Australian Government

National Housing Finance and Investment Corporation

National Housing Finance and Investment Corporation

Annual Report 2019–20

About this report

This Annual Report is for the period commencing 1 July 2019 and ending on 30 June 2020 (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 discusses the progress NHFIC has made during the year in achieving its performance objectives as outlined in the *Corporate Plan 2019–20*, 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 2020–21*.

An online version of this report, as well as the Corporate Plan, are available on the NHFIC website at **www.nhfic.gov.au.**

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Chair and CEO report

As Chair and CEO of the National Housing Finance and Investment Corporation (NHFIC), we are pleased to present the *National Housing Finance and Investment Corporation Annual Report 2019–20.*

Brendan Crotty
Chair

It has been a challenging yet rewarding year for NHFIC as it broadened its functions and remit to further support improved housing outcomes for all Australians.

At just two years young, NHFIC has already made significant progress towards its mission. Housing is a complex sector—made all the more challenging by the current COVID-19 pandemic. With many economic and social factors affecting housing demand and supply, NHFIC's work in supporting registered community housing providers (CHPs) with lower-cost, longer-term loans has never been more important. NHFIC remains committed to working with its CHP stakeholders to ultimately benefit tenants in need of social and affordable housing.

During 2019–20, NHFIC advanced $882 million in loans to CHPs through the Affordable Housing Bond Aggregator (AHBA). These loans collectively support the provision of over 1,000 new dwellings and over 4,000 existing dwellings, as well as assist the ongoing operations of CHPs that also provide support services to vulnerable Australians.

NHFIC issued two bonds this financial year—in November 2019 and June 2020—which were strongly supported by investors, highlighting the growing appetite among domestic and offshore investors (including Australian superannuation funds) for socially responsible investments. The $315 million bond issued in November supported seven CHPs across the country and was awarded 'Social Infrastructure Deal of the Year' in financial publication *The Asset*'s Triple A Infrastructure Awards 2020. The high degree of investor interest for this bond also resulted in NHFIC being recognised by financial publication *KangaNews* as the 2019 Australian Government-Sector Issuer of the Year.

NHFIC's June 2020 bond was the largest social bond by an Australian issuer at $562 million, supporting 10 CHPs—including, for the first time, a Tasmanian provider. This bond also included NHFIC's first project finance loan of $210 million to a CHP.

Nathan Dal Bon
Chief Executive Officer

NHFIC published its first social bond report in October 2019, a key disclosure requirement under its Sustainability Bond Framework. The *Social Bond Report 2018–19* detailed the use of proceeds from NHFIC's inaugural social bond issuance in March 2019 and demonstrated the positive impact that its transformative financing is achieving in improving housing outcomes.

Through the Capacity Building Program, NHFIC has provided seven CHPs with grants of up to $20,000 for consultancy services across finance, business planning, property development and risk management. The program was broadened during the year to allow tier 1, 2 and 3 CHPs (or their equivalents) to access grants. NHFIC also funded the development of a CHP financial model and a project finance model as part of the Capacity Building Program.

NHFIC was pleased this year to work towards the first deals under the National Housing Infrastructure Facility (NHIF), which provides finance for eligible infrastructure projects to unlock new housing supply, particularly affordable housing. The Board approved $116.6 million in NHIF deals, including an agreement with NSW Land and Housing Corporation to provide up to $100 million to support infrastructure works to enable the delivery of 781 new social and affordable homes across Sydney.

NHFIC was tasked with two additional functions through amendments to the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act) and Investment Mandate in late 2019: administering the First Home Loan Deposit Scheme (FHLDS or the Scheme) and undertaking housing-related research.

The FHLDS is an Australian Government initiative to support eligible first home buyers to purchase their first home sooner. Under the Scheme, eligible first home buyers can purchase a home with a deposit as little as five per cent. NHFIC established the initial panel of participating lenders and finalised a panel of two major and 25 non-major lenders to participate in the Scheme. The Scheme launched in January 2020, with strong interest from first home buyers across metropolitan and regional Australia. All 10,000 Scheme places were reserved by May 2020 and the Scheme continues to receive strong demand across the first home buyer market.

NHFIC's new research function supports the monitoring and analysis of housing demand, supply and affordability in Australia. It also complements existing research undertaken on housing issues in Australia. A research team has been established, drawn from the academic, public and private sectors. The team will produce targeted research papers and a flagship 'State of the Nation's Housing' report and seek to improve the housing data ecosystem. The team's first research paper, *Building Jobs: How Residential Construction Drives the Economy*, was released in June 2020.

NHFIC is proud of the commitment and resilience its team has shown in achieving these outcomes over the course of 2019–20, particularly given the widespread impact of the COVID-19 pandemic. The team was expanded to 28 full-time equivalent (FTE) staff, up from 15 FTE last year, and demonstrated agility during a highly fluid environment by taking on new functions and adapting quickly to remote working and flexible work patterns. NHFIC's employees are highly skilled with finance, legal and public policy backgrounds and are highly motivated to deliver on its purpose.

The year ahead

NHFIC is well positioned to continue helping improve housing outcomes for Australians and contribute to efforts to increase the supply of affordable housing across the country. NHFIC looks forward to expanding and growing its capabilities as it matures from a build phase to an innovation and growth phase of operations.

A key financial objective for the year ahead is to become self-funding by generating sufficient revenue to recover operating costs from 2021–22. This will enable NHFIC to build a capital and reserves portfolio to support the growth in its lending business. Two years young and NHFIC is already well ahead of initial projections made when it first commenced operations.

The COVID-19 pandemic is likely to put more pressure on subsidised housing services. NHFIC remains committed to delivering a high level of service, support and flexibility to its partners and stakeholders in these challenging times, so they can continue to support vulnerable Australians most in need.

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 and Performance Accounting Act 2013* (PGPA Act).

Brendan Crotty
Chair

Nathan Dal Bon
Chief Executive Officer

Signed 28 September 2020

Highlights of the year

$882m

in AHBA loans advanced

1000+ new

4000+ existing

dwellings supported by AHBA loans

$562m

NHFIC issued the largest social bond by an Australian issuer

$130m

estimated interest savings for CHPs over 10–12 year period

First research paper published

678,858

visits to NHFIC website

NHFIC Board approved

$116.6m

NHIF deals

7 CHP grants

approved under the Capacity Building Program

10,000

First Home Loan Deposit Scheme places reserved by May 2020

Our business and strategy

NHFIC is dedicated to improving housing outcomes, with a particular focus on affordable housing.

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*.

NHFIC commenced operations on 30 June 2018 and administers the Affordable Housing Bond Aggregator (AHBA), National Housing Infrastructure Facility (NHIF) and First Home Loan Deposit Scheme (FHLDS), and conducts research into housing demand, supply and affordability.

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. It makes loans, investments and grants to help finance the critical infrastructure needed to unlock and accelerate new housing supply.

With the expansion of its functions during 2019–20, NHFIC now supports eligible first home buyers purchase their first home sooner through the FHLDS and undertakes independent housing-related research to help inform public policy discussions.

NHFIC is governed by an independent Board responsible for determining strategy, defining risk appetite, making financing decisions and monitoring performance. 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 and Assistant Treasurer, the Hon. Michael Sukkar MP (Minister).

The Minister appoints the Board and may provide directions about the performance of NHFIC's functions through an Investment Mandate. At the date of publishing this annual report, the National Housing Finance and Investment Corporation Investment Mandate Direction 2018 is the operative direction.

Further information on NHFIC's governance is provided in the 'Our Governance' section.

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.

NHFIC does this by:

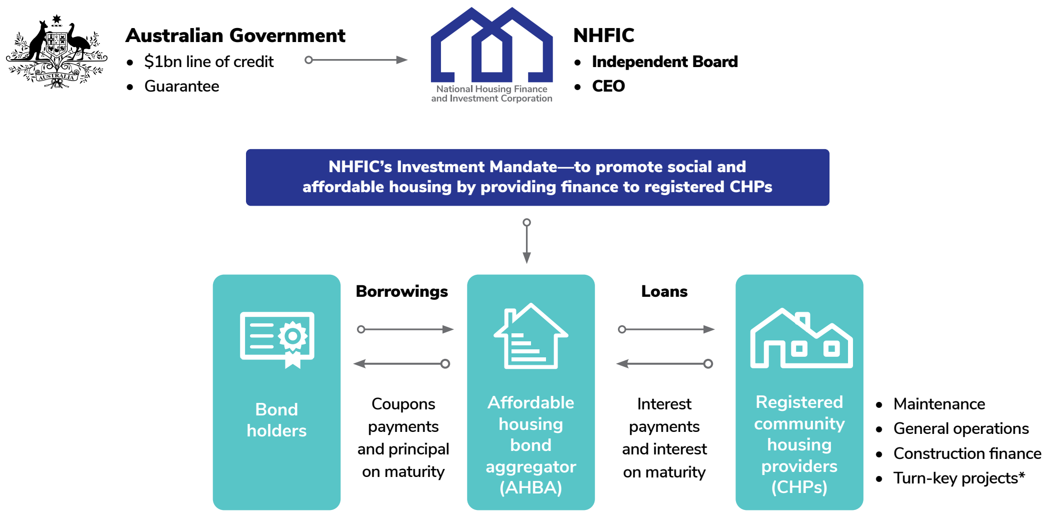
Providing loans to registered CHPs to support the provision of more social and affordable housing

NHFIC provides low cost and longer-term loans to registered CHPs through the AHBA which can be used to:

- acquire or construct new housing stock
- maintain existing housing stock
- assist with working capital requirements and/or general corporate requirements
- refinance existing debts.

NHFIC funds AHBA loans by issuing its own bonds into the wholesale capital market with the benefit of a Commonwealth guarantee. The Australian Government has also provided a $1 billion line of credit facility through which NHFIC may advance initial loans to CHPs prior to issuing bonds.

Figure 1: AHBA pass-through model



* **Turn-key project:** a project that is constructed so that it can be sold to any buyer as a completed product.

The AHBA uses a pass-through model (see Figure 1) to provide greater funding certainty and lower finance costs to CHPs to assist them to expand their operations and the supply of affordable and social housing. NHFIC obtains security from CHPs for any loan with appropriate terms and conditions approved by the NHFIC Board.

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

NHFIC administers the $1 billion NHIF which offers concessional loans, grants and equity funding to help support critical housing-enabling infrastructure.

The NHIF can be used for:

- new or upgraded infrastructure for services such as power, water and transport
- site remediation works, including the removal of hazardous waste or contamination
- onsite and linking infrastructure.

The terms of NHIF financing are flexible with a range of concessions available to suit project circumstances. These may include, for example, concessional interest rates and/or longer loan tenure or extended period of capitalised interest.

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

Through the $1.5 million Capacity Building Program, registered CHPs can access grants for tailored assistance to help with the upfront finance and business planning work required to support a NHFIC loan application.

Administering the FHLDS to support first home buyers to purchase their first home sooner

Under the FHLDS, eligible first home buyers can purchase a modest home with a deposit of as little as 5 per cent without needing to pay for lenders' mortgage insurance. This is because NHFIC provides a guarantee to participating lenders of up to 15 per cent of the assessed value of the eligible property that is financed by an eligible first home buyer's home loan. Up to 10,000 guarantees are available each financial year.

NHFIC appointed 27 residential mortgage lenders across Australia to the panel of participating lenders able to offer guaranteed loans under the Scheme.

Conducting research to support the monitoring of housing supply, demand and affordability

NHFIC undertakes independent research into housing demand, supply and affordability in Australia, including looking at current and potential gaps between supply and demand across housing sub-markets. It complements existing research, reflecting on the adequacy of construction rates and land supply to meet future housing needs.

NHFIC engages with Federal and State government agencies, state and territory bodies, research institutions and market participants across the housing sector to develop its research and help inform the public policy debate around housing issues.

Our strategic objectives

To help deliver its purpose, NHFIC set five strategic objectives during the year. These objectives focused on building the business and continuing to embed best-practice systems, processes and governance practices into NHFIC's operations.

Strategic objectives for 2019–20 were to:

- facilitate the sustainable growth of the community housing sector across Australia
- facilitate investment to increase the supply of housing, and in particular affordable housing
- strengthen stakeholder relationships that support better housing outcomes
- deliver high-performance organisation practices and outcomes
- establish a best-practice governance regime.

NHFIC's strategic objectives for 2020–21 reflect that the organisation is maturing and progressing from a build phase of operations to an innovation and growth phase. NHFIC is well positioned for continued success as the business adapts to the needs of its clients and the changing operating environment.

Further details on NHFIC's strategy are in the *Corporate Plan 2020–21* available on the NHFIC website.

Annual Performance Statement for the year ended 30 June 2020

Introductory statement

I, Brendan Crotty, Chair of the accountable authority, the Board of the National Housing Finance and Investment Corporation (NHFIC), present the 2019–20 Annual Performance Statement of NHFIC, as required under Paragraph 39(1)(a) of the PGPA Act.

In my opinion, the Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with Subsection 39(2) of the PGPA Act.

Brendan Crotty
Chair
National Housing Finance and Investment Corporation

NHFIC's performance

▶ **Performance area 1:** Facilitate the sustainable growth of the community housing sector across Australia

Performance objectives	Performance targets 2019–20	Outcomes achieved
AHBA loan facility established and functioning well with appropriate geographic coverage	Expand offering under loan facility in terms of dollar value, types of lending (e.g. construction finance), range of CHPs and geographic coverage across Australia.	✓
Total NHFIC loan portfolio valued at $1.5b–$2b by 2022–23	$330m–$530m	✓
Regular bond issuance program established	Continue to implement the products to establish and support the bond facility.	✓
Total dollar value of bonds issued by AHBA valued at $900m–$1.2b by 2022–23	$250m–$350m	✓
Total dollar value of line of credit used at $200m–$500m by 2022–23	$50m–$100m	✓
Increase the capacity of the CHP sector to successfully apply for loans	Continue to issue grants for capacity building services through the Capacity Building Program to 2020, supporting tier 2 and 3 CHPs to access NHFIC finance.	✓

In 2019–20, NHFIC continued to offer low-cost and longer-tenor loans to registered community housing providers (CHPs) through the Affordable Housing Bond Aggregator (AHBA) in order to grow the supply of affordable housing in Australia.

