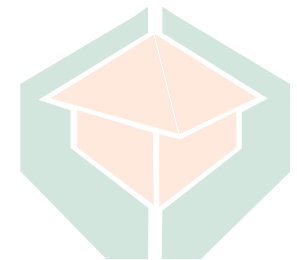




PRESIDENT'S REPORT

Gonzalo B. A. Bongolan

6/23/2008



Presentation flow

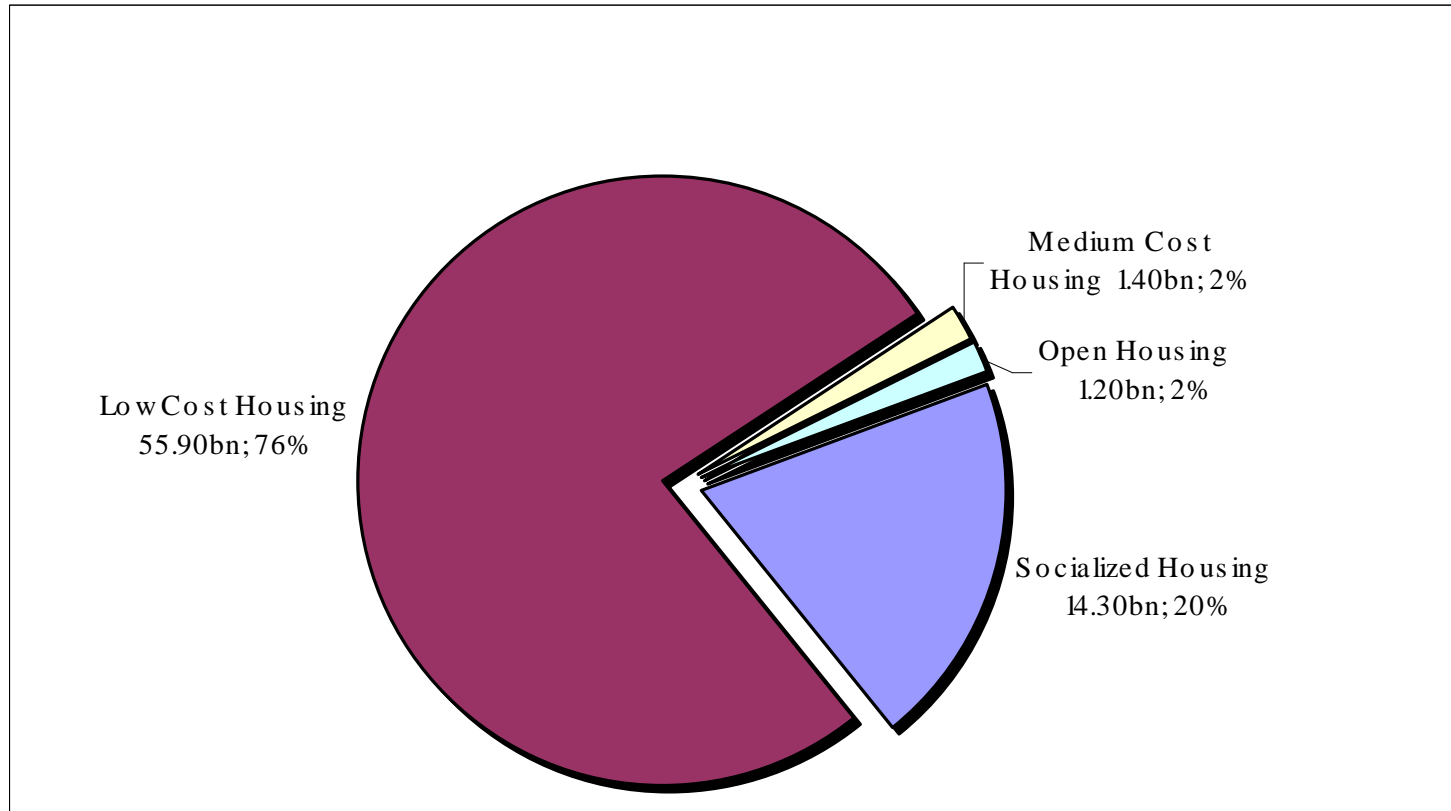
- I. Highlights of 2007 Operations**
- II. Updates on Major Corporate Activities**
- III. Business arising from the previous Meetings and Compliance to Board Instructions**
- IV. Cash Flow Report**
- V. Thrusts for 2008**



