Australian Government

NHFIC
National Housing Finance
and Investment Corporation

National Housing Finance and Investment Corporation

Annual Report 2021–22

About this report

This Annual Report is for the period commencing 1 July 2021 and ending on 30 June 2022 (defined as the financial year). It provides information about the National Housing Finance and Investment Corporation (NHFIC), as required by the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act), the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and other regulatory reporting obligations.

The Annual Report covers NHFIC's business activities, strategy, performance (including the Annual Performance Statement), governance, risk management, executive remuneration and financial statements. It presents the progress NHFIC has made during the financial year in achieving its purpose and performance objectives as outlined in its Corporate Plan 2021–22, in particular the improved housing outcomes it has delivered for Australians.

Further information about NHFIC's operating environment, strategic objectives and performance targets for the next four years is contained in the Corporate Plan 2022–23.

An online version of this report, as well as the Corporate Plan 2021–22, are available on the NHFIC website at www.nhfic.gov.au. The Annual Report is also available on the Australian Government's Transparency Portal at www.transparency.gov.au.

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Acknowledgement of Country
NHFIC acknowledges the Traditional Owners of Country throughout Australia and recognises their continuing connection to land, waters, community and culture. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Contents

About NHFIC

NHFIC is a corporate Commonwealth entity established by the Australian Government to improve housing outcomes for Australians.

NHFIC provides long-term and low-cost finance and capacity building assistance to registered community housing providers (CHPs) to support the provision of more social and affordable housing. NHFIC also lends, invests, and provides grants to help finance critical infrastructure projects needed to unlock and accelerate new housing supply. NHFIC supports eligible home buyers by administering Government housing schemes that help them purchase their home sooner, and undertakes independent research into housing supply, demand and affordability in Australia.

Since our establishment on 30 June 2018, NHFIC has:

- Approved $3.0 billion in long-term loans to 38 CHPS, supporting 16,365 new and existing homes and potentially saving these CHPs an estimated $550 million in interest and fees as well as other indirect costs associated with refinancing
- Issued nearly $2.2 billion in bonds, including the largest social bond in Australia by an Australian issuer
- Approved $413.5 million in infrastructure facilities, to unlock over 7,500 projected new dwellings and accelerate housing supply
- Helped over 63,000 Australians purchase or build a home
- Published two State of the Nation's Housing reports into examining Australia's housing sector
- Published eight research reports, relating to critical issues affecting the housing sector

Highlights 2021–22

Affordable Housing Bond Aggregator (AHBA)

To support the provision of more social and affordable housing, and facilitate sustainable growth of the CHP sector, NHFIC

- Successfully issued an additional $198.0 million in social and sustainability bonds under the AHBA
- Approved $509.3 million of new loans to CHPs, supporting the delivery of 3,296 social and affordable dwellings and saving an estimated $96.2 million in interest and fees as well as other indirect costs
- Provided 11 capacity building program grants to assist CHPs to develop their financial and management capabilities

National Housing Infrastructure Facility (NHIF)

To increase, unlock and accelerate new housing supply, NHFIC

- Developed a strong NHIF deal pipeline, with approved facilities of $120.5 million to unlock up to 1,675 new social and affordable dwellings
- Expanded the NHIF rollout, with approved financing across four states and territories

Home Guarantee Scheme (HGS or Scheme)

To support home buyers to purchase their home sooner and to facilitate access to the housing market, NHFIC

- Released 34,651 places under the First Home Guarantee (FHBG) (previously the First Home Loan Deposit Scheme, (FHLDS)), New Home Guarantee (NHG) and Family Home Guarantee (FHG)
- Launched the FHG on 1 July 2021
- Helped over 24,500 Australians purchase their first home through the FHBG and NHG
- Helped over 2,500 Australian single parents purchase a home through the FHG

Research

To support the monitoring of housing supply, demand and affordability, NHFIC

- Published its second annual flagship State of the Nation's Housing report focused on housing supply and demand
- Delivered four other research papers relating to critical issues affecting the housing sector
- Hosted webinars, roundtables and appeared before a Parliamentary Inquiry into Housing Supply and Affordability
- Strengthened its data analytics capability to improve business intelligence and support improved data insights

NHFIC as a high-performing organisation

To deliver practices and outcomes of a high-performing organisation, NHFIC

- Invested in technology, including automated and advanced data analytics capabilities and enhanced the HGS IT Portal improving functionality for lenders
- Grew its team to 51 full-time equivalent (FTE) employees with diverse experience, expertise and backgrounds to service the growing portfolio of exposures in a cost-effective manner

A message from the Chair and CEO

Adrian Harrington, Chair

Nathan Dal Bon, Chief Executive Officer

As more Australians seek support to access stable and secure housing, NHFIC continues to respond and deliver on its purpose of improving housing outcomes for Australians.

In 2021–22, NHFIC responded to an evolving operating environment. While the economy remained resilient, ongoing disruption caused by the COVID-19 pandemic alongside rising geopolitical tensions flowed through the housing and construction sectors. Borrowing costs increased in the first half of 2022 as financial markets priced in higher inflation. In tandem, the housing sector faced supply chain constraints, and rising labour and construction costs. Housing supply and affordability continued to present challenges across the country, particularly for low-income, vulnerable, and at-risk Australians facing increasing cost of living pressures, who need support to access safe and affordable housing.

In this environment, the Australian Government housing programs administered by NHFIC were in high demand, helping more Australians to purchase homes sooner and facilitating more social and affordable housing supply. NHFIC's successful delivery in an increasingly challenging environment reflects the calibre of our people, the technology and systems that are now in place, and the relationships we have nurtured with our key stakeholders. NHFIC continues to mature into an agile and solutions-oriented organisation with the commitment and capability to address the significant issues Australians face across the housing spectrum.

Solid 2021–22 financial and operational performance

NHFIC made substantial progress towards its strategic objectives and delivered against key performance metrics, ending the year in a solid financial position. The organisation continues to generate sufficient revenue to be financially self-sustaining and accumulate capital reserves.

Bond issuance and financing to service the evolving community housing sector

During the year, NHFIC continued its role in establishing social and affordable housing as a recognised investment asset class and in doing so, growing Australia's social and sustainable bond market.

NHFIC successfully issued an additional $198.0 million in social and sustainability bonds in the period, taking total issuances under the AHBA to almost $2.2 billion supporting the delivery of more social and affordable housing. During the period, NHFIC approved $509.3 million in new loans. We now have funded 38 CHPs through the AHBA. The majority of NHFIC's new loans continued to support new construction, underpinned by various state assistance to support new subsidised housing.

NHFIC is committed to developing its institutional investor base and their understanding of the CHP sector. During the year, NHFIC hosted an investor tour of two social and affordable housing developments supported by AHBA funding. Investors had the opportunity to learn more about the sector and hear first-hand accounts from residents supported by the CHPs, including vulnerable and at-risk women and First Nations residents, about the incredible difference that access to secure, safe, and affordable homes has made in their lives. Residents relayed how having a secure and stable place to call home helped them give back to their community.

NHFIC approved $120.5 million of new NHIF facilities for critical infrastructure to unlock the construction of over 1,600 dwellings. NHFIC signed a Memorandum of Understanding (MoU) with Landcom, which seeks to bring forward the delivery of projects and affordable housing in regional and metropolitan New South Wales. During the year, NHFIC received eight NHIF applications, including five relating to new funding commitments.

More support for first home buyers and single parents

In 2021–22, the HGS administered by NHFIC supported over 27,000 Australians to purchase a home sooner, including almost 5,800 key workers and more than 14,700 women. Building on the successful delivery of past years, the Scheme was rebranded and expanded, and five new lenders were appointed to the non-major bank lender panel from 1 July 2022. Demand for the Scheme remained strong with the portfolio continuing to perform well, with no borrower defaults and therefore no claims by participating lenders on the Government's guarantee during the period.

Advanced analytics and insights informing housing policy

NHFIC's implementation of an advanced data analytics and research capability has enabled more granular insights to inform housing policy debate. Over the year, NHFIC delivered four research papers exploring critical issues affecting the housing sector including affordability, stamp duty reform, and developer contributions to infrastructure delivery. NHFIC also published its second annual flagship State of the Nation's Housing report which provides projections of housing demand and supply and detailed assessments of affordability. The report was well received with coverage in *The Australian*, *Australian Financial Review*, *Herald Sun*, *Sydney Morning Herald*, *The Age* and regional and industry publications.

Partnering and collaborating to solve housing challenges

Extensive stakeholder relationships, supported by strategic insights from research and operations, are enabling NHFIC to facilitate collaborative and innovative approaches to housing solutions. In addition to broad engagement across government, CHPs, and participating Scheme lenders, meetings were held with more than 60 stakeholders from sectors including private finance, property development, superannuation and institutional investment through to high-net-worth investors and philanthropic foundations to facilitate private investment in social and affordable housing.

During the year, NHFIC engaged collaboratively with all state and territory governments, working constructively on initiatives that complement, leverage or support Commonwealth, state or territory activities relating to housing. NHFIC signed a MoU with Ginninderry – a venture between the ACT Government's Suburban Land Agency and Riverview Developments – and CHP Community Housing Canberra to develop a pioneering women's housing project that explores affordable pathways to home ownership for at-risk and vulnerable women. The MoU enables the parties to develop a Build-to-Rent-to-Buy and shared equity proof of concept model. The project is progressing through the design and planning phase, with commercial terms including an appropriate funding model currently being developed.

Maturing into an agile, high-performance organisation

NHFIC is rapidly transitioning from a start-up into a high-performance organisation with the appropriate skills, knowledge base and operational systems to effectively deliver its expanding mandate. Following the statutory review of the operation of the NHFIC Act, NHFIC responded to the former Government's Statement of Expectations with a Statement of Intent that outlines how NHFIC intends performing its statutory role.

During the period, NHFIC continued to invest in capacity and capability building to support delivery and business growth. This included strengthening NHFIC's treasury function to facilitate more complex financial transactions and enhancing digital and data capabilities to further streamline operational processes. Building a high-performance organisation relies on creating a culture that values NHFIC's purpose and focus on outcomes. It is pleasing that NHFIC's first employee engagement survey in June 2022 showed a very engaged workforce who are committed to NHFIC's purpose of improving housing outcomes for Australians.

Well positioned for sustainable growth and social impact

After four years of successfully delivering on our purpose to improve housing outcomes for Australians, NHFIC has built solid foundations for continued success as the business adapts to the changing operating environment, and the Government looks to implement its housing agenda. In the May 2022 Federal election campaign, the new Government announced its intention to further expand the role of NHFIC. More recently, the Government announced the broadening of the National Housing Infrastructure Facility to directly fund social and affordable housing and introducing the Regional First Home Buyer Guarantee (RFHBG). NHFIC has the capacity and experience to effectively deliver on the Government's election commitments.

In an environment of economic uncertainty NHFIC will maintain its focus on operational excellence and innovative service delivery. We are entering a period of a challenging housing market and cost of living pressures, and in these difficult times, helping Australians to access stable and secure housing has never been more important.

NHFIC will continue to evolve, delivering the existing housing programs that have made a difference to many Australians, as well as being agile in implementing any new housing responsibilities that are assigned by the Government. NHFIC will support the Government's focus on new housing supply and affordability and on making it easier for low-to-modest income earners to buy a home. We look forward to building on the work already undertaken to address the housing and homelessness challenges facing Australia.

Acknowledgements

On behalf of the Board, we acknowledge the contribution of Ms Kylie Rampa, an inaugural Board member who resigned from the NHFIC Board in January 2022. We also express our sincere thanks to all NHFIC employees, whose passion for helping Australians into homes is matched by their commitment to operational excellence.

We also thank stakeholders across all tiers of Federal and state and territory governments, government departments and their respective teams and industry participants who are eager to work with us to efficiently and effectively deliver on the Government's policies to provide safe, secure and affordable housing for Australians.

In closing, on behalf of the Board, management and the NHFIC team, we look forward to working with the Hon Julie Collins MP as Minister for Housing, Minister for Homelessness and Minister for Small Business to effectively support the implementation of the Government's expanded housing policy agenda.

Signed for and on behalf of the members of the NHFIC Board in accordance with a resolution of the Board and in accordance with Section 46 of the *Public Governance, Performance and Accountability Act 2013*.

Adrian Harrington
Chair

Nathan Dal Bon
Chief Executive Officer

Signed 21 September 2022

Our purpose and activities

About NHFIC

NHFIC was established by the Australian Government under the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act) and is defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

NHFIC operates the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF) and the Home Guarantee Scheme (HGS or Scheme) – including the First Home Guarantee (FHBG) (previously the First Home Loan Deposit Scheme, FHLDS), the New Home Guarantee (NHG) and the Family Home Guarantee (FHG) – and conducts research into housing affordability in Australia. It also undertakes capacity building activities for registered community housing providers (CHPs).

NHFIC operates independently of the Government and applies commercial discipline in making financing decisions. NHFIC's Board is responsible for determining strategy, defining risk appetite and making financing decisions, and ensuring the proper, efficient, and effective performance of NHFIC's functions. The Chief Executive Officer (CEO) reports to the Board and is responsible for the day-to-day administration of the organisation.

NHFIC is part of the Treasury portfolio of agencies. Its responsible Minister is the Minister for Housing, Minister for Homelessness and Minister for Small Business, the Hon Julie Collins MP (Minister). Minister Collins became NHFIC's responsible Minister following the Federal election in May 2022.

The Minister appoints the Board and may provide directions about the performance of NHFIC's functions through an Investment Mandate.

More information on NHFIC's governance is provided in the Governance and accountability section of this Annual Report.

Our purpose

To improve housing outcomes for Australians.

NHFIC achieves its purpose by:

- strengthening efforts to increase the supply of housing
- encouraging investment in housing, particularly in the social or affordable housing sector
- providing finance, grants or investments that complement, leverage or support Commonwealth, state or territory activities relating to housing
- contributing to the development of the scale, efficiency, and effectiveness of the community housing sector in Australia
- assisting earlier access to the housing market by first home buyers and single parents with dependants.

NHFIC does this by:

Providing loans to registered CHPs to support the provision of more social and affordable housing

The AHBA provides loans to registered CHPs by aggregating their funding requirements and financing them primarily through the issuance of government guaranteed bonds in Australian debt capital markets. This allows funding to be raised at a larger scale and on more favourable terms than could be achieved by individual CHPs. The issuance of bonds also facilitates greater private and institutional investment in the community housing sector.

The AHBA uses a ‘pass-through’ model to provide greater funding certainty and more affordable long-term finance to registered CHPs. The savings are passed on to providers in the form of reduced borrowing costs and refinancing risks, enabling them to expand their operations and the supply of social and affordable housing.

AHBA loans can only be provided to registered CHPs that are regulated under a relevant state or territory law or scheme. NHFIC aims to provide loans at the lowest cost and most appropriate tenor possible, after recovering operational and financing costs and building capital reserves as required by the NHFIC Act. Where appropriate, different loan products are offered to meet the varying needs of registered CHP applicants.

AHBA loans may be used to acquire or construct new housing stock, maintain existing housing stock, assist with working capital requirements or general corporate requirements, refinance existing debts, or a combination of these purposes. NHFIC obtains security from registered CHPs for AHBA loans with appropriate terms and conditions approved by its Board.

To support the AHBA, the Australian Government has provided a $1.0 billion line of credit that NHFIC may use to advance initial loans to registered CHPs prior to issuing bonds. The line of credit is also used to fund projects that progressively draw down ahead of issuing a bond, such as construction finance. Loans financed by the line of credit are typically refinanced by NHFIC issuing a new bond or tapping an existing bond when a critical mass of such loans have been advanced.

Providing finance for eligible infrastructure projects to unlock and accelerate new housing supply

The purpose of the NHIF is to overcome impediments to the provision of housing that are due to the lack of necessary infrastructure. It does this by providing finance in the form of loans, grants and equity investments for eligible infrastructure projects that would not otherwise have proceeded, or that would only have proceeded at a much later date or with a lesser impact on new affordable housing.

The $1.0 billion facility supports critical infrastructure projects linked to new housing supply, particularly affordable housing, whether on the site or connecting to or linking to infrastructure. Examples include new or upgraded infrastructure for services such as electricity, water, sewerage, telecommunications, stormwater, and transport; and site remediation works including the removal of hazardous waste or contamination.

The terms of NHIF financing are flexible and can be tailored to suit the needs of project proponents. These may include concessions such as longer loan tenors and lower interest rates than offered by commercial financiers, extended periods of capitalised interest and repayment holidays.

NHFIC limits concessions provided to the minimum that it considers necessary for an eligible project to proceed or be completed in the proposed timeframe. NHFIC obtains security for NHIF loans with appropriate terms and conditions approved by its Board. State and territory applicants are not required to provide security.

NHFIC must ensure that the return on NHIF loans and investments over the medium to long term is sufficient to cover the NHIF's financing and operating costs, build capital reserves and cover the Government's borrowing costs (the benchmark rate of return).

Providing support for home buyers to purchase their home sooner

The HGS – including the FHBG, NHG and FHG – supports earlier access to home ownership for cohorts that may otherwise struggle to gain a foothold in the market in the near term owing to high deposit requirements, particularly first home buyers and single parents with dependants.

The FHBG, which began on 1 January 2020, allows first home buyers to purchase a home with a deposit of as little as 5 per cent without having to pay for lenders' mortgage insurance. This is because the Commonwealth, through NHFIC, provides a guarantee to participating lenders of up to 15 per cent of the value of the property financed by an eligible first home buyer's home loan.

The NHG was an extension to the FHBG announced in the 2020–21 Federal Budget, specifically for first home buyers purchasing a newly built dwelling or building a new home. Up to 10,000 places were made available in both the 2020–21 and 2021–22 financial years. The NHG closed to new applications on 30 June 2022. Existing guarantees under the NHG will continue to be managed by NHFIC under the HGS.

The FHG supports single parents with at least one dependent child to enter or re-enter the housing market. Under the FHG, eligible single parents can purchase a home with a deposit of as little as 2 per cent, regardless of whether they are a first home buyer or previous homeowner (NHFIC provides a guarantee to participating lenders of up to 18 per cent of the value of the property).

The FHG commenced on 1 July 2021, with 10,000 places available over four financial years to 30 June 2025. It was subsequently expanded to 5,000 places available each financial year from 1 July 2022 to 30 June 2025.

The guarantee is a legal arrangement between NHFIC and participating lenders to pay up to a certain amount owed by the home buyer if they default on their home loan and the sale of the property is insufficient to cover the lender's outstanding loan. It is not a cash payment or deposit for the home loan.

Eligibility requirements apply to the HGS, including income and property price caps set by the Government.

NHFIC operates the HGS through a panel of residential mortgage lenders across Australia.

Conducting research into housing affordability in Australia

NHFIC conducts comprehensive research into housing demand, supply, and affordability in Australia. To complement this research, NHFIC has also strengthened its data analytics capabilities to further drive collaboration and engagement on housing data platforms, including chairing the Australian Housing Data Analytics Platform (AHDAP). Through effective management of our data, we can also better leverage our growing collection of proprietary data from the AHBA, NHIF and HGS.

NHFIC's flagship 'State of the Nation's Housing' report provides an annual snapshot of housing demand and supply across the country, with a view to identifying supply shortfalls that could over time exacerbate affordability problems. This work is complemented by NHFIC's core ongoing work program which aims to contribute applied and focused research and policy insights. These activities create a more connected conversation between government, industry and academia that helps to inform the public policy debate.

The research work also involves engaging with a broad range of stakeholders across the housing sector to identify problems with a view to undertaking practical and relevant research and elevating important policy issues that can help influence key decision makers on housing matters and deliver better housing outcomes.

NHFIC's research and policy insights work program is supported by the Research Board Reference Committee and an expert panel of academics, industry and public policy professionals.

Providing grants for capacity building services to assist CHPs in applying for NHFIC finance

NHFIC provides support for capacity building to assist registered CHPs to further develop their financial and management capabilities and undertake new developments. A cap of $1.5 million applies to the amount that NHFIC can spend on capacity building activities. NHFIC's Investment Mandate envisages that NHFIC will enter contracts to procure these services.

The Community Housing Industry Association (CHIA) currently administers the Capacity Building Program on NHFIC's behalf. Under the program, registered CHPs can access grants of up to $20,000 for professional advisory services in the areas of finance, business planning, property development and risk management to support a NHFIC finance application. Eligible representative peak bodies and groups of CHPs can also apply for grants of up to $20,000 to support sector-wide capacity building projects.

Annual Performance Statement

for the year ended 30 June 2022

Annual Performance Statement

for the year ended 30 June 2022

Introductory statement

I, Adrian Harrington, Chair of the accountable authority, the Board of the National Housing Finance and Investment Corporation (NHFIC), present the 2021–22 Annual Performance Statement of NHFIC, as required under section 39 of the PGPA Act.

In my opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with relevant sections of the PGPA Act.

Adrian Harrington
Chair
National Housing Finance and Investment Corporation

Our performance framework

NHFIC's approach to reporting performance has changed from its Annual Report 2020–21. This is reflected in the strengthened performance measures in the Corporate Plan 2021–22, which were developed to provide a greater understanding of our efficiency and effectiveness in delivering outcomes and to meet the requirements of section 16E of the Public Governance, Performance and Accountability Rule 2014.

Our performance measures are aligned with our mandate and purpose and have been designed to provide holistic information on our achievement of outcomes through our key activities. As outlined in the Corporate Plan 2021–22, our performance framework includes measures relating to additionality[1] for which targets are not set. In these cases, we report outcomes in our annual performance statements to complement the other performance measures where it is reasonably practicable to set meaningful targets.

1. Additionality in this context refers to whether NHFIC's programs and activities result in 'improved housing outcomes' over and above what would be delivered without NHFIC's contribution.

Annual Performance Statement summary

Table 1: 2021–22 outcomes mapped against performance measures with targets

Activity	Performance measure	Target	Result
Operation of AHBA – Loans	New AHBA loans approved by NHFIC Board not to exceed $3.5 billion[1] liability cap	$300m – $500m	$509.3m
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: Corporate Plan 2021–22, page 20.		
	Minimum percentage of new AHBA loans approved by NHFIC Board for supply of new housing	50%	79%
	Methodology: Analysis of information provided in AHBA loan applications.		
	Source: Corporate Plan 2021–22, page 20.		
Operation of AHBA – Bond Issuances	Number of bonds issuances	1–2	2 increases to existing bond lines
	Methodology: Independent verification by the ANAO from source records which reconcile to financial statements.		
	Source: Corporate Plan 2021–22, page 21.		
	Value of bonds issued	$200m – $400m	$198.0m
	Methodology: Independent verification by the ANAO from source records which reconcile to financial statements.		
	Source: Corporate Plan 2021–22, page 21.		
	Percentage of issued bonds certified as meeting NHFIC's Sustainability Bond Framework	100%	100%
	Methodology: External assurance on bond issuances.		
	Source: Corporate Plan 2021–22, page 21.		
Support for capacity building	Number of individual CHP and sector-wide capacity grant applications approved	6–10	11
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: Corporate Plan 2021–22, page 25.		
	Satisfaction with consulting project and outcomes of using capacity grant	CHPs satisfied	CHPs satisfied
	Methodology: Survey of CHPs with completed projects.		
	Source: Corporate Plan 2021–22, page 25.		

1. Liability cap increased from $3.0 billion to $3.5 billion in December 2021.

Activity	Performance measure	Target	Result
Operation of NHIF	New NHIF facilities approved by NHFIC Board	$100m – $300m	$120.5m
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: Corporate Plan 2021–22, page 22.		
	Number of NHIF applications received	5	8
	Methodology: Analysis of agency records including pipeline reports provided to the NHFIC Board.		
	Source: Corporate Plan 2021–22, page 22.		
	Application turnaround time from receipt of NHIF application to NHFIC Board approval	60 days	36 days
	Methodology: Analysis of average time taken to process applications.		
	Source: Corporate Plan 2021–22, page 22.		
Operation of HGS	Facilitate the release of guarantees to participating lenders: – FHBG (previously FHLDS) – NHG – FHG	 10,000 10,000 10,000[2]	 14,651[3] 10,000 10,000
	Methodology: Analysis of data from the HGS IT Portal.		
	Source: Corporate Plan 2021–22, page 23.		
	Receipt of lender audit reviews and lender six-monthly reporting of material policy changes	100%	100%
	Methodology: Analysis of agency records including lender reporting.		
	Source: Corporate Plan 2021–22, page 23.		
Research into housing affordability	Research delivered according to Board approved pipeline including scope and timeframe	100%	100%
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: Corporate Plan 2021–22, page 24.		
	Satisfaction with research output	Stakeholders satisfied	Stakeholders satisfied
	Methodology: Annual survey of housing stakeholders.		
	Source: Corporate Plan 2021–22, page 24.		

2. 10,000 places available over the period 1 July 2021 to 30 June 2025.
3. Includes the rollover of 4,651 unused places in FHBG and NHG from the 2020-21 financial year in accordance with the NHFIC Investment Mandate Amendment (More Opportunities) Direction 2022.

Table 2: 2021–22 outcomes for performance measures where targets were not set

Activity	Performance measure	Reported FY21–22	Cumulative
Operation of AHBA – Loans	Number of dwellings supported by new AHBA loans	Table 3	Figure 3
	Methodology: Analysis of agency records including reporting to the NHFIC Board.		
	Source: Corporate Plan 2021–22, page 20.		
	Interest savings to CHPs from the provision of concessional loans	$96.2m	$550.0m
	Methodology: Analysis of information provided in AHBA loan applications.		
	Source: Corporate Plan 2021–22, page 20.		
Operation of AHBA – Bond Issuances	Number and percentage (by value of bonds allocated) of investors onshore and offshore	Onshore: 6 investors (86%) Offshore: 3 investors (14%)	-
	Methodology: Independent verification by Joint Lead Managers of the bond issuance.		
	Source: Corporate Plan 2021–22, pages 21.		
	Issuance spread to the comparable CGS and relevant state government yields	Table 6	-
	Methodology: Independent verification by Joint Lead Managers of the bond issuance.		
	Source: Corporate Plan 2021–22, pages 21.		
Support for capacity building	Number of individual CHP capacity grant applications approved	Table 7	Table 7
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: Corporate Plan 2021–22, page 25.		
	Number of sector-wide capacity grant applications received	Table 8	Table 8
	Methodology: Analysis of agency records including CHIA quarterly reports.		
	Source: Corporate Plan 2021–22, page 25.		
Operation of NHIF	Number of dwellings supported by new NHIF facilities	Table 9	Figure 4
	Methodology: Analysis of information provided in NHIF loan applications.		
	Source: Corporate Plan 2021–22, page 22.		
	Aggregate value of Permanent Fund	Deployed: $63m Not deployed $608m	-
	Methodology: Independent verification by the ANAO from source records which reconcile to financial statements		
	Source: Corporate Plan 2021–22, page 22.		

Activity	Performance measure	Reported FY21–22
Operation of HGS	Number of homes purchased by first home buyers and single parents under the scheme	Refer page 37
	Methodology: Analysis of data from the HGS IT Portal.	
	Source: Corporate Plan 2021–22, page 23.	
	Outcome of panel refresh and number of panel lenders	Refer page 40
	Methodology: Analysis of agency records including procurement outcomes.	
	Source: Corporate Plan 2021–22, page 23.	
	Number of loans in arrears and amount of those in arrears	Refer page 37
	Methodology: Analysis of agency records including portfolio management reports.	
	Source: Corporate Plan 2021–22, page 23.	
	Number and value of claims against the Commonwealth guarantee	0 claims
	Methodology: Analysis of agency records including claims submitted to Treasury.	
	Source: Corporate Plan 2021–22, page 23.	
Research into housing affordability	Other activities that encourage better housing policy outcomes, including policy webinars, industry, and government round tables	Refer page 44
	Methodology: Analysis of agency records including reporting to the NHFIC Board.	
	Source: Corporate Plan 2021–22, page 24.	
Organisational resilience and responsiveness	Stakeholder engagement to raise NHFIC's profile and enhance its reputation	Refer page 46
	Methodology: Analysis of agency records including reporting to the NHFIC Board.	
	Source: Corporate Plan 2021–22, page 26.	
	Highly experienced, skilled, and diverse workforce to enable NHFIC to deliver its functions	Refer page 47
	Methodology: Analysis of agency records including workforce data.	
	Source: Corporate Plan 2021–22, page 26.	