By the end of 2019–20, NHFIC's Board had made total financing decisions of $1.4 billion, of which $1.2 billion had been advanced and $168 million undrawn. In 2019–20 alone, NHFIC advanced $882 million in loans to CHPs and committed a further $68.7 million (awaiting draw-down as at 30 June). Collectively, the loans advanced in 2019–20 support the provision of over 1,000 new dwellings and over 4,000 existing dwellings in most states and territories around Australia. It is anticipated that these loans will save the CHPs approximately $130 million in interest payments over their terms.

Minister for Housing and Assistant Treasurer, the Hon. Michael Sukkar MP (right) and NHFIC CEO Nathan Dal Bon (second from left) announce the launch of NHFIC's first ever construction loan—a $45.7 million facility to BlueCHP—on 17 July 2019.

Our relationship with NHFIC has meant that we're able to invest in growth. The loan has given Junction security in the long term. The lower interest rate and efficient finance is important, but the long-term assurance is the most beneficial part for our organisation. It gives us, and in turn South Australians, the confidence and freedom to thrive.

Maria Palumbo, Junction CEO

NHFIC continued to expand its offerings under the AHBA loan facility and progressively made more transactions this year. In July 2019, NHFIC closed its first construction loan to a CHP. A $45.7 million facility was provided to BlueCHP for the construction of at least 93 new dwellings in affordable housing projects at Lane Cove and Liverpool on sites being acquired under the NSW Government's Communities Plus program. In June 2020, NHFIC provided its first project finance loan (where lending is against the cash flows of the project rather than the underlying security) of $210 million to SGCH (formerly known as St George Community Housing).

NHFIC's geographic coverage of financing to date has been made to 25 CHPs with the distribution by value below:

- 11 CHPs in New South Wales (62.6 per cent)
- seven in Victoria (24 per cent)
- four in South Australia (8.7 per cent)
- one in Western Australia (2.9 per cent)
- one in Tasmania (1.4 per cent)
- one in Queensland (0.4 per cent).

NHFIC continued to build a new investment asset class in affordable housing and Australia's social bond market, issuing two more bonds in 2019-20. Bond 2, issued in November 2019, was $315 million and supported loans to seven CHPs. Bond 3, issued in June 2020, was $562 million and supported loans to 10 CHPs. The total dollar value of the two bonds issued was $877 million, bringing the total to almost $1.2 billion in NHFIC social bonds issued since NHFIC was established.

For these two bond issuances, NHFIC continued to explore different tenors to ensure maximum benefit to the CHP sector. For Bond 2, loans were provided at a fixed rate of 2.07 per cent for 10½ years on an interest-only basis. For Bond 3, a fixed rate of 2.06 per cent for 12-years on an interest-only basis was provided to the CHPs.

The AAA-rated bonds drew strong interest from domestic and international investors, including a number of Australian industry superannuation funds such as Cbus, HESTA and UniSuper.

There were 31 investors in Bond 2 and 35 in Bond 3. This included 18 new investors in NHFIC bonds.

Both NHFIC bonds were heavily oversubscribed, which led to a continued progression of tighter pricing relative to Commonwealth and State government bonds. This contributed to Bond 3 achieving the lowest coupon rate on the longest tenor (12 years) to date.

> **NHFIC's use of social bonds to tap investor capital for the community housing sector is critical given the impact of the COVID-19 pandemic on the ability of people to remain in housing.**
>
> Tessa Dann, Director—
> Sustainable Finance at ANZ

NHFIC BOND ISSUANCES IN 2019–20:

BOND 2: NOV 2019

$315m
Amount issued

7
Number of CHP loans supported

2.07%
Fixed rate provided to CHPs

10.5yr
Loan period

BOND 3: JUNE 2020

$562m
Amount issued

10
Number of CHP loans supported

2.06%
Fixed rate provided to CHPs

12yr
Loan period

SOCIAL INFRASTRUCTURE DEAL OF THE YEAR

NHFIC's second bond of $315 million (issued in November 2019) was awarded 'Social Infrastructure Deal of the Year' in *The Asset*'s Triple A Infrastructure Awards 2020.

2019 AUSTRALIAN GOVERNMENT SECTOR ISSUER OF THE YEAR

NHFIC was recognised by financial publication *KangaNews* as the 2019 Australian Government-Sector Issuer of the Year.

NHFIC's line of credit facility was primarily used for warehousing transactions during 2019–20 with a net usage of $99.9 million. This amount was repaid after the June 2020 bond issuance.

NHFIC continued to provide grants through the Capacity Building Program, supporting tier 1, 2 and 3 CHPs (or their equivalents) to access NHFIC finance. NHFIC provided seven CHPs with access to tailored assistance from a panel of approved professional advisory service providers to help with their NHFIC finance applications.

Grants of up to $20,000 for consultancy services in finance, business planning, property development and risk management were provided to the CHPs. The Capacity Building Program was also used to develop the CHP financial model and NHFIC project finance model to further support CHPs in applying for NHFIC finance.

Women's Housing Limited, Victoria

8 7

8 additional and 7 existing dwellings supported • Focus on women's housing

When NHFIC finalised its third bond on 24 June 2020, the funds supported a $9 million loan to Women's Housing Limited, a not-for-profit CHP providing low cost housing to women at risk of homelessness, including older women and women forced to leave their home because of family violence. CEO Judy Line explains the growing need for safe and affordable homes for women.

With our loan from NHFIC, we will be able to refinance $5.5 million of debt, and the additional $3.5 million we can contribute towards new properties. This will be directed towards building new, safe homes for women.

As an example of this benefit, we have been able to purchase seven one-bedroom units outright, at a significantly reduced cost, in a great location in the Melbourne suburbs—close to hospitals and major amenities.

Women are able to live in these units, paying 75 per cent of the market rent, and we can afford to do this because of the lower borrowing costs with NHFIC.

Three women are already living in the units, two of them essential workers employed at the nearby hospital, and another working in aged care—and they are thrilled with their new homes. One of the new tenants moved from a shared house and is now on a six-month lease with us. This stability has given her an opportunity to study and upskill.

There can sometimes be a stigma attached to public housing, but the women in these properties, and our other properties, have often told us they don't feel like they're in affordable housing. The units are modern and spacious, with building facilities like gyms and rooftop garden areas available to them. And it's made their lives so much easier.

Photo: Two of the affordable housing properties owned by Women's Housing Limited.

Pacific Link Housing, NSW

8 15

8 additional and 15 existing dwellings supported

Before Pacific Link Housing applied for its $4 million loan from NHFIC, it was looking at selling its dwellings in Glendale on NSW's Central Coast. Pacific Link Housing CEO Ian Lynch explains how NHFIC's loan allowed the community housing provider to retain 15 units and rent a portion as affordable housing.

'Pacific Gateway' at Glendale supports a mix of social, affordable and private housing, providing much needed accommodation for vulnerable members of our local community. When it was built in 2019, it was the first of the NSW Government's Communities Plus developments—it's a mixed tenancy block with social, affordable and private units.

We own 15 of the 21 units (the remaining six are social housing units purchased by the NSW Government at the completion of the development)—of our 15, five are affordable and 10 are private. The benefit of having private tenants means that we can afford to provide the other five units to tenants at 75% of the market rate. Some of our tenants are young students that go to the university close by. Others are young families and key workers, including health, retail and construction workers. The private rents also allow us to leverage our capacity to build more dwellings and ultimately provide more affordable housing for those who need it most.

Our recent NHFIC loan of $4 million meant we were able to retain our units at Glendale, providing our tenants with long term certainty. We will be able to leverage these assets to see some capital growth over time. $2.6 million of our $4 million loan went towards Glendale, while $1.4 million is being used for a new development in Woy Woy that will have a similar structure (half social and affordable, and the other half private rentals).

The loan will also help to create jobs in our local building industry, with a significant number of consultants, trades and subtrades required to deliver the housing developments in prospect.

It's pretty outstanding that we're able to fund roughly 23 homes housing up to 40 or so individuals through this loan. We're looking forward to approaching NHFIC again soon for further support in providing more affordable homes on the Central Coast.

Photo: Pacific Link Housing's development at Glendale near NSW's Central Coast.

Performance area 2: Facilitate increase in housing supply

Performance objectives	Performance targets 2019–20	Outcomes achieved
Accelerate infrastructure development	Deliver first NHIF infrastructure loans and grants.	✓
NHIF loan and grant facilities committed	$20m–$80m	✓

Through the National Housing Infrastructure Facility (NHIF), NHFIC continued its work in facilitating increased housing supply across Australia by alleviating infrastructure constraints hampering the development of new affordable housing.

The NHIF is a $1 billion facility providing finance for eligible infrastructure projects to unlock new housing supply, particularly affordable housing. As at 30 June 2020, $400 million was appropriated and available for concessional loans, grants and equity finance to help support critical housing-enabling infrastructure.

In 2019–20, the NHFIC Board approved $116.6 million in NHIF deals, including providing up to $100 million to NSW Land and Housing Corporation.

In June 2020, NHFIC partnered with the Greater Sydney Commission and NSW Department of Planning, Industry and Environment to present online CEO roundtable workshops with all local councils in the Greater Sydney region. This provided NHFIC's Chair and CEO with an opportunity to discuss and inform councils on the benefits of NHIF financing to support local infrastructure initiatives, with an aim to unlock new housing supply.

Through the year, the NHFIC team also met with government departments in the ACT, NSW, Victoria, Queensland, South Australia and Western Australia to promote the viability and potential of the NHIF. The team also presented to 35 councils across NSW, Victoria, Queensland and South Australia to discuss options for supporting recovery efforts following the devastating summer bushfires experienced around the country.

ACCESS OF UP TO $100 MILLION IN LOANS AND GRANTS

The NHFIC Board concluded a ground-breaking agreement with the NSW Government to allow NSW Land and Housing Corporation to access up to $100 million in loans and grants through the NHIF to fund critical infrastructure. It is expected that the agreement will support infrastructure works to enable the delivery of 781 new social and affordable homes at significant development sites across Sydney, NSW.

Performance area 3: Stakeholder relationships

Performance objectives	Performance targets 2019–20	Outcomes achieved
Good working relations with state and territory registrars	Implement protocols with each registrar nationally.	✓
Raised awareness of the NHFIC values	Conduct communication and stakeholder engagement activity. Ensure NHFIC website is easy to navigate for a diverse range of stakeholders.	✓

NHFIC has continued to support registered CHPs in achieving positive social and affordable housing outcomes by developing and maintaining strong partnerships across the sector. During the year, NHFIC strengthened and expanded its stakeholder network, in particular through developing strong working relationships across government—from roundtable discussions with local councils and collaborating with state/territory departments to support community housing outcomes, to regular meetings with Federal Government and departmental staff.

NHFIC continued to strengthen its relationships with the banking sector, particularly the Joint-Lead Managers (JLMs)—ANZ, UBS and Westpac—for NHFIC's bonds, who have assisted in raising the profile of the community housing sector with institutional investors. This includes Australian superannuation funds that have invested in NHFIC bonds (such as Cbus and UniSuper). By participating in JLM updates, NHFIC has continued to deepen its understanding of market conditions and investor sentiment.

NHFIC has also been working with superannuation funds on potential opportunities to attract more investment into community housing in Australia.

NHFIC CEO, Nathan Dal Bon, on a panel at the *Australian Financial Review's* Property Summit September 2019.

NHFIC CEO, Nathan Dal Bon, visiting the SGCH Redfern site in June 2020.

In 2019–20, NHFIC implemented protocols with Tasmania and the NSW Land and Housing Corporation. This is in addition to protocols that already exist with South Australia, Western Australia and the NSW Department of Communities and Justice, and the ongoing development of protocols with Queensland and Victoria.

As part of its communication and stakeholder engagement activities, NHFIC conducted workshops and bond investor tours to CHP construction sites to showcase the importance of social and affordable housing in Australia. NHFIC staff actively contributed to industry discussion and debate on housing affordability and presented at various housing industry conferences, including the AHURI National Housing Conference, Australian Financial Review Property Summit and the Shelter NSW Social Housing Roundtable. Additionally, NHFIC supported industry peak bodies such as PowerHousing Australia and the Community Housing Industry Association (CHIA) with regular newsletter content, presentations and participation in meetings and member exchange conferences, as well as regular CEO/Chief Financial Officer (CFO) roundtable discussions.

DURING 2019–20, NHFIC:

RESPONDED TO:

2,800

public phone calls

3,000

public emails

REFRESHED ITS WEBSITE:

678,858

visitors

RECEIVED ATTENTION:

700

Unique mentions across online, print, TV and radio

GREW ITS PRESENCE:

790

Twitter followers

2,000

Linkedin followers

Performance area 4: High-performance organisation

Performance objectives	Performance targets 2019–20	Outcomes achieved
Highly experienced and skilled workforce	Continue to recruit workforce with appropriate expertise to enable NHFIC to deliver its functions.	✓
Adequate systems, policies, governance and management oversight	Monitor systems, policies and practices to demonstrate that NHFIC complies with legislative obligations.	✓
Financial sustainability	Ensure operating expenses per annum are within annual appropriation provided by government from 2018–19 to 2020–21. Achieve benchmark return to cover operating costs from 2021–22 and build an adequate capital reserve in accordance with legislation. Maintain the minimum target value of the permanent fund associated with the NHIF.	✓

NHFIC continued to expand its internal capabilities by recruiting highly committed, experienced people into the organisation and developing an organisational culture in which they can excel. Following the expansion of NHFIC's remit to establish the research function and incorporate the First Home Loan Deposit Scheme (FHLDS), experienced staff were recruited from the private sector (including the banking and mortgage industry), government and not-for-profit organisations, as well as housing and industry associations.

The NHFIC team grew to 28 full-time equivalent (FTE) staff, up from 15 FTE last year, with a gender balance of 57 per cent male and 43 per cent female. An organisation-wide culture program was introduced to grow the team's capability, as well as gather feedback and implement changes to support NHFIC's employees in performing at their best.

