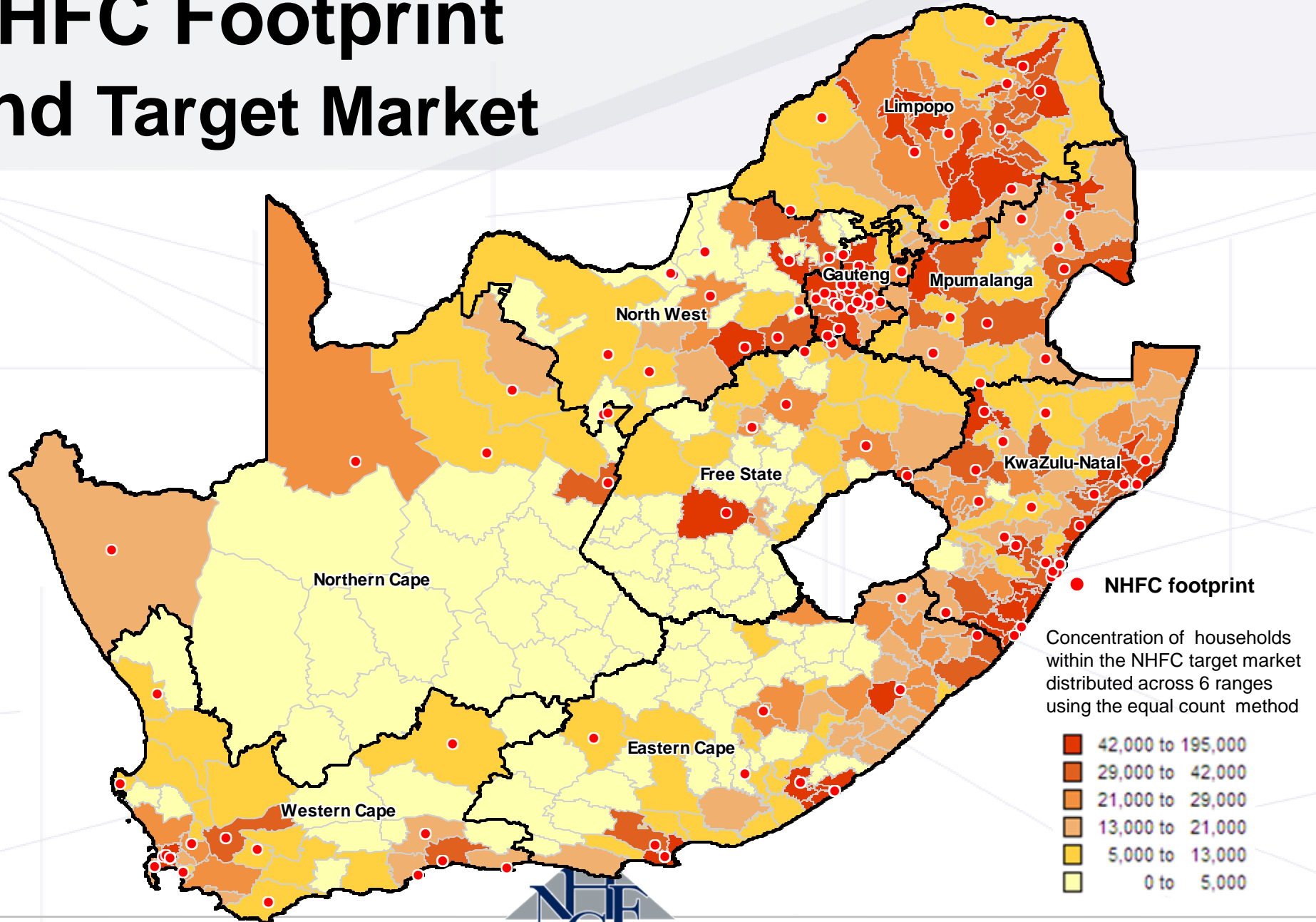


FINANCIAL PERFORMANCE

KEY FINANCIAL INDICATORS



NHFC Footprint and Target Market



CORPORATE GOVERNANCE

- ❑ NHFC conforms to the requirements of the King 2 report and the Protocol on Corporate Governance. Board committed to align itself to principles of King 3, detailed action plan for implementation prepared by Management.
- ❑ Board approved the constitution of a Development Impact Committee, to provide assurance to the Board that NHFC's strategic objectives are aligned to Human Settlement Strategies and Policies.
- ❑ Formally established an Enterprise Risk Management function and adopted Enterprise Risk Management Framework.
- ❑ Unqualified audit report for 15 years.
- ❑ NHFC remains a Schedule 3(A) entity.
- ❑ All necessary committees are in place in terms of the PFMA.