Supporting the delivery of safe and affordable housing supply

Affordable Housing Bond Aggregator

CHP loans approved reaches $3.0 billion

NHFIC's AHBA continued to facilitate and contribute to the growth of the community housing sector, enabling the supply of additional social and affordable housing.

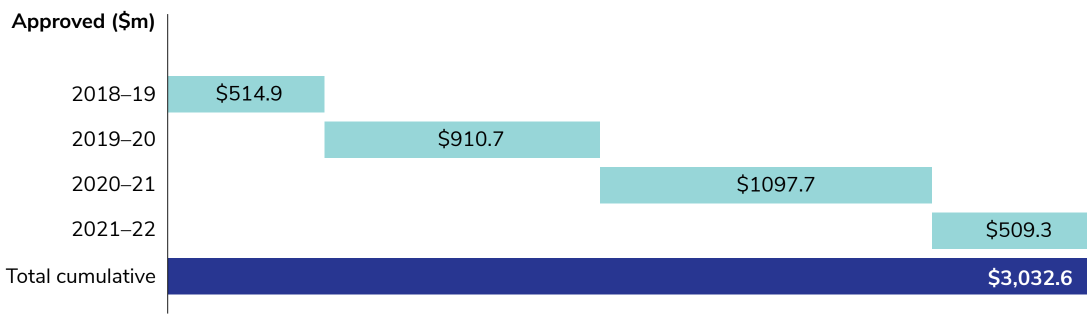
A total of $509.3 million of AHBA loans were approved by the NHFIC Board in the 2021–22 financial year, supporting the delivery of 3,296 new and existing social and affordable dwellings. The approved loans are a combination of refinance, working capital, acquisition, construction financing and special disability accommodation funding across regional and metropolitan areas of NSW, Victoria and Tasmania.

Table 3: NHFIC approved AHBA loans to CHPs in 2021–22

State	Loan value ($m)	New and existing dwellings supported[1]
NSW	319.5	1,866
Vic	127.5	1,033
Tas	62.3	397
Total	**509.3**	**3,296**

1. Dwelling information provided by CHPs at time of loan application.

Figure 1: Change in overall CHP lending

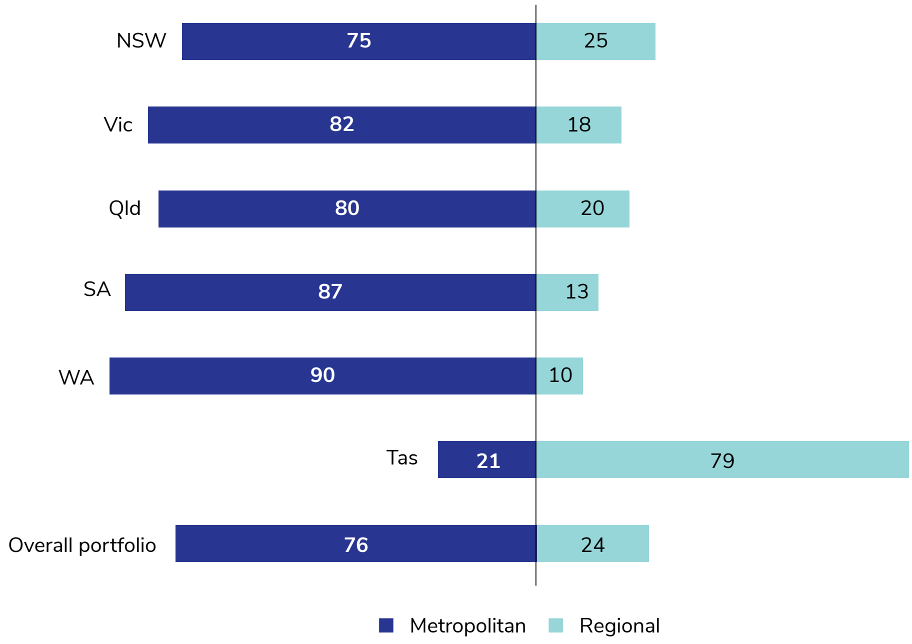


NHFIC's total AHBA loan portfolio reached $3.0 billion of approved loans as at 30 June 2022, supporting the delivery of 7,003 new and 9,362 existing social and affordable dwellings since inception.

By providing CHPs with access to lower-cost and longer-tenor loans consistent with its purpose, the AHBA is estimated to deliver savings from loans approved of $96.2 million in 2021–22 and $550.0 million to date to CHPs, representing interest payments and finance fees over the term of the loans as well as other indirect costs associated with refinancing.

A location-based breakdown of dwellings supported by NHFIC's lending portfolio as at 30 June 2022 is in Figure 2.

Figure 2: AHBA total portfolio, dwellings split by metropolitan versus regional (%)



Metro/rural distribution is derived from NHFIC's collateral register as at 30 June 2022, and is based on the Australian Statistical Geography Standard (ASGS) Geographic Correspondences from 2016: https://data.gov.au/dataset/ds-dga-23fe168c-09a7-42d2-a2f9-fd08fbd0a4ce/details.
Note: The ACT was not included due to low sample size.

New social housing in Victoria

> **"Having your own life back, there's no comparison, and this can only happen when you've got a life ... you're settled. But when I say you have a life, you have a home."**

HAVEN HOME SAFE (HHS)

NHFIC has provided a $9 million loan to HHS, in conjunction with a grant from the Victorian Government, for new social housing. The loan is supporting the delivery of up to 113 social two-and-three-bedroom apartments and town houses in Melbourne, Ballarat, and Bendigo in Victoria.

The housing will accommodate up to 260 residents, with the target cohort being a minimum of 75 per cent of people from the Victorian Housing Register of Priority and the remaining 25 per cent to come from the general wait list of the Victorian Housing Register. This will include those over 55, those with a disability, those experiencing homelessness, women and children escaping domestic violence, and youth. HHS residents, like Julie and her mother Veronica, have access to a range of wrap-around services, including a Community Connections Program, Housing Access Program and Intensive Case Management, either through Government-operated programs or through HHS.

Having access to a 10-year interest-only loan has enabled HHS to consider additional investments into new housing outcomes, with the interest savings benefiting the most vulnerable in the community.

Julie, a resident of HHS

After becoming homeless and living in unsafe conditions, all Julie and her elderly mother Veronica wanted was to live in secure and affordable housing. Their life changed drastically after 10 years, when HHS provided Julie and Veronica with a safe and secure home.

"We call this place our home, because it truly has become our home."

The home provided by HHS offers ideal and pleasant living conditions and has become the longest place Julie and Veronica have lived in for many years.

"We were told that it is ours for life, so therefore we were able to invest in it with the little things, to make it a home".

Julie says one reason she and her mother love their apartment is the location, which she describes as "fantastic". Being on a main road means Julie and Veronica have easy access to public transport, including buses and trains. Julie describes the park located behind the development, which the local community has access to as a "hidden treasure".

"[My] favourite thing about this place, really, it's the privacy. In here you've got safety and security."

Since moving into the apartment with her mother, Julie believes she has her life back.

The service and support provided by HHS has allowed Julie to settle down and live a life that is debt-free. The economic freedom has given Julie the time she's needed to finish a four-year diploma and nearly finish her master's degree in textiles. Julie describes that before having stable living conditions, none of this was possible, as the worries that came with poor living conditions meant she did not have the mental capacity to focus on her studies.

For Julie, a home "is not a luxury, it is a ... universal right. We are human beings that deserved to be looked after."

Above: L-R Julie's home. Julie and her dogs.

Table 4: AHBA approved lending by type, year on year

	2018–19		2019–20		2020–21		2021–22	
	$m	%	$m	%	$m	%	$m	%
Refinance of term debt	271.7	53	513.3	56	279.0	25	148.0	29
Working capital for new supply and acquisition	197.5	38	245.3	27	127.6	12	244.8	48
Construction/project finance	45.7	9	152.0	17	691.1	63	116.5	23
Total	**514.9**	**100**	**910.6**	**100**	**1,097.7**	**100**	**509.3**	**100**

Expansion and innovation of NHFIC finance to meet growing CHP needs

NHFIC continues to refine its lending strategy and transition from primarily refinancing term debt and working capital to funding CHPs for the supply of new housing through construction and cashflow lending solutions. In 2021–22, NHFIC expanded on this strategy by introducing umbrella facilities[2] to support strategic housing goals of CHPs and pilot projects in the absence of state government programs.

NHFIC's lending has continued to rebalance towards a greater weighting of construction and cashflow finance, with 71 per cent of finance approvals in 2021–22 supporting new housing supply. Transaction volumes continue to enable NHFIC to generate sufficient revenue to be financially self-sustaining and strengthen the accumulation of reserves.

NFHIC's construction loan portfolio expanded in 2021–22 with work starting on another 18 projects. These projects will see 11 builders deliver 2,036 homes over five states with a total contract value of $594.3 million.

In total, NHFIC's pipeline of construction contracts is at $1.29 billion and will deliver more than 4,100 homes when complete.

NHFIC's pipeline of construction projects

Client: SGCH
Project: 17-21 Pennsylvania Avenue, Riverwood NSW
Builder: PBS
Dwellings: 51
Contract value: $18.2m

Client: Mission Australia Housing
Project: Ivanhoe C1.2, Macquarie Park NSW
Developer: Frasers Property
Builder: Richard Crookes
Dwellings: 130
Contract value: $41.3m

2. Umbrella facility is a pre-committed funding limit to support delivery of multiple projects by a CHP.

What is a sustainability bond?

With investors increasingly focused on environmental, social and governance (ESG) impacts, demand for sustainability bonds is growing rapidly.

Sustainability bonds are used to finance or refinance green and social projects that have positive environmental and social impacts.

A leading issuer of ESG bonds

NHFIC continues its role in growing Australia's social and sustainable bond market and establishing social and affordable housing as a recognised investment asset class. We are a leading issuer of social and sustainability bonds aligned with the United Nations Sustainable Development Goals and International Capital Market Association (ICMA) sustainability bond principles.

NHFIC issued $198.0 million in additional ESG bonds during the 2021–22 financial year, increasing its June 2032 social bond line to $695.0 million and its 2036 sustainability bond line to $408.0 million, taking NHFIC's total bond issuances to just under $2.2 billion.

The $198.0 million in bonds issued during 2021–22 were supported by six existing investors and three new international investors. These investors included fund managers, superannuation funds, insurers, and a foreign central bank.

The proceeds from this year's bond issuance supported five CHPs and will support more than 733 new and existing social and affordable dwellings.

Market conditions and bond pricing

Market conditions in the first half of 2022 were volatile as financial markets priced in higher inflation, central bank tightening of monetary policy and geopolitical events, including the war in Ukraine. Consequently, bond yields and risk premiums increased leading to higher borrowing costs for NHFIC, and therefore the interest rates on finance NHFIC can offer to the CHP sector.

The margin on NHFIC bonds compared to the equivalent Australian Commonwealth Government Benchmark (ACGB) of similar tenor also increased during the financial year. This reflects the broader uncertain market conditions. For example, state governments have observed a similar increase in borrowing costs.

Table 5: NHFIC bond issuance in 2021–22

Issue	$m	Settlement date	Maturity date	Characteristic	Yield	Investors #	Investor type	CHPs supported
1	133	28 March 2022	29 June 2032	Increase to existing 12-year, fixed rate social bond	3.14%	6	Australian asset managers and super funds, insurers, and international investors	• Home in Place (previously Compass Housing Services)
2	65	30 June 2022	30 June 2036	Increase to existing 15-year, fixed rate sustainability (social and green) bond	4.725%	3	Australian asset managers and insurers	• Evolve Housing • City West Housing • Haven Home Safe • Community Housing Limited (Queensland)

More information on NHFIC's bonds can be found in the Social Bond Report for the current and previous financial years.

Table 6: NHFIC fixed rate bonds against benchmark

Issue date	Tenor (years)	Yield (%)	Price above ACGB benchmark
28 March 2019	10	2.38	+48.3bps
27 November 2019	10.5	1.52	+37.8bps
29 June 2020	12	1.41	+38bp
2 June 2021	15	2.335	+21.7bps
15 June 2021	10	1.74	+21.5bps
28 March 2022	12 (10.25 remaining)	3.14	+34.6bp
30 June 2022	15 (14 remaining)	4.725	+58.4bp

Strengthening of treasury function and product offering

During 2021–22, NHFIC strengthened its in-house treasury expertise responsible for the management of liquidity, funding and financial risk of the AHBA. This function will enable a more flexible approach to funding options that NHFIC can offer to the community housing sector. For example, NHFIC continues to work with the CHP sector to explore products to manage interest rate risk.

ESG reporting standard for the community housing sector

In April 2022, CHIA and a consortium of private and public sector partners including NHFIC commenced the development of an industry-specific ESG reporting standard, putting Australia at the forefront of ESG reporting for the community housing sector.

The reporting standard, which is expected to be finalised in the second half of 2022, will be optional for CHPs and will demonstrate the social impact and environmental credentials of CHPs with a view to encouraging additional capital into the sector, including from ESG investors.

Providing quality housing for those in need

EVOLVE HOUSING LIMITED (EVOLVE)

NHFIC has provided a $20.5 million loan to Evolve to support the provision of more social and affordable housing in Western Sydney. The loan comprises two facilities. The first, Facility A, will be used to purchase properties for the Community Housing Leasing Program, in conjunction with funding from the NSW Government. By owning the properties, all support provided by the Government will remain within the community housing sector and can be reinvested into other initiatives, including the provision of wrap-around services such as counselling, health, employment opportunities and wellbeing initiatives.

The second, Facility B, will fund the acquisition of 80 affordable dwellings which will provide affordable housing options for up to 200 low-income earners and essential workers. Residents of Facility B will benefit from more secure access to housing, being closer to their work or community and quality living conditions across Western Sydney.

Samantha, a resident of Evolve

Things haven't been easy for Samantha, a mother of two. Two years ago, while pregnant and looking after her young daughter, Samantha lost her job. Not long after Samantha gave birth to her son she received an eviction notice.

Unable to make ends meet, Samantha spent precious money to return a missed call from Evolve.

Evolve changed Samantha's and her children's lives. While they still struggle, Samantha says "I have groceries, my bills are paid, I know my rent's paid ... [and] the spiral of rental arrears hasn't happened for me in the 12 months I've been here".

"People living in housing stress are no different to anyone else ... it's just a matter of circumstances at a point in time" says CEO of Evolve, Lyall Gorman.

For Evolve, improving the quality of life for people such as Samantha, and playing a critical role in the nation's endeavour to improve housing outcomes is "incredibly satisfying and rewarding".

"NHFIC is an integral partner with CHPs to enable them to deliver quality housing that requires some form of subsidy to make it cost efficient."

Brett Manwaring, Chief Finance Officer, Evolve

Above: L-R: Evolve housing, Guildford NSW, Samantha and her children, Samantha's daughter

Investor engagement

NHFIC remains focused on developing its investor base and their understanding of the CHP sector. On 1 June 2022, NHFIC hosted an investor tour of two social and affordable housing developments in Sydney supported by AHBA funding. There were 31 attendees across key stakeholder groups including investors, banking partners, Commonwealth Treasury and NHFIC Board members and staff. The tour provided an opportunity to learn more about the sector and how NHFIC funding makes a difference.

The tour began at SGCH's landmark Redfern development where CEO, Scott Langford and SGCH staff showed attendees through the community recreation spaces and playground, ground floor commercial space and a vacant apartment. Attendees then visited an inner-city development in Glebe owned and managed by Bridge Housing. Rebecca Pinkstone, CEO and Bridge Housing staff provided an overview of the site, cohorts supported and wrap-around services available to residents.

At both Redfern and Glebe, attendees heard first-hand accounts from people supported by the CHPs including vulnerable and at-risk women and First Nations residents. The stories shared by residents demonstrated the incredible difference that access to secure, safe and affordable homes makes in the lives of many at-risk and vulnerable people.

NHFIC published its third Social Bond Report in October 2021 as part of its ongoing reporting of social outcomes to investors. The report included profiles of 36 CHP borrowers across New South Wales, Victoria, Queensland, Western Australia and Tasmania. It connects investors with insights into CHPs, expected outcomes of the loans, and the stories of tenants whose lives are improved by the work of CHPs supported by NHFIC finance.

"It was great to hear from the tenants about their experiences: The emphasis on dignity, safety and places being new and clean was terrific to hear. We are very proud that we can invest in NHFIC bonds and see the obvious impact it has on people's lives."

George Bishay, Head of Credit and Sustainable Strategies, Pendal Group

Right: L-R Nathan Dal Bon, Adrian Harrington, Dixie Lee Link Gordon, Scott Langford, Tevita Fonua.

A safe and secure place to call home

CITY WEST HOUSING PTY LTD (CITY WEST)

NHFIC has provided a loan to support City West Housing to build 74 medium-density, social and affordable apartments in Waterloo in Sydney, NSW. Boronia Apartments will include a combination of one- two- and three-bedroom apartments and a commercial space on the ground floor.

The apartments are well located near services and amenities, including the new Gunyama Park Aquatic and Recreation Centre, Green Square town centre and train station, East Village Shopping Centre and the new Waterloo metro station.

Residents of Boronia Apartments will benefit from energy efficient features such as induction cooktops, electric hot water heat pumps, solar panels and high efficiency water fixtures. Residents will also receive complementary GoGet car share membership.

Boronia Apartments will house 120 residents. One-third of apartments will be allocated to women and children at risk of homelessness due to domestic or family violence. The others will be tenanted as affordable housing to a range of people on very low-to-moderate incomes, including essential workers in the City of Sydney.

"NHFIC's finance on this development frees up valuable equity that can now be used to help fund 450 apartments in City West's development pipeline in the City of Sydney and deliver on our purpose of building stronger communities and improving people's lives by providing affordable housing. Supporting vulnerable community groups with access to safe and affordable housing is an important step in supporting the wellbeing of Australians."

Leonie King, CEO, City West Housing

Above: Artist impression of Boronia Apartments

Broadening market participation of alternative financiers

Consistent with the finding from the statutory review of the NHFIC Act, NHFIC has strengthened relationships across the spectrum of financing to both leverage in alternative financiers and provide innovative solutions to funding new housing supply for CHPs.

During the year, we developed a set of principles that frame and facilitate how we work with stakeholders. The principles capitalise on NHFIC's comparative advantage and value add to provide long-term cost-effective finance (for example senior debt) to registered CHPs, where the private sector is unable to. They include encouraging innovation and working closely with housing stakeholders to explore and promote growth opportunities for social and affordable housing in the sector. Research and data will be used to help drive change. We will also seek opportunities to bring stakeholders together for collaboration, including senior debt lenders, mezzanine, private developers, builders and equity funders.

These activities will introduce additional financers and other partners to play a role alongside NHFIC towards the financing of new projects including construction finance, term debt, and subordinated debt solutions.

An example of NHFIC's innovative financing solution is the Ginninderry Housing project.

Collaborating and partnering for outcomes

In December 2021, NHFIC signed a MoU with Ginninderry, a joint venture between the ACT Government's Suburban Land Agency and Riverview Developments Projects (ACT), and Community Housing Canberra to work together to investigate a new type of housing called Build-to-Rent-to-Buy in Ginninderry.

Under this pilot, eligible women would be able to rent a home at an affordable rate from a CHP for a period of around 10 years. During this time, tennants would have a secure rental arrangement and be able to save money towards buying their home. At the end of this timeframe, tennants would have the option to buy the home they has been living in. If successful, this type of housing could be made scalable and available to other groups of people.

The pilot has progressed through site identification, planning assessment and design to determine an optimum yield of 22 dwellings for the site. Negotiations are presently underway to finance costings and the financial structuring, with construction targeted to start in the first quarter of 2023.

Partnering with states and territories

NHFIC also engaged with all state and territory governments in 2021–22, working constructively on initiatives that complement, leverage or support Commonwealth, state or territory activities relating to housing.

NHFIC approved AHBA funding for three participating CHPs to the Tasmanian Government's Community Housing Growth Program which aims to deliver 1,000 social housing dwellings by end of 2023. These new dwellings will be built in at least 24 local government areas (LGAs), providing homes for those who need them most.

The Queensland Government's Partnering for Growth program aims to support the growth of social housing across Queensland. NHFIC supported a CHP application for funding and during the process worked with the Queensland Government to establish the group's first tripartite agreement which will assist in the support of future programs in Queensland.

NHFC participated on advisory groups with the South Australian Housing Authority and Northern Territory Housing as they seek to develop and structure programs that will deliver new housing stock for the CHP sector at scale.

NHFIC signed a MoU with NSW Landcom to deepen collaboration and unlock housing pilot projects across regional and metropolitan New South Wales and finalised a MoU with Indigenous Business Australia (IBA) to work collaboratively on Indigenous housing solutions.

Figure 3:

Partnering with states and territories totals to date

$3,033m Total AHBA loans approved

38 Total CHPs supported

16,365 Total dwellings supported by AHBA loans

WA

- Collaborated with the WA Government on its pilot ground lease initiative with an expression of interest (EOI) in 2022 and assisted with general housing strategies.

NT

- NHFIC is a member of the housing advisory committee to the NT Government aiming to deliver a potential major housing renewal project in Darwin.

Qld

- Provided letters of support to CHPs in Queensland to aid their participation in Queensland's Housing Investment Fund and Quickstarts program.
- Finalised first tripartite agreement in Queensland paving the way for future CHP transactions in the State.
- Participated in housing roundtable workshops supporting the Queensland Government's housing initiatives.

NSW

- Approved $319.5 million in AHBA transactions across six CHPs including $20.0 million for a CHP to expand its specialist disability accommodation portfolio.
- Issued letters of support for shortlisted bidders to the NSW Communities Plus and NSW Health Pathways housing initiatives.
- Partnered with the NSW Government to explore and undertake analysis for the potential repurposing of funding from an existing program to increase housing supply.
- Entered a MoU with Landcom to collaborate on the supply of new social and affordable housing.

AHBA loans approved ($m)

SA

- Worked with the South Australian Housing Authority on an innovative ground lease housing delivery model with an EOI released in late 2021.

Vic

- Approved $127.5 million in new AHBA facilities supporting both the Victorian Government's Big Housing Build initiative and innovative ground lease models delivering housing in the absence of subsidies.
- Issued letters of support to participating consortia for the Victorian Government's Ground Lease Model 2 (GLM2) program.
- Commenced a pilot program with developers targeting acquisition of affordable housing under council inclusionary zoning by CHPs.

Tas

- Approved $62.3 million across three CHPs in support of the Tasmanian Government's Community Housing Growth Program.

ACT

- Entered into a MoU with key ACT stakeholders to initiate a new Build-to-Rent-to-Buy housing model for vulnerable women in Ginninderry.
- Participated in market soundings for the ACT Government's planned Build-to-Rent-to-Buy initiatives due for release in 2022.

Funding

Consultation

A safe and secure place to call home

“NHFIC plays an important role in the development of vital social and affordable housing projects nationally. Having access to low cost and reliable loans through NHFIC allows community housing providers like CHQL to expand our operations and most importantly to improve housing outcomes for Australians in need of social and affordable housing.”

Francis Soesanto, Treasurer, Community Housing Queensland Limited

COMMUNITY HOUSING LIMITED (QUEENSLAND) (CHQL)

NHFIC has provided a loan of $4 million to CHQL to refinance loans that were originally undertaken to provide 19 social and affordable dwellings in the Gold Coast City Council LGA in Southeast Queensland.

The loan is part of a larger project that CHQL will use to increase the supply of social and affordable housing in Southeast Queensland.

The tenants in the properties are referred to CHQL from the Queensland Housing Register and people on lower to moderate incomes who qualify for affordable housing.

Having access to a 14-year loan has provided CHQL with longer-term certainty in relation to its borrowing costs, allowing for more stability in expansion and growth, to assist vulnerable people access vital housing.

Kylee and her children are residents of CHQL

Things haven’t been easy for Kylee and her children. Six years ago, while pregnant and looking after three young children, Kylee found herself homeless after leaving a long-term abusive relationship.

Kylee sought assistance from the Queensland Department of Housing, who put her in touch with CHQL.

Kylee and her children were initially assigned to CHQL’s emergency accommodation, before being placed in short-term housing for two years, and then long-term housing, which is where they have remained.

“I [used to] move around all the time and I’ve been here for 6 years ... I didn’t think in two weeks I was going to find a home,” but Kylee did and it’s “the longest I’ve ever been in one place”.

Having access to safe and affordable housing has provided Kylee and her children with much needed stability in their lives, and they have been able to embrace school life and study.

“The kids are stable in their school life, and I feel like I’m parenting better,” said Kylee.

Though her journey to find secure stable housing, Kylee developed a passion for helping others, leading her to complete studies in community services in disability with Community Employment Australia. This has allowed Kylee to secure a full-time job, helping youth with complex behavioural issues. In her spare time, Kylee is also advocating for her local electorate to develop an initiative that brings awareness and understanding to residents in her community about violence; an issue which is very important to her.

Kylee praises CHQL for helping her and her family create a stable life and believes that when an opportunity like CHQL presents itself, “take the opportunity ... I don’t think I would be here if I wasn’t so stable in my home. It’s like being given a chance to be mentally well.”

Above: L-R: CHL Housing Officer Byron Manitzky, Kylee, CHL Family Support Worker Karen Goodfellow

Table 7: Approved CHP capacity building grants

	Tier 1		Tier 2		Tier 3		TOTAL	
	2021–22	Cumulative	2021–22	Cumulative	2021–22	Cumulative	2021–22	Cumulative
NSW	1	5	1	4	-	1	2	10
Qld	-	-	-	2	1	1	1	3
WA	-	1	-	1	1	1	1	3
SA	-	-	-	1	-	-	-	1
NT	-	-	-	1	-	-	-	1
TOTAL	**1**	**6**	**1**	**9**	**2**	**3**	**4**	**18**

Building capabilities for community housing providers and for the sector

NHFIC continued to provide grants through the Capacity Building Program administered by CHIA on NHFIC's behalf. The grants support registered CHPs to further develop their financial and management capabilities.

The feedback from CHPs involved has been positive. CHPs reported that the grants improved their financial modelling capability positioning them to proceed more rapidly with future finance applications.

In the financial year to 30 June 2022, NHFIC approved four capacity building grants for CHPs in New South Wales, Queensland and Western Australia to access consulting services in the areas of finance, business planning, and risk management. The approved grants comprised a mix across Tier 1, 2 and 3 CHPs.

Table 8: Sector-wide capacity building projects

	2020–21	2021–22	TOTAL
Received	4	17	21
Approved	4	7	11

Two CHPs (approved in 2020–21) completed their tailored assistance programs during the year. Both CHPs reported that the project carried out with the capacity building grant was successful and met their objectives.

NHFIC extended its Capacity Building Program in 2020–21 to include projects from representative peak bodies and groups of CHPs that support sector-wide capacity building, in addition to individual CHPs. In 2021–22, NHFIC received 17 applications for sector-wide capacity building projects, of which seven were approved during the year. The capacity building contract with CHIA was extended to 31 December 2022.