NHFIC continued to lend responsively, applying commercial discipline to its financing decisions and managing risk through its risk management framework. NHFIC's loan assessment processes promote responsible lending through effective application of a rigorous and dynamic credit policy, as well as the Social Bond Framework which aligns with the United Nations' Sustainability Development Goals and international social bond principles.

An independent review of NHFIC's governance and control framework in mid-2019 found that overall NHFIC was "well placed with sound policies and procedures in place to support the compliant operation of the organisation". NHFIC is progressively implementing the recommendations of the review. NHFIC updated its risk control matrix, risk appetite statement and risk registers through the year and also developed and implemented its own fraud control plan to identify, control and mitigate fraud risks.

NHFIC's operating expenses for the financial year were within the annual appropriation provided by the Government. The four-year business plan targets returns to cover NHFIC's operating costs from 2021–22 and build an adequate capital reserve in accordance with the objective for NHFIC to be self-funding.

Performance area 5: Governance

Performance objectives	Performance targets 2019–20	Outcomes achieved
Best-practice governance	Strengthen governance arrangements in place.	✓

NHFIC's governance framework was reviewed during 2019-20 to ensure it remains appropriate for NHFIC's size and functions and complies with legislative requirements. Governance structures were enhanced and policies and procedures updated as necessary, to make sure they remained fit for purpose with the addition of two new functions this year and as NHFIC continues its transition from a build phase to an innovation and growth phase of operations.

In developing its research function, NHFIC established a Research Board Reference Committee to oversee and provide advice on its research activities. Additionally, an external reference group with academic and industry representatives was formed to peer-review NHFIC research papers.

AHBA business processes were refined, with roles and responsibilities streamlined across teams and the portfolio management function strengthened. NHFIC also increased resources across the organisation to support governance. An additional member was added to NHFIC's Credit Committee with strong project finance experience and the Legal and Compliance team recruited a dedicated transactions lawyer and a compliance manager.

NHFIC appointed two additional law firms to its panel of legal providers to support the organisation, particularly in relation to AHBA and NHIF transactions. NHFIC also appointed McGrathNicol as its internal auditors, with two internal audits completed during the year.

NHFIC staff and Board members completed annual compliance training to ensure they remained up-to-date with legislative requirements and cyber security awareness.

NHFIC staff visiting an SGCH construction site in February 2020.

Additional performance reporting

The NHFIC Act and Investment Mandate were amended in late 2019 to enable NHFIC to take on two additional functions: administering the First Home Loan Deposit Scheme (FHLDS or the Scheme) and undertaking housing-related research.

First Home Loan Deposit Scheme

The First Home Loan Deposit Scheme is an Australian Government initiative to support eligible first home buyers to purchase their first home sooner. Under the Scheme, eligible first home buyers can purchase a home with a deposit as little as five per cent. This is because NHFIC guarantees a Scheme lender up to 15 per cent of the value of the property financed by an eligible first home buyer's home loan.

Following a three-week market sounding process in September 2019, NHFIC received strong interest from more than 100 residential mortgage lenders and registered brokers on the operation of the Scheme, including potential pricing outcomes. NHFIC undertook a competitive procurement process during October and November and, by mid-December 2019, had approved 27 lenders to the participating lender panel.

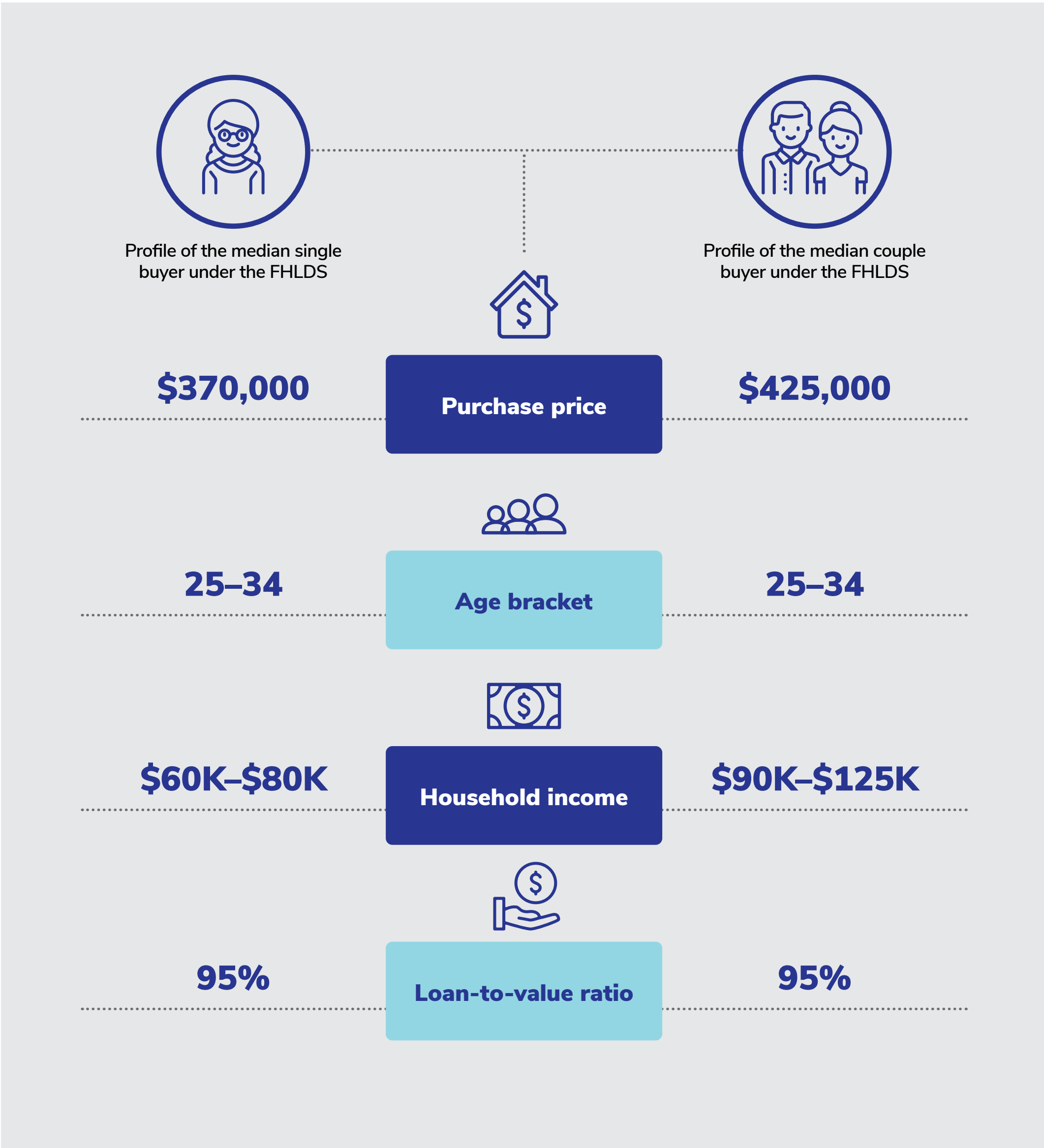
The Scheme launched on 1 January 2020 with two major banks (Commonwealth Bank and National Australia Bank) offering guaranteed loans, and the 25 non-major lenders offering guaranteed loans from 1 February 2020. 10,000 Scheme places were released to these participating lenders from 1 January 2020 and by the end of May, all 10,000 Scheme places for the financial year had been reserved.

At the end of June 2020, 6,814 Scheme participants had either signed a contract or settled on their home, while the remaining 3,186 were at the loan pre-approval stage. First home buyers across all states and territories accessed the Scheme, with 62.3 per cent of buyers purchasing in major cities and 37.7 per cent purchasing in regional areas. Further data (see Figure 2) showed that guaranteed loans went to applicants whose incomes were well below the Scheme's caps—the average taxable income of single applicants was $66,488 ($125,000 cap) and for couples, $109,410 ($200,000 cap).

We managed to get the house we wanted within budget and because we only needed a five per cent deposit, we were able to pay off a personal loan and still have enough money left over to furnish two living rooms and a study. We are very lucky with this Scheme.

First home buyers Roselle and Deon.

Figure 2: Profile of the typical single buyer and couple buyer under the FHLDS



Maryann and Peter

First home buyers

New homeowners Peter and Maryann are 'over the moon' they accessed the Australian Government's First Home Loan Deposit Scheme, which has helped them purchase their first home in Gosford, NSW.

The Central Coast couple had been wanting to purchase a property 'for some time' but without a guarantor or a 20 per cent deposit, they were looking at paying lender's mortgage insurance on top of their deposit.

"Saving for a 20 per cent deposit was absolutely out of reach, even for a cheaper (at least by Sydney standards) apartment," Maryann said.

"We weren't originally going to use the Scheme because we didn't think we would get a place, but our mortgage broker persisted. We are over the moon [with] the Scheme as we've been able to get into our home more than a year earlier than we expected."

Maryann and Peter settled on their new home in Gosford, an area they describe as "peaceful, close to water and with great sized family homes for reasonable pricing".

"We lived in Cronulla and it took us longer to get to the Sydney CBD for work than it does now that we live in Gosford," Maryann said. "Our new home is perfect—it's had some beautiful additions and was really well looked after. There are self-watering gardens that collect rainfall, solar hot water, solid timber floors, French shutters—the works!"

Research

NHFIC's research function began in January 2020. The research function supports the monitoring of housing demand, supply and affordability in Australia by looking at current and potential future gaps between housing supply and demand. It also complements existing research, reflecting on the adequacy of construction rates and land supply to meet future needs.

Since January, NHFIC has consulted widely with a wide range of housing stakeholders, both domestically and internationally, to identify where it can add value to issues facing housing markets, and complement the existing research undertaken on housing issues in Australia. NHFIC formed a diverse research team drawn from the academic, public and private sectors to analyse issues across the housing sector and established an appropriate governance framework to oversee and review its research program.

NHFIC also identified a series of research topics to be addressed through a range of short and longer-term papers for public release. The first research paper *Building Jobs: How Residential Construction Drives the Economy* was published in June 2020 and looked at the important role the residential construction industry plays in generating jobs and growth across the Australian economy.

Our people and culture

Organisation structure and location

NHFIC fundamentally relies on the quality of its employees to achieve its purpose. NHFIC has a highly motivated and committed team with extensive experience in government and commercial sectors. NHFIC's Executive comprises the CEO and eight direct reports overseeing key business areas (Figure 3).

The NHFIC team has grown across all business areas in response to NHFIC's expanded functions and increase in demand for funding of social and affordable housing. The two new functions are FHLDS and research.

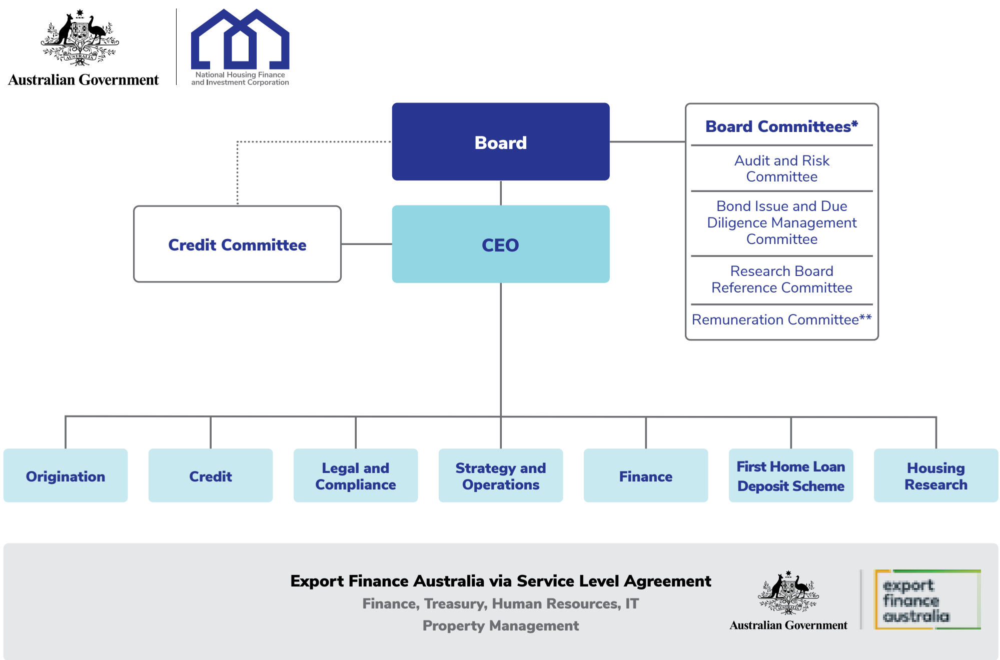
THE ABILITY FOR US TO ACHIEVE OUR PURPOSE IS CRITICALLY RELIANT ON OUR PEOPLE

NHFIC has grown its internal capabilities by recruiting highly committed and experienced employees. It continues to lift the capability of its employees and develop a culture in which they can excel.

NHFIC is based in the Export Finance Australia head office in Sydney. NHFIC leverages selected support functions from Export Finance Australia which ensures a cost-efficient use of existing Australian Government resources and minimises NHFIC's overhead costs. As an experienced financier, Export Finance Australia has expertise in managing large and complex lending transactions. Export Finance Australia's support is governed by a service level agreement (SLA), and the services provided under the SLA fall under two broad categories:

1. establishment services, including marketing and corporate governance/compliance
2. operational services, including financial management and reporting, treasury, human resources, information technology and property management.

Figure 3: NHFIC organisational chart



* see page 39
** established in August 2020

Connection and flexibility

The COVID-19 pandemic has had a significant and profound impact on NHFIC's everyday operations, as it has on most individuals and organisations across Australia. NHFIC worked collaboratively with its employees and stakeholders to minimise the social and financial impact on the organisation as the pandemic intensified.

