



National Home Mortgage Finance Corporation's Disposal of NPL Portfolio

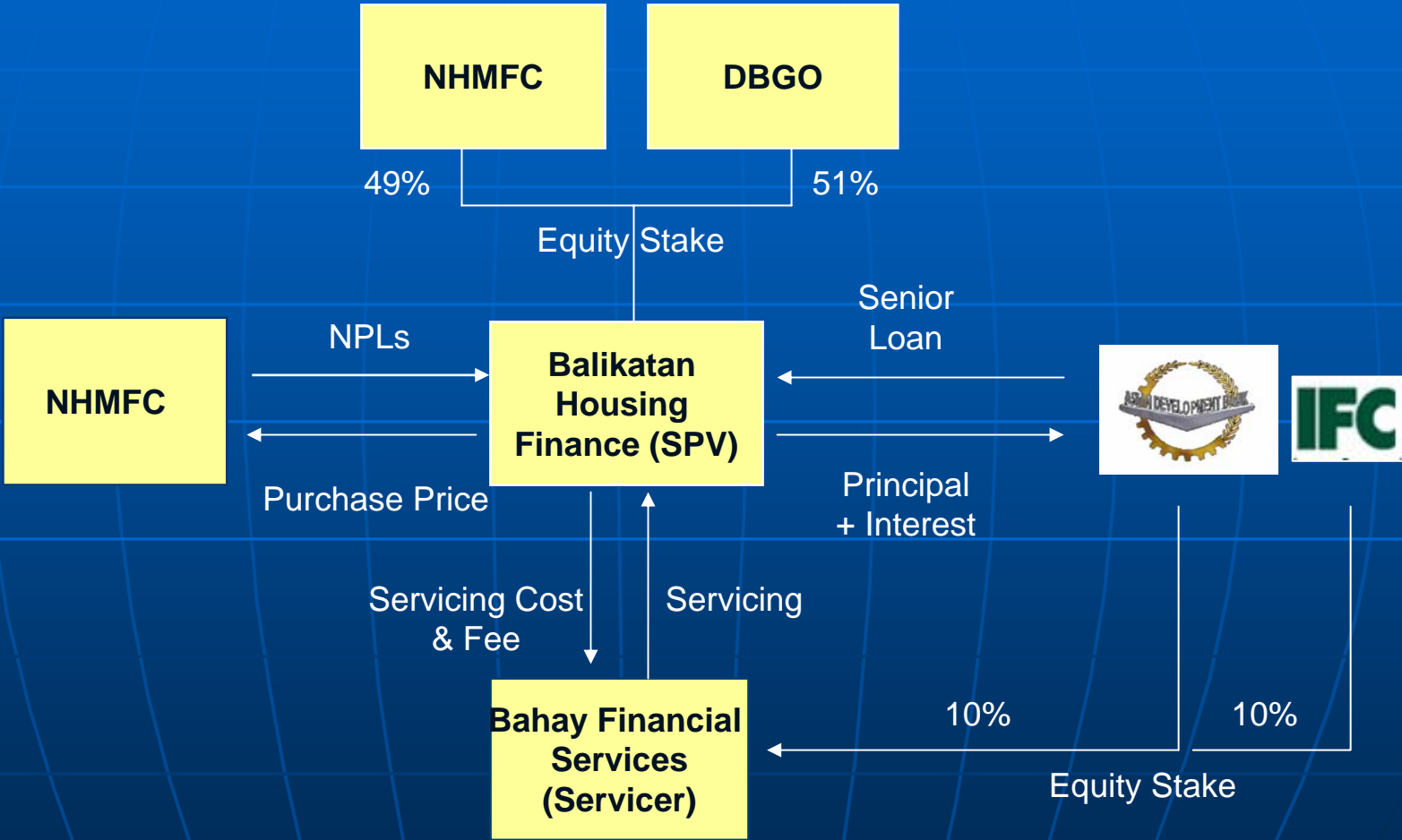
Transaction Background

- NHMFC was created in 1977 to serve as a secondary mortgage institution and to be the primary mortgage loan provider in the Philippines
- In 1988, NHMFC established Unified Home Lending Program (UHLP) with funds borrowed from GSIS, SSS and Pag-IBIG (the Funders)
- Low repayment rate and huge amount of uncollected loans in UHLP
- In 1996, UHLP was suspended and NHMFC was mandated to refocus its efforts on collections

Sale of Highly Delinquent Portfolio

- NHMFC decided to auction off approximately Php13.45 billion of NPLs
- In May 2004, DB Global Opportunities Fund (DBGO) won bid and partnered with NHMFC to resolve NPL portfolio
- Allowed NHMFC to repay Funders more quickly
- Core restructuring strategy: transition of NHMFC to a secondary mortgage institution

Transaction Structure



Development Impact: Promotes Housing

- Invigorates low-income housing market
- Allows borrowers to restructure their obligations and become home owners
- Created the first best-practice servicing platform for low and middle-income housing loans and NPLs
- Helps restructure NHMFC and its transformation into a secondary mortgage institution

Development Impact: Resolve NPLs

- Kick started Philippine NPL market
- Catalyzes investors into NPL market
- Achieves demonstration effect in NPL resolution

Development Impact: Improves Economy

- Strengthens Philippine pension system
- Catalyzes foreign investments and generates employment
- Fosters sustainable credit culture at retail level

Value Addition of ADB

- ADB financing helped encourage DBGGO's participation in the transaction
- Introduction of debt layer in capital structure increased cash purchase price paid by DBGGO to NHMFC
- ADB's support in early stages of project lent credibility and provided considerable comfort to potential investors
- ADB's involvement also ensures best practices and provides credibility to the Servicer's operations as it services and resolves the acquired portfolio