Enhancing how NHFIC works with CHPs

During the 2021–22 financial year, NHFIC revised its credit policy to refine its offering, incorporating an amended risk appetite and policy guidelines for project finance and cashflow-based transactions. This change provides CHPs with greater flexibility and options when considering innovative structures including public private partnerships and allows leverage of cashflow streams for growth.

To ensure sound management of our growing portfolio, NHFIC introduced a new framework for portfolio management, and refined collateral management and construction loan management policies. NHFIC are also actively engaged in discussions with specialist disability accommodation providers.

Capacity Building Program project of $20,000 approved and completed in 2021–22 financial year

"We were a recipient of a grant, and it allowed us to bring in specialist advice, meet costs of design/publication to support the development and promotion of a design guide for Core and Cluster Emergency Accommodation for victims of domestic abuse. This guide is based on best practice by CHPs from across the states and will support learning and raising of accommodation standards as the states replace traditional refuges."

Housing Plus, Design Guide for DFA Accommodation

Supporting growth for new housing supply

National Housing Infrastructure Facility

NHIF approvals reach over $400 million[3]

Interest and demand for NHIF funding continues to increase, especially in light of housing supply shortages across Australia, particularly affecting the ability of key workers to access housing. Throughout 2021–22, NHFIC worked with stakeholders in state government, local government, the CHP sector and the development industry to identify opportunities to increase land supply using the NHIF.

NHFIC is actively exploring NHIF opportunities with every state and territory government in addition to local government projects in New South Wales, Victoria and Queensland. Engagement through industry bodies, regional development entities and local government bodies has increased the reach and awareness of the NHIF, and its role in unlocking the supply of land for housing.

In 2021–22, NHFIC received a total of eight NHIF applications, including five relating to new funding commitments and three relating to projects under existing umbrella facility agreements approved in previous financial years. During the year, the NHFIC Board approved an additional $120.5 million in new NHIF facilities to support critical housing-enabling infrastructure projects. When completed, these projects will unlock over 1,600 social, affordable and market dwellings across Australia. These approvals included NHIF funding for two CHPs in Tasmania with a total of up to $16.7 million.

During 2021–22, NHFIC also approved three applications to progress $35.4 million in funding utilisations under existing umbrella facility agreements for projects in Blair Athol South Australia, Bonnyrigg New South Wales and Brighton Victoria. When complete, these projects are expected to deliver over 500 social, affordable and market dwellings.

Key

- 🚧 Transportation, including roads
- ⚡ Electricity and gas
- ☢ Site remediation, including removal of hazardous waste and infrastructure
- 💧 Water, sewerage and stormwater

Table 9: 2021–22 NHIF facilities approved

Project proponent	Project location	Loan and grant ($m)	State	Housing outcomes	Type of project			
Mission Tasmania	Rokeby	3.5	Tas	54	🚧	⚡	☢	💧
NSW Landcom	Schofields	8.2	NSW	103	🚧	⚡	-	💧
Undisclosed[1]	Various	13.2	Tas	246	🚧	⚡	☢	💧
Undisclosed[1]	Various	95.7	NSW	1,272	🚧	⚡	☢	💧
Total		**120.5**		**1,675**				

1. Subject to confidentiality as facility agreements have yet to contractually close.

3. Previously approved facility valued at $11.2m has lapsed.

Figure 4:

Total NHIF approvals and outcomes

$413.5m

in total committed NHIF loans and grants

7,500

Total projected dwellings supported by Board-approved NHIF facilities

Continuing to partner on strategic projects

NHFIC is working with several other jurisdictions and state development arms in establishing NHIF umbrella facility agreements to support an estimated $265.0 million in potential infrastructure projects. This includes a pilot project aimed at enabling LGAs to access the NHIF in an efficient and cost-effective manner to deploy critical infrastructure to regional locations.

NHFIC has continued to work closely with several LGAs and has received interest in projects with a combined NHIF funding requirement of over $50 million. This includes conducting housing affordability and homelessness workshops across several LGAs in regional Victoria.

In addition, NHFIC signed a MoU with NSW Landcom to progress projects utilising NHIF funding to include and bring forward the delivery of affordable housing which would otherwise be unfeasible. A key priority was identifying opportunities to deliver housing infrastructure and unlock new housing supply in both metropolitan and regional areas of New South Wales. The first such project under the MoU was in the Sydney suburb of Schofields and was approved by the NHFIC Board for $8.2 million in NHIF funding. Additionally, NHFIC, Landcom and IBA have formed a working group to progress land development and affordable housing opportunities with NSW Aboriginal Land Councils.

"NHFIC is an important partner for Landcom, as its concessional finance, infrastructure facility and the upcoming shared equity scheme are critical to unlock [more] housing projects across NSW and increase the supply of affordable housing."

Alexander Wendler, CEO Landcom

Helping first home buyers and single parents

Home Guarantee Scheme

Our biggest year for the Scheme since launch

Under the HGS, NHFIC released a total of 34,651 places to participating lenders during the 2021–22 financial year, comprising 14,651[4] places under the FHBG, 10,000 places under the NHG and 10,000[5] places under the FHG. A total of 19,857 homes were purchased by first home buyers and single parents under the Scheme.

As at 30 June 2022, lenders had allocated 14,502 of the available FHBG places provided by NHFIC. Of these, 13,075 (90 per cent) first home buyers had signed a contract or settled on their home, while the remaining 1,427 (10 per cent) were at early financing stages and still looking for a property.

As at 30 June 2022, lenders had allocated 5,836 of the available NHG places provided by NHFIC. Of these, 4,206 (72 per cent) first home buyers had signed a contract or settled on their home, while the remaining 1,630 (28 per cent) were at early financing stages and still looking for a property.

Of the 10,000 FHG places available over four years, almost 30 per cent (2,979) were taken by lenders in the first year of operation as at 30 June 2022. Of these, 2,576 (86 per cent) family home buyers had signed a contract or settled on their new home, while the remaining 403 (14 per cent) were at early financing stages. Eighty-four per cent of the single parents who purchased a family home were women.

Table 10: Schemes administered by NHFIC during 2021–22

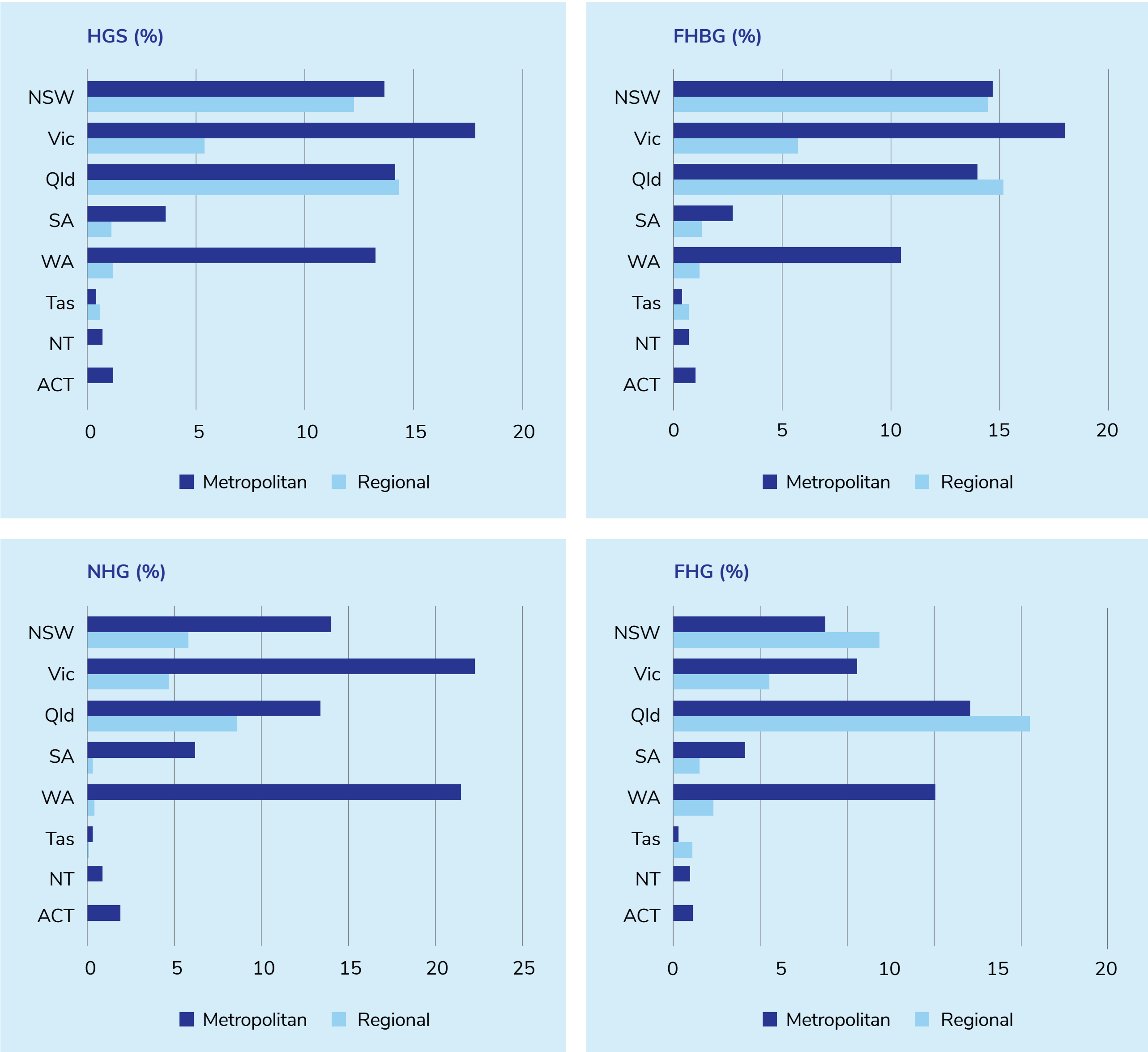
Name	First Home Guarantee[1]	New Home Guarantee	Family Home Guarantee
	Introduced from 1 January 2020 for major banks and 1 February for non-major lenders	Introduced 2 November 2020	Introduced 1 July 2021
Purpose	To help first home buyers purchase their first home sooner	To help first home buyers purchase a new home sooner	To help single parents with dependants purchase a family home
Minimum deposit	5%	5%	2%
Scheme places made available in that financial year			
2019–20	10,000	-	-
2020–21	10,000	10,000	-
2021–22	10,000	10,000	10,000 for a 4-year period

1. Previously known as the First Home Loan Deposit Scheme (FHLDS).

4. Includes the rollover of 4,651 unused places in FHBG and NHG from the 2020–2021 financial year in accordance with the NHFIC Investment Mandate Amendment (More Opportunities) Direction 2022, effective from 21 January 2022.

5. 10,000 places available over the period 1 July 2021 to 30 June 2025.

Figure 5: 2021–22 HGS Guarantee Certificate allocations by metropolitan / regional area

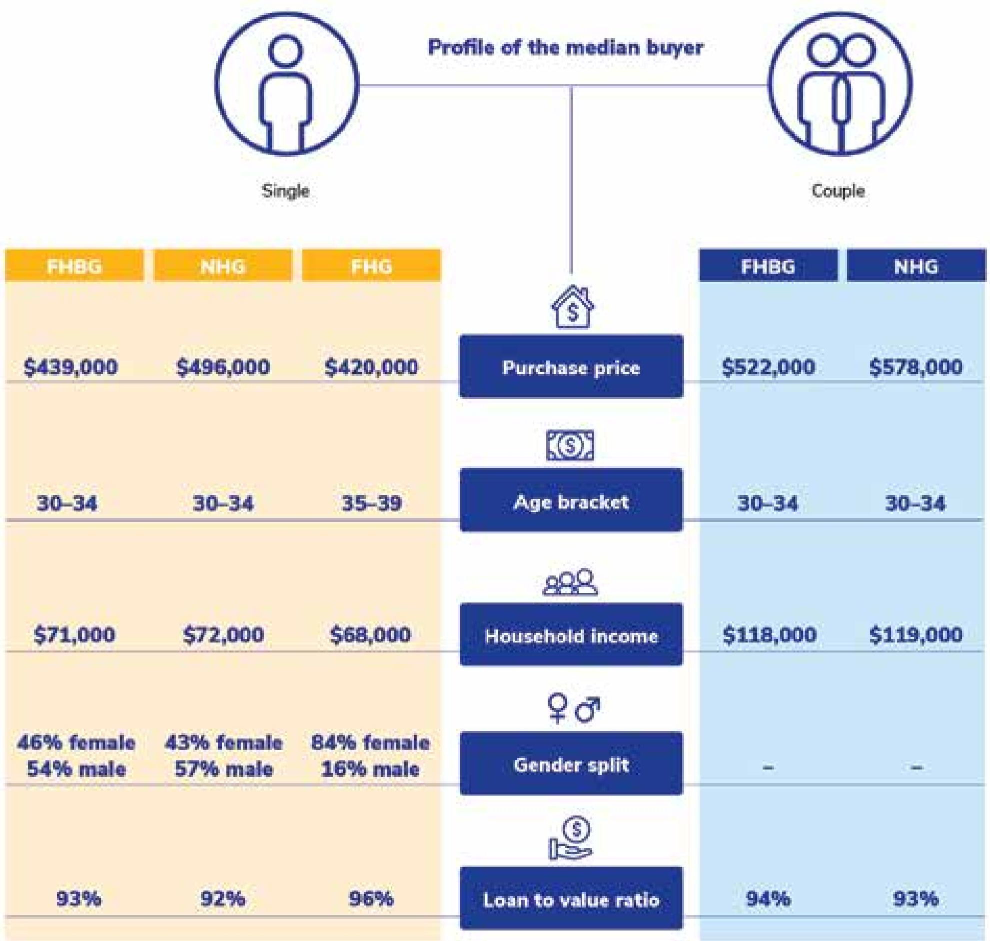


Under the Investment Mandate, NT and ACT do not have a metropolitan / regional distinction. For the purposes of this reporting, all Guarantee Certificates issued in NT and ACT have been attributed to metropolitan areas.

As at 30 June 2022, 15 Scheme-backed loans were at 60+ days in arrears, with $27,554 in arrears in NSW, $26,930 in Queensland, $15,776 in Victoria, $8,708 in South Australia and $5,505 in Western Australia. The total amount in arrears is $84,473. There were no borrower defaults and therefore no claims by lenders on the Federal Government's guarantee during the period.

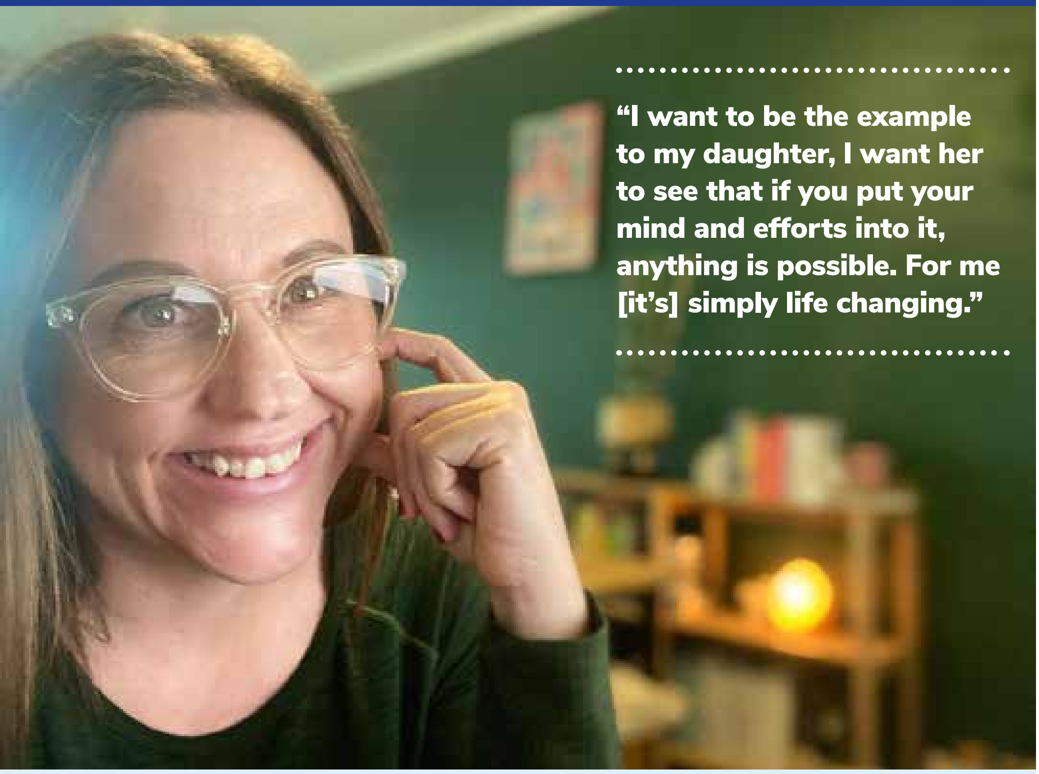
The Scheme continued to see strong demand from borrowers during the 2021–22 financial year and the Government has announced a further expansion of the Scheme. From 1 July 2022, 35,000 places will be released under the FHBG each financial year and 5,000 places under the FHG each financial year until 30 June 2025. From 1 October 2022, 10,000 places will be released each financial year (until 30 June 2025) under the new RFHBG.

Figure 6: Profile of the typical single and couple buyer under the HGS in 2021–22[6]



6. This data relates to Guarantee Certificates issued in 2021–22 and are based on actual purchase location. Guarantee Certificates are issued to a lender after an eligible homebuyer has signed a contract of sale and received unconditional finance approval. The data does not include places on hold (that is where places are reserved, or finance has been pre-approved).

Helping Australians into home ownership



“I want to be the example to my daughter, I want her to see that if you put your mind and efforts into it, anything is possible. For me [it’s] simply life changing.”

Marcia, a 46-year-old single parent from Brisbane who purchased a unit through the Family Home Guarantee.

“I had been saving for quite a long time and I have been single for about 12 years. As a single parent, saving isn’t easy.

I finally got together the required deposit and knew exactly where I wanted to live; it was time to focus on getting a loan.

Transitioning from renting to home ownership has been life changing. I have my side business I can focus on now and I have the freedom to pursue other things – with the security of knowing that I have my unit.

I would have had to save double the amount I had if not for the Scheme. There’s a unit shortage in Brisbane so now I don’t have that rental stress hanging over me.

I want to be the example to my daughter, I want her to see that if you put your mind and efforts into it, anything is possible. For me [it's] simply life changing.”

IN 2021–22

1 in 7 first home buyers

made use of the Scheme[7]

51,000 new homes

supported under the Scheme[8]

27% of Scheme places

went to key workers[9]

35% of first home buyers

purchased in regional areas

7,500+ emails and phone calls

managed by the HGS team

7. Guarantee Certificates issued in 2021–22 for FHBG, NHG and FHG as a proportion of owner-occupied first home buyer loan commitments (Australian Bureau of Statistics, Lending Indicators, June 2022, Tables 3 & 24).
8. New homes supported refers to house and land package purchases, separate land and contracts to build, off the plan purchases, and newly constructed dwellings.
9. Occupations classified as key workers are: school teachers; nurses; childcare workers; carers and aides; Defence Force members, firefighters, police, and other emergency service workers; ambulance officers and paramedics; and social and welfare professionals.

Expansion of the lender panel

During the year, NHFIC commissioned an independent review to assess the performance of the participating lender panel offering the Scheme to eligible home buyers. The review confirmed that, overall, the panel had been successful in achieving the Government's objectives for the Scheme. The review also recommended expansion of the panel to complement and strengthen the existing panel of 25 non-major and two major bank lenders, improve the reach and accessibility of the Scheme and support more home buyers to achieve their home ownership goals.

Following a competitive procurement process, five new non-major lenders were added to the panel. The lenders are Credit Union SA, Illawarra Credit Union, IMB Ltd (trading as IMB Bank), Newcastle Permanent Building Society and Unity Bank. NHFIC supported the new lenders with extensive onboarding activities so that they were ready to start accepting applications from 1 July 2022.

NHFIC also continued to implement technology enhancements to the Scheme IT Portal, launched a new lender management system and worked closely with participating lenders to improve the customer experience and ensure the integrity of the Scheme is maintained. The team conducted over 100 formal engagements with participating lenders, held training sessions reaching over 460 lender staff and responded to over 7,500 phone and email queries from lenders and members of the public.

During the year, NHFIC also conducted the annual property price cap review and provided recommendations to the Government on changes, as required under the Investment Mandate.

NHFIC conducts regular reviews of lender compliance with obligations under the Scheme Rules. This includes lender origination activities and their alignment to Scheme eligibility as well as the application of fairness and suitability in credit practices and policies, interest rate fairness and customer care. In the 2021–22 financial year, all participating lenders completed their annual Scheme audit and submitted bi-annual updates on their material policy changes. NHFIC's review of the lender audits assessed all lenders as compliant to their obligations, with sound performance throughout the year.

"Great Southern Bank has been participating in the Home Guarantee Scheme since it launched in 2020 and has supported more than 3,500 people to buy a home through the Scheme.

Partnering with government agencies, like NHFIC, to provide alternative pathways to home ownership directly aligns to our purpose of helping all Australians to own their own home. We look forward to continuing our collaborative and productive partnership into FY23."

Megan Kelehe, Chief Customer Officer, Great Southern Bank

Table 11: Participating lender panel representation by state and territory in 2021–22

State	Number of active panel lenders[1]	Proportion of lender panel (%)
NSW	25	93
Vic	26	96
Qld	26	96
SA	21	78
WA	21	78
Tas	17	63
NT	17	63
ACT	23	85
Total	**27**	**100**

1. Based on Guarantee Certificates issued under the HGS in 2021–22.

“As a participating lender, the Scheme has helped thousands of MyState customers bring forward their home ownership dream. Much of this success was due to a strong relationship with NHFIC. Their team has always been available to MyState, and their communications with us are both timely and clear.”

Huw Bough, General Manager of Banking, MyState Bank

Data and research to improve long-term housing outcomes and policy

Research

NHFIC released its second annual flagship research report on housing outlook

In 2021–22, NHFIC's research function delivered its second annual flagship 'State of the Nation's Housing' report. The report provided housing supply and household formation projections across Australia's major cities and rest of state areas, which allowed NHFIC to produce assessments of current and future gaps between new household formation and supply.

To provide further context on the wide-ranging impacts of the COVID-19 pandemic, the 2021–22 report featured 10-year housing supply and household formation projections (increased from five-years in the previous report) to better align to housing development cycles. In addition, the report included new chapters on housing markets in Australian states and territories and current conditions, as well as a chapter on regions and cities highlighting the impacts of the pandemic. The report also identified key issues in measuring the future needs of social and affordable housing, as well as policy initiatives announced since June 2020.

"Affordability in many regions became more acute for renters and first home buyers during the pandemic, as people sought to upsize or move to lower density living to support work from home arrangements. The deterioration in affordability for first home buyers has been particularly pronounced in regional New South Wales, Victoria and Tasmania."

NHFIC State of the Nation's Housing Report 2021–22

The State of the Nation's Housing report was informed by extensive consultation with stakeholders including industry, and provides on-the-ground insights to understand Australia's housing supply and affordability trends in the coming decade.

The report was covered extensively by national, metropolitan, regional and industry media, resulting in 142 pieces of coverage, including the *Australian Financial Review*, *The Age* and *The Sydney Morning Herald*, along with radio and online coverage by 7news. There were also complementary media releases published on the day by CHIA, Urban Development Industry Association (UDIA), Real Estate Institute of Australia (REIA), and Property Council of Australia (PCA). Since its release, the report's webpage has been viewed over 3,500 times.

Following its release, NHFIC was approached to present on the State of the Nation's Housing report at key industry events including the AHURI National Housing Conference on housing policy priorities and looming challenges, and an Urban Taskforce event in Sydney. These events were attended by senior executives from local government, major developers, investors, and representatives from the construction sector and CHPs.

In March 2022, NHFIC was joined by Susan Lloyd-Hurwitz, CEO and Managing Director of Mirvac and Zlatko Todorcevski, CEO of Boral to reflect on NHFIC's State of the Nation's Housing report and current market conditions. There was strong participation at the webinar, with over 370 event registrations from a range of sectors including government, real estate, CHPs, banking and finance, investors, and industry associations. The webinar recording was viewed 86 times between 15 and 20 March 2022.

"The Property Council of Australia welcomes this report and urges governments of all levels to take immediate steps to address the major concerns it has flagged."

Ken Morrison, Chief Executive, PCA

Planning reforms are crucial: CEOs

Michael Bleby

Faster and more sustainable buildings will help make housing cheaper, but without reforms to planning processes to speed up the supply of new land, Australia's affordability problem will keep harming the country, the country's biggest developers and building materials suppliers say.

The surge in single-person households and the return of migration-driven population growth that will leave the country with a 163,400 shortfall of dwellings by 2032, made technology and planning improvements crucial, Mirvac chief executive Susan Lloyd-Hurwitz and Boral CEO Zlatko Todorcevski said yesterday.

"It is the No.1 issue by a long way in the housing market – the state of the planning systems around the country," Ms Lloyd-Hurwitz told a National Housing Finance and Investment Corporation panel. "In general, particularly in New South Wales, the planning pathway is convoluted, complicated, but we can do better."

The drop in population growth during the pandemic had given the housing-development sector a chance to catch up briefly with demand, but the imbalance was about to reassert itself, Ms Lloyd-Hurwitz said.

"We still have got migration turning on at the exact same time as we're going to have an undersupply of housing," she said. "And that produces pressure in the system, which isn't necessarily a good thing for the community as a whole. So that takes us right back again, to the supply issue and the need urgently to get more supply into the market."

Mr Todorcevski agreed that planning was a hurdle. He said the Victorian government had not approved a new quarry for 22 years, but added that construction technologies, such as lower-carbon – and in a decade's time, zero-carbon – concrete would make housing more affordable.

The two CEOs were discussing the Commonwealth-funded NHFIC's State of the Nation's Housing 2021-22 report. It says single-person households will rise from 25 per cent of the national total around the time of the 2016 census to about 27.5 per cent in 2032.

These changes meant apartment developments – despite speculation during the pandemic that people would no longer want to live in apartments – would become an increasingly crucial part of Australia's housing picture, they said.

"All that that discussion in 2020, about when nobody wants to live in apartments any more, because nobody wants to be together – we are certainly not seeing that on the ground," Ms Lloyd-Hurwitz said.

NHFIC senior adviser Hugh Hartigan said that the changes in household formation to more lone-person households would mean that Melbourne alone between 2024-25 and 2032 would suffer a shortage of 61,000 homes.

"We'll see a return of the trend of medium- and high density, living not just off the back of net migration, but just the trends that we're seeing with the high cost of detached housing," Mr Todorcevski said.

Australian Financial Review, 15 March 2022

Housing shortage looms despite record approvals

MACKENZIE SCOTT

Property analysts fear a shortage of 61,000 homes may emerge within the next three years despite record building approvals as demand pressures emerge.

The number of new properties approved hit an all time high through the pandemic but a skew towards detached housing will leave a shortfall of higher density homes as overseas migration resumes and Australian households shrink, according to the National Housing Finance Investment Corporation.

Population forecasts suggest 1.5 million fewer people will live in Australia by 2032 but the number of individual households will grow by 1.7 million as the size of families shrinks.

Over the next three years, 184,000 net homes are set to be built. NHFIC senior adviser Hugh Hartigan said forecasts indicated demand from new household formation could see a shortfall of 61,000 homes emerge.

"We're building pretty well at the moment, but really we need to sustain these levels to ensure that the balance of supply household formation doesn't exacerbate affordability at the time," Mr Hartigan said.