As cases grew across Australia, NHFIC monitored and followed directions from the Australian Government, NSW Government and health officials. It took preventative and additional measures, such as providing staff with increased flexibility to work remotely. By late March 2020, all NHFIC employees had transitioned to working remotely on a full-time basis and new staff were onboarded through videoconference and ongoing remote IT and HR support.

Despite these challenges, the NHFIC team continued to deliver a high level of service and commitment to achieving NHFIC's mission. Flexible working arrangements allow the team to better manage their personal and professional lives and NHFIC's videoconference technology and chat facilities support social interactions and positive engagement among staff. Initiatives such as virtual catchups and online activities have further strengthened social connections between staff at this time.

Diversity and inclusion

NHFIC continues to build and maintain a diverse team with the technical skills required to deliver its purpose. NHFIC values diverse experience, expertise and backgrounds to foster a strong organisation, deepen its problem-solving abilities, innovation and success.

NHFIC's gender diversity is 57 per cent male and 43 per cent female. NHFIC is pleased to report that it has strengthened its female leadership by recruiting an additional female director to the senior executive team.

NHFIC is proud of its cultural diversity, with 53 per cent of its employees from a non-English speaking background or with parents from a non-English speaking background. NHFIC recognises that its culturally diverse team enhances its ability to deliver client services that are culturally appropriate, accessible, consumer orientated and effective.

Learning and development

NHFIC continues to grow the capability of its employees by supporting their learning and development needs. It has invested in building the team's technical learning capability including through targeted training and attendance at professional development courses. NHFIC continues to deepen its skill base by cross-skilling to enhance employment opportunities and minimise key-person risk. It also encourages an open learning culture through knowledge-sharing sessions facilitated by various team members.

NHFIC has also rolled out an organisation-wide culture program to help identify the mindsets, behaviours and activities which drive and sustain high performance, to ensure every team member is supported to perform at their best.

NHFIC's annual compliance training program comprises a series of online training complemented by tailored face-to-face training. The training program ensures NHFIC staff are up to date with legislative requirements, their legal obligations as staff in a financial institution, and cyber security awareness.

Health and wellbeing initiatives

The mental and physical health of NHFIC's team are vitally important. NHFIC regularly checks-in with its employees to identify where additional support is needed. NHFIC offers its employees and their immediate families free access to an Employee Assistance Program with confidential counselling services, and other services including legal, financial and nutrition. NHFIC has a yearly flu vaccination program for all of its employees and in 2019–20 extended it to their families.

Work health and safety

NHFIC is committed to providing a positive and safe work environment for all of its employees, in line with the *Work Health and Safety Act 2011*.

NHFIC takes a pragmatic, risk-based approach to maintaining its work health and safety compliance framework and management practices. Its strong culture of incident notification and investigation includes reporting any accidents or 'near misses'. Incidents and near misses are managed, with proactive measures put in place to reduce the potential risks identified.

NHFIC provides its employees and Board members with regular training on the latest legislation, reporting mechanisms and obligations as part of its ongoing compliance program. New employees and consultants are provided with an in-depth induction program that includes a work health and safety overview with Export Finance Australia's Health and Safety Representative. NHFIC's first aid officer also undergoes regular training.

NHFIC works closely with Export Finance Australia around work health and safety. Export Finance Australia's Health and Safety Representative conducts regular inspections of NHFIC's workspace. NHFIC engages with its employees on work health and safety matters, including the adequacy of facilities, and takes steps to ensure a positive, productive and risk-free working environment.

NHFIC records and monitors hazards and controls. For the reporting period, NHFIC has not, in relation to work health and safety matters, been investigated or received any notices. There were no 'notifiable incidents' under the *Work Health and Safety Act 2011* during 2019–20.

Indemnities and insurance

NHFIC's employees and Board members were indemnified during 2019–20 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. NHFIC did not pay out any amount in connection with any Board member or employee indemnities during the financial year.

Workforce profile

As at 30 June 2020, NHFIC had 28 full-time equivalent (FTE) employees. All of NHFIC's employees are employed under the NHFIC Act and are not members of the Australian Public Service.

Table 1: Number of full-time equivalent employees

Classification	30 June 2020	30 June 2019
Employees (excluding short term)	26	13
Short term contract employees	2	2
Total	**28**	**15**

Table 2: Workforce diversity

Classification	Female	Male	Total	NESB[1]	Aboriginal and Torres Strait Islander	PWD[2]
Employees (excluding short term)	11	15	26	14	1	0
Short term contract employees	1	1	2	1	0	0
Total	**12**	**16**	**28**	**15**	**1**	**0**

1: NESB: Non-English speaking background (or parents from a non-English speaking background)
2: PWD: People with disability

Remuneration

NHFIC's remuneration strategy is designed to attract, reward and retain skilled employees, to help NHFIC achieve its purpose and deliver on outcomes. NHFIC strives for a high-performance culture that aligns rewards to performance, while recognising that NHFIC has to operate within an acceptable cost framework and comply with the Government's policies for its statutory agencies.

2019–20 remuneration structure

Board member's 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 body overseeing the remuneration of key Commonwealth offices. NHFIC is regulated to comply with the Tribunal's determinations and plays no role in the consideration or determination of the Board member fees.

The Tribunal sets annual Chair and Board fees (exclusive of statutory superannuation contributions). The Chair fee includes all activities undertaken by the Chair on behalf of NHFIC (inclusive of committee participation), however additional fees are payable to Board members based on their appointment to Board sub-committees. Fee packaging may be made available to Board members within the fees specified.

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

Executive remuneration

NHFIC's remuneration structure is designed to attract, retain and motivate high-quality senior executives and to align their interests with the creation of long-term value while complying with all of NHFIC's regulatory obligations. To accomplish these goals, each senior executive's remuneration package consists of fixed annual remuneration (FAR) and 'at risk' remuneration to recognise their contribution and acknowledge high performance.

The FAR for NHFIC's CEO is determined by the Remuneration Tribunal. 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. The CEO does not receive a discretionary bonus.

For other senior executives and highly paid staff, their expertise, relevant government policies and industry benchmarks all influence the setting of the FAR component. NHFIC works within the parameters of the Australian Public Service Commission (APSC) Workplace Bargaining Policy. Proposed increases to remuneration must be approved by the APS Commissioner through a Funding Productivity and Remuneration Declaration submission. A funding declaration was approved for remuneration increases of up to six per cent averaged over three years from September 2019.

FAR comprises base salary, superannuation and any non-cash benefits. Factors considered when setting the appropriate FAR for any senior executive include:

- market data for comparable roles
- complexity of the role
- internal relativities
- an individual's skills and experience
- individual performance assessments.

NHFIC'S REMUNERATION STRATEGY IS DESIGNED TO ATTRACT, REWARD AND RETAIN SKILLED EMPLOYEES, TO HELP NHFIC ACHIEVE ITS PURPOSE AND DELIVER ON OUTCOMES

NHFIC utilises the Financial Institutions Remuneration Group (FIRG) system to provide independent benchmarking in determining appropriate remuneration for roles across the organisation. Remuneration benchmarking aims to position total remuneration competitively against comparable organisations.

A portion of senior executive remuneration is 'at risk' to ensure alignment with NHFIC's strategic objectives. In August each year, the CEO recommends to the Board Remuneration Committee an aggregate bonus pool. The 'at risk' remuneration is tied to the achievement of corporate key performance indicators, as set in the corporate plan and agreed with the Board in August the previous year, and individual performance contributions.

For 2019–20, the Executive remuneration framework comprised fixed and 'at risk' remuneration.

Remuneration governance arrangements

Management

Management is accountable for ensuring it responsibly rewards employees, having regard to the performance of NHFIC, individual performance, statutory and regulatory requirements and current business norms. In reference to Executive remuneration decisions, management achieve this by:

- the CEO making recommendations to the Board for the bonus pool to be paid to all eligible senior executives and staff
- senior executives making remuneration recommendations for all individuals within their respective business areas including other highly paid staff, on both fixed annual remuneration and 'at risk' remuneration, which are endorsed by the CEO
- implementing performance management and remuneration policies and practices, as agreed.

Board

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

- monitoring management's performance against the approved corporate plan
- assessing the performance of the CEO
- reviewing and approving the 'at risk' remuneration pool for eligible senior executives and staff
- providing guidance to the CEO on matters concerning the appointment and evaluation of senior executives.

WE HAVE A HIGHLY MOTIVATED AND COMMITTED TEAM WITH EXTENSIVE EXPERIENCE IN GOVERNMENT AND COMMERCIAL SECTORS

Remuneration of key management personnel

During the year ending 30 June 2020, NHFIC had seven Board members and one senior executive who met the definition of key management personnel (KMP). Their names and length of term as KMP are summarised in Table 3.

Table 3: Key management personnel

Name	Title	FY20 status	KMP status
Nathan Dal Bon	Chief Executive Officer	Full year	Current
Brendan Crotty	Board member (Chair)	Full year	Current
David Cant	Board member	Full year	Current
Teresa Dyson	Board member	Full year	Current
Adrian Harrington	Board member	Full year	Current
Kylie Rampa	Board member	Full year	Current
Tony De Domenico OAM	Board member	Full year	Current
Phillip Barresi	Board member	Full year	Current

Table 4 sets out the CEO remuneration and Board member fees as directed by the Tribunal for 2019–20.

Table 4: Key remuneration and Board member fees

Position	2019–20 annual entitlement
Board Chair	$110,860
Board member	$55,430
Audit Committee Chair	$16,320
Audit Committee member	$8,160
Chief Executive Officer	$498,810

In accordance with the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), this report also contains summary data of the remuneration received by key management personnel (Table 5), senior executives (Table 6) and other highly paid staff (Table 7) in 2019–20.

Table 5: Remuneration of key management personnel for the reporting period 2019–20

		Short-term benefits					Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
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
Nathan Dal Bon	CEO	447,035	21,511	468,546	-	-	65,098	11,126	-	-	544,770
Brendan Crotty	Board	110,860	-	110,860	-	-	10,532	-	-	-	121,392
Teresa Dyson	Board	71,750	-	71,750	-	-	6,816	-	-	-	78,566
David Cant	Board	63,590	-	63,590	-	-	6,041	-	-	-	69,631
Adrian Harrington	Board	63,590	-	63,590	-	-	6,041	-	-	-	69,631
Kylie Rampa	Board	55,430	-	55,430	-	-	5,266	-	-	-	60,696
Tony De Domenico OAM	Board	55,430	-	55,430	-	-	5,266	-	-	-	60,696
Phillip Barresi	Board	55,430	-	55,430	-	-	5,266	-	-	-	60,696
Total		**$923,115**	**$21,511**	**$944,626**	**-**	**-**	**$110,326**	**$11,126**	**-**	**-**	**$1,066,078**

NB: The table above should be read in conjuction with Note 4.2 of the financial statements which details the basis of the calculation

Table 6: Remuneration of senior executives for the reporting period 2019–20

		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 – $220000	3	105,893	-	-	15,793	2,115	-	-	123,801
$270002 – $295001	2	252,606	-	-	22,512	5,996	-	-	281,115
$295002 – $320001	3	265,080	-	-	32,534	6,409	-	-	304,023
	8								

Table 7: Remuneration of highly paid staff for the reporting period 2019–20

		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 $
$225000 – $250000	1	213,002	-	-	19,154	5,023	-	-	237,179
	1								

NB: NHFIC has provided an estimate for bonuses in the financial statements however a determination for payment and amounts to be paid to particular individuals has not yet been made at the time of preparation

Our governance

Accountability

NHFIC is established 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 is part of the Treasury portfolio of agencies and reports to the Minister for Housing and Assistant Treasurer, the Hon. Michael Sukkar MP (Minister).

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.

At the date of publishing this annual report, the National Housing Finance and Investment Corporation Investment Mandate 2018 is the operative direction.

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

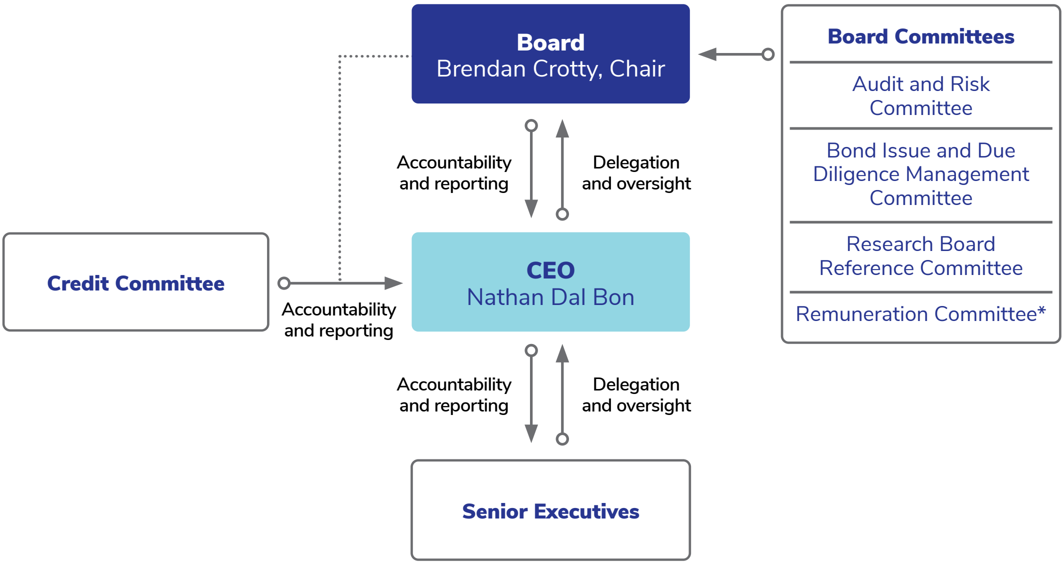
As a corporate Commonwealth entity, NHFIC is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

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 & Recommendations (4th edition), which are considered the benchmark for good corporate governance practices in Australia.

Figure 4: The corporate governance structure at NHFIC



* established in August 2020

The Board

The Board comprises seven independent non-executive members (Table 8).

