

CHAIRPERSON'S REPORT

I'm doing what I think I was put on this earth to do. And I'm really grateful to have something that I'm passionate about and that I think is profoundly important.

Marian Wright Edelman.



*Totsie Memela-Khambule
Chairperson*

The Rural Housing Loan Fund (RHLF) presents the 2008/09 Annual Report in the context of the most difficult economic climate most of us have ever experienced. The global financial crisis and the resulting economic slowdown have affected emerging and developing economies everywhere and we in South Africa are no exception.

The low-income families who RHLF serves have been particularly hard hit by these developments. Their disposable incomes are shrinking as a result of higher inflation, especially on staple foods, building materials and transport. At the

same time, many of our clients must fear job losses as inevitable retrenchments often impact the less qualified and lower paid workers first.

RHLF's core business is to help the working poor across the rural areas and small towns of South Africa to fulfil their housing dreams. We deliver on this mandate as efficiently as possible using a network of specialized intermediary lenders who maintain the relationship with clients and enable access on a national scale.

The recent negative macroeconomic developments have created significant challenges for our retail partners who have, to a large extent, been able to sustain the momentum of client outreach. Our partners continue to keep the repayment performance of the portfolio within our strict guidelines. This is a remarkable result under such extreme market conditions; and I speak on behalf of the entire Board of Directors as I express my pride in RHLF's achievements this year. RHLF contributes to the quality of life of rural communities by enabling access to credit for a wide range of house extension facilities, including extensions for business opportunities. The sense of accomplishment that comes from building a home in this way and owning it free clearly transforms the lives of rural families and uplifts the entire community. Since inception in 1996, RHLF has funded

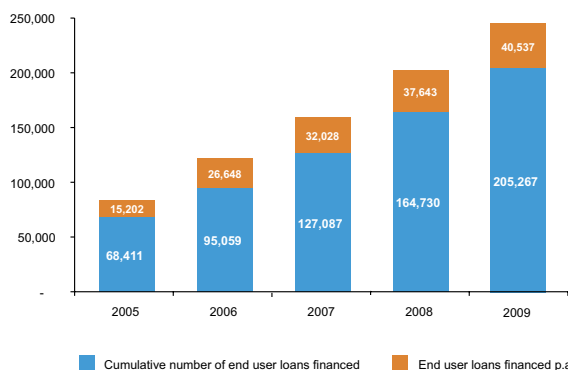
a cumulative number of 205, 267 housing loans valued at R681.7 million. During the 2008/09 financial year alone, 40, 537 loans were disbursed amounting to R139 million, including mezzanine funding. This represents an important achievement taking into account the very tough market conditions throughout the year.

I am also pleased to report that RHLF continues to be a key player in providing access to finance to low-income communities in the Presidential Rural Nodes and other rural areas. We have made great strides in lending to rural and peri-urban areas, considering the high levels of poverty, the problem of existing consumer debt and the resulting very limited affordability for responsible housing finance. During the year under review, RHLF disbursed 16,376 loans in Rural Nodes valued at R87 million.

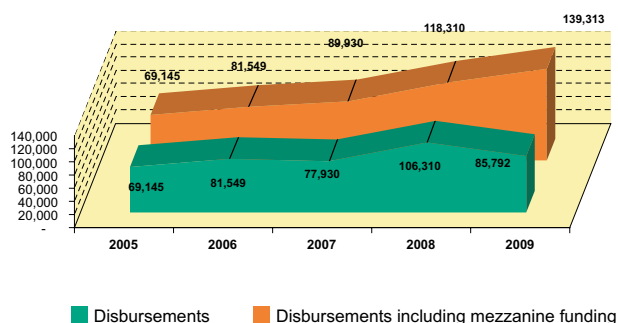
Rural development is one of key priorities for the new government. RHLF is looking forward to putting its existing retail infrastructure to work as a means to accelerate housing delivery and support innovative programmes in rural development.

RHLF owes its success in addressing the housing needs of the rural working poor to the dedicated support we receive from all of our stakeholders. Our current funders, Kreditanstalt für Wiederaufbau

Number of End User Loans



Annual Disbursement



(KfW) and the Development Bank of Southern Africa (DBSA), continue to play a critical role in enabling RHLF to grow its portfolio and development impact. I am very grateful for their financial commitment to RHLF as well as for the sound strategic advice and technical expertise they contribute to our business.

The guidance and encouragement we receive from all senior officials at the Department of Housing continues to motivate all of us in our efforts to deliver on RHLF’s mandate. I would like to particularly thank the former Minister of Housing, Dr Lindiwe Sisulu, for the unwavering support she offered to RHLF throughout her tenure as minister responsible for the housing portfolio.

We look forward to working with the new Minister of Human Settlements, Mr Tokyo Sexwale, in improving the housing and general living conditions in rural areas. We also welcome the new Deputy Minister of Human Settlements, Ms Zou Kota, who as Chairperson of the Portfolio Committee on Housing played a key role in the oversight of RHLF. On behalf of the RHLF Board, I congratulate both the Minister and the Deputy Minister on their appointments and again commit RHLF to support government in fulfilling the promise of a better life for all.

The 2009/10 financial year will no doubt

be another challenging one for RHLF and its business partners. It is now certain that the South African economy will require significant time to return to its long-term economic growth trend. Making affordable, small housing loans in a low-income market with high debt levels, shrinking real incomes, and rising unemployment is an extremely challenging responsibility.

It is through our retail partners, who are tried and tested in navigating these complex issues with admirable skill that this becomes a possible undertaking. We are grateful for their continued commitment to our shared mission of improving the housing conditions of the working poor. Without these efficient and well managed private sector partners, RHLF could never aspire to reaching all corners of rural South Africa. Some of our intermediaries have even continued to grow throughout these difficult times by attracting additional private funding to their balance sheet. I strongly believe that housing microfinance has a tremendous potential for improving the housing conditions of the poor. RHLF has proven that this market works and therefore welcomes more private sector financial institutions to our effort.

During the year under review, our founding Managing Director, Mr Willem van Emmenis, left RHLF having contributed immensely in building RHLF

into a strong organisation it is today. Andrew Jager, former Chief Financial Officer, also left during the same period and leaves a legacy of skilful financial management and flawless compliance with highest standards of public sector accountability. RHLF will continue to benefit from both their contributions for many years to come.

I am particularly pleased with the response of our staff under the leadership of Andrew Jager and Jabulani Fakazi who led the team through the changes and uncertainties. They exhibited the natural team spirit and joint responsibility that we have come to appreciate at RHLF over the years. Everyone continued to work with passion in delivering service to our clientele. On behalf of the Board, I thank each and every member of RHLF staff for the commitment they show to continuing the RHLF journey. The fact that RHLF is reporting a surplus yet again is proof of the professionalism and focus of our dedicated team.