"We're expecting a bit of a shortfall of apartments and medium density over the coming years and this is likely to occur at a time where we're going to get that influx of net overseas migration coming into that."

Mirvac chief executive Susan Lloyd-Hurwitz said she believed the gap in prices between apartments and houses would make higher density a more attractive option. "All that discussion in 2020 about when nobody wants to live in apartments any more ... we are certainly not seeing that on the ground," she said.

The report expects detached house building to fall back to pre-pandemic levels in 2024.

Relief for builders feeling cost and time pressures from supply shortages was on the way, said Zlatko Todorcevski, chief executive of building materials giant Boral.

He believes the market should normalise in the next 12 to 24 months, regardless of external economic concerns.

The Australian, 15 March 2022

"It has been a remarkable past 18 months for Australia's housing markets, with the largest population shock in a century, unprecedented government stimulus, a widespread flight to the regions, and accelerating house price growth and tightening rental markets impacting housing affordability."

Nathan Dal Bon, CEO, NHFIC

"The report makes an important point that rental affordability ought to be moving centre stage when it comes to government policy making."

Wendy Hayhurst, CEO, CHIA

During 2021–22 NHFIC published an additional four research papers on housing demand, supply and affordability in Australia

Respected research across the sector

During the 2021–22 financial year, NHFIC published an additional four research papers relating to topics on housing demand, supply and affordability in Australia were also published, making an ongoing contribution to public policy debates in line with NHFIC's key research objectives.

NHFIC's research function has now released eight research reports since January 2020 and has a pipeline of housing policy research aimed at informing practical solutions to improve housing outcomes.

To deliver on its research objectives, NHFIC engages closely with housing and property stakeholders. NHFIC's value-add in this area relates to identifying topical issues and providing analysis that is applied and accessible to a wider audience. Research supports the monitoring of housing demand, supply and affordability by looking at current and potential future gaps between housing supply and demand.

In July 2021, NHFIC released analysis on stamp duty reform, revealing how removing stamp duty increases housing mobility. In October 2021, NHFIC released its second annual FHLDS Trends and Insights Report, examining key data from the scheme. In December 2021, NHFIC released new housing affordability analysis for first home buyers and renters in capital cities and regional areas.

Following the release of the research paper examining developer contributions in August 2021, NHFIC was invited to appear at the Parliamentary Inquiry into Housing Affordability and Supply in Australia in November 2021. In addition to the developer contributions research, NHFIC discussed housing affordability issues. The inquiry heard from a broad range of industry participants supportive of NHFIC's contribution to housing research.

After the release of the statutory review of the NHFIC Act and ongoing data-related work, NHFIC strengthened its data analytics team, with the recruitment of an additional resource to drive the ESG data and housing data platform work and assist with NHFIC's growing collection of proprietary data for the AHBA and HGS. NHFIC's enhanced in-house data analytics capability also supports improved data insights on research projects.

Table 12: NHFIC research issued in 2021–22

Date	Name	Summary/topic
July 2021	**Stamp Duty Reform: Benefits and Challenges**	Exploring the current implications of transfer duty and potential challenges transitioning to a broad-based land tax
Aug 2021	**Developer Contributions: How should we pay for new local infrastructure?**	Assessment of developer contribution policies across states and territories
Oct 2021	**FHLDS Trends & Insights**	Key trends and insights over the 2020–21 financial year in FHLDS
Dec 2021	**Major city and regional area housing affordability**	Analysis of housing affordability for renters and potential first home buyers across major cities and regional areas
Feb 2022	**State of the Nation's Housing***	Forward view of housing supply and household formation across all major cities and rest of state areas, based on 10-year projections

* NHFIC's flagship report

Efforts were also concentrated on driving effective relationships across NHFIC's stakeholders. NHFIC's research function organised and participated in industry, government and academic meetings, roundtables and forums.

A survey undertaken across government, industry and academia showed that over nine in 10 respondents agreed that NHFIC's research work is relevant, high quality and helped raise awareness of important housing-related issues.

By undertaking research on its own initiative, the Investment Mandate allows NHFIC to liaise with relevant stakeholders, identify critical issues affecting the housing market, and undertake targeted public policy-oriented research work. Research paper topics are chosen for their policy impact and potential to help improve housing outcomes.

Helping to drive improved housing data through partnerships and collaborations

Australian housing datasets are disparate, making it a challenge for housing researchers and policy makers to search, process and implement data into evidence-based housing research and analytical models. The Australian Housing Data Analytics Platform (AHDAP) is a broad-based consortium chaired by NHFIC involving governments, industry and academics, and seeks to create nationally significant and harmonised housing-related datasets with a view to improving overall housing outcomes. The platform will significantly improve Australia's current housing evidence base, providing research and policy makers with improved data and analytical tools.

"We would encourage NHFIC to accelerate and broaden the scope of its work given the need to break down the barriers to housing supply before Australia is able to meet underlying demand and in doing so, improve affordability."

UDIA submission to the Parliamentary Inquiry into Housing Affordability and Supply in Australia

Organisational resilience and responsiveness

High-performing organisation

Stakeholder engagement

NHFIC operates in a dynamic and complex environment. Maintaining strong and productive relationships with stakeholders, including governments at all levels, CHPs, participating Scheme lenders, institutional investors, regulatory authorities, industry associations and developers is essential to achieve our purpose.

In 2021–22 we continued to strengthen and expand our partnerships and relationships, with over 60 engagements with stakeholders to help broaden our reach, build on existing capabilities, and seek new opportunities to contribute to improved housing outcomes.

During the year, NHFIC engaged with stakeholders from sectors including private finance, impact investment, property development and investment, banking, superannuation, bond and other institutional investors, and high net worth/philanthropic foundations to facilitate private investment in social and affordable housing.

NHFIC sought to further optimise its service, knowledge and responsiveness to the community housing sector, including engaging with CHPs that target specific cohorts such as vulnerable women and children, and specialist disability accommodation.

NHFIC's CEO Nathan Dal Bon undertook several speaking engagements including presenting at the AHURI National Housing Conference on housing policy priorities and looming challenges, and at the Property Council of Australia's (PCA) Annual Congress on affordability and the need for collaboration between government and the private sector. NHFIC also presented at the Community Housing Conference and co-hosted a CHP forum with CHIA's CEO, Wendy Hayhurst.

Stakeholder engagement was strengthened through meetings with key policy stakeholders including the PCA, Housing Institute of Australia, Master Builders Association, Real Estate Institute of Australia and other property industry associations, along with HGS panel lenders and banking and mortgage industry associations. NHFIC's profile and reputation was further enhanced through media and social media coverage of its activities and research, and through sponsored content in the industry publication, Kanga News Yearbook.

As our business grows, we remain agile in anticipating and responding to changes in government policy and market conditions, while meeting the needs of our customers and stakeholders.

Investment in the business

During its fourth year of operations, NHFIC grew its team from 35 to 51 FTEs and continued its transition to a more mature organisation, reflecting its growth and scale. The additional headcount has supported business expansion, including a new treasury function, increasing capacity in data analytics and a team of technology architects and developers to enhance digital capability.

NHFIC also implemented findings from its own independent review of its operating model including streamlining various processes, finetuning our organisational structure, strategic recruitment to fill capacity gaps, and realigning various functions to enhance efficiency.

In addition to its regular learning and development activities, NHFIC ran a three-month Leadership Impact Program across the organisation from October to December 2021 to enhance leadership capability at all levels.

Significant investment in technology was also made in 2021–22 to support NHFIC's business activities. NHFIC implemented a cloud-based customer relationship management system and an enterprise data warehouse solution. These two solutions will play a pivotal role in shaping the continuous digitisation of the NHFIC business. NHFIC continued to upgrade the experience of lenders using its HGS IT Portal with enhanced self-service functionality and the rapid deployment of new and existing schemes.

NHFIC continued to work with its service providers and the Australian Cyber Security Centre to align its processes and systems to best practice cyber security standards, including the Essential Eight, to protect the organisation and customers. NHFIC will continue investing in technology to deliver and secure efficient business outcomes.

NHFIC leveraged Export Finance Australia for a limited range of support functions, including HR, IT services and property management, to achieve cost-effective use of Government resources. NHFIC renewed its Service Level Agreement (SLA) with Export Finance Australia in June 2022 for another 12 months.

More information can be found in the People and culture, and Governance and accountability sections of this report.

Financial sustainability

NHFIC has continued on its path of sustainability by generating normalised profits for each of the last three financial years. The only year NHFIC did not generate a normalised profit was its first year of operation due to implementation and setup costs.

The reconciliation of statutory profit and loss to normalised profit and loss is shown in the Financial Information section on page 79.

NHFIC's sustainability has been underpinned by consistent growth in our loan and investment portfolios which has generated sufficient revenues to cover operating costs and enable the accumulation of reserves as outlined in our legislation. Our focus on operational efficiency and careful management of our cost base has enabled NHFIC to effectively deliver the services expected by our customers.

Our solid financial position has enabled us to be well positioned for continued success as the business adapts to the needs of its customers, the changing operating environment and as the Government looks to expand NHFIC's activities.

Capital management

NHFIC is not regulated by the Australian Prudential Regulation Authority (APRA), but instead is guided by APRA's prudential standards with respect to capital adequacy.

The Board has previously developed a policy for capital adequacy to ensure sound capital management and ongoing profitability, drawing on APRA guidelines. On establishment, the AHBA was not provided with capital. Instead, the AHBA was provided operational funding for its first three years and the surplus operational funding has been accumulated as retained earnings.

Consistent with NHFIC's Act, over the medium term, NHFIC will target to increase its capital and reserves through retained earnings to meet the minimum capital adequacy ratio set by the Board and until then is unlikely to pay dividends.

People and culture

Governance and accountability

Risk management

Our people and culture

Structure and workforce profile

NHFIC relies on its people and culture to achieve its purpose. Attracting and retaining the right people is critical to NHFIC's ongoing success.

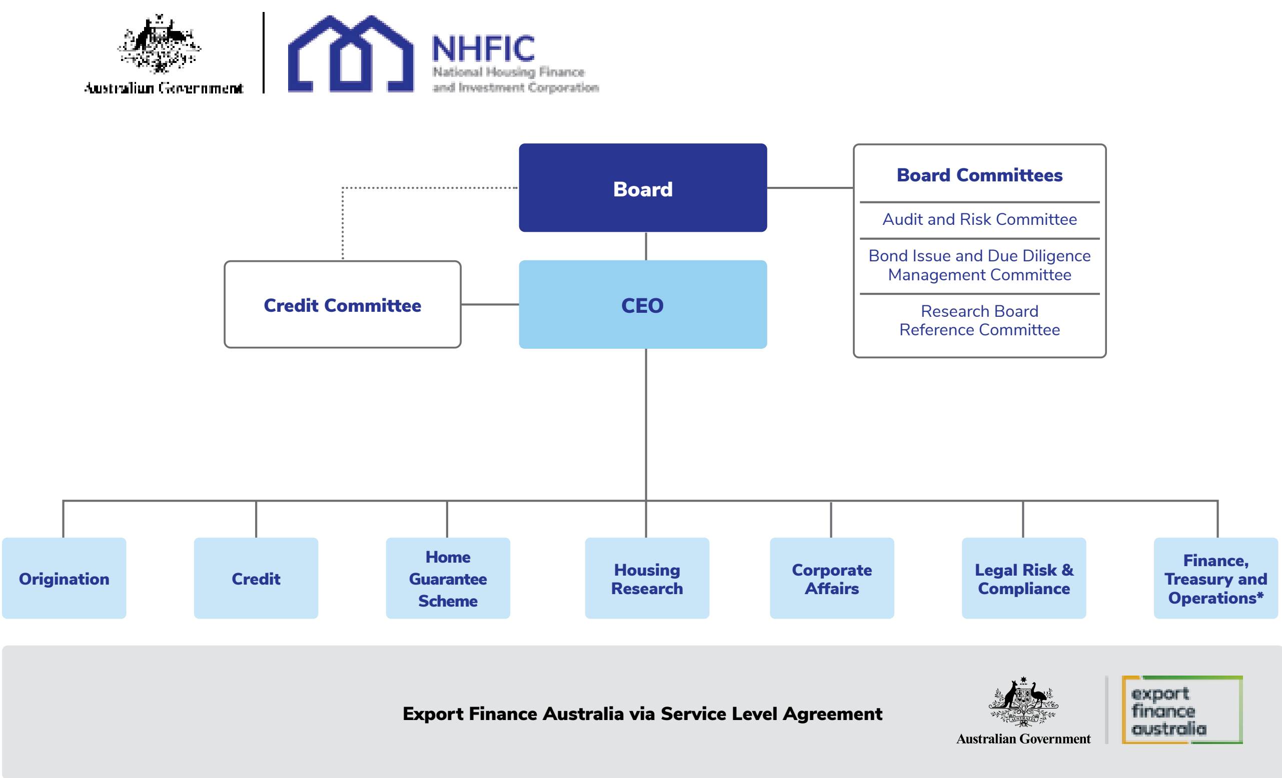
NHFIC is committed to operating as a high-performance organisation that empowers and supports its people. NHFIC has a professional, highly motivated, diverse and experienced team who bring a wealth of experience from both the public and private sectors.

The majority of NHFIC's employees are based in Sydney, with a small number in Canberra. NHFIC leverages expertise and support from Export Finance Australia for certain corporate services and administrative functions under an SLA which ensures a cost-efficient use of existing Australian Government resources.

NHFIC's Executive team in the reporting period comprised the CEO, Chief Financial Officer (CFO) and Chief Operating Officer (COO), and seven senior executives overseeing key business areas.

As at 30 June 2022, NHFIC had 51 employees (50.6 FTEs), including 47.8 permanent FTEs and 2.8 short-term contract FTEs. All NHFIC employees are employed under the NHFIC Act on common law contracts and are not members of the Australian Public Service (APS).

Figure 7: NHFIC organisational chart as at 30 June 2022



* Operations includes People & Culture and Technology.

Table 13: Number of FTE employees

Classification	30 June 2022	30 June 2021
Permanent employees	**47.8**	31.6
Short-term contract employees	**2.8**	2.6
Total	**50.6**	34.2

Table 12: Workforce diversity

EEO designated group	30 June 2022		30 June 2021	
	Employees	%	Employees	%
Female	**19**	37	15	43
Male	**32**	63	20	57
Total	**51**	100	35	100
Non-English speaking backgound[1]	**26**	51	19	54
Aboriginal or Torres Strait Islander background	**1**	2	2	6
People with disability	**-**	-	1	3

1. Non-English speaking background (or with parents who are from a non-English speaking background).

A diverse and inclusive culture

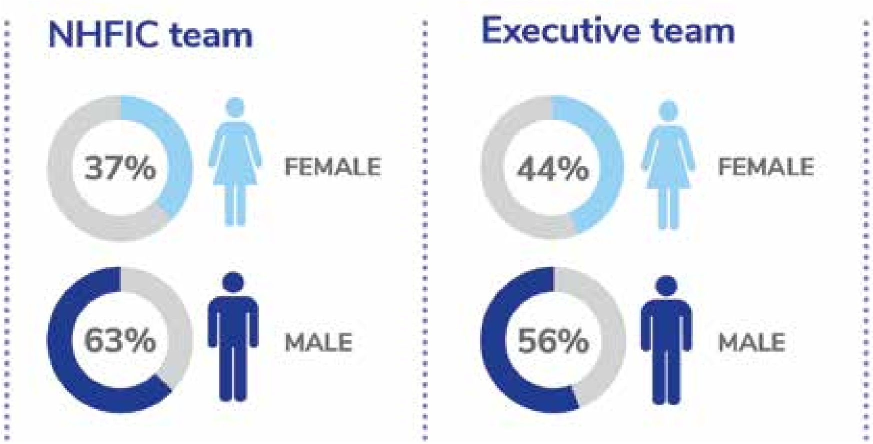
NHFIC promotes and supports an inclusive workplace by encouraging a culture that respects and embraces differences and diversity of thought. By valuing diverse experience, expertise and backgrounds, NHFIC can foster a stronger organisation.

NHFIC is proud of its cultural diversity, with 51 per cent of employees from a non-English speaking background or with parents who are from a non-English speaking background.

Within NHFIC's employees, 18 different ancestries are represented and one employee identified as being of Aboriginal or Torres Strait Islander background. NHFIC recognises its diverse team enhances its ability to deliver services that are culturally appropriate, accessible, client-oriented and effective.

As at 30 June 2022, 37 per cent of NHFIC's employees were female and 63 per cent were male. NHFIC's Executive team reflected similar percentages.

Figure 8: NHFIC team and Executive team diversity as at 30 June 2022



Remuneration

NHFIC's remuneration strategy is designed to attract and retain the right people, with the necessary skills and expertise, to deliver its purpose and achieve the strategic objectives and targets as set out in its corporate plan. NHFIC strives for a high-performance culture that recognises highly capable employees while remaining aligned to market practices and complying with the Australian Government's policies for its statutory agencies.

2021–22 remuneration structure

Board remuneration

All Board members of NHFIC are appointed by the Australian Government through the Minister. The Board is established and governed by the provisions of the NHFIC Act.

Fees for Board members are set and paid according to the determinations of the Australian Government Remuneration Tribunal (the Tribunal), an independent statutory authority overseeing the remuneration of key Commonwealth offices. NHFIC is required to comply with the Tribunal's determinations and plays no role in the consideration or determination of Board member fees.

The Tribunal sets annual Chair and Board fees (exclusive of statutory superannuation contributions). The Chair's fee includes all activities undertaken by the Chair on behalf of NHFIC (inclusive of committee participation), however additional fees are payable to the Board members appointed to the Audit and Risk Committee.

Statutory superannuation is paid in addition to the fees set by the Tribunal.

Executive remuneration

NHFIC's remuneration structure is designed to be competitive and reward high-performing senior executives and staff, while complying with all of NHFIC's regulatory obligations.

In June 2021, the Board ceased the use of performance bonuses or 'at risk' remuneration and effected a new remuneration structure based on Government guidance. The new structure took effect from 1 July 2021 and comprises fixed annual remuneration (FAR) only.

For senior executives and highly paid employees, their expertise, relevant government policies and industry benchmarks influence the setting of their FAR. NHFIC works within the parameters of the Australian Government's Public Sector Workplace Relations Policy 2020, which provides flexibility for an agency to adopt the form of workplace arrangement that best suits its employees and business needs. Under the policy, a funding declaration was approved for NHFIC with remuneration increases of up to six per cent averaged over three years from September 2019, ending in September 2021. Future remuneration increases will be based on the percentage increase of the June quarter wage price index (WPI).

Factors considered when setting the appropriate FAR for senior executives and staff include market data for comparable roles, complexity of the role, internal relativities, an individual's skills and experience, and individual performance assessments.

NHFIC uses current Financial Institutions Remuneration Group (FIRG) data and other relevant Government information to provide independent benchmarking in determining appropriate remuneration for roles across the organisation.

NHFIC benchmarks remuneration with the aim to position remuneration competitively against comparable organisations. The guiding principle for remuneration benchmarking is to position remuneration towards the mid-point of the benchmark for comparable roles in the Australian market, while working within the parameters set by the Australian Public Service Commission.

The FAR for NHFIC's CEO is determined by the Tribunal and the role is classified as a full-time public office holder. The FAR includes base salary, allowances, superannuation contributions and any non-cash benefits. The CEO also accrues long service leave and does not receive a discretionary bonus.

Table 14: Key management personnel (KMP) as at 30 June 2022

Name	Title	2021–22 status	KMP status
Adrian Harrington	Board member (Chair)	Full year	Current
Teresa Dyson	Board member	Full year	Current
Tony De Domenico OAM	Board member	Full year	Current
Phillip Barresi	Board member	Full year	Current
Kelvin Ryan	Board member	Part year	Current
Jane Hewitt	Board member	Full year	Current
Brendan Crotty	Board member (Chair)	Part year	Former
David Cant	Board member	Part year	Former
Kylie Rampa	Board member	Part year	Former
Nathan Dal Bon	Chief Executive Officer	Full year	Current
Stuart Neilson	Chief Financial Officer & Chief Operating Officer	Full year	Current

Remuneration governance arrangements

Management

Management is accountable for ensuring it rewards employees responsibly, with regard to the performance of NHFIC, individual performance, statutory and regulatory requirements, and current business norms.

For Executive remuneration decisions, management achieves this by:

- the CEO making FAR recommendations for new senior executives, which are endorsed by the Chair
- senior executives making FAR recommendations for employees within their business areas, including other highly paid employees, which are endorsed by the CEO
- implementing performance management and remuneration policies and practices, as agreed.

Board

The Board is responsible for ensuring NHFIC has coherent policies and practices that fairly and responsibly manage the performance and remuneration arrangements for the CEO and senior executives. The Board achieves this by:

- monitoring management's performance against NHFIC's annual corporate plan
- assessing the performance of the CEO
- providing guidance to the CEO on matters concerning the appointment and evaluation of senior executives.

Key management remuneration

During the year ending 30 June 2022, NHFIC had nine Board members and two senior executives who met the definition of KMP. Their names and length of term as KMP are summarised in Table 14.

The following changes were made in KMP during the year:

- Brendan Crotty ceased to be a KMP on 18 July 2021.
- Kelvin Ryan was appointed as a KMP on 19 July 2021.
- David Cant ceased to be a KMP on 25 July 2021.
- Jane Hewitt was appointed as a KMP on 26 July 2021.
- Kylie Rampa ceased to be a KMP on 31 January 2022.

In accordance with the PGPA Rule 2014, this report contains summary data of the remuneration received by KMP (Table 15), senior executives (Table 16) and other highly paid employees (Table 17) in 2021–22. Other highly paid employees are employees who are neither KMP nor senior executives and whose total remuneration exceeds the $230,000 threshold for this reporting period.

Table 15: Remuneration of key management personnel for the reporting period 2021–22

			Short-term benefits				Post-employment benefits	Other long-term benefits			
Name	**Position title**	**Salary**	**Annual leave adjustment**	**Base salary**	**Bonuses**	**Other benefits and allowances**	**Superannuation contributions**	**Long service leave**	**Other long-term benefits**	**Termination benefits**	**Total remuneration $**
Adrian Harrington	Board	108,820	-	108,820	-	-	10,882	-	-	-	119,702
Teresa Dyson	Board	71,750	-	71,750	-	-	7,175	-	-	-	78,925
Tony De Domenico OAM	Board	62,544	-	62,544	-	-	6,254	-	-	-	68,798
Phillip Barresi	Board	63,590	-	63,590	-	-	6,359	-	-	-	69,949
Kelvin Ryan	Board	52,730	-	52,730	-	-	5,273	-	-	-	58,003
Jane Hewitt	Board	57,997	-	57,997	-	-	5,800	-	-	-	63,797
Brendan Crotty	Board	5,117	-	5,117	-	-	512	-	-	-	5,629
David Cant	Board	4,158	-	4,158	-	-	416	-	-	-	4,574
Kylie Rampa	Board	32,334	-	32,334	-	-	3,233	-	-	-	35,567
Nathan Dal Bon	CEO	447,034	6,825	453,859	-	-	66,927	11,126	-	-	531,912
Stuart Neilson	CFO & COO	420,521	14,082	434,603	-	-	32,057	9,910	-	-	476,570
Total		**1,326,595**	**20,907**	**1,347,502**	**-**	**-**	**144,888**	**21,036**	**-**	**-**	**1,513,426**

NB: This table should be read in conjunction with Note 4.2 of the financial statements which details the basis of the calculation.

Table 16: Remuneration of senior executives for the reporting period 2021–22

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of senior executive staff	Average base salary $	Average bonuses $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$0 - $220,000	1	131,608	-	-	12,269	2,424	-	-	146,301
$295,001 - $320,000	2	273,437	-	-	37,443	5,707	-	-	316,587
$320,001 - $345,000	1	296,137	-	-	29,705	7,418	-	-	333,260
$345,001 - $370,000	2	305,127	-	-	41,009	7,708	-	-	353,844
$370,001 - $395,000	1	347,410	-	-	33,422	8,345	-	-	389,177
	7								

Table 17: Remuneration of other highly paid employees for the reporting period 2021–22

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Remuneration band	Number of highly paid employees	Average base salary $	Average bonuses $	Average other benefits and allowances $	Average superannuation contributions $	Average long service leave $	Average other long-term benefits $	Average termination benefits $	Average total remuneration $
$235,001 – $245,000	1	212,722	-	-	20,262	4,443	-	-	237,427
$245,001 – $270,000	3	231,635	-	-	23,556	5,679	-	-	260,870
$270,001 – $295,000	2	244,068	-	-	23,267	5,457	-	-	272,792
$320,001 – $345,000	1	284,111	-	-	29,707	7,418	-	-	321,536
	7								

Building team capability

This financial year was a period of significant change for NHFIC. We implemented various enhancements from our own independent review of our operating model during 2021 as well as the outcomes of the statutory review commissioned by the former Minister.

During 2021–22, NHFIC grew in size, complexity and function and recruited an additional 16 employees to facilitate more complex financial transactions, deliver the new FHG, and manage credit, enterprise and operational risks. As NHFIC grows, its reliance on Export Finance Australia to provide services under the SLA has reduced and during the year NHFIC brought a number of functions in-house and recruited its own staff. NHFIC also established a new treasury function, expanded its data analytics capabilities and recruited a team of technology architects and developers to expand its digital capability and footprint. In addition to hiring new employees, NHFIC was also able to retain staff in key positions despite a challenging labour market.

NHFIC invests in developing the technical and leadership capabilities of its people through various initiatives including:

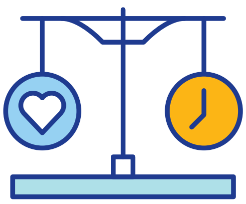
- targeted learning and development opportunities for employees, for example NHFIC's Leadership Impact Program for all staff in 2021, as well as implementing LinkedIn Learning across the organisation, Lean Six Sigma Green Belt training for 10 staff, various individual programs, knowledge sharing sessions and external coaching
- attendance at professional and industry seminars and conferences
- formal study assistance.

NHFIC also provides ongoing compliance training and periodic briefings for employees and requires all employees to complete a suite of refresher training annually. This ensures employees are up to date with legislative requirements and other compliance matters, their legal obligations in financial dealings, information security and other emerging matters. All new employees complete a full suite of mandatory training as part of their induction and onboarding.

Employee Engagement

NHFIC's first employee engagement survey was completed in June 2022 with a 91 per cent response rate. The overall results indicated a highly engaged workforce and provided great feedback, including strong alignment with NHFIC's purpose and team objectives (96 per cent), as well as positive responses to leadership communications (96 per cent), co-workers commitment to quality work (96 per cent), importance of individual role (92 per cent), recognition and care from manager (92 per cent), connection with co-workers (92 per cent) and being heard (92 per cent).

NHFIC's Executive team has been working through the survey results and comments and will focus on prioritising and implementing various initiatives to achieve continuous improvement.



On a scale of 1 to 10, staff rated NHFIC at 8.2/10 or 82 per cent as a great place to work, and 7/10 or 70 per cent for work-life balance.

Keeping people connected during COVID-19

The COVID-19 pandemic continued to have a significant and profound impact on NHFIC's way of working over the financial year, as was the case for many organisations across Australia. Past investment in cloud-based technology enabled the organisation to pivot from remote working during lockdown to a hybrid in-office and remote working model while continuing to deliver a high level of service and commitment to our stakeholders.

To support the effectiveness and wellbeing of its people during lockdowns, NHFIC focused on key initiatives including:

- onboarding new starters virtually
- increasing communication in all forms across teams
- holding weekly virtual all-staff and Executive meetings
- supporting people leaders to manage a remote workforce
- implementing wellbeing sessions and activities
- connecting virtually and through online activities facilitated by the culture committee to support social interactions and positive engagement among employees.