Table 8: The NHFIC Board

Member	Term	Start date	End date
Brendan Crotty (Chair)	3 years	19 July 2018	18 July 2021
David Cant	3 years	26 July 2018	25 July 2021
Teresa Dyson	5 years	26 July 2018	25 July 2023
Adrian Harrington	5 years	26 July 2018	25 July 2023
Kylie Rampa	5 years	26 July 2018	25 July 2023
Tony De Domenico OAM	5 years	10 April 2019	9 April 2024
Phillip Barresi	5 years	10 April 2019	9 April 2024

The biographical information of each Board member is outlined later in this annual report.

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. The Board 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's functions.

The key responsibilities of the Board 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.

Further details of the responsibilities of the Board are set out in the Board Charter. This charter is reviewed annually and a copy is available on NHFIC's website*.

Board size, appointment, skills and independence

The NHFIC Board must include a Chair and a minimum of four and maximum of six Board 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.

Board skills

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
- public policy.

The Board regularly reviews its composition to ensure it comprises the optimum number of members and that Board members have an appropriate mix of skills.

Conflicts of interest

All Board members of NHFIC are required to disclose any interests or other directorships held, and to update the information provided in a timely manner. 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 will not participate in any discussion or voting when the matter is being considered by the Board or relevant Board Committee.

Each year, Board members are required to complete a declaration of personal interests which is subject to review by NHFIC's Board. NHFIC maintains a register of the declared interests.

Board and other committees

To assist the Board to discharge its responsibilities, the Board has established four Board committees: the Audit and Risk Committee; the Bond Issue Due Diligence and Management Committee; the Remuneration Committee; and the Research Board Reference Committee.** An additional Credit Committee has been established that reports directly to the CEO.

Each committee is governed by its own charter, detailing its roles and responsibilities, membership requirements and frequency of meeting. Table 9 provides details on the Board's four committees and the Credit Committee.

* https://www.nhfic.gov.au/our-organisation/our-governance/charters
** Remuneration Committee was established in August 2020.

Table 9: NHFIC committees

Committee	Role and responsibilities	Membership requirements	Frequency of meetings
Board committee—Audit and Risk Committee	The primary responsibility of the Committee is to assist 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 • a majority of which must not be employees. All members must have appropriate qualifications, knowledge, skills and experience to assist the Audit and Risk Committee to perform its functions. **Current members:** Teresa Dyson (Chair), David Cant, Adrian Harrington and Phillip Barresi.	At least three times per year
Board committee—Bond Issue and Due Diligence Management Committee	The primary responsibility of the Committee is to assist 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. **Current members:** Stephen Knight (Chair), Brendan Crotty, Adrian Harrington and Kylie Rampa.	At least three times per year
Board committee—Remuneration Committee*	The primary responsibility of the Committee is to review and make recommendations to the Board in relation to the payment of bonuses at NHFIC and the CEO remuneration.	The Committee must comprise four members appointed by the Board. All members must have appropriate knowledge, skills and experience to assist the Remuneration Committee to perform its functions. **Current members:** Brendan Crotty, Kylie Rampa, Teresa Dyson and Phillip Barresi.	Annually—August

* Remuneration Committee established in August 2020

Committee	Role and responsibilities	Membership requirements	Frequency of meetings
Board committee—Research Board Reference Committee	The primary responsibility of the Committee is to assist 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 three 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. **Current members:** Brendan Crotty, David Cant and Tony De Domenico.	Fortnightly or as required
Credit Committee	The primary responsibility of the Committee is to assist the Board 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 the NHFIC credit assessment team.	The Committee must comprise: • at least three members • all independent from the Board • a majority of whom 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 and Adam Ohlstein.	Monthly 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 on NHFIC's website*.

* https://www.nhfic.gov.au/our-organisation/our-governance/charters

Ethical and responsible behaviour

Code of Conduct

NHFIC's Code of Conduct for Board members and staff 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, being impartial and objective
- 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's policies, procedures and guidelines.

The Code of Conduct is supported by a number of internal policies and procedures, providing further guidance for Board members and staff 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 1994* (PID Act).

NHIFC has developed detailed processes to be followed by NHFIC's supervisors, authorised officers, 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 Whistleblower Policy applies to all current and former employees of NHFIC, including contractors providing goods or services to NHFIC.

Anti-Money Laundering/Counter Terrorism Financing

NHFIC is required to have an Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) program in place which, among other things, identifies, manages and reduces the money laundering and terrorism financing risk 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' procedures and ongoing customer due diligence and transaction monitoring procedures.

Safeguard integrity in corporate reporting

NHFIC has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting, including the corporate plan, annual report and other reports and media releases NHFIC issues to the public.

Internal controls

NHFIC has a number of internal controls 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.

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

In August 2019, NHFIC appointed McGrathNicol as its internal auditors and approved a three-year internal audit program to evaluate and continually improve the effectiveness of its risk management and internal control processes.

External audit

The Auditor-General is responsible for auditing the financial statements. The external audit for 2019–20 was performed by the Australian National Audit Office.

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 provide confirmation in writing that NHFIC's financial records have 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 make 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 below.

Good Corporate Citizenship Policy

NHFIC's Good Corporate Citizenship Policy is consistent with the Australian Government's expectations outlined in the NHFIC 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 environmental, social and governance issues.

Environmental footprint

In 2019–20, NHFIC operated from one location, a head office in Sydney, New South Wales, where NHFIC has a service level agreement (SLA) with Export Finance Australia. Further information on the SLA with Export Finance Australia is provided in the 'Our people and culture' section of this annual report.

THE NHFIC BOARD IS RESPONSIBLE FOR NHFIC'S CORPORATE GOVERNANCE AND OPERATIONS

Our 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 brings to NHFIC 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. Brendan is also currently a director of Brickworks Limited and Dennis Family Holdings. Most recently Brendan retired as director of General Property Trust and the Macquarie University Council.

Brendan holds Post Graduate Diplomas in Town and Country Planning (Queensland Institute of Technology) and Business Administration (Macquarie University). He has 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 Victoria. David 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 community housing providers in Queensland. David 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.

Teresa Dyson

Member

Term of appointment

26 July 2018 to 25 July 2023

Teresa is an experienced company director, chair and a senior taxation lawyer with over 20 years' experience 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, Power & Water Corporation, Seven West Media Ltd, Shine Justice Ltd, Energy Super, FARE, Energy Queensland Ltd and Gold Coast Hospital & Health Board. 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.

Adrian Harrington

Member

Term of appointment

26 July 2018 to 25 July 2023

Adrian has more than 25 years of experience in the funds management and real estate industries. Adrian is currently the Head of Capital and Product Development at Charter Hall and the Chairman 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.

Kylie Rampa

Member

Term of appointment

26 July 2018 to 25 July 2023

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. Before 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.

Phillip Barresi

Member

Term of appointment

10 April 2019 to 9 April 2024

Phillip was appointed to the NHFIC Board in April 2019 bringing with him extensive national and international board and committee experience.

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

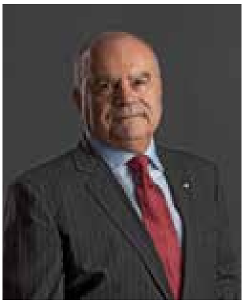
Phillip has held former appointments as CEO for both a leading energy industry association and an electricity generator industry group. Prior to this, Phillip served as a member of the Australian Parliament for nearly 12 years, including chairing a joint parliamentary committee with oversight of public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

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.

Tony is currently the Chair of Abalone Victoria (Central Zone), Chair of Plastic Oceans Australasia, Director of Common Equity Housing Ltd, Director of Prahran Market, and Director and Life Member of the Italian Chamber of Commerce. He is also a Life Member of the Urban Development Institute of Australia, and a Corporate Life Governor of The Royal Life Saving Society (ACT).

Tony was previously the Executive Director of the Urban Development Institute of Australia (UDIA). He has been Chair of Places Victoria, Deputy Chair of Development Victoria and has also 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 (AHURI) from 2014–2018.

Tony has extensive diplomacy experience, serving as a trade and investment diplomat based in Milan, and from 1992–1997 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.

Board meetings

Table 10: 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
Brendan Crotty (Chair)	11	11	-	-	7	8	5	5
David Cant	11	11	6	6	-	-	5	5
Teresa Dyson	10	11	6	6	-	-	-	-
Adrian Harrington	10	11	5	6	6	8	-	-
Kylie Rampa	10	11	-	-	7	8	-	-
Tony De Domenico	11	11	-	-	-	-	5	5
Phillip Barresi	11	11	2	2	-	-	-	-

NB: Remuneration Committee was established in August 2020.

Our approach to risk management

Risk and capital management is a critical part of NHFIC's business. NHFIC has developed a Risk Management Framework that defines its principles and the types of risks it faces.

Risk governance

Risk policies, risk tolerances and operational limits are set by the Board, the PGPA Act, the NHFIC Act and Investment Mandate. NHFIC's approach to risk management is based around assessing the level of, and appetite for, risk and ensuring that it builds the level of capital for that risk profile.

NHFIC has developed a Risk Management Framework that defines its core principles and types of risks it faces. The Framework forms the basis of NHFIC's Risk Appetite Statement and Risk Control Matrix.

The Board is responsible for managing NHFIC's affairs, including determining strategy, defining risk appetite, making financial decisions and monitoring performance. The Board has established Board committees (including an Audit and Risk Committee and a Bond Issue Due Diligence and Management Committee) to support NHFIC's risk management processes and assist in risk oversight. A Credit Committee has also been established that reports directly to the CEO.

Figure 5: NHFIC's risk management framework

Risk culture

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

- Maintain the highest professional and ethical standards.
- Align any staff incentives and rewards to encourage behaviour consistent with its 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.
- Only provide facilities and appoint lenders and issue guarantees under the FHLDS after carefully and appropriately considering the risk implications.
- Be intolerant of regulatory and compliance breaches.

Risk Appetite Statement

The Risk Appetite Statement defines NHFIC's risk tolerance and sets the boundaries for the risks it is willing to accept to achieve its objectives. NHFIC's risk appetite is:

a **Dynamic**—the NHFIC Board reviews the Risk Appetite Statement on a regular basis in conjunction with the corporate plan and relevant government policies.

b **Defined**—it requires NHFIC to operate within defined tolerances and governance procedures.

c **Encompassing**—it provides a roadmap that guides NHFIC's internal risk culture and sets boundaries defined by principles and metrics (both quantitative and qualitative) which are considered collectively.

d **Judgement based**—it recognises that articulating risk appetite is a complex process balancing many different views, but ultimately is a question of judgement.

The Board relies on NHFIC's Executive to manage the implementation and embedding of the risk appetite into NHFIC's activities and all employees have a role to play in identifying risk elements.

Risk Control Matrix

The Risk Control Matrix lists the risks that NHFIC is expected to face, outlines the controls or risk mitigation in place, assesses the likelihood and consequence of each risk before and after mitigation or controls are applied, and assists in identifying early warning signals.

By assigning responsibility to individuals as risk owners, the Risk Control Matrix is intended to engender a culture of risk awareness and accountability.

Risks are classified depending on their nature. NHFIC's key risks fall into the risk categories (Table 11).

Table 11: Risk categories relevant to NHFIC

Risk category	Description
Reputation	Risks associated with negative public or political profile and funds usage.
Strategic	Risks related to meeting strategic objectives and expectations of key stakeholders, business strategy, resourcing and proper corporate structure.
Credit	Risk of default from a borrower failing to make their required payments under NHFIC's loan conditions. Risks of improper credit analysis and portfolio concentration.
Funding, liquidity and earnings	Risks related to NHFIC's ability to raise and access finance from the capital market, and its ability to settle liabilities or obligations as they become due. Risks related to insufficient earnings to meet operational expenditure.
Operational	Risks related to cyber security, loss resulting from inadequate or failed internal processes, people and systems, or from external events.
Regulatory and compliance	Risks associated with breach of the Investment Mandate, NHFIC Act, PGPA Act and rules or other legislation or directions from the Minister relevant to NHFIC and changes in Federal Government policies.
Fraud and corruption	Failure to prevent and detect fraud.
Culture and people	Risks associated with the loss of corporate capacity, knowledge management and inappropriate corporate culture.

The Risk Control Matrix enables management to form a view of residual risks and communicate these to the Board and the Audit and Risk Committee. NHFIC regularly reviews the Risk Control Matrix to add new risks or identify changes to existing risks.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Financial information

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	2020 $'000	2019 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**25,732**	5,820
Revenue from Government	1.1B	**61,762**	53,714
Other revenue		**30**	-
Total Income		**87,524**	59,534
EXPENSES			
Employee benefits	1.2A	**5,371**	2,910
Suppliers	1.2B	**8,474**	4,317
Finance costs	1.2C	**11,679**	1,964
Concessional loan provisions	1.2D	**74,464**	61,151
Allowance for credit loss expense	1.2E	**896**	164
Grants	1.2F	**268**	-
Depreciation and amortisation	2.2A	**175**	-
Total Expenses		**101,327**	70,506
Loss from continuing operations		**(13,803)**	(10,972)
Total comprehensive income/(loss)		**(13,803)**	(10,972)
Reconciliation of underlying operational earnings:			
Reported profit/(loss)		**(13,803)**	(10,972)
Adjustments:			
Add: Concessional loan discount expenses	1.2D,6.1	**74,464**	61,151
Less: Unwinding of concessional loan discount	1.1A	**(4,583)**	(611)
Less: Revenue from Australian Government for AHBA operational expenses	6.1	**(18,820)**	(18,714)
Less: Revenue from Australian Government related to NHIF grants	1.1B,6.1	**(35,000)**	(35,000)
Add: Expenses related to capacity building programs	1.2F,6.1	**268**	-
Normalised profit/(loss) from operations		**2,526**	(4,147)

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer and Assistant Treasurer

Opinion

In my opinion, the financial statements of the National Housing Finance and Investment Corporation (the Entity) for the year ended 30 June 2020:

(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 2020 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 2020 and for the year then ended:

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

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

Rahul Tejani
Executive Director
Delegate of the Auditor-General

Canberra
1 September 2020

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

In our opinion, the attached financial statements for the year ended 30 June 2020 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.