Dr S Khoza



Ms P Ramarumo



Prof. M Katz (chair)



Mr J Coetzee



Ms N Makiwane



Mr S Moraba (CEO)



Mr S Tati

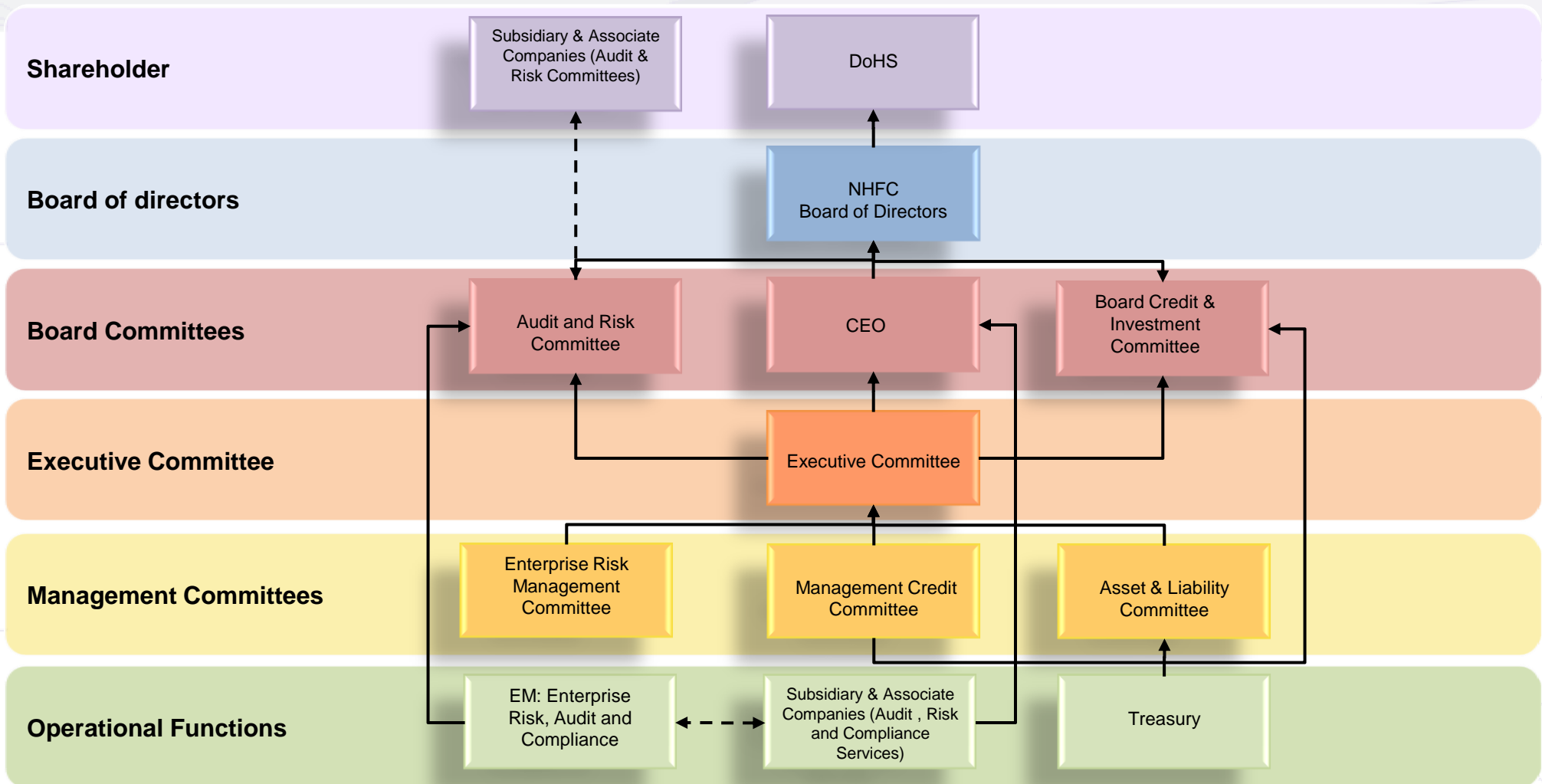


Ms A Houston



Mr S Ntsaluba

GOVERNANCE STRUCTURE



WAY FORWARD – FY2011

- ❑ In response to the Human settlement imperative the Corporation reframed its Strategic thrusts and revised its Business Plan. The revised strategic trust comprises of four pillars known as “NHFC’s intervention in the Human Settlement space”.
 - Expanding of Housing Finance Activities
 - Facilitate Enhanced Private Sector Contribution in the Market we serve
 - Mobilise Finance on a Sustainable Basis, into the Human Settlements Space
 - Fund Well Located Suitable Land Parcels