During the year, employees worked flexibly, reflecting guidance from Federal, state and territory governments, with a combination of remote and office working available to all employees.

NHFIC worked closely with employees to provide individual flexible working arrangements to accommodate their personal circumstances while also supporting their health and wellbeing. As restrictions were relaxed, NHFIC embraced a hybrid-working model, combining working in the office and working at home.

During the first half of 2022, most NHFIC employees made use of flexible work arrangements (for example, flexible start and finish times and remote working) to help them more effectively balance their personal and work commitments.

Employee health, safety and wellbeing

The physical and mental health of employees is vitally important to NHFIC. Employees and their immediate families are provided with access to an Employee Assistance Program with confidential counselling and other support services. NHFIC also has an annual influenza vaccination program and provides salary continuance cover for eligible employees.

NHFIC is committed to providing a positive and safe work environment for all its people, in line with requirements under the *Work Health and Safety Act 2011* (WHS Act).

NHFIC takes a pragmatic, risk-based approach to maintaining its WHS compliance framework and management practices. This is backed by a strong culture of incident notification and investigation which includes reporting any accidents and near misses.

NHFIC's onboarding program for new employees and consultants includes a WHS overview.

NHFIC continued to work closely with Export Finance Australia in relation to WHS and during the year established its own WHS Committee. NHFIC actively engages with its employees on WHS matters, including COVID-safe measures and the adequacy of facilities, and takes steps to ensure a positive, productive and risk-free working environment.

Notifiable incidents and investigations

NHFIC records and monitors hazards and controls. In 2021–22, NHFIC was not investigated and did not receive any notices in relation to WHS matters. Under the WHS Act, NHFIC had no notifiable incidents or near misses.

Indemnities and insurance

NHFIC's Board members and employees were indemnified during 2021–22 in relation to liabilities and related legal costs incurred as officers of NHFIC. The scope of this indemnity is consistent with legislative requirements.

NHFIC also maintained and paid premiums for professional indemnity insurance and directors' and officers' liability insurance, including cover for certain legal costs. In total, NHFIC paid premiums of $432,000. NHFIC did not pay out any amounts in connection with any Board member or employee indemnities during the financial year.

Our governance and accountability

The NHFIC Board is responsible for NHFIC's corporate governance and operations.

Accountability

NHFIC is established under the NHFIC Act and is defined as a corporate Commonwealth entity under the PGPA Act.

NHFIC is part of the Treasury portfolio of agencies and reports to the Minister for Housing, Minister for Homelessness and Minister for Small Business, the Hon Julie Collins MP.

Responsible Ministers for the reporting period were:

1 July 2021 – 23 May 2022

The Hon Michael Sukkar MP, Assistant Treasurer, Minister for Housing and Minister for Homelessness, Social and Community Housing

1 June 2022 – 30 June 2022

The Hon Julie Collins MP, Minister for Housing, Minister for Homelessness and Minister for Small Business

The duties of the responsible Minister in relation to NHFIC are set out in the NHFIC Act. These include that the Minister appoints the Board and may provide directions about the performance of NHFIC's functions in the form of an Investment Mandate, including in relation to such matters as strategies and policies the Board must observe, decision-making criteria, limits on financial assistance, and risk and return on investments. The Investment Mandate may not, however, direct the Board in relation to particular financing decisions.

The Board must keep the Minister informed about NHFIC's operations and provide any information the Minister may require.

At the date of publishing this Annual Report, the National Housing Finance and Investment Corporation Investment Mandate Direction 2018 (Compilation No. 5) is the operative direction (Investment Mandate). Compilation No. 5 incorporates all amendments made to the Investment Mandate including the amendments made in the reporting period: National Housing Finance and Investment Corporation Investment Mandate Amendment (More Opportunities) Direction 2022 (18 January 2022); National Housing Finance and Investment Corporation Investment Mandate Amendment (Price Cap Update) Direction 2022 (9 April 2022); National Housing Finance and Investment Corporation Investment Mandate Amendment (Home Guarantee Scheme) Direction 2022 (6 April 2022); and National Housing Finance and Investment Corporation Investment Mandate Amendment (Review Measures) Direction 2022 (6 April 2022).

In addition to the NHFIC Act and Investment Mandate, following the previous government's response to the statutory review of the NHFIC Act, the former Minister issued the NHFIC Board with a Statement of Expectations (SOE). The Board has responded with a Statement of Intent (SOI). A copy of the SOI is available on NHFIC's website at www.nhfic.gov.au.

As a corporate Commonwealth entity, NHFIC is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

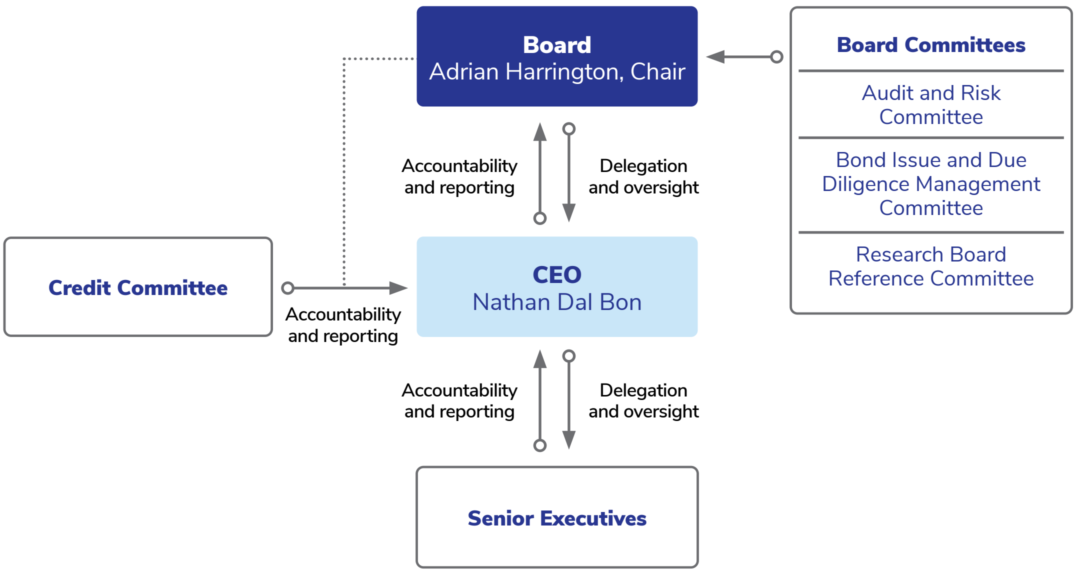
The Minister or Minister's representative responds to questions from members of Parliament about NHFIC, and the Parliamentary Orders relating to NHFIC. Members of NHFIC's Executive team may be requested to attend Senate Estimate hearings to answer questions on NHFIC's operations. In 2021–22, NFHIC appeared before the Economics Legislation Committee for Senate Estimates on 27 October 2021 and 16 February 2022. NHFIC also appeared at the Joint Committee of Public Accounts and Audit on 3 December 2021.

Corporate governance

NHFIC is committed to maintaining high standards of corporate governance which it considers essential to being a long-term sustainable organisation and to continually act in the best interests of the Australian public.

To develop a governance framework that is fit-for-purpose and appropriate for NHFIC's size and function, NHFIC considered its statutory responsibilities under the NHFIC Act, Investment Mandate, PGPA Act, PGPA Rules and other relevant legislation, as well as the relevant parts of the ASX *Corporate Governance Principles and Recommendations* (4th Edition), which are considered the benchmark for good corporate governance practices in Australia.

Figure 9: Corporate governance structure at NHFIC as at 30 June 2022



The Board

During the reporting period, the Board comprised seven independent non-executive members (Table 18).

Table 18: NHFIC Board during the reporting period

Member	Term	Appointment start date	Appointment end date	Board committees 2021–22
Adrian Harrington* **Chair**	5 years	19 July 2021	18 July 2026	• Bond Issue and Due Diligence Management Committee
Teresa Dyson	5 years	26 July 2018	25 July 2023	• Audit and Risk Committee (Chair)
Tony De Domenico OAM	5 years	10 April 2019	9 April 2024	• Audit and Risk Committee • Research Board Reference Committee
Phillip Barresi	5 years	10 April 2019	9 April 2024	• Audit and Risk Committee
Kelvin Ryan	5 years	19 July 2021	18 July 2026	• Research Board Reference Committee
Jane Hewitt	3 years	26 July 2021	25 July 2024	• Audit and Risk Committee • Bond Issue and Due Diligence Management Committee
Brendan Crotty **Chair**	3 years	19 July 2018	18 July 2021	• Bond Issue and Due Diligence Management Committee • Research Board Reference Committee
David Cant	3 years	26 July 2018	25 July 2021	• Audit and Risk Committee • Research Board Reference Committee
Kylie Rampa**	5 years	26 July 2018	25 July 2023	• Bond Issue and Due Diligence Management Committee

* Mr Harrington was initially appointed as a Board member on 26 July 2018 for a term of 5 years ending 25 July 2023. On 25 June 2021, the former Minister announced the appointment of Adrian Harrington as Chair from 19 July 2021, replacing the outgoing Chair Brendan Crotty.

The biographical information of each Board member is outlined later in this Annual Report.

** Ms Rampa resigned on 31 January 2022.

Roles and responsibilities of the Board

The Board is ultimately responsible for the overall operation and stewardship of NHFIC and reports to the Parliament through the Minister. In performing its role, the Board decides – within the scope of the Investment Mandate – the strategies and policies to be followed by NHFIC. It monitors compliance with those strategies and policies, defines NHFIC's risk appetite, makes financing decisions and otherwise ensures the proper, efficient and effective performance of NHFIC functions.

The Board's key responsibilities are:

- providing input to and approving NHFIC's strategic direction, objectives, goals and budgets, as developed by management, in a manner which is at all times consistent with NHFIC's functions under the NHFIC Act and the Investment Mandate
- directing, monitoring and assessing NHFIC's performance against strategic and business plans, approving and monitoring expenditure, and reviewing and approving the major policies of NHFIC
- identifying the principal business risks, ensuring NHFIC has in place an appropriate risk management framework and establishing the acceptable levels of risk within which the Board expects the management of NHFIC to operate
- reviewing and approving the systems of internal compliance and control, audit, risk management and legal compliance, to determine the integrity and effectiveness of those systems
- approving and monitoring material internal and external financial and other reporting and monitoring the operational and financial position and performance of NHFIC
- ensuring that the capital and reserves of NHFIC are sufficient to meet the likely liabilities of NHFIC, and to make adequate provision for default in the repayment of principal, or in the payment of interest or other charges, in connection with loans made by NHFIC
- ensuring ethical behaviour and compliance with NHFIC's own governing documents, including NHFIC's code of conduct and corporate governance standards.

More details of the responsibilities of the Board are set out in the Board Charter, which is reviewed annually. A copy is available on NHFIC's website at www.nhfic.gov.au

Board size, appointment and skills

The NHFIC Board must include a Chair and a minimum of four and maximum of six other members. Board members are appointed by the Minister, under a formal letter of appointment setting out key terms and conditions. The maximum term of office of a Board member is five years.

In appointing Board members, the Minister must ensure that Board members collectively have an appropriate balance of qualifications, skills or experience. This includes skills in banking and finance, law, housing (including social or affordable housing), infrastructure planning and financing, local government, and public policy.

Board and other committees

To assist the Board to discharge its responsibilities, the Board has established three committees: the Audit and Risk Committee (ARC); the Bond Issue Due Diligence and Management Committee; and the Research Board Reference Committee. NHFIC has also established a Credit Committee and an Executive Risk and Compliance Committee which both report directly to the CEO.

Each committee is governed by its own charter, detailing its roles and responsibilities, membership requirements and frequency of meeting.

Table 19: NHFIC committees

Committee	Roles and responsibilities	Membership requirements	Frequency of meetings
Board Committee – Audit and Risk Committee	Assists the Board by reviewing the appropriateness of the Board's financial reporting, performance reporting, risk management and internal controls.	The Committee must comprise: • at least three members • members who are not employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the ARC to perform its functions.	At least three times per year
Board Committee – Bond Issue and Due Diligence Management Committee	Assists the Board to execute on NHFIC's strategy and achieve the optimal pricing on bonds issued by NHFIC in the wholesale debt capital market; optimise the use of funding sources for its AHBA loans business; optimise the investment of NHFIC's capital and reserves and short-term surplus cash; and manage NHFIC's exposures to interest rate risk and liquidity risk.	The Committee must comprise: • at least three members • a majority of which must not be employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the Bond Issue and Due Diligence Management Committee to perform its functions.	At least three times per year
Board Committee – Research Board Reference Committee	Assists the NHFIC Board with the oversight and management of work undertaken by the research function in accordance with NHFIC's Investment Mandate.	The Committee must comprise at least two members appointed by the Board. All members must have appropriate knowledge, skills and experience to assist the Research Board Reference Committee to perform its functions.	Fortnightly or as required
Credit Committee	Assists NHFIC with the objective oversight and management of credit risk arising from providing finance to proponents eligible under NHFIC's Investment Mandate. The Credit Committee works closely with NHFIC's credit assessment team.	The Committee must comprise: • at least three members • members who are independent from the Board • a majority of members who must not be employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the Credit Committee to perform its functions. Current members: Rowena Johnston (Chair), Ian Shaw, Garry McLean, Adam Ohlstein and Jeremy Brasington (appointed July 2022).	Monthly or as required
Executive Risk and Compliance Committee	Identifies and monitors significant risks to NHFIC, maintains and promotes NHFIC's risk management frameworks and policies, manages risks in line with those frameworks and policies, and implements and oversees control processes and risk mitigation strategies.	The Committee comprises the CEO (or delegate) and the CEO's direct reports.	Quarterly or as required

Further details of the responsibilities of the committees are set out in each committee's charter. The charters are reviewed annually and a copy of each is available at Charters | NHFIC

Ethical and responsible behaviour

Codes of conduct

NHFIC's codes of conduct for Board members and employees provide information about the behaviours that NHFIC expects and seeks to foster a culture where ethical conduct is valued and demonstrated in its day-to-day business.

All employees, consultants and contractors are required to demonstrate key behaviours consistent with the following standards:

- act with care, diligence, impartiality and objectivity
- perform to the best of their ability, maintaining high standards of honesty and integrity
- treat everyone with courtesy and respect, without coercion or harassment of any kind
- consider matters on their merits
- comply with applicable Australian laws and NHFIC policies, procedures and guidelines.

The codes of conduct are supported by a number of internal policies and procedures, providing further guidance for Board members and employees on acceptable actions and behaviour.

Public interest disclosure (whistleblower) protection

NHFIC is committed to maintaining the highest standards of ethical and accountable conduct and ensuring that individuals who make public interest disclosures are provided with the protections available under the *Public Interest Disclosures Act 2013* (PID Act).

NHFIC has developed detailed processes to be followed by supervisors, authorised officers, the principal officer and investigation delegates for reporting, investigating and responding to disclosures made under the PID Act.

NHFIC's Public Interest Disclosure (Whistleblower) Policy provides a framework for the escalation of disclosable conduct. This includes conduct that is illegal, corrupt, unethical or is an abuse of public trust. The Policy applies to all Board members and current and former employees of NHFIC, including contractors providing goods or services to NHFIC.

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF)

NHFIC is required to have an AML/CTF program in place which, among other things, identifies, manages and reduces the risk of money laundering and terrorism financing it potentially faces.

NHFIC has enrolled with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and developed a comprehensive AML/CTF program. The program includes a framework for reporting suspicious matters to AUSTRAC together with comprehensive Know your customer (KYC), ongoing customer due diligence and transaction monitoring procedures.

Corporate reporting

Internal controls

NHFIC has a number of internal controls and policies to ensure the integrity of its corporate reporting systems, including the accuracy of financial reporting. These internal controls take the form of appropriate financial delegations, financial planning and reporting, and compliance with appropriate procurement standards.

All corporate reports are reviewed by members of the Executive before their release to the public and also by the Board in the case of the corporate plan and annual report. This process helps ensure that corporate reports are accurate, balanced and understandable, and provide the responsible Minister with appropriate information to make informed decisions.

Financial statements audit

The Auditor-General is responsible for auditing the financial statements. The external audit for 2021–22 was performed by the ANAO.

Declaration by the Chief Executive Officer and Chief Financial Officer

Prior to the approval of the annual financial statements by the Board, the CEO and CFO provided confirmation in writing that NHFIC's financial records had been properly maintained and that the financial statements give a true and fair view of the financial position and performance of NHFIC.

The CEO and CFO also made representations in relation to the adequacy and effectiveness of NHFIC's risk management framework and internal controls.

Environmental reporting

Ecologically Sustainable Development — EPBC Act reporting

NHFIC has a statutory obligation under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* to report on how its activities accord with Ecologically Sustainable Development principles. NHFIC complies with this responsibility through application of its Good Corporate Citizenship Policy, as outlined in the Environmental Footprint section.

Good Corporate Citizenship Policy

NHFIC's Good Corporate Citizenship Policy is consistent with the Australian Government's expectations outlined in the Investment Mandate. Section 31 of the Investment Mandate requires NHFIC to have regard to Australian best-practice governance principles and the Australian best-practice corporate governance for commercial financiers when performing its functions, including developing and annually reviewing policies with regard to ESG issues.

Environmental footprint

In 2021–22, NHFIC operated from two locations:

1. a head office at Export House in Sydney NSW, where NHFIC has an SLA with Export Finance Australia
2. a serviced office space in the ACT, which is used by NHFIC's Canberra-based employees.

The NHFIC Board is responsible for NHFIC's corporate governance and operations.

Our Board

Adrian Harrington

Chair

Term of appointment[10]
19 July 2021 to 18 July 2026

Adrian has more than 30 years of experience in the funds management and real estate industries.

Adrian is currently a senior executive at Charter Hall and the former Chair of the Australian Housing and Urban Research Institute (AHURI). Adrian was formerly Head of Funds Management at Folkestone and has held senior positions at Mirvac, James Fielding and Deutsche Asset Management.

Adrian holds a Bachelor of Science (Hons) from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and is a Graduate of the Australian Institute of Company Directors. Adrian is a Fellow of the Financial Services Institute of Australasia.

Teresa Dyson

Member

Term of appointment
26 July 2018 to 25 July 2023

Teresa is an experienced company director and chair following over 20 years practising as a senior taxation lawyer advising on infrastructure transactions, financing, corporate tax, mergers and acquisitions, the not-for-profit sector, and tax controversy matters.

Teresa is currently a director on the boards of Genex Power Ltd, Seven West Media Ltd, Shine Justice Ltd, FARE, Energy Queensland Ltd, Gold Coast Hospital and Health Board and Brighter Super. Teresa is also a member of the Takeovers Panel and the Foreign Investment Review Board.

Teresa has formerly served as the Chair of the Law Council of Australia, Business Law Section and has also been a Partner at Deloitte and Ashurst (formerly Blake Dawson). She is a former Chair and member of the Board of Taxation. Teresa holds a Bachelor of Arts, Bachelor of Laws (Hons) and Master of Taxation from the University of Queensland, a Master of Applied Finance from Macquarie University, and is a Graduate of the Australian Institute of Company Directors. Teresa has been admitted as a solicitor in New South Wales, Victoria, Queensland and to the High Court of Australia.

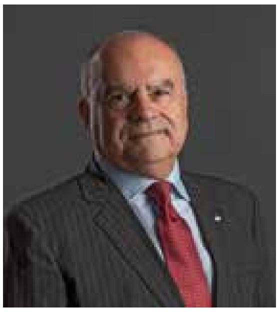
10. On 25 June 2021, the Minister announced the appointment of Adrian Harrington as Chair from 19 July 2021, replacing the outgoing Chair Brendan Crotty.

Tony De Domenico OAM

Member

Term of appointment

10 April 2019 to 9 April 2024



Tony has over 40 years of experience across government, corporate, community and education sectors both domestically and internationally. He is currently the Chair of Plastic Oceans Australasia, Director of Common Equity Housing Ltd, Chairman of Bertocchi Food Group and a Life Member of the Italian Chamber of Commerce. He is also a Life member and former Executive Director of the Urban Development Institute of Australia, a Corporate Life Governor of The Royal Life Saving Society ACT, former Chair of Places Victoria, former Deputy Chair of Development Victoria, and has served on the Council of La Trobe University including a term as Deputy Chancellor. He was Chair of the Australian Housing and Urban Research Institute from 2014–2018.

Tony has extensive diplomacy experience, serving as a trade and investment diplomat based in Milan, and from 1992-97 he was elected to the ACT Legislative Assembly where he was appointed Deputy Chief Minister, Minister for Urban Services, and Minister for Economic Development and Regulatory Reform. Tony was awarded a Medal in The Order of Australia at the Queen's Birthday Honours List in 2018 for his contribution to urban planning, research and development in Victoria.

Phillip Barresi

Member

Term of appointment

10 April 2019 to 9 April 2024

Phillip brings extensive national and international board and committee experience.

Phillip previously served on various boards and committees within the disability employment, aged care, at-risk youth and community banking sectors. Most recently, Phillip served as the Director for Australia, New Zealand, Korea and Egypt on the Board of the European Bank for Reconstruction and Development in London.

Phillip currently sits on the advisory committee for the Australia India Business Council, to advise on strategic matters relating to bilateral trade. Phillip is also a member of the Institute of Public Accountants' Nominations Committee having also served on its professional disciplinary tribunal.

Phillip has held former appointments as CEO for both a leading energy industry association, and an electricity generator industry group. Prior to this, Phillip served as a member of the Australian Parliament for nearly 12 years, from 1996 to 2007, including chairing a joint parliamentary committee with oversight of public accountants and audit.

Kelvin Ryan

Member

Term of appointment

19 July 2021 to 18 July 2026

Kelvin was appointed to the NHFIC Board in July 2021 after performing senior roles in the construction industry since 1998. Initially he worked as a supplier with Boral Ltd and from 2003 onwards as the CEO of two of the largest residential building companies in Australia – BGC Residential and Simonds Group Limited.

Prior to moving into the construction industry, Kelvin held senior executive positions in the mining and manufacturing sector at Downer Ltd, Fletcher Challenge NZ, Aditya Birla Canada and WMC Resources.

Kelvin has a wealth of experience in delivering affordable housing solutions and associated financing options having presided over the financing and construction of tens of thousands of new homes and numerous residential construction projects. He holds a Bachelor of Education from the Western Australian College of Advanced Education and a Master of Science degree from Griffith University.

Jane Hewitt

Member

Term of appointment

26 July 2021 to 25 July 2024

Jane was appointed a Non-Executive Director of Mirvac in December 2018. Jane has over 27 years' experience in real estate development and asset management. She founded UniLodge in 1996 and pioneered the corporatisation and professional development and management of student accommodation facilities on and off University campuses in Australia and New Zealand.

As an entrepreneur and founder Jane has extensive operational experience and a strong track record in developing successful partnerships in real estate and business ventures. She developed UniLodge into an operation with assets of approximately $1 billion.

More recently, Jane has worked with Social Ventures Australia and currently serves on a non-profit board as Chair of the Beacon Foundation.

Board Observer

In October 2020, Robert Jeremenko was appointed by the former Minister for Housing to be an observer of the NHFIC Board under section 27(2) of the NHFIC Act. Mr Jeremenko is a Commonwealth officer, and as an observer might attend Board meetings and report to the Minister on any matter relating to the operations of NHFIC or the Board. Mr Jeremenko's initial six-month appointment was extended for a further six-month period commencing 8 April 2021 and ending 7 October 2021.

Members whose term ended in in 2021–22

The biographies below reflect whilst serving on the NHFIC Board.

Brendan Crotty

Chair

Term of appointment
19 July 2018 to 18 July 2021

Brendan was appointed as NHFIC Board Chair in July 2018. He has extensive property industry expertise, including 17 years as the Managing Director of Australand Property Group from 1990 to 2007, followed by 10 years as Chairman of Western Sydney Parklands Trust. Most recently Brendan retired as director of General Property Trust and the Macquarie University Council.

Brendan holds a Postgraduate Diploma in Town and Country Planning from Queensland Institute of Technology, and a Postgraduate Diploma in Business Administration from Macquarie University. He completed the Advanced Management Programme at the International Institute for Management Development Business School and the Strategic Use of Information Technology Programme at Stanford University.

David Cant

Member

Term of appointment
26 July 2018 to 25 July 2021

David has over 40 years of experience in providing housing for those on low incomes.

David is currently an independent director of PowerHousing Australia and Chair of Uniting Housing Australia. He is Co-Chair of Under 1 Roof, a consortium of housing and homelessness organisations in Brisbane.

David was the inaugural CEO at Brisbane Housing Company from 2002–2017, which is now one of the largest registered CHPs in Queensland. He was a member on the Prime Minister's Council on Homelessness from 2009 to 2013.

David holds a Bachelor of Arts (Politics and Economics) from the University of Oxford and a Masters in Philosophy (Town Planning) from University College London.

Kylie Rampa

Member

Term of appointment
26 July 2018 to 31 January 2022

Kylie has over 25 years of experience in the Australian and global real estate sectors.

Kylie is currently the CEO Property, Australia, for the Lendlease Group. She is also a director of Lendlease Real Estate Investments Limited and Lendlease Development Pty Limited, Director and Vice President of the Property Council of Australia, Director of the Sydney Opera House Trust, as well as Chair of the Building and Heritage Committee.

Prior to her role as CEO Property, Australia, Kylie was Managing Director of Lendlease Investment Management and held other senior positions with the Gandel Group, Macquarie Group, AMP and Schroders.

Kylie holds a Bachelor of Business from the Queensland University of Technology.

Board meetings

Table 20: Summary of Board member meeting attendance

Member	Board meetings		Audit and Risk Committee meetings		Bond Issue Due Diligence and Management Committee meetings		Research Board Reference Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Adrian Harrington (Chair)	14	14	-	-	6	6	-	-
Teresa Dyson	14	14	6	6	-	-	-	-
Tony De Domenico	14	14	6	6	-	-	9	9
Phillip Barresi	14	14	6	6	-	-	-	-
Kelvin Ryan	13	14	-	-	-	-	8	8
Jane Hewitt	13	14	4	4	3	4	-	-
Brendan Crotty (Chair)*	-	-	-	-	-	-	1	1
David Cant**	-	-	-	-	-	-	1	1
Kylie Rampa***	5	6	-	-	2	2	-	-

* Brendan Crotty's term as Chair of the Board ended on 18 July 2021. Adrian Harrington was appointed Chair of the Board on 19 July 2021.

** David Cant's term ended on 25 July 2021.

*** Kylie Rampa resigned on 31 January 2022.

Members whose term ended in 2021–22

Brendan Crotty, David Cant and Kylie Rampa ended their terms as Board members during 2021–22.

Members whose terms commenced in 2021–22

Board appointments included Kelvin Ryan and Jane Hewitt as members. Adrian Harrington was appointed as Chair effective 19 July 2021.

Audit and Risk Committee appointments included Jane Hewitt (effective 1 October 2021) and Tony De Domenico (effective 18 August 2021) as members.

Transactions with Board members and related entities of Board members

Board members have made appropriate disclosures in respect of transactions that NHFIC has undertaken where they may have, or may be perceived to have, a material personal interest.

Declared conflicts and potential conflicts of interest

All Board members complete an annual declaration of personal interests to disclose any interests or other directorships held. NHFIC maintains a Register of Interests to manage any potential conflicts of interest.

Where a Board member has a declared actual, perceived or potential material personal interest in a matter, that Board member does not participate in any discussion or voting when the matter is being considered by the Board or relevant Board committee.