Brendan Crotty
CHAIRMAN
1 September 2020

Nathan Dal Bon
CHIEF EXECUTIVE OFFICER
1 September 2020

Stuart Neilson
CHIEF FINANCIAL OFFICER
1 September 2020

Statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
INCOME			
Interest income calculated using the effective interest method	1.1A	**25,732**	5,820
Revenue from Government	1.1B	**61,762**	53,714
Other revenue		**30**	-
Total income		**87,524**	59,534
EXPENSES			
Employee benefits	1.2A	**5,371**	2,910
Suppliers	1.2B	**8,474**	4,317
Finance costs	1.2C	**11,679**	1,964
Concessional loan provisions	1.2D	**74,464**	61,151
Allowance for credit loss expense	1.2E	**896**	164
Grants	1.2F	**268**	-
Depreciation and amortisation	2.2A	**175**	-
Total expenses		**101,327**	70,506
Loss from continuing operations		**(13,803)**	(10,972)
Total comprehensive income/(loss)		**(13,803)**	(10,972)

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

Statement of financial position

as at 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**119,186**	39,347
Trade and other receivables	2.1B	**2,383**	1,279
Loans and advances	2.1C	**1,074,924**	273,162
Other investments–deposits	2.1D	**438,202**	201,458
Total financial assets		**1,634,695**	515,246
Non-financial assets			
Property, plant and equipment	2.2A	**-**	18
Intangible assets	2.2A	**1,234**	-
Prepayments		**339**	78
Total non-financial assets		**1,573**	96
Total assets		**1,636,268**	515,342
LIABILITIES			
Payables			
Suppliers	2.3A	**3,472**	2,027
Other payables	2.3B	**2,970**	2,972
Total payables		**6,442**	4,999
Interest bearing liabilities			
Other interest-bearing liabilities	3.2A	**1,305,349**	329,878
Total interest-bearing liabilities		**1,305,349**	329,878
Provisions			
Employee leave and other entitlements	4.1	**1,045**	413
Other provisions	2.4A	**18,207**	26,024
Total provisions		**19,252**	26,437
Total liabilities		**1,331,043**	361,314
Net assets		**305,225**	154,028
EQUITY			
Contributed equity		**330,000**	165,000
Retained earnings		**(24,775)**	(10,972)
Total equity		**305,225**	154,028

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

Statement of changes in equity

for the year ended 30 June 2020

	Note	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2019		(10,972)	165,000	154,028
Comprehensive income				
Loss for the period		(13,803)	-	(13,803)
Total comprehensive income		(13,803)	-	(13,803)
Transactions with owners				
Equity injection	3.1	-	165,000	165,000
Dividends		-	-	-
Total transactions with owners		-	165,000	165,000
Transfers between equity components				
Closing balance as at 30 June 2020		(24,775)	330,000	305,225

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

In 2019–20 an additional $165m (bringing the total to $330m) was provided by the Australian Government for National Housing Infrastructure Facility (NHIF) equity and loan arrangements, being recognised as an equity injection as part of the NHIF Permanent Fund.

for the period ended 30 June 2019

	Note	Retained earnings $'000	Contributed equity $'000	Total equity $'000
Opening balance at 1 July 2018		-	-	-
Comprehensive income				
Loss for the period		(10,972)	-	(10,972)
Other comprehensive income		-	-	-
Total comprehensive income		(10,972)	-	(10,972)
Transactions with owners				
Equity injection		-	165,000	165,000
Dividends		-	-	-
Total transactions with owners		-	165,000	165,000
Transfers between equity components				
Closing balance as at 30 June 2019		(10,972)	165,000	154,028

Cash flow statement

for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received			
Contributions from Government		**61,762**	53,714
Interest and loan fees		**15,824**	3,283
Other		**30**	-
Total cash received		**77,616**	56,997
Cash used			
Employees		**4,446**	2,472
Suppliers (inclusive of GST)		**9,631**	2,039
Finance costs		**-**	457
Total cash used		**14,077**	4,968
Net cash from operating activities		**63,539**	52,029
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received			
Interest on investments		**7,146**	1,793
Total cash received		**7,146**	1,793
Cash used			
Purchases of investments		**236,744**	201,458
Net increase/(decrease) in loans and advances		**882,000**	308,323
Purchase of property, plant, equipment and intangibles		**1,409**	18
Total cash used		**1,120,153**	509,798
Net cash from/(used by) investing activities		**(1,113,007)**	(508,005)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowings		**1,187,399**	330,323
Equity injection		**165,000**	165,000
Total cash received		**1,352,399**	495,323
Cash used			
Interest paid on borrowings		**11,092**	-
Repayment of borrowings		**212,000**	-
Total cash used		**223,092**	-
Net cash from/(used by) financing activities		**1,129,307**	495,323
Net increase/(decrease) in cash equivalents held		**79,839**	39,347
Cash equivalents at beginning of financial period		**39,347**	-
Cash equivalents at end of financial period	2.1A	**119,186**	39,347

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 2020

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.

NHFIC operates the Affordable Housing Bond Aggregator (AHBA) to provide lower-cost and longer-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 to help support critical housing-enabling infrastructure.

In 2019–20, NHFIC began administering the First Home Loan Deposit Scheme (FHLDS) on behalf of the Australian Government. Through the Scheme, NHFIC provides a guarantee to participating lenders of up to 15 per cent of the value of the eligible property that is financed by an eligible first home buyer's home loan. Under the current Investment Mandate up to 10,000 guarantees are available each financial year.

NHFIC also undertakes independent research into housing demand, supply and affordability in Australia.

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).

As NHFIC was established on 29 June 2018 and a reporting exemption was granted for that period. The prior year comparatives are for the period of NHFIC's operation from 29 June 2018 to 30 June 2019.

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.

The adoption of new standards and amendments that came into effect for this financial period did not have a significant financial impact on the financial statements.

AASB 169—Leases

AASB 16 became effective on 1 July 2019.

AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained.

As NHFIC does not hold any leases there is no significant effect to the accounting results on the implementation of this standard.

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 2020.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 1: Our financial performance

Note 1.1: Revenue

	2020	2019
	$'000	$'000
NOTE 1.1A: INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD		
Interest from loans and advances at amortised cost	14,280	2,285
Interest from cash and short-term investments at amortised cost	6,869	2,924
Unwinding of concessional loan discount provisions	4,583	611
Total interest income calculated using effective interest method	25,732	5,820

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 transactions at amortised cost, the income or expenses are taken 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.

	2020	2019
	$'000	$'000
NOTE 1.1B: REVENUE FROM GOVERNMENT		
Revenue from Australian Government for NHFIC operational funding	26,762	18,714
Revenue from Australian Government for NHIF grants	35,000	35,000
Total revenue from Government	61,762	53,714

Revenue from Australian Government for NHFIC operational funding includes limited appropriations for the operation of the AHBA. This also includes ongoing appropriations for the administration of the FHLDS and Research function.

Revenue from 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 2020

Note 1.2: Expenses

	2020	2019
	$'000	$'000
NOTE 1.2A: EMPLOYEE BENEFITS		
Wages and salaries	**4,150**	2,363
Superannuation		
Defined contribution plans	**319**	158
Defined benefit plans	**154**	51
Leave and other entitlements	**295**	164
Other employee benefits	**453**	174
Total employee benefits	**5,371**	2,910

Accounting policy

Employee benefits

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

	2020	2019
	$'000	$'000
NOTE 1.2B: SUPPLIER EXPENSES		
Goods and services supplied or rendered		
Legal Fees	**2,297**	1,026
Consultants	**1,632**	889
Contractors	**1,390**	62
Services provided by Export Finance Australia	**837**	772
Information technology services	**698**	234
Credit information	**451**	151
Marketing and media	**261**	-
Insurances	**228**	196
Travel and incidentals	**165**	156
Recruitment services	**109**	552
External auditor fees	**90**	66
Professional fees	**89**	120
Staff training and development	**44**	34
Other	**183**	59
Total supplier expenses	**8,474**	4,317

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 1.2: Expenses (continued)

	2020	2019
	$'000	$'000
NOTE 1.2C: FINANCE COSTS		
Interest on loans	1,216	38
Interest on bonds	10,463	1,926
Total finance costs	11,679	1,964
NOTE 1.2D: CONCESSIONAL LOAN PROVISIONS		
Concessional loan discount provisions	74,464	61,151
Total concessional loan provisions	74,464	61,151

Accounting policy

Concessional loan discount

A concessional loan discount provision is recorded when NHFIC makes a loan at a discount to the prevailing market equivalent rates or terms. The concessional loan discount provisions are a non-cash concession charge and will unwind over the term of the underlying loan and will be disclosed as concessional loan interest income. As the concessional loan discount 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 discount and income will net to $nil. During 2019–20 $4.583m ($0.611m in 2018–19) of concessional loan discount provisions were unwound.

The Investment Mandate which guides NHFIC's operations requires it to make loans to the community housing provider sector (CHPS) at the lowest possible interest rates, after making allowance for a margin that will cover NHFIC's operating costs. The total financial impact of the differences between market interest rates and those charged by NHFIC, which amount to $74.5m (2019: $61.15m) are recorded as "concessional loan discount provisions" and represents management's best estimate of the interest savings that will flow through to the CHPS over the life of the current NHFIC loan portfolio.

Reference to the cash flow statement demonstrates that NHFIC should always have capacity to service AHBA interest commitments, as the concessional loan provisions have no impact on cash flows. Furthermore, NHFIC's statement of financial position discloses net assets of $305m (2019: $154m) and a high level of liquidity.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 1.2: Expenses (continued)

Accounting judgement and estimates

NHFIC is required to record a concessional loan discount provision 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 discounts. The average tenor of the loan portfolio is 10 years, when discounting the difference between the future cashflows at the loan rate and the market equivalent rate, this results in significant concessional loan charges. As the AHBA loan portfolio increases, the concessional loan charges will also increase in line with the portfolio, depending on amount of discount provided for each loan.

	2020	2019
	$'000	$'000
NOTE 1.2E: ALLOWANCE FOR CREDIT LOSS EXPENSE		
Allowance for credit loss expense	896	164
Total allowance for credit loss expense	896	164

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).

	2020	2019
	$'000	$'000
NOTE 1.2F: GRANTS		
Capacity building grants	268	-
Total grants	268	-

NHFIC capacity building grants allows registered community housing providers to access business advisory services and other assistance in capacity building. The total value of the amounts payable by the NHFIC under capacity building contracts is limited to $1.5 million and is funded through Revenue from Australian Government for NHIF grants.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 2: Financial position

Note 2.1: Financial assets

	2020 $'000	2019 $'000
NOTE 2.1A: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	119,186	39,347
Total cash and cash equivalents	119,186	39,347

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.

	2020 $'000	2019 $'000
NOTE 2.1B: TRADE AND OTHER RECEIVABLES		
Goods and services receivables in connection with:		
Other receivables		
Statutory receivables	746	77
Interest	1,637	1,202
Total trade and other receivables (gross)	2,383	1,279
Total trade and other receivables (net)	2,383	1,279
Trade and other receivables (net) expected to be recovered in:		
No more than 12 months	2,383	1,279
Total trade and other receivables (net)	2,383	1,279

Credit terms for good 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 2020

Note 2.1: Financial assets (continued)

	2020	2019
	$'000	$'000
NOTE 2.1C: LOANS AND ADVANCES		
Loans to Community Housing Providers	**1,190,323**	308,323
Gross loans and advances	**1,190,323**	308,323
Concessional loan discount provisions	**(112,214)**	(34,516)
Unearned income and deferred net fee income	**(2,125)**	(481)
Less allowance for credit loss	**(1,060)**	(164)
Total loans and advances (net)	**1,074,924**	273,162
Maturity analysis loans and advances, net of concessionality:		
Due in 1 year to 5 years	**63,529**	-
Due after 5 years	**1,011,395**	273,162
Total loans and advances	**1,074,924**	273,162

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 allowances for credit risk, deferred net fee income, and concessional loan discounts. 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 on 30 June 2020. The ECL allowance is based on 12 months' 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 12 months expected credit losses. 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 2.1: Financial assets (continued)

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

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.

	2020	2019
	$'000	$'000
NOTE 2.1D: OTHER INVESTMENTS		
Deposits	438,202	201,458
Total other investments	**438,202**	201,458
Other investments expected to be recovered in:		
No more than 12 months	438,202	201,458
Total other investments	**438,202**	201,458

All investment securities have a term to maturity of less than twelve months and are held with Australian ADIs rated AA- or higher. Therefore, it has been determined that no material ECL or impairment exists as at 30 June 2020.

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 to medium-term term deposits. Interest income is taken up using the effective interest method. They are carried at amortised cost.

Impairment

All investment securities have a deal term to maturity of less than twelve months and are held with Australian ADIs rated AA- or higher. Therefore, 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 2020

Note 2.2: Property, plant, equipment and intangibles

	Plant and equipment $'000	Computer software $'000	Total $'000
NOTE 2.2A: NON-CURRENT ASSETS—PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLES			
Net book value at 1 July 2019	18	-	18
Additions	-	1,409	1,409
Depreciation/amortisation expense	-	(175)	(175)
Disposals	(18)	-	(18)
Net book value at 30 June 2020	-	1,234	1,234
Net book value as of 30 June 2020 represented by:			
Gross book value	-	1,409	1,409
Accumulated depreciation and impairment	-	(175)	(175)
	-	1,234	1,234

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.

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 2.2: Property, plant, equipment and intangibles (continued)

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:

	2020
Plant and equipment	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 and other intangible assets are 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 2020

Note 2.3: Payables

	2020	2019
	$'000	$'000
NOTE 2.3A: TRADE CREDITORS		
Suppliers	**3,472**	2,027
Total supplier payables	**3,472**	2,027
NOTE 2.3B: OTHER PAYABLES		
Interest payable	**2,467**	1,952
Other accrued expenses	**503**	1,020
Total other payables	**2,970**	2,972
Trade and other payables expected to be settled in:		
No more than 12 months	**6,442**	4,999
Total trade and other payables	**6,442**	4,999

All suppliers payable are expected to be settled in no more than 12 months. Settlement was usually made within 30 days.

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).

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 2.4: Provisions

	2020 $'000	2019 $'000
NOTE 2.4A: OTHER PROVISIONS		
Irrevocable undrawn commitments	18,207	26,024
Financial guarantees	-	-
Total other provisions	18,207	26,024

Irrevocable undrawn commitments are NHFIC's commitments to provide loans at a below-market interest rate. These provisions are recorded at the amount initially recognised which represents the concessional discount on the undrawn loans.

	2020	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2019	-	26,024
Additional provisions made	-	2,484
Amounts reversed	-	(10,301)
Total as at 30 June 2020	-	18,207

	2019	
	Financial guarantees $'000	Irrevocable undrawn commitments $'000
The movement in provisions is as follows:		
As at 1 July 2018	-	-
Additional provisions made	-	26,024
Total as at 30 June 2019	-	26,024

Note 2.4: Provisions (continued)

Accounting judgement and estimates

NHFIC launched the First Home Loan Deposit Scheme 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.

As at 30 June 2020, 6,814 guarantee certificates were issued. An expected credit loss 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. 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, 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 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 expected credit loss 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 2020

Note 3: Our funds management

Note 3.1: Contributions from government

The Australian Government has provided for operating funding for the first three years to assist with the establishment of the NHFIC for the AHBA and NHIF. In 2019–20 additional operating funding over four years was provided for the ongoing administration of the First Home Loan Deposit Scheme and research functions. The Australian Government has also provided for $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 loan 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 other future projects.

This funding is appropriated to the Department of the Treasury.

NHFIC annual appropriations:

	2020 $'000	2019 $'000
Appropriations provided to the Department of Treasury for the purpose of funding NHFIC operations and the NHIF	**226,762**	218,714
Funds drawn down during the financial period:		
Operational funding	**26,762**	18,714
NHIF grants	**35,000**	35,000
Equity contributed towards the NHIF permanent fund	**165,000**	165,000

In addition, 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. The $1 billion may be credited to the NHFIC special account over four years in accordance with section 47B of the NHFIC Act.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 3.1: Contributions from government (continued)

NHFIC Special Account

	2020	2019
	$'000	$'000
Balance brought forward from previous period	**239,677**	-
Appropriations credited during the year to the NHFIC Special Account maintained by the Department of the Treasury	**310,000**	255,000
Available for payments	**549,677**	255,000
Net funds drawn down 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.	**99,860**	15,323
Total balance carried to the next period	**449,817**	239,677

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 injections

Amounts provided by the Australian Government for NHIF equity and loan arrangements are recognised as an equity injection 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. Repayments of loan will be credited to the NHFIC Special Account.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 3.2: Interest bearing liabilities

	2020 $'000	2019 $'000
NOTE 3.2A: OTHER INTEREST-BEARING LIABILITIES		
Loans from the Australian Government	**115,183**	15,323
Fixed rate bonds	**1,190,166**	314,555
Total other interest-bearing liabilities	**1,305,349**	329,878
Other interest-bearing liabilities expected to be settled in:		
No more than 12 months	**99,860**	-
More than 12 months	**1,205,489**	329,878
Total other interest-bearing liabilities	**1,305,349**	329,878

In 2019–20, NHFIC issued two additional social bonds in Australia for the total value of $877 million. The bonds issued were a $315 million 10.5-year fixed rate bond and a $562 million 12–year fixed rate bond. $99.9 million was outstanding relating to 2019–20 in the NHFIC special account used to warehouse loans prior to the bond issuance and this was repaid on the 15th of July 2020.

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 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 2020

Note 3.3: Reconciliation of liabilities arising from financing activities

	At 1 July 2019	Cash proceeds	Cash repayments	Net Proceeds/ (repayments)	Non-cash changes	At 30 June 2020
	$'000	$'000	$'000	$'000	$'000	$'000
Other interest-bearing liabilities						
Loans from the Australian Government	15,323	311,860	(212,000)	99,860	-	**115,183**
Fixed rate bonds	314,555	875,539	-	875,539	72	**1,190,166**
Total liabilities from financing activities	**329,878**	**1,187,399**	**(212,000)**	**975,399**	**72**	**1,305,349**

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 4: People and relationships

Note 4.1: Employee benefits

	2020	2019
	$'000	$'000
NOTE 4.1: EMPLOYEE LEAVE & OTHER ENTITLEMENTS		
Short term employee benefits		
Leave	595	246
Other entitlements	450	167
Total employee provisions	1,045	413
Employee provisions expected to be settled in:		
No more than 12 months	835	331
More than 12 months	210	82
Total employee provisions	1,045	413

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 4.1: Employee benefits (continued)

Superannuation

NHFIC makes contributions to the Public Sector Superannuation Scheme (PSS) and its obligation is limited to a required annual contribution determined by the actuaries of the superannuation plans administered by the Commonwealth. Accordingly, the plans are accounted for by NHFIC as defined contribution plans. 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.

NHFIC staff can also be members of superannuation funds held outside the Australian Government. NHFIC makes employer contributions to these funds as per the Superannuation Guarantee Contribution rate.

The liability for superannuation recognised as at 30 June 2020 represents outstanding contributions for the final fortnight of the year.

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).

	2020	2019
	$	$
Key management remuneration expenses for the reporting period		
Short-term employee benefits	**944,626**	706,820
Post-employment benefits	**110,326**	67,285
Other long-term employee benefits	**11,126**	8,180
Total remuneration	**1,066,078**	782,285
Total key management personnel remuneration expenses	**1,066,078**	782,285

Total number of key management personnel that are included in the above table are: eight (8) (2019: eight).

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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.

Note 5: Managing uncertainties

Note 5.1: Contingencies and commitments

	2020	2019
	$'000	$'000
Commitments to provide financial facilities		
Loans	**167,540**	163,928
NHIF loan, equity, and grant arrangements	**100,000**	-
Total commitments to provide financial facilities	**267,540**	163,928

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 2020

Note 5.2: Financial instruments

Accounting policy

Financial assets

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.

The classification depends on both NHFIC's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. 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.

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach. This measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased significantly.

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

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

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'.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss 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.

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

	2020 $'000	2019 $'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**119,186**	39,347
Trade and other receivables	**2,383**	1,279
Loans and advances	**1,074,924**	273,162
Other investments	**438,202**	201,458
Total financial assets at amortised cost	**1,634,695**	515,246
Total financial assets	**1,634,695**	515,246

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2A: CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	2020 $'000	2019 $'000
Financial liabilities		
Financial liabilities at amortised cost		
Supplier payables	**3,472**	2,027
Other payables	**2,970**	2,972
Loans from the Australian Government	**115,183**	15,323
Fixed rate bonds	**1,190,166**	314,555
Total financial liabilities at amortised cost	**1,311,791**	334,877
Total financial liabilities	**1,311,791**	334,877

NOTE 5.2B: NET GAINS OR LOSSES ON FINANCIAL ASSETS

	2020 $'000	2019 $'000
Financial assets at amortised cost		
Interest revenue	**21,149**	5,209
Allowance for credit loss expense	**(896)**	(164)
Net gains/(losses) on financial assets at amortised cost	**20,253**	5,045
Net gains/(losses) on financial assets	**20,253**	5,045

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

	2020 $'000	2019 $'000
Financial liabilities at amortised cost		
Interest expense	**11,679**	1,964
Net gains/(loss) on financial liabilities at amortised cost	**11,679**	1,964
Net gains/(loss) on financial liabilities	**11,679**	1,964

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2D: FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amount 2020 $'000	Fair value 2020 $'000	Carrying amount 2019 $'000	Fair value 2019 $'000
Financial assets at amortised cost				
Cash and cash equivalents	119,186	119,186	39,347	39,347
Loans and advances	1,074,924	1,280,713	273,162	346,821
Other investments	438,202	439,508	201,458	202,985
Total financial assets	1,632,312	1,839,407	513,967	589,153
Financial liabilities at amortised cost				
Loans from the Australian Government	115,183	115,558	15,323	15,547
Fixed rate bonds	1,190,166	1,286,070	314,555	340,781
Total financial liabilities	1,305,349	1,401,628	329,878	356,328

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:

	Note	2020 $'000	2019 $'000
Credit risk exposures			
Cash and cash equivalents	2.1A	119,186	39,347
Trade and other receivables	2.1B	1,637	1,202
Loans and advances	2.1C	1,190,323	308,323
Other investments - deposits	2.1D	438,202	201,458
Total*		1,749,348	550,330
Commitments	5.1	267,540	163,928
Total		267,540	163,928
Total credit risk exposure		2,016,888	714,258

* Other assets, Property, plant and equipment, Loans from 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 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

	2020		
	Not past due nor impaired $'000	Past due or impaired $'000	Total $'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	119,186	-	119,186
Trade and other receivables	1,637	-	1,637
Loans and advances	1,190,323	-	1,190,323
Investments–deposits	438,202	-	438,202
Total financial assets	1,749,348	-	1,749,348
Committed credit facilities	267,540	-	267,540
Total credit risk exposure	2,016,888	-	2,016,888

	2019		
	Not past due nor impaired $'000	Past due or impaired $'000	Total $'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	39,347	-	39,347
Trade and other receivables	1,202	-	1,202
Loans and advances	308,323	-	308,323
Investments–deposits	201,458	-	201,458
Total financial assets	550,330	-	550,330
Committed credit facilities	163,928	-	163,928
Total credit risk exposure	714,258	-	714,258

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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.

	2020 $'000	2019 $'000
Assets held as collateral		
Fair value of assets held as collateral		
Non-financial assets pledged as collateral	**3,596,940**	1,100,000
Total assets held as collateral	**3,596,940**	1,100,000

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:

	2020		2019	
Gross loans and advances	Loan value $'000	%	Loan value $'000	%
Risk category 3 (BBB- to BBB+)	**638,000**	**54%**	178,000	58%
Risk category 4 (BB- to BB+)	**552,323**	**46%**	130,323	42%
Total gross loans and advances	**1,190,323**	**100%**	308,323	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Impairment assessment

Probability of default (PD) estimation—NHFIC 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. PD's 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's 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 loan-to-value 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 COVID-19 pandemic has had a major impact on the health, social and the broader economy with heightened levels of economic uncertainty going forward. The ECL charge for the year and ECL provisions as at 30 June 2020 is therefore largely based on management judgement with assumptions made based on a variety of internal and external information. Based on judgement, the CHPS has been rated low risk in respect to the likely economic impacts of COVID-19. Recognising the impacts of COVID-19, NHFIC continually monitors its loan portfolio with sensitivity and stress tests performed to manage risk and assess potential financial impacts. Taking into consideration macroeconomic indicators, NHFIC tested the following sensitivities:

- The rental decrease required before the CHP is forecast to breach their interest coverage ratio (ICR) covenant in dollar and percentage terms.
- The rental decrease required before the CHP is forecast to experience an ICR of less than one (i.e. is unable to service the debt from forecast income) in dollar and percentage terms.
- If the CHP were to reduce their planned maintenance to zero (i.e. cease non-emergency repairs on property for 12 months), what rental decrease is required before the CHP is forecast to breach their ICR covenant in dollar terms.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

The combination of sensitivity studies and conversations with clients have led NHFIC to believe that our client base is well placed to actively manage and absorb the financial impacts of the COVID-19 crisis in the short to medium term. Whilst their earnings before interest, taxes, depreciation, and amortisation (EBITDA) and profitability is likely to be impacted as a result, they are not anticipating immediate financial distress. There have been no instances of arrears or request for repayment arrangements. NHFICs assessment has determined that there has been no significant increase in credit risk at this time but continues to actively monitor the situation. For ECL calculation purposes, the NHFIC loan portfolio remains in Stage 1.

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

	2020	2019
	$'000	$'000
Allowance for credit loss by type:		
Allowance for credit loss on loans and advances	**(1,060)**	(164)
Total as at 30 June 2020	**(1,060)**	(164)

	2020	2019
	$'000	$'000
Reconciliation of the allowance for credit loss:		
Allowance for credit risk opening balance:	**(164)**	-
New exposures	**(694)**	(164)
Change in risk grade	**(78)**	-
Change in term to maturity	**(109)**	-
Change in probability of default rates	**(15)**	-
Allowance for credit risk closing balance:	**(1,060)**	(164)

	2020					
		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	1,190,323	1,060	-	-	-	-
Total	**1,190,323**	**1,060**	**-**	**-**	**-**	**-**

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

	2019					
	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	308,323	164	-	-	-	-
Total	**308,323**	**164**	**-**	-	-	-

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.

	2020		2019	
	Facility value $'000	%	Facility value $'000	%
Risk category 1 (AA- to AAA)	**100,000**	**38%**	-	0%
Risk category 3 (BBB- to BBB+)	**17,000**	**6%**	40,000	24%
Risk category 4 (BB- to BB+)	**150,540**	**56%**	123,928	76%
Total commitments	**267,540**	**100%**	163,928	100%

NHFIC launched 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.

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 the 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.

As at 30 June 2020, 9,984 places were used with 6,814 guarantee certificates issued for loans which were settled or pending settlement. 3,169 places were reserved and pending a property purchase or approvals, with 1 place released without guarantee.

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 per cent of the value of the property and in accordance with s 29H(2) of *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*.

Note 5.2: Financial instruments (continued)

NOTE 5.2E: CREDIT RISK (CONTINUED)

Credit risk arising from NHFIC through its administration of the FHLDS and guarantees issued is limited to the guaranteed maximum liability of each individual guarantee. For the exposures to credit risk, NHFIC measures an ECL.

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, NHFIC does not expect to incur any losses in respect to payment of guarantee claims. NHFIC's measurement for ECL is $nil.

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

	2020	2019
	$'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 FHLDS	392,342	-
Total financial assets carried at amount not best representing maximum exposure to credit risk	392,342	-

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 limited ADIs rated AA- or above.