Our approach to risk management

Risk management

Risk management is a critical part of how NHFIC achieves its business goals. NHFIC has developed a risk management framework that defines its principles, culture, policies and processes for managing risk. We systematically identify and manage risk to increase the likelihood and impact of positive events while mitigating negative events.

Risk culture

NHFIC's risk culture and principles guide everyday behaviour in the organisation. NHFIC strives to:

- maintain the highest professional and ethical standards focusing on embedding appropriate behaviours
- align employee remuneration and other benefits to encourage behaviour consistent with good governance and NHFIC's risk appetite
- provide an environment where employees are empowered to the full extent of their abilities and that fosters innovation and learning within business practices
- monitor, stress test and re-evaluate risk ensuring management information systems and risk reporting accurately reflect the underlying risk
- maintain compliance standards reflecting zero tolerance of regulatory and compliance breaches.

Oversight of risk management

NHFIC manages risks that emerge through its operations. The appropriate engagement with risk is guided by the NHFIC Act, Investment Mandate, PGPA Act and consistent with the Risk Appetite Statement set by the Board. NHFIC has built its risk management framework around ISO 31000: Risk Management – Guidelines and to align with the Commonwealth Risk Management Policy.

NHFIC's Board has oversight for defining the risk appetite and monitoring performance within this appetite. The Board is supported by the ARC in monitoring risk management processes and assisting in risk oversight. The Board has also established a Bond Issuance Due Diligence and Management Committee and a Research Board Reference Committee to assist in operational risk matters.

In recognition of NHFIC's credit risk exposure, NHFIC has established a Credit Committee comprising independent members (non-Board) to assist with the oversight and management of credit risk including the creditworthiness of applicants, quality of security taken and impact of transactions on our portfolio credit exposure and NHFIC's risk appetite. An Executive Risk and Compliance Committee comprising senior NHFIC employees reviews operational risk and compliance exposures and the risk information provided to the ARC.

While all of the recommendations from the 2021–21 ANAO review of NHFIC's operations were fully implemented by June 2021, NHFIC has continued to strengthen its risk management framework reflective of its commitment to continuous improvement across its governance activities. NHFIC's internal audit program conducted by McGrathNicol reviews all aspects of the risk management framework and reports to the ARC and Board. NHFIC also engages specialist risk management expertise to support the continued growth of the organisation.

NHFIC's Executive team is responsible for implementing our Board-approved risk management framework. However, we also emphasise that risk management and reporting is everyone's responsibility.

Risk Appetite Statement

NHFIC's Risk Appetite Statement both defines the risk tolerance and sets the boundaries for risks the Board is willing to accept to achieve NHFIC's objectives. The Risk Appetite Statement is supported by enterprise policies and procedures that regulate NHFIC business activities in line with the risk appetite.

Risk management framework

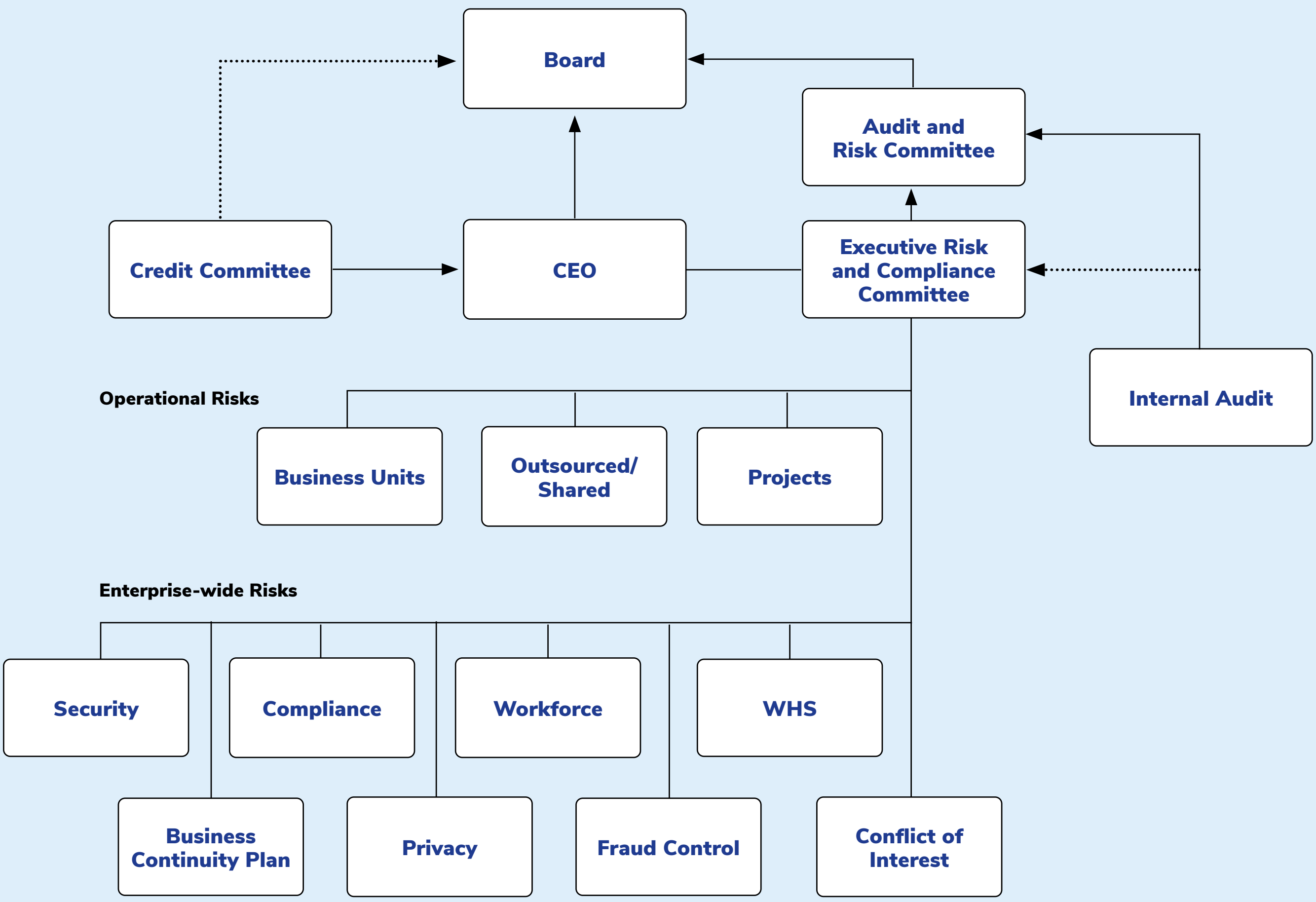
NHFIC's risk management framework aligns with the Commonwealth Risk Management Policy and ISO 31000. The framework recognises risks at an enterprise level and those risks facing each business activity. Business units are deeply involved in the recognition and management of risks associated with their operations to ensure an enhanced understanding and ownership of risk.

NHFIC operates a 'three lines of defence' model for managing risk:

1. Business functions take responsibility for risks within their own operations.
2. Internal but independent risk and compliance functions review and improve our risk management controls.
3. Audits and reviews by internal auditors and other specialists provide detailed reports on improving our risk management approach.

Commensurate with NHFIC's business growth, additional resources have been added to our risk management function to support the development, implementation and maturity of the risk management framework.

Figure 10: NHFIC risk reporting framework



Key business risks

The key risks potentially affecting delivery of NHFIC's statutory obligations, outcomes and/or the achievement of strategic priorities, are outlined in Table 21.

Table 21: NHFIC key business risks and risk management actions

Risk and impacts/consequences	Risk management responses and controls during 2021–22
Balance sheet exposures **On balance sheet:** NHFIC operates within an intricate mix of financial arrangements (Commonwealth guarantee, liability cap and limited appropriation funding), issuing bonds and financing significant, long-term loans to CHPs to provide affordable housing. The increasing complexity of exposures across the lending book, transitioning from refinancing to construction finance and engaging in public-private partnerships potentially increases financial exposures into the future.	• Closely monitored and reported NHFIC's financial arrangements to the ARC and Board. • Continued ongoing reviews of external financial environment, CHP solvency and housing market developments. • Held external reviews of lending arrangements, including quality of the security taken, through the Credit Committee. • Obtained external expert advice prior to implementation of increasingly sophisticated financing arrangements. • Regularly communicated with the Government on liability cap and exposures.
Off balance sheet: NHFIC manages the liability associated with the HGS. The security of the Commonwealth guarantee is reliant upon the underlying quality of bank lending practices of the participating lenders over which NHFIC has no control.	• Obtained an annual independent review of bank lending practices to ensure compliance with Scheme Rules. • Continued to liaise with banks to support lending practices that align with the policy objective of using the Commonwealth guarantee to support housing outcomes.
Financial sustainability NHFIC may incur credit losses from lending activities that impact the development of a sustainable business model to fund ongoing operations and build adequate reserves for the future.	• Conducted comprehensive long-term business planning and financial modelling activities, to stress test the portfolio and viability of the business model under different scenarios. • Monitored and reported on business outcomes and financial benchmarks to the Board. • Maintained a risk weighted balance sheet to assess capital adequacy and target capital ratios.
Relationship management NHFIC operates within a complex and dynamic relationship environment dealing with various government entities, financial institutions, investors and key borrowers. There is the potential for the interests of these various groups/stakeholders to be in conflict or competition that may result in reputational damage to NHFIC.	• Maintained regular dialogue with stakeholders through meetings, workshops and industry events to understand stakeholder interests and needs. • Provided thought leadership, as well as research data, to stimulate dialogue and informed discussion to the market. • Partnered with the private sector on innovation and collaboration opportunities to stimulate further support and/or investment in the CHP sector.
Resource constraints NHFIC may not be able to deliver functions and services within set timeframes due to insufficient employees or a shortage of skilled resources from increased competition for expertise NHFIC relies upon.	• Offered a mix of competitive remuneration and non-financial benefits to retain and attract the talent needed. • Focused on the promotion of a positive culture and a flexible work environment to motivate and develop employees. • Provided assistance with employee development through targeted training and upskilling.

Risk and impacts/consequences	Risk management responses and controls during 2021–22
Operational Eligibility criteria for particular policy initiatives may restrict NHFIC's capacity to address broad community housing needs due to unintended exclusion of groups in need of affordable housing. NHFIC finance may not complement, leverage or support other Commonwealth/state finance or activities. Countermeasures built into policy, program and system design to mitigate fraud risk are ineffective.	• Worked closely with government policymakers on policy design to improve housing outcomes including the inclusion of housing vulnerable groups. • Maintained capacity to respond to policy-driven business changes in an agile manner. • Sustained focus on the efficiency, effectiveness, design and implementation of operational processes by management, to achieve policy outcomes. • Worked with partners to mitigate the risk that government schemes could be inappropriately accessed by misleading or fraudulent behaviour.

Case study

NHFIC received a false email purporting to be from a legitimate client requesting the expected payment of an instalment of several million dollars to a new account in the client's name. A cyber-crime aware NHFIC employee rang the client to query the bona-fides of the request. The client's CFO confirmed that they had not issued the request. Payment was not made to the bogus account.

Cyber-crime is a serious risk with sophisticated, international organised crime and state-supported criminals continually testing for weak points in the control process. Criminals only have to be successful once; NHFIC's controls have to operate perfectly every time.

Financial information

Financial information

Four-year summary

The four-year summary profit and loss table presented below is in addition to (and does not form part of) the audited Financial Statements.

	2022	2021	2020	2019
	$'000	$'000	$'000	$'000
Profit and loss				
Effective interest income – AHBA	**49,697**	30,133	14,280	2,285
Interest expense – AHBA	**(36,529)**	(21,617)	(11,679)	(1,964)
Effective interest income – NHIF	**1,446**	131	-	-
Net interest income from loans	**14,614**	8,647	2,601	321
Interest on investments	**3,402**	3,227	6,869	2,924
Revenue from the Australian Government	**39,939**	59,004	61,762	53,714
Other income	**-**	-	30	-
Operating income	**57,955**	70,878	71,262	56,959
Employee benefits	**(10,954)**	(6,633)	(5,371)	(2,910)
Suppliers	**(8,173)**	(7,360)	(8,474)	(4,317)
Allowance for credit loss expense	**(234)**	(2,046)	(896)	(164)
Depreciation and amortisation	**(352)**	(352)	(175)	-
Operating expenses	**(19,713)**	(16,391)	(14,916)	(7,391)
Unwinding of concessional loan discount expenses	**21,060**	12,068	4,583	611
Concessional loan discount expense	**(7,903)**	(112,435)	(74,464)	(61,151)
Grants	**(3,315)**	(13,296)	(268)	-
Profit/(loss)	**48,084**	(59,176)	(13,803)	(10,972)
Adjustments:				
Add: Concessional loan discount expenses	**7,903**	112,435	74,464	61,151
Less: Unwinding of concessional loan discount	**(21,060)**	(12,068)	(4,583)	(611)
Less: Revenue from Australian Government for AHBA operational expenses	**-**	(18,672)	(18,820)	(18,714)
Less: Revenue from Australian Government related to NHIF grants	**(35,000)**	(35,000)	(35,000)	(35,000)
Add: Expenses related to NHIF grants	**3,215**	13,072	-	-
Add: Expenses related to capacity building programs	**100**	224	268	-
Normalised profit/(loss) from operations	**3,242**	815	2,526	(4,146)

Four-year summary (cont.)

The four-year summary balance sheet table presented below is in addition to (and does not form part of) the audited Financial Statements.

	2022	2021	2020	2019
	$'000	$'000	$'000	$'000
Balance sheet				
ASSETS				
Cash and cash equivalents	**67,322**	55,069	119,186	39,347
Trade and other receivables	**3,085**	2,356	2,383	1,279
Loans to Community Housing Providers	**2,172,366**	2,086,469	1,190,323	308,323
National Housing Infrastructure Facility loans	**64,681**	52,411	-	-
Concessional loan discount	**(217,457)**	(229,867)	(114,339)	(34,997)
Provision for credit loss	**(3,340)**	(3,106)	(1,060)	(164)
Other investments	**744,768**	544,815	438,202	201,458
Property, plant, and equipment	**-**	-	-	18
Intangible assets	**530**	882	1,234	-
Prepayments	**227**	146	339	78
Total assets	**2,832,182**	2,509,175	1,636,268	515,342
LIABILITIES				
Suppliers	**2,645**	1,550	3,472	2,027
Other payables	**6,639**	6,319	2,970	2,972
Other interest-bearing liabilities	**2,189,859**	2,080,818	1,305,349	329,878
Employee leave & other entitlements	**1,645**	1,101	1,045	413
Other provisions	**7,261**	8,338	18,207	26,024
Total liabilities	**2,208,049**	2,098,126	1,331,043	361,314
EQUITY				
Contributed equity	**660,000**	495,000	330,000	165,000
Retained earnings	**(35,867)**	(83,951)	(24,775)	(10,972)
Total equity	**624,133**	411,049	305,225	154,028

Reconciliation of reported profit/(loss) to normalised earnings

The reconciliation of reported profit/(loss) to normalised earnings from operations presented below is in addition to (and does not form part of) the audited Financial Statements.

	Note	2022 $'000	2021 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**75,605**	45,559
Revenue from Government	1.1B	**39,939**	59,004
Total income		**115,544**	104,563
EXPENSES			
Employee benefits	1.2A	**10,954**	6,633
Suppliers	1.2B	**8,173**	7,360
Finance costs	1.2C	**36,529**	21,617
Concessional loan provisions	1.2D	**7,903**	112,435
Allowance for credit loss expense	1.2E	**234**	2,046
Grants	1.2F	**3,315**	13,296
Depreciation and amortisation	2.2A	**352**	352
Total expenses		**67,460**	163,739
Profit/(loss) from continuing operations		**48,084**	(59,176)
Other comprehensive income/(loss) for the period		**-**	-
Total comprehensive income/(loss)		**48,084**	(59,176)
Adjustments:			
Add: Concessional loan discount expenses	1.2D,6.1	**7,903**	112,435
Less: Unwinding of concessional loan discount	1.1A	**(21,060)**	(12,068)
Less: Revenue from Australian Government for AHBA operational expenses	6.1	**-**	(18,672)
Less: Revenue from Australian Government related to NHIF grants	1.1B,6.1	**(35,000)**	(35,000)
Add: Expenses related to NHIF grants	1.2F	**3,215**	13,072
Add: Expenses related to capacity building programs	1.2F	**100**	224
Normalised profit/(loss) from operations		**3,242**	815

Independent Auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Minister for Housing

Opinion

In my opinion, the financial statements of the National Housing Finance and Investment Corporation (the Entity) for the year ended 30 June 2022:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statement by Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related

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to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

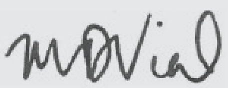
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Mark Vial
Executive Director

Delegate of the Auditor-General

Canberra

29 August 2022

Statement by Board Members, Chief Executive Officer, and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2022 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Housing Finance and Investment Corporation (NHFIC) will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.

Adrian Harrington
CHAIRMAN
29th August 2022

Nathan Dal Bon
CHIEF EXECUTIVE OFFICER
29th August 2022

Stuart Neilson
CHIEF FINANCIAL OFFICER
29th August 2022

Statement of comprehensive income

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**75,605**	45,559
Revenue from Government	1.1B	**39,939**	59,004
Total income		**115,544**	104,563
EXPENSES			
Employee benefits	1.2A	**10,954**	6,633
Suppliers	1.2B	**8,173**	7,360
Finance costs	1.2C	**36,529**	21,617
Concessional loan provisions	1.2D	**7,903**	112,435
Allowance for credit loss expense	1.2E	**234**	2,046
Grants	1.2F	**3,315**	13,296
Depreciation and amortisation	2.2A	**352**	352
Total expenses		**67,460**	163,739
Profit/(loss) from continuing operations		**48,084**	(59,176)
Other comprehensive income/(loss) for the period		**-**	-
Total comprehensive income/(loss)		**48,084**	(59,176)

The accompanying notes form an integral part of the financial statements.

Statement of financial position

as at 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**67,322**	55,069
Trade and other receivables	2.1B	**3,085**	2,356
Loans and advances	2.1C	**2,016,250**	1,905,907
Other investments	2.1D	**744,768**	544,815
Total financial assets		**2,831,425**	2,508,147
Non-financial assets			
Intangible assets	2.2A	**530**	882
Prepayments		**227**	146
Total non-financial assets		**757**	1,028
Total assets		**2,832,182**	2,509,175
LIABILITIES			
Payables			
Suppliers	2.3A	**2,645**	1,550
Other payables	2.3B	**6,639**	6,319
Total payables		**9,284**	7,869
Interest bearing liabilities			
Other interest-bearing liabilities	3.2A	**2,189,859**	2,080,818
Total interest-bearing liabilities		**2,189,859**	2,080,818
Provisions			
Employee leave and other entitlements	4.1A	**1,645**	1,101
Other provisions	2.4A	**7,261**	8,338
Total provisions		**8,906**	9,439
Total liabilities		**2,208,049**	2,098,126
Net assets		**624,133**	411,049
EQUITY			
Contributed equity		**660,000**	495,000
Retained earnings		**(35,867)**	(83,951)
Total equity		**624,133**	411,049

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity

for the year ended 30 June 2022

	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2021	**(83,951)**	**495,000**	**411,049**
Comprehensive income			
Profit for the period	**48,084**	**-**	**48,084**
Total comprehensive income	**48,084**	**-**	**48,084**
Transactions with owners			
Equity contribution	**-**	**165,000**	**165,000**
Total transactions with owners	**-**	**165,000**	**165,000**
Closing balance at 30 June 2022	**(35,867)**	**660,000**	**624,133**

The accompanying notes form an integral part of the financial statements.

In 2021–22 an additional $165 million (bringing the total to $660 million) was provided by the Australian Government for National Housing Infrastructure Facility (NHIF) equity and loan arrangements, being recognised as equity contributed towards the NHIF Permanent Fund.

for the year ended 30 June 2021

	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2020	(24,775)	330,000	305,225
Comprehensive income			
Loss for the period	(59,176)	-	(59,176)
Total comprehensive income	(59,176)	-	(59,176)
Transactions with owners			
Equity contribution	-	165,000	165,000
Total transactions with owners	-	165,000	165,000
Closing balance at 30 June 2021	(83,951)	495,000	411,049

Cash flow statement

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Contributions from Government		**39,939**	59,004
Interest and loan fees		**49,055**	35,313
Total cash received		**88,994**	94,317
Cash used			
Employees		**10,283**	6,532
Suppliers (inclusive of GST)		**7,033**	8,640
Grants paid		**3,315**	13,296
Total cash used		**20,631**	28,468
Net cash from operating activities		**68,363**	65,849
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Interest on investments		**2,285**	3,019
Total cash received		**2,285**	3,019
Cash used			
Net purchases of investments		**199,648**	106,613
Net increase/(decrease) in loans and advances		**96,407**	948,405
Total cash used		**296,055**	1,055,018
Net cash from/(used by) investing activities		**(293,770)**	(1,051,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowings		**247,540**	983,481
Equity contribution		**165,000**	165,000
Total cash received		**412,540**	1,148,481
Cash used			
Interest paid on borrowings		**36,266**	18,235
Repayments of borrowings		**138,614**	208,213
Total cash used		**174,880**	226,448
Net cash from/(used by) financing activities		**237,660**	922,033
Net increase/(decrease) in cash equivalents held		**12,253**	(64,117)
Cash equivalents at beginning of financial period		**55,069**	119,186
Cash equivalents at end of financial period	2.1A	**67,322**	55,069

The accompanying notes form an integral part of the financial statements

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Overview

The National Housing Finance and Investment Corporation (NHFIC) was established in June 2018 under the National Housing Finance and Investment Corporation Act 2018 (Cth) (NHFIC Act). NHFIC is classified as a corporate Commonwealth entity and is an Australian Government owned for-profit entity. NHFIC's purpose is to improve housing outcomes for Australians.

To achieve these outcomes, NHFIC is required to operate the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility (NHIF) and the Home Guarantee Schemes (HGS) comprising of First Home Buyer Guarantee (FHBG, previously known as the First Home Loan Deposit Scheme (FHLDS), New Home Guarantee (NHG), and the Family Home Guarantee (FHG). NHFIC also conducts research into housing affordability in Australia and undertakes capacity building activities for registered Community Housing Providers (CHPs).

- NHFIC operates the Affordable Housing Bond Aggregator (AHBA) to provide low cost and long-term finance for community housing providers to support the provision of more social and affordable housing. NHFIC funds AHBA loans by issuing its own bonds into the wholesale market at a lower cost and for a longer-term than traditional bank finance. In addition, the Australian Government has provided a $1 billion line of credit facility for the operation of the AHBA.
- NHFIC administers the $1 billion National Housing Infrastructure Facility (NHIF). The NHIF offers concessional loans, grants, and equity funding for eligible infrastructure projects that would not otherwise have proceeded, or that would only have proceeded at a much later date or with a lesser impact on new affordable housing.
- The Home Guarantee Scheme (FHBG, NHG, and FHG) facilitates first home buyers and single parents entering into the housing market sooner.
    i. FHBG – eligible first home buyers can purchase a home with a deposit of as little as 5 per cent. Up to 10,000 guarantees were available in 2021–22.
    ii. NHG – specifically for first home buyers building a new home or purchasing a newly built home, up to 10,000 guarantees were available in 2021–22.
    iii. FHG – supports single parents with dependants to enter or re-enter the housing market. Eligible single parents can build a new home or purchase an existing home with a deposit of as little as 2 per cent. 10,000 guarantees were made available over four financial years beginning 1 July 2021.
- The purpose of the Research function is to conduct comprehensive research into housing demand, supply, and affordability in Australia, including highlighting current and potential gaps between supply and demand across housing sub-markets.
- The purpose of the capacity building program is to provide support for registered CHPs to further develop their financial and management capabilities and undertake new developments.

a Basis of preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

- Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR); and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are prepared in Australian dollars ($) and rounded to the nearest thousand dollars ($'000).

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Overview (continued)

b New Australian Accounting Standards (AAS)

Consistent with government policy, no accounting standard has been adopted earlier than the application date as stated in the standard.

There were no new Australian accounting standards that were mandatorily effective for these financial statements. Amendments made to existing standards that were mandatorily effective for the reporting period did not result in a material impact.

c Taxation

Under section 52 of the NHFIC Act, NHFIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST):

- where the amount of GST incurred is not recoverable as an input tax credit from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- the net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of the receivables, payables, or commitments.

d Events after the reporting period

There have been no material events occurring after the reporting period that impact these financial statements for the year ended 30 June 2022.

On 1 July 2022 a new measure in the 2022–23 Federal Budget expanded the Home Guarantee Scheme. The guarantees are accounted for consistent with the treatment of FHBG, NHG, and FHG guarantees (see Note 5.2E Credit Risk). The liability cap was also increased by $2 billion to $5.5 billion on 1 July 2022.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 1: Our financial performance

Note 1.1: Revenue

	2022	2021
	$'000	$'000
NOTE 1.1A: INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD		
Interest from loans and advances at amortised cost	**51,143**	30,264
Interest from cash and cash equivalents	**207**	56
Interest from other investments at amortised cost	**3,195**	3,171
Unwinding of concessional loan discount provisions	**21,060**	12,068
Total interest income calculated using effective interest method	**75,605**	45,559

Accounting Policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to NHFIC and the revenue can be reliable measured.

For loans and advances and other investments at amortised cost, the income or expenses are recognised through the profit or loss using the effective interest method. Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

	2022	2021
	$'000	$'000
NOTE 1.1B: REVENUE FROM GOVERNMENT		
Revenue from Australian Government for NHFIC operational funding	**4,939**	24,004
Revenue from Australian Government for NHIF grants	**35,000**	35,000
Total revenue from Government	**39,939**	59,004

Revenue from the Australian Government for NHFIC operational funding includes ongoing appropriations for the administration of the HGS and Research function. The previous appropriation for the operation of the AHBA ceased in 2021.

Revenue from the Australian Government for NHIF grants relates to appropriations made to NHFIC for the purposes of providing grants to improve, directly or indirectly, housing outcomes.

Accounting Policy

Revenue from Government

Amounts provided by the Australian Government for NHFIC operating funds and NHIF grants are recognised as Revenue from Government in the Statement of Comprehensive Income when NHFIC gains control of the contribution.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 1.2: Expenses

	2022	2021
	$'000	$'000
NOTE 1.2A: EMPLOYEE BENEFITS		
Wages and salaries	**9,282**	6,017
Superannuation		
Defined contribution plans	**841**	471
Defined benefit plans	**197**	195
Leave and other entitlements	**614**	380
Other employee benefits	**20**	(430)
Total employee benefits	**10,954**	6,633

The increase in employee benefits reflect additional staff recruited to manage the growth in NHFIC's operations which included an increase in the liability cap and the addition of the FHG and related support functions.

Accounting policy

Employee benefits

Accounting policies for employee related expenses is contained in the People and Relationships section (refer to Note 4).