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

	2020		2019	
Other investments—deposits	Investment value $'000	%	Investment value $'000	%
Australian authorised deposit-taking institutions				
AA+ to AA-	438,202	100%	201,458	100%
Total other investments–deposits	438,202	100%	201,458	100%

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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. The contractual undiscounted amounts comprise principal and interest repayment obligations and are as follows:

	2020			
	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	119,186	-	-	-
Trade and other receivables	1,622	-	-	-
Loans and advances	6,892	20,438	170,028	1,263,128
Investments–deposits	369,585	69,995	-	-
Total undiscounted financial assets	497,285	90,433	170,028	1,263,128
Undiscounted financial liabilities				
Other interest-bearing liabilities	103,644	16,657	96,355	1,301,397
Total undiscounted financial liabilities	103,644	16,657	96,355	1,301,397
Net undiscounted financial assets/(liabilities)	393,641	73,777	73,673	(38,270)

The above maturity profile shows that NHFIC is well capitalised to meet its contractual repayment obligations as and when they arise. Two construction facilities which are maturing in the '1 year to 5 years' category can be refinanced on completion to a term debt facility for up to 10.5 years. The conversion will match with bond issued funding and eliminate the potential shortfall in the 'Greater than 5 years' category.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 5.2: Financial instruments (continued)

NOTE 5.2F: LIQUIDITY RISK (CONTINUED)

	2019			
	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	39,347	-	-	-
Trade and other receivables	1,202	-	-	-
Loans and advances	2,259	6,728	35,873	351,804
Investments - deposits	203,437	-	-	-
Total undiscounted financial assets	**246,245**	**6,728**	**35,873**	**351,804**
Undiscounted financial liabilities				
Other interest-bearing liabilities	3,748	3,973	45,758	352,485
Total undiscounted financial liabilities	**3,748**	**3,973**	**45,758**	**352,485**
Net undiscounted financial assets/(liabilities)	**242,496**	**2,755**	**(9,885)**	**(681)**

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 fixed rates and tenors which are matched to a fixed rate borrowing 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 of interest-bearing financial assets and financial liabilities is set out below:

	2020	2019
	$'000	$'000
Interest-bearing financial assets		
Classified as floating rate		
Cash and cash equivalents	119,186	39,347
Total classified as floating rate	119,186	39,347
Classified as fixed rate		
Investments - deposits	438,202	201,458
Loans and advances	1,190,323	308,323
Total classified as fixed rate	1,628,525	509,781
Interest-bearing financial liabilities		
Classified as fixed rate		
Other interest-bearing liabilities	1,305,349	329,878
Total classified as fixed rate	1,305,349	329,878

Sensitivity analysis of the risk that the entity is exposed to for 2020

NHFIC's fixed rate assets and liabilities are held at amortised cost and not carried at fair value. The impact of a shift in market interest rates of +/- 9bp on 30 June 2020 has a $Nil effect on the profit or loss.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 6: Other information

Note 6.1: Reporting of NHFIC activities

	2020				
	NHIF $'000	AHBA* $'000	FHLDS $'000	Research $'000	Total $'000
Income					
Interest and loan fee revenue	5,522	20,211	-	-	**25,732**
Revenue from Government	35,000	18,820	7,001	941	**61,762**
Other revenue	-	30	-	-	**30**
Total income	**40,522**	**39,061**	**7,001**	**941**	**87,524**
Expenses					
Employee benefits	-	4,211	948	212	**5,371**
Suppliers	1,269	2,979	3,728	500	**8,474**
Finance costs	-	11,679	-	-	**11,679**
Grants	268	-	-	-	**268**
Depreciation and amortisation	-	-	175	-	**175**
Total expenses net of provisions	**1,537**	**18,869**	**4,851**	**712**	**25,967**
Allowance for credit loss expense	-	896	-	-	**896**
Concessional loan provisions	-	74,464	-	-	**74,464**
Total expenses	**1,537**	**94,229**	**4,851**	**712**	**101,327**
Total surplus/(deficit)	**38,986**	**(55,168)**	**2,150**	**229**	**(13,803)**
Assets					
Financial assets					
Cash and cash equivalents	-	119,186	-	-	**119,186**
Trade and other receivables[1]	806	2,380	1,103	274	**4,563**
Loans and advances	-	1,074,924	-	-	**1,074,924**
Other investments	406,702	31,500	-	-	**438,202**
Non-financial assets					
Intangible assets	-	-	1,234	-	**1,234**
Prepayments	-	339	-	-	**339**
Total assets	**407,508**	**1,228,329**	**2,337**	**274**	**1,638,447**

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 6.1: Reporting of NHFIC activities (continued)

	2020				
	NHIF $'000	AHBA* $'000	FHLDS $'000	Research $'000	Total $'000
Liabilities					
Suppliers	-	3,472	-	-	**3,472**
Other payables[1]	1,335	3,602	174	39	**5,150**
Other interest-bearing liabilities	-	1,305,349	-	-	**1,305,349**
Employee provisions	-	1,026	13	6	**1,045**
Other provisions	-	18,207	-	-	**18,207**
Total liabilities	**1,335**	**1,331,656**	**187**	**45**	**1,333,223**
Net assets	**406,173**	**(103,327)**	**2,150**	**229**	**305,225**
Equity					
Contributed equity	330,000	-	-	-	**330,000**
Retained earnings	37,187	(48,159)	-	-	**(10,972)**
Retained surplus/(deficit)	38,986	(55,168)	2,150	229	**(13,803)**
Total equity	**406,173**	**(103,327)**	**2,150**	**229**	**305,225**

*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 2,180 to reflect unconsolidated payables and receivables between reporting classifications.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF, FHLDS, 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 2020

Note 6.1: Reporting of NHFIC activities (continued)

	2019		
	NHIF $'000	AHBA* $'000	Total $'000
Income			
Interest and loan fee revenue	2,653	3,167	5,820
Revenue from Government	35,000	18,714	53,714
Total income	**37,653**	**21,881**	**59,534**
Expenses			
Suppliers	466	3,851	4,317
Employee benefits	-	2,910	2,910
Finance costs	-	1,964	1,964
Total expenses net of provisions	**466**	**8,725**	**9,191**
Allowance for credit loss expense	-	164	164
Concessional loan provisions	-	61,151	61,151
Total expenses	**466**	**70,040**	**70,506**
Total surplus/(deficit)	**37,187**	**(48,159)**	**(10,972)**
Assets			
Financial assets			
Cash and cash equivalents	-	39,347	39,347
Trade and other receivables	1,111	168	1,279
Loans and advances	-	273,162	273,162
Other investments - deposits	201,458	-	201,458
Non-financial assets			
Property, plant and equipment	-	18	18
Prepayments	-	78	78
Total assets	**202,569**	**312,773**	**515,342**

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 6.1: Reporting of NHFIC activities (continued)

	2019		
	NHIF $'000	AHBA* $'000	Total $'000
Liabilities			
Suppliers	-	2,027	2,027
Other payables	382	2,590	2,972
Other interest-bearing liabilities	-	329,878	329,878
Employee provisions	-	413	413
Other provisions	-	26,024	26,024
Total liabilities	**382**	**360,932**	**361,314**
Net assets	**202,187**	**(48,159)**	**154,028**
Equity			
Contributed equity	165,000	-	165,000
Reserves	-	-	-
Retained surplus/(deficit)	37,187	(48,159)	(10,972)
Total equity	**202,187**	**(48,159)**	**154,028**

*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.

For purposes of sectoral classification of Government Finance Statistics (GFS) the NHIF is 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 2020

Note 6.2: Aggregate assets and liabilities

	2020	2019
	$'000	$'000
Assets expected to be recovered in:		
No more than 12 months	**560,109**	242,102
More than 12 months	**1,076,159**	273,240
Total assets	**1,636,268**	515,342
Liabilities expected to be settled in:		
No more than 12 months	**7,277**	5,330
More than 12 months	**1,323,766**	355,984
Total liabilities	**1,331,043**	361,314
Net assets	**305,225**	154,028

Notes to and forming part of the financial statements

for the year ended 30 June 2020

Note 6.3: Remuneration of external auditors

	2020	2019
	$	$
Auditor's remuneration		
Amounts received or due and receivable by NHFIC's auditors for:		
Other services performed during the reporting period	**122,623**	-
An audit or review of the annual report	**90,200**	79,200
Total auditor's remuneration	**212,823**	79,200

On 3 December 2019, KPMG was contracted by the Australian National Audit Office (ANAO) to provide audit services in relation to the audit of NHFIC. During 2019-20, KPMG earned additional fees of $122,623 for non-audit services that was separately contracted by NHFIC.

These fees included:

- $116,623 relating to work commissioned and completed prior to the appointment of KPMG to NHFIC's audit. This work covered policy and technical accounting advice; and
- GST advice with associated fees of $11,000 undertaken by KPMG's tax advisory team subsequent to KPMG's appointment as NHFIC's auditors. These non-audit tax services were approved separately by the ANAO and the NHFIC Audit Committee.

Index of statutory reporting requirements

Section	Subject	Location	Page
Public Governance, Performance and Accountability Act 2013			
s.39	The Board must prepare annual performance statements.	Annual Performance Statement	10–25
s.43	A copy of the annual financial statements and the Auditor-General's report must be included in an annual report	Financial information and Independent Auditors Report	56–105
s.46	The Board must prepare a give an annual report to the entity's responsible Minister, for presentation to the Parliament, on NHFIC's activities during the period.	Chair and CEO Report	2–4
Public Governance, Performance and Accountability Rule 2014			
s.17BB	The Board must approve the annual report by a resolution of directors and signed by a director and include how and when approval was given.	The Annual Report was approved by the Board	
s.17BE (a)–(b)	The annual report must detail NHFIC's enabling legislation, its objects and functions and its purposes as set in its corporate plan for the period.	Our business and strategy; and Our governance	6–9; 38–51
s.17BE (c)–(f)	The annual report must detail the particulars of the responsible Minister and any directions given or policy orders applied during the financial year.	Annual Performance Statement; and Our governance	10–25; 38–51
s.17BE (g)	The annual report must include NHFIC's Annual Performance Statements	Annual Performance Statement	10–25
s.17BE (h)–(i)	The annual report must detail any significant issues reported to the Minister.	There were no significant issues reported to the Minister during the 2019–20 Financial Year	
s.17BE (j)	The annual report must detail particulars of the Board.	Our governance	38–51
s.17BE (k)–(l)	The annual report must detail particulars of NHFIC's organisational structure and outline the location of NHFIC's major activities or facilities.	Our business and strategy; and Our people and culture	6–9; 26–37

Section	Subject	Location	Page
s.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	26–37
s.17BE (m)–(p)	The annual report must outline the main corporate governance policies.	Our governance	38–51
s.17BE (q)–(s)	The annual report must detail any judicial and administrative decisions or reviews or reports having a significant effect on NHFIC.	There were no judicial and administrative decisions or reviews or reports having a significant effect on NHFIC during 2019–20.	
s.17BE (t)	The annual report must detail any indemnity applied during the financial year.	Our people and culture	26–37
s.17BE (taa)	The annual report must provide detail of the Audit and Risk Committee members and a link to the Charter	Our governance	38–51
s.17BE (ta)	The annual report must include information about executive remuneration.	Our people and culture	26–37
s.17BE (u)	The annual report must include an index of NHFIC's statutory reporting requirements.	Index of statutory reporting requirements	106–107
s. 17BF	Disclosure requirements for government business enterprises. The annual report must detail any disclosure requirements for government enterprises	Financial information	56–105
s. 17BF(1)(a)(i)	An assessment of significant changes in the entity's overall financial structure and financial conditions	Financial information	56–105
s. 17BF(1)(a)(ii)	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	Financial information	56–105
17BF(1)(b)	Information on dividends paid or recommended	No dividend was paid in the period	
17BF(1)(c)	Details of any community service obligations the government business enterprise has including: e. an outline of actions taken to fulfil those obligations; and f. an assessment of the cost of fulfilling those obligations	Not applicable	

Section	Subject	Location	Page
17BF(2)	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	Not applicable	
National Housing Finance and Investment Corporation Act 2018			
s.56	The annual report must include: a. particulars of any changes to the Investment Mandate during the period and their impact on the operations of NHFIC b. In relation to each financial support provided by NHFIC during the period, a summary of: i. The amount of that kind of financial support ii. The risks and returns to the Commonwealth c. the particulars of the NHFIC's research during the period into housing affordability in Australia.	Annual performance statement	10–25
Environment Protection and Biodiversity Conservation Act 1999			
s.516A (3)(6)	Ecologically sustainable development and environmental performance	Our governance	38–51
Equal Employment Opportunity (Commonwealth Authorities) Act 1987			
s. 9(4)	Report on Equal Employment Opportunity program	Our people and culture	26–37
Work Health and Safety Act 2011			
Sch2, Pt 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations	Our people and culture	26–37

Glossary

Term	Description
ADIs	Authorised deposit-taking institutions
AHBA	Affordable Housing Bond Aggregator
ANAO	Australian National Audit Office
AML/CTF	Anti-Money Laundering/Counter Terrorism Financing
APSC	Australian Public Service Commission
Board	Board of NHFIC
CEO	Chief Executive Officer of NHFIC
Chair	Chair of NHFIC
CHP	Community housing provider
EAD	Exposure at default
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
ECL	Expected credit loss
Executive	Members of the executive leadership team of NHFIC
FAR	Fixed annual remuneration
FBT	Fringe Benefits Tax
FHLDS	First Home Loan Deposit Scheme
FIRG	Financial Institutions Remunerations Group
FTE	Full time equivalent
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GST	Goods and Services Tax
ICR	Interest cover ratio
Investment Mandate	National Housing Finance and Investment Corporation Investment Mandate Direction 2018
KMP	Key management personnel
LGD	Loss given default
Minister	Minister for Housing and Assistant Treasurer
NESB	Non-English speaking background

Term	Description
NHFIC	National Housing Finance and Investment Corporation
NHFIC Act	*National Housing Finance and Investment Corporation Act 2018*
NHIF	National Housing Infrastructure Facility
PD	Probability of default
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PWD	People with disability
SLA	Service level agreement
SPPI	Solely payments of principal and interest
Tribunal	Australian Government Remuneration Tribunal