	2022	2021
	$'000	$'000
NOTE 1.2B: SUPPLIER EXPENSES		
Goods and services supplied or rendered		
Contractors	**2,054**	1,716
Information technology services	**1,527**	891
Consultants	**1,280**	977
Services provided by Export Finance Australia	**1,128**	1,688
Legal fees	**439**	768
Insurances	**432**	340
Recruitment services	**280**	97
Professional fees	**252**	249
Marketing and media	**132**	121
Staff training and development	**116**	47
External auditor fees	**101**	101
Travel and incidentals	**71**	59
Credit information	**51**	121
Other	**310**	186
Total supplier expenses	**8,173**	7,360

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 1.2: Expenses (continued)

	2022 $'000	2021 $'000
NOTE 1.2C: FINANCE COSTS		
Interest on loans	**395**	278
Interest on bonds	**36,134**	21,339
Total finance costs	**36,529**	21,617

	2022 $'000	2021 $'000
NOTE 1.2D: CONCESSIONAL LOAN DISCOUNT EXPENSE		
Concessional loan discount expense	**7,903**	112,435
Total concessional loan discount expense	**7,903**	112,435

Accounting policy

Concessional loan discount expense

A concessional loan discount expense is recorded when NHFIC makes a loan at a discount to the prevailing market equivalent rates or terms. The concessional loan discount expense is an upfront non-cash concession charge and will unwind over the term of the underlying loan to become concessional loan interest income. As the concessional loan discount expense is a non-cash adjustment, it does not impact the underlying operational earning of NHFIC. Over the life of the loans, the cumulative impact of the reported profit or loss of NHFIC from the concessional loan discount and income will net to $nil. During the year, $21.1 million (2021: $12.1 million) of concessional loan discount expense was unwound.

The Investment Mandate which guides NHFIC's operations requires it to make loans to the CHP sector at the lowest possible interest rates, after making allowance for a margin that will cover NHFIC's operating costs and reserve requirements. The total financial impact of the differences between market interest rates and those charged by NHFIC, was $7.9 million (2021: $112.4 million) correlating to $101.6 million (2021: $993.1 million) of new loans advanced and loan commitments. These differences are recorded as a concessional loan discount expense and represents management's best estimate of the interest savings that will flow through to the CHP sector over the life of the loans.

Reference to the Statement of Cash Flows demonstrates that NHFIC should always have capacity to service AHBA interest commitments, as the concessional loan discount expense has no impact on cash flows. Furthermore, NHFIC's Statement of Financial Position discloses Net assets of $624.1 million (2021: $411 million) and a high level of liquidity.

Accounting judgement and estimates

NHFIC is required to record a concessional loan discount expense when it makes a loan at a discount to the prevailing market equivalent rate or terms. This requires extensive judgement in determining the 'market equivalent rate' to ascertain the extent of the implicit discount attached to the loan. To estimate the market rate, NHFIC considers key loan terms including, the term (loan tenor and drawdown and repayment profile), base rate and type (fixed or floating), level of subordination, security position and other relevant factors so the extent of concessionality being offered in the transactions can be estimated.

NHFIC's aim is to provide AHBA loans to registered CHPs at the lowest cost and most appropriate tenor. To achieve this aim, the discounts provided to the market rates can result in significant concessional loan discount expense. The weighted average tenor of the loan portfolio is 11.3 years (2021: 11.5 years). Discounting the difference between the future cashflows at the loan rate and the market equivalent rate results in significant concessional loan charges.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 1.2: Expenses (continued)

	2022	2021
	$'000	$'000
NOTE 1.2E: ALLOWANCE FOR CREDIT LOSS EXPENSE		
Allowance for credit loss expense	**234**	2,046
Total allowance for credit loss expense	**234**	2,046

The allowance for credit loss expense relates to $98.2 million (2021: $948.6 million) of new loans advanced.

Accounting policy

Allowance for credit loss expense

Accounting policies for allowance for credit loss expense is contained in the Loans and advances section (refer to Note 2.1C).

	2022	2021
	$'000	$'000
NOTE 1.2F: GRANTS		
NHIF grants	**3,215**	13,072
Capacity building activities	**100**	224
Total grants	**3,315**	13,296

NHIF grants are generally part of blended financing arrangements through the NHIF. Blended financing arrangements may comprise of a concessional loan and grant component, the loans are recorded as loans and advances and where there is no obligation to repay the grant, and the recipient meets certain criteria, the grants are recognised in profit or loss as an expense. The grants are funded through revenue from the Australian Government for NHIF grants (see Note 1.1B). Up to $175 million is available to fund the NHIF Grants (noting that any funding by NHFIC for capacity building contracts, up to a maximum of $1.5 million will reduce the funding available for NHIF grants from $175 million to $173.5 million).

The total value of NHIF grants disbursed at 30 June 2022 was $16.3 million (2021: $13.1 million).

NHFIC capacity building grants allows registered CHPs to access business advisory services and other assistance in capacity building.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2: Financial position

Note 2.1: Financial assets

	2022 $'000	2021 $'000
NOTE 2.1A: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	67,322	55,069
Total cash and cash equivalents	67,322	55,069

Accounting policy

Cash and cash equivalents

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes cash at bank and in hand and deposits at call which are readily convertible to cash on hand.

	2022 $'000	2021 $'000
NOTE 2.1B: TRADE AND OTHER RECEIVABLES		
Goods and services receivables in connection with:		
Other receivables		
Statutory receivables	184	266
Interest	2,893	2,082
Other	8	8
Total trade and other receivables (gross)	3,085	2,356
Total trade and other receivables (net)	3,085	2,356
Trade and other receivables (net) expected to be recovered in:		
No more than 12 months	3,085	2,356
Total trade and other receivables (net)	3,085	2,356

Credit terms for goods and services were within 30 days.

Interest receivable is due monthly, quarterly or upon maturity depending on the terms of the investment.

Accounting Policy

Trade receivable and other receivables

Trade receivables and other receivables are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest. They are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.1: Financial assets (continued)

	2022	2021
	$'000	$'000
NOTE 2.1C: LOANS AND ADVANCES		
Loans to Community Housing Providers	**2,172,366**	2,086,469
National Housing Infrastructure Facility loans	**64,681**	52,411
Gross loans and advances	**2,237,047**	2,138,880
Concessional loan discount provisions	**(210,370)**	(222,450)
Unearned income and deferred net fee income	**(7,087)**	(7,417)
Less allowance for credit loss	**(3,340)**	(3,106)
Total loans and advances (net)	**2,016,250**	1,905,907
Maturity analysis loans and advances, net of concessionality:		
No more than 12 months	**35,432**	-
Due in 1 year to 5 years	**23,685**	16,840
Due after 5 years	**1,957,133**	1,889,067
Total loans and advances	**2,016,250**	1,905,907

Accounting policy

Loans and advances

Loans are carried at amortised cost. The recoverable amount is represented by the gross value of the outstanding balances, adjusted by the allowance for credit loss, deferred net fee income, and any concessional loan discount expense. Deferred net fee income received in cash at the start of the loan are brought to income on an effective yield basis over the life of the loan by reducing the carrying amount. Interest income is recognised using the effective interest method. A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for the impairment.

Impairment

For loans measured at amortised cost under AASB 9 an expected credit loss (ECL) model was used to evaluate balances at 30 June 2022. The ECL allowance is based on twelve month expected credit losses unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the credit losses expected to arise over the life of the asset. An assessment is performed at the end of each reporting period to determine whether credit risk has increased significantly since initial recognition.

Based on the above, NHFIC groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

Stage 1: When loans are first recognised, NHFIC recognises an allowance based on twelve month expected credit losses data. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, NHFIC records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. NHFIC records an allowance for the lifetime expected credit losses.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.1: Financial assets (continued)

ECL calculation

The allowance in respect of an individual facility or group of facilities is calculated with the three elements defined as follows:

PD – the Probability of Default is an estimate of the likelihood of default over a given time horizon.

LGD – Loss Given Default is the percentage of exposure which, on average, will be lost (net of recoveries) if a default occurs.

EAD – Exposure At Default is the estimated outstanding exposure on that facility at a future default date.

The three elements and mechanics are further explained in Note 5.2E Credit Risk.

	2022	2021
	$'000	$'000
NOTE 2.1D: OTHER INVESTMENTS		
Deposits	540,472	544,815
Discount securities	119,075	-
Floating rate notes	85,221	-
Total other investments	**744,768**	544,815
Other investments expected to be recovered in:		
No more than 12 months	671,075	544,815
More than 12 months	73,693	-
Total other investments	**744,768**	544,815

NHFIC's investments are comprised of cash from retained earnings in the AHBA and the NHIF permanent fund and grants. Investment securities are primarily held with Australian ADIs rated AA- with a minor proportion rated A+. In accordance with the policy below it has been determined that no material ECL or impairment exists at 30 June 2022.

Accounting policy

Investment securities at amortised cost

Investments are held to collect the contractual cash flows which are 'solely payments of principal and interest on the principal amount outstanding'. NHFIC's business model is to hold these financial assets until maturity. They are short-term and medium-term bank debt securities and include bonds, term deposits, commercial paper and certificates of deposit. Interest income is recognised using the effective interest method and are carried at amortised cost.

Impairment

All investment securities have a deal term to maturity of less than three years and are held with primarily Australian ADIs rated AA- with a minor proportion rated A+. It has been determined that no impairment should be recognised on day one or in the subsequent twelve months.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.2: Intangible assets

Reconciliation of the opening and closing balances of intangible assets for 2022

	Computer software $'000	Total $'000
NOTE 2.2A: NON-CURRENT ASSETS – INTANGIBLE ASSETS		
Net book value at 1 July 2021	**882**	**882**
Amortisation expense	**(352)**	**(352)**
Net book value at 30 June 2022	**530**	**530**
Net book value at 30 June 2022 represented by:		
Gross book value	**882**	**882**
Accumulated amortisation and impairment	**(352)**	**(352)**
	530	**530**

Reconciliation of the opening and closing balances of intangible assets for 2021

	Computer software $'000	Total $'000
Net book value at 1 July 2020	1,234	1,234
Amortisation expense	(352)	(352)
Net book value at 30 June 2021	882	882
Net book value at 30 June 2021 represented by:		
Gross book value	1,234	1,234
Accumulated amortisation and impairment	(352)	(352)
	882	882

No non-financial assets are expected to be sold or disposed of within the next 12 months. No revaluation was conducted in accordance with the revaluation policy.

There were no capital commitments relating to contractual payments for new assets and assets under construction.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.2: Intangibles assets (continued)

Accounting policy

Property, plant and equipment

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for:

- items of property with a project cost less than $15,000 (which are expensed in the year of acquisition): and
- items of plant and equipment costing less than $5,000 (which are expensed in the year of acquisition).

Property, plant and equipment are revalued periodically to fair value to ensure that the carrying amounts of assets do not differ materially from the assets, fair value at the reporting date.

The valuation of plant and equipment is based on internal assessment by management to ensure that the carrying amounts do not differ materially from their fair value.

Revaluation increments are credited directly to the asset revaluation reserve and any subsequent decreases are written back against the asset revaluation reserve. On revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2022	2021
Plant and equipment	**3–20 years**	3-20 years

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

The profit or loss on disposal of property, plant and equipment is taken into account in determining the result for the year.

Intangibles – Computer software

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised and recognised as an intangible asset where the software is controlled by NHFIC, and where it is probable that the future economic benefits will flow from its use over more than one year. Costs associated with maintaining the software are recognised as an expense as incurred.

Computer software is stated at cost less amortisation and impairment losses, if any.

Capitalised software costs are amortised on a systematic basis, using the straight-line method over its useful life.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.3: Payables

	2022	2021
	$'000	$'000
NOTE 2.3A: SUPPLIERS		
Suppliers	**2,645**	1,550
Total supplier payables	**2,645**	1,550

	2022	2021
	$'000	$'000
NOTE 2.3B: OTHER PAYABLES		
Interest payable	**5,845**	5,649
Other accrued expenses	**794**	670
Total other payables	**6,639**	6,319
Supplier and other payables expected to be settled in:		
No more than 12 months	**9,284**	7,869
Total suppliers and other payables	**9,284**	7,869

Accounting policy

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Credit terms for goods and services is usually within 30 days.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.4: Provisions

	2022	2021
	$'000	$'000
NOTE 2.4A: OTHER PROVISIONS		
Irrevocable undrawn commitments	**7,261**	8,338
Financial guarantees	**-**	-
Total other provisions	**7,261**	8,338

Irrevocable undrawn commitments are NHFIC's commitments to provide loans at a below-market interest rates. Financial guarantees relate to guarantees provided to participating lenders in relation to the First Home Buyers Guarantee, New Home Guarantee, and Family Home Guarantee.

	2022	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2021	**-**	**8,338**
Additional provisions made	**-**	**3,463**
Amounts reversed	**-**	**(4,540)**
Total at 30 June 2022	**-**	**7,261**

	2021	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2020	-	18,207
Additional provisions made	-	3,012
Amounts reversed	-	(12,881)
Total at 30 June 2021	-	8,338

Accounting judgement and estimates

The commitment to provide a loan at a below-market interest rate is recognised as a liability measured at the higher of the fair value of the financial liability and the provision for expected credit losses. The provision recorded is the amount which represents its estimated fair value when funds are issued, discounted back to the date of contractual commitment. NHFIC estimates these by applying valuation techniques to derive forward rates from the relevant yields of Australian Government securities and market swap rates and applying them to its estimated drawdown profiles of the loan commitment.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 2.4: Provisions (continued)

NHFIC launched the First Home Buyer Guarantee (FHBG, previously known as the First Home Loan Deposit Scheme (FHLDS)) on 1 January 2020 with a limit of 10,000 guarantees available under the current Investment Mandate to be offered to an eligible lender for an eligible loan each financial year. Prior to this date, a standing appropriation was established to allow NHFIC to draw from the Consolidated Revenue Fund to meet its guarantee liabilities and a contractual funding arrangement was agreed with the Department of the Treasury (The Treasury). Any loan default amounts covered by the terms of the guarantee will be funded by Treasury and passed on by NHFIC to the underlying lender. This arrangement is enabled by the National Housing Finance and Investment Corporation Act S.48A(1). NHFIC considers the legislation as integral to the contractual terms of the financial guarantees issued.

During 2021–22 NHFIC made 10,000 places for both the FHBG and NHG available in July 2021. The Family Home Guarantee (FHG) was launched in July 2021 with 10,000 guarantees available from 1 July 2021 to 30 June 2025.

At 30 June 2022, 32,643 guarantee certificates were issued under the FHBG, 9,590 guarantee certificates were issued under the NHG, and 2,576 guarantee certificates were issued under the FHG. An ECL model was used to measure the expected cash shortfalls, and as the liabilities are met by funding from The Treasury, NHFIC does not expect to incur any cash shortfalls and recognises a $Nil ECL provision (2021: $Nil). Additional information regarding maximum exposure to credit risk excluding credit enhancements of the guarantees is detailed in Note 5.2E.

Accounting policy

Other provisions

Provisions are recognised when NHFIC has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as expense.

Provision for irrevocable undrawn loan commitments

NHFIC calculates a concessional loan discount expense for the undrawn component of loans that are not yet fully drawn and where future drawdowns are unconditional.

Provision for financial guarantees

NHFIC estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. Cash flows expected from credit enhancements which are not required to be recognised separately and which are considered integral to the contractual terms of the financial guarantees subject to ECL, are included in the measurement of the ECL.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 3: Our funds management

Note 3.1: Contributions from government

The Australian Government provides ongoing annual operating funding for the administration of the Home Guarantee Schemes and Research functions. The Australian Government has also provided $1 billion over five years (2018–19 to 2022–23), with $200 million appropriated annually for the operation of the NHIF. The $1 billion funding profile consists of funding for concessional loans of $600 million, equity investments of $225 million, and grants of $175 million. NHFIC established the Permanent Fund by allocating the annual amounts appropriated for loans and equity investments to the fund with any returns on infrastructure loans and investments being returned to the fund for the funding of future projects.

This funding is appropriated to the Department of the Treasury.

NHFIC annual appropriations:

	2022	2021
	$'000	$'000
Appropriations provided to Department of Treasury for the purpose of funding NHFIC operations and the NHIF	**204,939**	224,004
Funds drawn down during the financial period:		
Operational funding	**4,939**	24,004
NHIF grants	**35,000**	35,000
Equity contributed towards the NHIF permanent fund	**165,000**	165,000

In addition, the Department of the Treasury maintains the NHFIC Special Account established in accordance with section 47A of the NHFIC Act. The purpose of the Special Account is to provide NHFIC with loan funding of up to $1 billion as a warehouse facility for the operation of the AHBA.

NHFIC Special Account:

	2022	2021
	$'000	$'000
Balance brought forward from previous period	**747,269**	449,817
Appropriations credited during the year to the NHFIC Special Account maintained by the Department of the Treasury	**165,000**	270,000
Available for payments	**912,269**	719,817
Net funds drawn down/(repaid) during the year as a loan to NHFIC to meet the purpose of its functions or as directed by the responsible Minister and the Finance Minister in accordance with the Investment Mandate.	**(53,252)**	(27,452)
Total balance carried to the next period	**965,521**	747,269

Accounting policy

Revenue from Government

Amounts provided by the Australian Government for the NHFIC operating funds and NHIF grants are recognised as Revenue from Government in the Statement of Comprehensive Income when NHFIC gains control of the contribution.

Equity contributions

Amounts provided by the Australian Government for NHIF equity and loan arrangements are recognised as an equity contribution in the Statement of Financial Position.

Drawing from the NHFIC Special Account

Amounts received from the Australian Government as drawings from the NHFIC Special Account will be recognised as a loan from the Australian Government. Repayment of loans will be credited to the NHFIC Special Account.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 3.2: Interest bearing liabilities

	2022	2021
	$'000	$'000
NOTE 3.2A: OTHER INTEREST-BEARING LIABILITIES		
Loans from the Australian Government	**34,479**	87,731
Fixed rate bonds	**2,055,380**	1,893,087
Floating rate notes	**100,000**	100,000
Total other interest-bearing liabilities	**2,189,859**	2,080,818
Other interest-bearing liabilities expected to be settled in:		
No more than 12 months	**-**	15,323
More than 12 months	**2,189,859**	2,065,495
Total other interest-bearing liabilities	**2,189,859**	2,080,818

In 2021–22 a total of $198 million (2021: $805 million) was raised through two bond issuances.

Accounting policy

The loans from the Australian Government represents amounts received as drawings from the NHFIC Special Account and is measured at amortised cost. Details regarding the special account is contained in the Our Funds Management section (refer to Note 3.1).

Fixed rate bonds and floating rate notes are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 3.3: Reconciliation of liabilities arising from financing activities

	At 1 July 2021 $'000	Cash proceeds $'000	Cash repayments $'000	Net proceeds/ (repayments) $'000	Non-cash changes $'000	At 30 June 2022 $'000
Other interest-bearing liabilities						
Loans from the Australian Government	**87,731**	**85,362**	**(138,614)**	**(53,252)**	**-**	**34,479**
Fixed rate bonds	**1,893,087**	**162,178**	**-**	**162,178**	**116**	**2,055,380**
Floating rate notes	**100,000**	**-**	**-**	**-**	**-**	**100,000**
Total liabilities from financing activities	**2,080,818**	**247,540**	**(138,614)**	**108,926**	**116**	**2,189,859**

NHFIC issued bonds with a face value of $198.0 million during the financial year. The bonds were issued at a discount to face value, resulting in cash proceeds of approximately $162.2 million net of transaction costs.

	At 1 July 2020 $'000	Cash proceeds $'000	Cash repayments $'000	Net proceeds/ (repayments) $'000	Non-cash changes $'000	At 30 June 2021 $'000
Other interest-bearing liabilities						
Loans from the Australian Government	115,183	180,761	(208,213)	(27,452)	-	87,731
Fixed rate bonds	1,190,166	702,720	-	702,720	200	1,893,087
Floating rate notes	-	100,000	-	100,000	-	100,000
Total liabilities from financing activities	1,305,349	983,481	(208,213)	775,268	200	2,080,818

Cash proceeds of $802.7 million from bonds issued are net of transaction costs and therefore differs to the face value of $805 million of bonds issued.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 4: People and relationships

Note 4.1: Employee benefits

	2022	2021
	$'000	$'000
NOTE 4.1A: EMPLOYEE LEAVE AND OTHER ENTITLEMENTS		
Short term employee benefits		
Recreation leave	**907**	618
Long service leave	**738**	483
Total employee provisions	**1,645**	1,101
Employee provisions expected to be settled in:		
No more than 12 months	**907**	618
More than 12 months	**738**	483
Total employee provisions	**1,645**	1,101

Accounting policy

Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the applicable employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. Long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and discounted using appropriate market yields at reporting date. The estimate of the present value of the liability considers attrition rates and pay increases through promotion and inflation.

Superannuation

The majority of NHFIC staff are members of superannuation funds held outside the Australian Government. NHFIC makes employer contributions to these funds as per the superannuation guarantee contribution rate.

Some NHFIC staff are also members of the Public Sector Superannuation Scheme (PSS) which is a defined benefits scheme for the Australian Government. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

NHFIC makes employer contributions to the relevant employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised at 30 June 2022 represents outstanding contributions.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 4.2: Related party disclosures

Total remuneration received and receivable by key management personnel for the year (includes Directors). Remuneration includes all cash remuneration, superannuation, and any non-cash benefits (including applicable fringe benefits tax).

	2022	2021
	$	$
Key management remuneration expenses for the reporting period		
Short-term employee benefits	**1,347,502**	1,066,649
Post-employment benefits	**144,888**	114,638
Other long-term employee benefits	**21,036**	12,690
Total remuneration	**1,513,426**	1,193,977
Total key management personnel remuneration expenses	**1,513,426**	1,193,977

Total number of key management personnel that are included in the above table at 30 June 2022 is eight (8) (2021: nine (9)) comprising the Chief Executive Officer, Chief Financial Officer, and 6 Directors. During the year two Directors' terms ended and there were two new Director appointments. There was also one Director resignation.

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by NHFIC.

The Board and CEO remuneration and other benefits are set by the Remuneration Tribunal. The Board members and CEO are not paid performance awards.

Note 4.3 Related party relationships

NHFIC is an Australian Government controlled entity. Related parties to the entity are the key management personnel as defined above and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Significant transactions with related parties can include provision of corporate and administration services to NHFIC, the provision of insurance, and the purchases of goods and services.

Where a NHFIC Board member has an actual, apparent or potential conflict of interest in relation to a potential decision, that member does not receive papers or participate in discussions on that transaction. A conflicts of interest register is maintained to record Board members' disclosed interests. Minutes from Board meetings record recusals as and when they occur.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no material related party transactions to be separately disclosed.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5: Managing uncertainties

Note 5.1: Contingencies and commitments

	2022	2021
	$'000	$'000
Commitments to provide financial facilities		
Loans	**194,630**	162,098
NHIF loan, equity, and grant arrangements	**144,516**	147,248
Total commitments to provide financial facilities	**339,146**	309,346

Accounting policy

Contingencies and commitments – assets and liabilities

Where, as a result of past events, there is a possible asset or liability whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHFIC this will be disclosed as a contingent asset or contingent liability. When the inflow of economic benefits is probable, but not virtually certain, NHFIC will recognise the contingent asset. When the outflow of economic benefits is probable, NHFIC will recognise the contingent liability.

Commitments to provide financial facilities are contractually based. For loans and advances NHFIC has committed to lend a fixed amount and any undrawn amounts under these facilities are shown as commitments.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments

Accounting policy

Financial assets

Financial assets are recognised when NHFIC becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date. The classification depends on both NHFIC's business model for managing the financial assets and the contractual cash flow characteristics at the time of initial recognition.

Consistent with AASB 9 Financial Instruments, NHFIC classifies its financial assets in the following categories:

a. financial assets measured at amortised cost;

b. financial assets at fair value through other comprehensive income; and

c. financial assets at fair value through profit or loss.

a. *Financial assets at amortised cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount. Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

b. *Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)*

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test. Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

c. *Financial assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e., mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial assets

The general approach is used for financial assets assessed for impairment at the end of each reporting period based on expected credit losses. This approach measures the loss allowance based on an amount equal to 12-month expected credit losses, or an amount equal to lifetime expected credit losses where risk has significantly increased since inception.

The simplified approach is used for trade and contract receivables assessed for impairment. This approach always measures the loss allowance as the amount equal to the lifetime expected credit loss.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Consistent with AASB 9 Financial Instruments, NHFIC classifies its financial liabilities in the following categories:

a. *Financial Liabilities at Fair Value Through Profit or Loss*

Financial liabilities at FVTPL are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

b. *Financial Liabilities at Amortised Cost*

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

NOTE 5.2A: CATEGORIES OF FINANCIAL INSTRUMENTS

	2022	2021
	$'000	$'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**67,322**	55,069
Trade and other receivables	**3,085**	2,356
Loans and advances	**2,016,250**	1,905,907
Other investments	**744,768**	544,815
Total	**2,831,425**	2,508,147
Total financial assets	**2,831,425**	2,508,147
Financial liabilities		
Financial liabilities at amortised cost		
Supplier payables	**2,645**	1,550
Other payables	**6,639**	6,319
Loans from the Australian Government	**34,479**	87,731
Fixed rate bonds	**2,055,380**	1,893,087
Floating rate notes	**100,000**	100,000
Total	**2,199,143**	2,088,687
Total financial liabilities	**2,199,143**	2,088,687

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2B: NET GAINS OR LOSSES ON FINANCIAL ASSETS

	2022 $'000	2021 $'000
Financial assets at amortised cost		
Interest revenue	**54,545**	33,491
Allowance for credit loss expense	**(234)**	(2,046)
Net gains/(losses) on financial assets at amortised cost	**54,311**	31,444
Net gains/(losses) on financial assets	**54,311**	31,444

NOTE 5.C: NET GAINS OR LOSSES ON FINANCIAL LIABILITIES

	2022 $'000	2021 $'000
Financial liabilities at amortised cost		
Interest expense	**36,529**	21,617
Net gains/(loss) on financial liabilities at amortised cost	**36,529**	21,617
Net gains/(loss) on financial liabilities	**36,529**	21,617

NOTE 5.2D: FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amount 2022 $'000	Fair value 2022 $'000	Carrying amount 2021 $'000	Fair value 2021 $'000
Financial assets at amortised cost				
Cash and cash equivalents	**67,322**	**67,322**	55,069	55,069
Loans and advances	**2,016,250**	**2,121,968**	1,905,907	2,314,666
Other investments	**744,768**	**744,711**	544,815	546,548
Total financial assets	**2,828,340**	**2,934,001**	2,505,791	2,916,283
Financial liabilities at amortised cost				
Loans from the Australian Government	**34,479**	**33,150**	87,731	87,491
Fixed rate bonds	**2,055,380**	**1,722,972**	1,893,087	1,941,557
Floating rate notes	**100,000**	**101,469**	100,000	101,705
Total financial liabilities	**2,189,859**	**1,857,591**	2,080,818	2,130,753

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK

Credit risk arises from the possibility of defaults by counterparties on contractual obligations, resulting in financial loss.

Exposures to credit risk for NHFIC are as follows:

		2022	2021
	Note	$'000	$'000
Credit risk exposures			
Cash and cash equivalents	2.1A	**67,322**	55,069
Trade and other receivables	2.1B	**2,893**	2,082
Loans and advances	2.1C	**2,237,047**	2,138,880
Other investments	2.1D	**744,768**	544,815
Total*		**3,052,030**	2,740,846
Committed credit facilities	5.1	**339,146**	309,346
Total		**339,146**	309,346
Total credit risk exposure		**3,391,176**	3,050,192

* Other receivables, intangible assets, loans from the Australian Government have not been included in the above table as there is no significant associated credit risk.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

	2022		
	Not past due nor impaired	Past due or impaired	Total
	$'000	$'000	$'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	**67,322**	**-**	**67,322**
Trade and other receivables	**2,893**	**-**	**2,893**
Loans and advances	**2,237,047**	**-**	**2,237,047**
Other investments	**744,768**	**-**	**744,768**
Total financial assets	**3,052,030**	**-**	**3,052,030**
Committed credit facilities	**339,146**	**-**	**339,146**
Total credit risk exposure	**3,391,176**	**-**	**3,391,176**

	2021		
	Not past due nor impaired	Past due or impaired	Total
	$'000	$'000	$'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	55,069	-	55,069
Trade and other receivables	2,082	-	2,082
Loans and advances	2,138,880	-	2,138,880
Investments – deposits	544,815	-	544,815
Total financial assets	2,740,846	-	2,740,846
Committed credit facilities	309,346	-	309,346
Total credit risk exposure	3,050,192	-	3,050,192

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Exposure to customers

NHFIC's principal exposure to credit risk arises from the financing and credit facilities extended to customers.

NHFIC evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a general security deed over all assets and undertakings of the counterparty.
- first registered mortgages over the collateral property securities.
- specific charges over defined assets of the counterparty.
- ancillary deeds where applicable.
- facility and common terms agreements which include affirmative and negative covenants and, in some instances, guarantees of counterparty obligations.

	2022 $'000	2021 $'000
Assets held as collateral		
Fair value of assets held as collateral		
Non-financial assets pledged as collateral	**4,747,414**	4,598,932
Total assets held as collateral	**4,747,414**	4,598,932

NHFIC uses nine broad categories of risk grade, with category 1 representing the lowest risk. Within categories 1 to 6 an outlook modifier of plus or minus is used if the counterparty is particularly strong or weak for that risk grade. The equivalent risk, based on Standards and Poor's risk rating, is stated in brackets.

The gross exposures of the loan portfolio under each category are as follows:

	2022		2021	
Gross loans and advances	**Loan Value $'000**	**%**	**Loan Value $'000**	**%**
Risk category 1 (AA- to AAA)	**23,366**	**1%**	13,924	1%
Risk category 3 (BBB- to BBB+)	**835,374**	**37%**	782,205	36%
Risk category 4 (BB- to BB+)	**1,378,307**	**62%**	1,342,751	63%
Total gross loans and advances	**2,237,047**	**100%**	2,138,880	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Accounting Judgements and Estimates

Impairment assessment

Probability of Default (PD) estimation uses the bond default statistics which are the average of the default rates on rated corporate bonds from Moody's and Standard & Poor's. These statistics give the probability of default for each risk grade over annual periods out to 15 - 20 years. In applying these default statistics, the risk grades and tenors of Moody's and Standard & Poor's data are aligned to NHFIC's own internal risk grades and tenors. PDs are adjusted up by a risk overlay which is consistent with the market range.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that NHFIC would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. NHFIC currently uses a portfolio LGD rate which is based on key characteristics that are relevant to the estimation of future cash flows (e.g., collateral type and LVR ratios).

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The ECL at 30 June 2022 is calculated as PD x LGD x EAD for each transaction in the portfolio. Management use judgements and make assumptions based on a variety of internal and external information. Based on these judgements, NHFIC's assessment has determined that there has been no significant increase in credit risk at this time for any transaction in the portfolio.

In the current challenging economic conditions, NHFIC continues to actively monitor the loan portfolio. This is achieved through periodic reporting from CHPs in the form of financial and non-financial undertakings. As such, NHFIC is appropriately positioned to understand any early warnings of distress their clients may be experiencing.

Given the current and anticipated future increase in interest rates, NHFIC also conducts sensitivity analysis in the client's annual reviews to ensure CHPs are able to meet their financial obligations.

With the above monitoring controls in place, NHFIC believe the CHP client base is well-placed to continue navigating through the challenging environment of rising construction risks and interest rates in the short to medium term.

Accordingly, for ECL calculation purposes, the NHFIC loan portfolio remains in Stage 1.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Allowance for credit risk on the above gross exposures of loans and advances is as follows:

	2022 $'000	2021 $'000
Allowance for credit loss by type:		
Allowance for credit loss on loans and advances	**(3,340)**	(3,106)
Total at 30 June 2022	**(3,340)**	(3,106)

	2022 $'000	2021 $'000
Reconciliation of the allowance for credit loss:		
Allowance for credit risk opening balance:	**(3,106)**	(1,060)
New exposures	**(354)**	(2,367)
Change in risk grade	**-**	167
Change in term to maturity	**-**	154
Change in probability of default rates	**120**	-
Allowance for credit risk closing balance:	**(3,340)**	(3,106)

	2022					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000
Allowance for credit loss by stage						
Loans and advances	**2,237,047**	**(3,340)**	-	-	-	-
Total	**2,237,047**	**(3,340)**	**-**	**-**	**-**	**-**

	2021					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000	Gross carrying amount $'000	ECL $'000
Allowance for credit loss by stage						
Loans and advances	2,138,880	(3,106)	-	-	-	-
Total	2,138,880	(3,106)	-	-	-	-

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

As part of its normal operations, NHFIC enters into a variety of transactions that give rise to commitments, including loans and NHIF loan, equity, and grant arrangements. The maximum exposure to credit risk is the full amount of the commitment.

	2022		2021	
Commitments	Facility Value $'000	%	Facility Value $'000	%
Risk category 1 (AA- to AAA)	**123,198**	**36%**	127,610	41%
Risk category 3 (BBB- to BBB+)	**117,198**	**35%**	99,314	32%
Risk category 4 (BB- to BB+)	**98,750**	**29%**	82,422	27%
Total commitments	**339,146**	**100%**	309,346	100%

Exposure to guarantee schemes

NHFIC launched the First Home Buyer Guarantee (FHBG, previously known as the First Home Loan Deposit Scheme (FHLDS)) on 1 January 2020 with a limit of 10,000 guarantees available to be offered to eligible lenders for eligible loans in each financial year. Since then, two new schemes have been launched increasing the number of guarantees available. The New Home Guarantee (NHG) was launched in November 2020 with 10,000 guarantees available in each of FY2020–21 and FY2021–22. The Family Home Guarantee (FHG) was launched in July 2021 with 10,000 guarantees available from 1 July 2021 to 30 June 2025.

At the Portfolio Minister's direction, NHFIC may rollover unutilised guarantees to the following financial year. In January 2022, NHFIC rolled over 4,651 places of unutilised FHBG and NHG guarantees from FY2020–21 to FY2021–22.

Under s 48A(1) of the NHFIC Act, a standing appropriation was established as the funding mechanism and will provide NHFIC with funds to meet guarantee liabilities once a claim is made. A guarantee issued by NHFIC will only cover a payment where there is a balance owing on the guaranteed loan following the application of the proceeds of sale by the lender that was as a consequence of the default by the borrower under the terms of the loan contract. Once a verified claim has been submitted to NHFIC, NHFIC will request funding from Treasury to settle the claims. NHFIC considers the legislation integral to the contractual terms of the guarantees that it issues.

At 30 June 2022, 34,070 FHBG places were used with 32,643 guarantee certificates issued for loans which were settled or pending settlement. 1,427 places were reserved and pending a property purchase or approvals.

At 30 June 2022, 11,383 NHG places were used with 9,590 guarantee certificates issued for loans which were settled or pending settlement. 1,793 places were reserved and pending a property purchase or approvals.

At 30 June 2022, 2,979 FHG places were used with 2,576 guarantee certificates issued for loans which were settled or pending settlement. 403 places were reserved and pending a property purchase or approvals.

A legal liability is created once the application reaches pending settlement stage with the guaranteed maximum liability of each guarantee calculated at up to 15% (FHBG, NHG) or up to 18% (FHG) of the value of the property and in accordance with s 29H(2) of *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*.

Credit risk arising from NHFIC administration of the Home Guarantee Scheme guarantees issued is limited to the guaranteed maximum liability of each individual guarantee. For the exposures to credit risk, NHFIC measures an ECL.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

The table below shows maximum credit risk exposures for all Guarantees when excluding cashflows from the Department of the Treasury:

	2022	2021
	$'000	$'000
Maximum exposure to credit risk (excluding any collateral or credit enhancement)		
Financial assets carried at amount not best representing maximum exposure to credit risk		
Guarantees for FHBG	**1,856,022**	1,117,831
Guarantees for NHG	**639,811**	314,158
Guarantees for FHG	**174,251**	-
Total financial assets carried at amount not best representing maximum exposure to credit risk	**2,670,084**	1,431,989

As the funding from the Department of the Treasury will meet NHFIC's guarantee liabilities and when NHFIC includes this cashflow into its credit loss calculations, NHFIC does not expect to incur any losses in respect to payment of guarantee claims. NHFIC's measurement for ECL is $nil and to date, NHFIC has not incurred any losses.

Exposure to treasury counterparties

The PGPA Act limits investment by NHFIC of surplus monies to:

i. money with to Authorised Deposit-taking Institutions (ADIs) in Australia rated A- or above;

ii. securities issued by or guaranteed by the Commonwealth, a state or territory;

iii. money with other entities with credit ratings the equivalent of AA- or better;

iv. deposits with, or securities issued by, the above ADIs.

Credit risk arising from NHFIC through its investment portfolios is primarily limited to ADIs rated AA- with a minor proportion rated A+.

The table below show investment credit risk exposures by the current counterparty rating:

	2022		2021	
Other investments	Investment Value $'000	%	Investment Value $'000	%
Australian Authorised Deposit-taking Institutions				
AA+ to AA-	**731,158**	**98%**	544,815	100%
A+ to A-	**13,610**	**2%**	-	0%
Total other investments	**744,768**	**100%**	544,815	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2F: LIQUIDITY RISK

Prudent liquidity risk management is achieved by maintaining sufficient cash and liquid deposits to meet any sudden shortfalls in the ability to fund NHFIC. NHFIC also has the explicit guarantee of the Commonwealth of Australia, which is rated AAA and therefore in normal markets there is no significant liquidity risk.

The liquidity table below is based on estimated future cash flows for principal and interest and is not their carrying amounts as shown on the Statement of financial position. The contractual undiscounted amounts comprise principal and interest repayment obligations and are as follows:

	2022			
	Contractual undiscounted principal and interest			
	3 months or less $'000	3 months to 1 year $'000	1 year to 5 years $'000	Greater than 5 years $'000
Undiscounted financial assets				
Cash and cash equivalents	**67,322**	**-**	**-**	**-**
Trade and other receivables	**1,488**	**1,326**	**-**	**-**
Loans and advances	**10,996**	**79,225**	**271,652**	**2,453,131**
Other investments	**150,401**	**526,222**	**78,342**	**-**
Total undiscounted financial assets	**230,207**	**606,773**	**349,994**	**2,453,131**
Undiscounted financial liabilities				
Other interest-bearing liabilities	**7,001**	**33,278**	**204,585**	**2,406,834**
Total undiscounted financial liabilities	**7,001**	**33,278**	**204,585**	**2,406,834**
Net undiscounted financial assets/(liabilities)	**223,206**	**573,495**	**145,409**	**46,297**

The above maturity profile shows that NHFIC is well capitalised to meet its contractual repayment obligations as and when they arise.

	2021			
	Contractual undiscounted principal and interest			
	3 months or less $'000	3 months to 1 year $'000	1 year to 5 years $'000	Greater than 5 years $'000
Undiscounted financial assets				
Cash and cash equivalents	55,069	-	-	-
Trade and other receivables	1,611	745	-	-
Loans and advances	10,959	35,417	228,820	2,417,007
Investments – deposits	170,425	376,182	-	-
Total undiscounted financial assets	238,064	412,344	228,820	2,417,007
Undiscounted financial liabilities				
Other interest-bearing liabilities	4,036	43,405	215,524	2,213,825
Total undiscounted financial liabilities	4,036	43,405	215,524	2,213,825
Net undiscounted financial assets/(liabilities)	234,028	368,939	13,296	203,182

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 5.2: Financial instruments (continued)

NOTE 5.2G: INTEREST RATE RISK

As NHFIC is involved in lending and borrowing activities, interest rate risks arise. NHFIC's policy is to minimise interest rate risk and central to its business model, loans are issued at rates and tenors which are matched to a borrowing rate either from issued bonds or loans from Government. Whilst the exposure to interest rate risk is eliminated on the loans portfolio, interest receivable from cash and other financial assets will be impacted prospectively from a change interest rates.

NHFIC's primary exposure to interest rate risks on interest-bearing financial assets and financial liabilities is set out below:

	2022	2021
	$'000	$'000
Interest-bearing financial assets		
Classified as floating rate		
Cash and cash equivalents	**67,322**	55,069
Gross loans to Community Housing Providers	**100,000**	100,000
Other investments	**85,221**	-
Total classified as floating rate	**252,543**	155,069
Classified as fixed rate		
Other investments	**659,547**	544,815
Gross loans to Community Housing Providers	**2,072,366**	1,986,469
National Housing Infrastructure Facility loans	**64,681**	52,411
Total classified as fixed rate	**2,796,594**	2,583,695
Interest-bearing financial liabilities		
Classified as floating rate		
Other interest-bearing liabilities	**100,000**	100,000
Total classified as floating rate	**100,000**	100,000
Classified as fixed rate		
Other interest-bearing liabilities	**2,089,859**	1,980,818
Total classified as fixed rate	**2,089,859**	1,980,818

Sensitivity analysis of the risk that the entity is exposed to for 2022

The cash and cash equivalents are expected to be invested in loans and advances and other debt securities in the short-term. The face value of the floating rate loans is directly matched against a floating rate borrowing. The impact of a shift in market interest rates of +/–79bp on 30 June 2022 has a $Nil effect on the profit or loss. NHFIC's fixed rate assets and liabilities are held at amortised cost and any change to fair value arising from a movement in the market interest rates has no impact on the reported profit or loss.

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 6: Other information

Note 6.1: Reporting of NHFIC activities

	2022				
	NHIF $'000	AHBA* $'000	HGS $'000	Research $'000	Total $'000
Income					
Interest and loan fee revenue	5,327	70,278	-	-	75,605
Revenue from Government	35,000	-	3,193	1,746	39,939
Other revenue	-	-	-	-	-
Total income	40,327	70,278	3,193	1,746	115,544
Expenses					
Employee benefits	-	8,080	1,869	1,005	10,954
Suppliers	1,979	3,138	2,094	962	8,173
Finance costs	-	36,529	-	-	36,529
Grants	3,315	-	-	-	3,315
Depreciation and amortisation	-	-	352	-	352
Total expenses net of provisions	5,294	47,747	4,315	1,967	59,323
Allowance for credit loss expense	(1)	235	-	-	234
Concessional loan provisions	381	7,522	-	-	7,903
Total expenses	5,674	55,504	4,315	1,967	67,460
Total surplus/(deficit)	34,653	14,774	(1,122)	(221)	48,084
Assets					
Financial assets					
Cash and cash equivalents	16,365	48,691	1,158	1,108	67,322
Trade and other receivables[1]	1,734	3,766	102	2	5,604
Loans and advances	63,265	1,952,985	-	-	2,016,250
Other investments	713,542	31,226	-	-	744,768
Non-financial assets					
Intangible assets	-	-	530	-	530
Prepayments	-	227	-	-	227
Total assets	794,906	2,036,895	1,790	1,110	2,834,701
Liabilities					
Suppliers	-	2,645	-	-	2,645
Other payables[1]	1,983	5,853	998	324	9,158
Other interest-bearing Liabilities	-	2,189,859	-	-	2,189,859
Employee provisions	-	1,331	196	118	1,645
Other provisions	124	7,137	-	-	7,261
Total liabilities	2,107	2,206,825	1,194	442	2,210,568
Net assets	792,799	(169,930)	596	668	624,133
Equity					
Contributed equity	660,000	-	-	-	660,000
Retained earnings	98,146	(184,704)	1,718	889	(83,951)
Retained surplus/(deficit)	34,653	14,774	(1,122)	(221)	48,084
Total equity	792,799	(169,930)	596	668	624,133

*NHFIC AHBA shows a negative equity position primarily due to non-cash concessional loan charges associated with loans advanced and committed. The charges will progressively be written back over the life of the loans.

1. Trade and other receivables and other payables are grossed up by $2,519 to reflect unconsolidated payables and receivables between reporting classifications.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF, HGS, and Research are classified as general government sector (GGS) and AHBA is classified as a public financial corporation (PFC).

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 6.1: Reporting of NHFIC activities (continued)

	2021				
	NHIF $'000	AHBA* $'000	HGS $'000	Research $'000	Total $'000
Income					
Interest and loan fee revenue	3,135	42,424	-	-	45,559
Revenue from Government	35,000	18,672	3,300	2,032	59,004
Other revenue	-	-	-	-	-
Total income	38,135	61,096	3,300	2,032	104,563
Expenses					
Employee benefits	-	4,926	1,118	589	6,633
Suppliers	1,386	2,929	2,262	783	7,360
Finance costs	-	21,617	-	-	21,617
Grants	13,296	-	-	-	13,296
Depreciation and amortisation	-	-	352	-	352
Total expenses net of provisions	14,682	29,472	3,732	1,372	49,258
Allowance for credit loss expense	163	1,883	-	-	2,046
Concessional loan provisions	1,317	111,118	-	-	112,435
Total expenses	16,162	142,473	3,732	1,372	163,739
Total surplus/(deficit)	21,973	(81,377)	(432)	660	(59,176)
Assets					
Financial assets					
Cash and cash equivalents	33,759	17,946	2,187	1,177	55,069
Trade and other receivables[1]	929	4,127	62	19	5,137
Loans and advances	50,646	1,855,261	-	-	1,905,907
Other investments	509,315	35,500	-	-	544,815
Non-financial assets					
Intangible assets	-	-	882	-	882
Prepayments	-	146	-	-	146
Total assets	594,649	1,912,980	3,131	1,196	2,511,956
Liabilities					
Suppliers	-	1,550	-	-	1,550
Other payables[1]	1,374	6,128	1,348	250	9,100
Other interest-bearing Liabilities	-	2,080,818	-	-	2,080,818
Employee provisions	-	979	65	57	1,101
Other provisions	129	8,209	-	-	8,338
Total liabilities	1,503	2,097,684	1,413	307	2,100,907
Net assets	593,146	(184,704)	1,718	889	411,049
Equity					
Contributed equity	495,000	-	-	-	495,000
Retained earnings	76,173	(103,327)	2,150	229	(24,775)
Retained surplus/(deficit)	21,973	(81,377)	(432)	660	(59,176)
Total equity	593,146	(184,704)	1,718	889	411,049

*NHFIC AHBA shows a negative equity position primarily due to non-cash concessional loan charges associated with loans advanced and committed. The charges will progressively be written back over the life of the loans.

1. Trade and other receivables and other payables are grossed up by $2,781 to reflect unconsolidated payables and receivables between reporting classifications.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF, HGS, and Research are classified as general government sector (GGS) and AHBA is classified as a public financial corporation (PFC).

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 6.2: Aggregate assets and liabilities

	2022	2021
	$'000	$'000
Assets expected to be recovered in:		
No more than 12 months	**777,141**	602,386
More than 12 months	**2,055,041**	1,906,789
Total assets	**2,832,182**	2,509,175
Liabilities expected to be settled in:		
No more than 12 months	**17,452**	32,148
More than 12 months	**2,190,597**	2,065,978
Total liabilities	**2,208,049**	2,098,126
Total assets and liabilities	**624,133**	411,049

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 6.3: Remuneration of external auditors

	2022	2021
	$	$
Auditor's remuneration		
Amounts received or due and receivable by NHFIC's auditors for:		
An audit or review of the annual report	**101,200**	101,200
Total auditor's remuneration	**101,200**	101,200

Notes to and forming part of the financial statements

for the year ended 30 June 2022

Note 6.4: Current and non-current assets and liabilities

	2022		2021	
	$'000		$'000	
	No more than 12 months	More than 12 months	No more than 12 months	More than 12 months
Assets				
Current assets				
Cash and cash equivalents	**67,322**	**-**	55,069	-
Trade and other receivables	**3,085**	**-**	2,356	-
Prepayments	**227**	**-**	146	-
Other investments	**671,075**	**-**	544,815	-
Loans and advances	**35,432**	**-**	-	-
Total current assets	**777,141**	**-**	602,386	-
Non-current assets				
Intangible assets	**-**	**530**	-	882
Other investments	**-**	**73,693**	-	-
Loans and advances	**-**	**1,980,818**	-	1,905,907
Total non-current assets	**-**	**2,055,041**	-	1,906,789
Total assets	**777,141**	**2,055,041**	602,386	1,906,789
Liabilities				
Current liabilities				
Suppliers	**2,645**	**-**	1,550	-
Other payables	**6,639**	**-**	6,319	-
Other interest-bearing liabilities	**-**	**-**	15,323	-
Employee leave and other entitlements	**907**	**-**	618	-
Other provisions	**7,261**	**-**	8,338	-
Total current liabilities	**17,452**	**-**	32,148	-
Non-current liabilities				
Other interest-bearing liabilities	**-**	**2,189,859**	-	2,065,495
Employee leave and other entitlements	**-**	**738**	-	483
Total non-current liabilities	**-**	**2,190,597**	-	2,065,978
Total liabilities	**17,452**	**2,190,597**	32,148	2,065,978

Index of statutory reporting requirements

We report in accordance with the requirements of various Commonwealth Acts and statutory instruments as set out in the table below.

Part A: PGPA Act and PGPA Rule List of Requirements

Section	Subject	Location	Page
Public Governance, Performance and Accountability Act 2013			
Section 39	The Board must prepare annual performance statements and include a copy in the annual report.	Annual Performance Statement	15–48
Section 42	The Board must state in the annual financial statements whether, in the Board's opinion they comply with: a. accounting standards and other requirements prescribed by the rules b. present fairly the entity's financial position, financial performance and cash flows.	Financial statements	82
Section 43	A copy of the annual financial statements and the Auditor-General's report must be included in an annual report.	Financial statements	80–123
Section 46	The Board must prepare an annual report.	Annual Report 2021–22	All
Public Governance, Performance and Accountability Rule 2014			
17BE(a)	Details of the legislation establishing the body.	Our governance and accountability	58
17BE(b)(i)	A summary of the objects and functions of the entity as set out in legislation.	Our purpose and activities	8–11
17BE(b)(ii)	The purpose of the entity as included in the entity's corporate plan for the reporting period.	Our purpose and activities	8–11
17BE(c)	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers.	Our governance and accountability	58
17BE(d)	Directions given to the entity by the Minister under an Act or instrument during the reporting period.	Our governance and accountability	58
17BE(e)	Any government policy order the applied in relation to the entity during the reporting period under section 22 of the Act.	Not applicable	-
17BE(f)	Particulars of non-compliance with: a. a direction given to the entity by the Minister under an Act or instrument during the reporting period, or b. a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	Not applicable	-
17BE(g)	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule.	Annual Performance Statement	15–48

Section	Subject	Location	Page
17BE(h), 17BE(i)	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	There were no significant issues to report in the current reporting period.	-
17BE(j)	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period.	Our governance and accountability	65–68
17BE(k)	Outline of the organisational structure of the entity (including any subsidiaries of the entity).	Our people and culture	50
17BE(ka)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: a. statistics on full-time employees b. statistics on part-time employees c. statistics on gender d. statistics on staff location.	Our people and culture	51
17BE(l)	Outline of the location (whether of not in Australia) of major activities or facilities of the entity.	Our people and culture	51
17BE(m)	Information relating to the main corporate governance practices used by the entity during the reporting period.	Our governance and accountability	58–69
17BE(n), 17BE(o)	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): a. the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company b. the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	Not applicable	-
17BE(p)	Any significant activities and changes that affected the operation or structure of the entity during the reporting period.	Our purpose and activities Annual performance statement Our governance and accountability	58
17BE(q)	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity.	Not applicable	-
17BE(r)	Particulars of any reports on the entity given by: a. the Auditor-General (other than a report under section 43 of the Act) b. a Parliamentary Committee c. the Commonwealth Ombudsman d. the Office of the Australian Information Commissioner.	Not applicable	-
17BE(s)	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report.	Not applicable	-

Section	Subject	Location	Page
17BE(t)	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	Our people and culture	57
17BE(taa)	The following information about the audit committee for the entity: a. a direct electronic address of the charter determining the functions of the audit committee b. the name of each member of the audit committee c. the qualifications, knowledge, skills or experience of each member of the audit committee d. information about each member's attendance at meetings of the audit committee e. the remuneration of each member of the audit committee.	Our governance and accountability	 62 69 65–68 69 54
s.17BE(ta)	f. Information about executive remuneration.	Our people and culture	52–55
Environment Protection and Biodiversity Conversation Act 1999			
Section 516A(6)	Ecological sustainable development and environmental performance.	Our governance and accountability	64
National Housing Finance and Investment Corporation Act 2018			
Section 56 (a)	The particulars of any changes to the Investment Mandate during the period and their impact on the operations of NHFIC.	Our governance and accountability	58
Section 56(b)	In relation to each kind of financial support (including financial support provided by way of guarantee) by NHFIC during the period, a summary of the amount of that kind of financial support and the risks and returns to the Commonwealth.	Annual Performance Statement	15–48
Section 56(c)	The particulars of NHFIC's research during the period into housing affordability in Australia.	Annual Performance Statement	42–45
Work Health and Safety Act 2011			
Schedule 2, Part 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics of any notifiable incidents and investigations or notices.	Our people and culture	57

Abbreviations and acronyms

Term	Description
ABS	Australian Bureau of Statistics
ACGB	Australian Commonwealth Government Benchmark
ADIs	Authorised deposit-taking institutions
AHBA	Affordable Housing Bond Aggregator
AHDAP	Australian Housing Data Analytics Platform
AHURI	Australian Housing and Urban Research Institute
AML/CTF	Anti-Money Laundering/Counter Terrorism Financing
ANAO	Australian National Audit Office
APS	Australian Public Service
APRA	Australian Prudential Regulatory Authority
ARC	Audit and Risk Committee
AUSTRAC	Australian Transaction Reports and Analysis Centre
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGS	Commonwealth Government Security
Chair	Chair of NHFIC Board
CHIA	Community Housing Industry Association
CHP	Community housing provider
COO	Chief Operating Officer
EAD	Exposure at default
EBITDA	*Earnings before interest, taxes, depreciation, and amortisation*
ECL	Expected credit loss
EEO	Equal employment opportunities
EOI	Expression of interest
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
ESG	Environmental, social and governance
Executive	Members of the executive leadership team of NHFIC
FAR	Fixed annual remuneration
FBT	Fringe Benefits Tax
FHBG	First Home Guarantee
FHG	Family Home Guarantee
FHLDS	First Home Loan Deposit Scheme
FIRG	Financial Institutions Remunerations Group
FTE	Full-time equivalent

Term	Description
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GGS	General government sector
GST	Goods and Services Tax
HGS	Home Guarantee Scheme
IBA	Indigenous Business Australia
ICMA	International Capital Market Association
ICR	Interest cover ratio
Investment Mandate	National Housing Finance and Investment Corporation Investment Mandate Direction 2018
KMP	Key management personnel
KYC	Know your customer
LGA	Local government area
LGD	*Loss given default*
LVR	Loan to value ratio
Minister	Minister for Housing, Minister for Homelessness and Minister for Small Business
MoU	Memorandum of Understanding
NHFIC	National Housing Finance and Investment Corporation
NHFIC Act	*National Housing Finance and Investment Corporation Act 2018*
NHG	New Home Guarantee
NHIF	National Housing Infrastructure Facility
PCA	Property Council of Australia
PD	Probability of default
PFC	Public financial corporation
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PID Act	*Public Interest Disclosures Act 2013*
REIA	Real Estate Institute of Australia
RFHBG	Regional First Home Buyer Guarantee
SLA	Service level agreement
SOE	Statement of Expectations
SOI	Statement of Intent
SPPI	Solely payments of principal and interest
Statutory review	Review of the operations of the NHFIC Act and NHFIC's activities assisting first home buyers as required under sections 57 and 57A of the NHFIC Act
Tribunal	Australian Government Remuneration Tribunal
UDIA	Urban Development Institute of Australia
WHS	Work health and safety
WHS Act	*Work Health and Safety Act 2011*
WPI	Wage price index

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