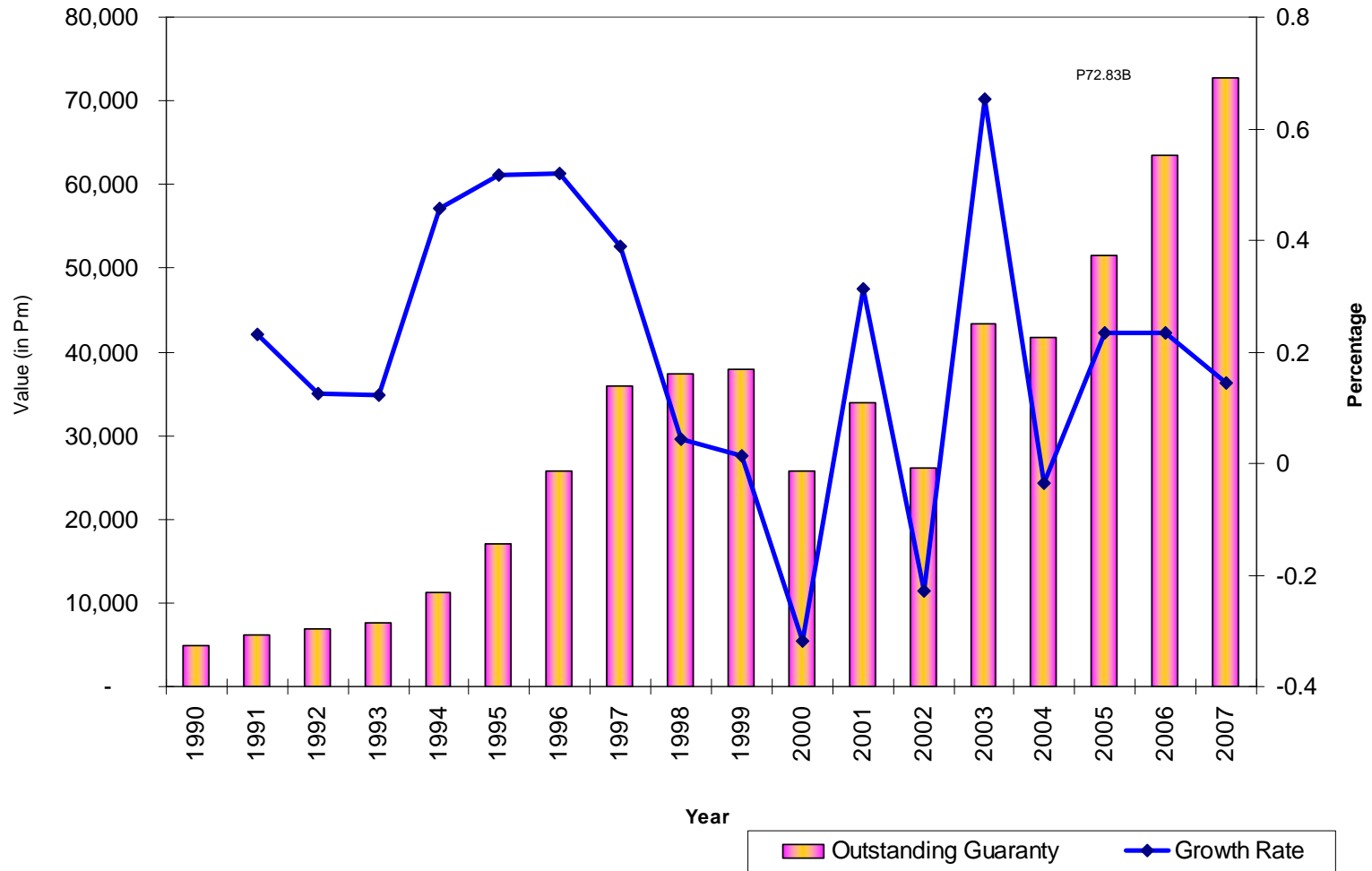
I
Highlights of 2007
Operations

Outstanding Guarantees

(P72.83bn, as of December 2007)



Outstanding Guaranty



Guaranty Operations

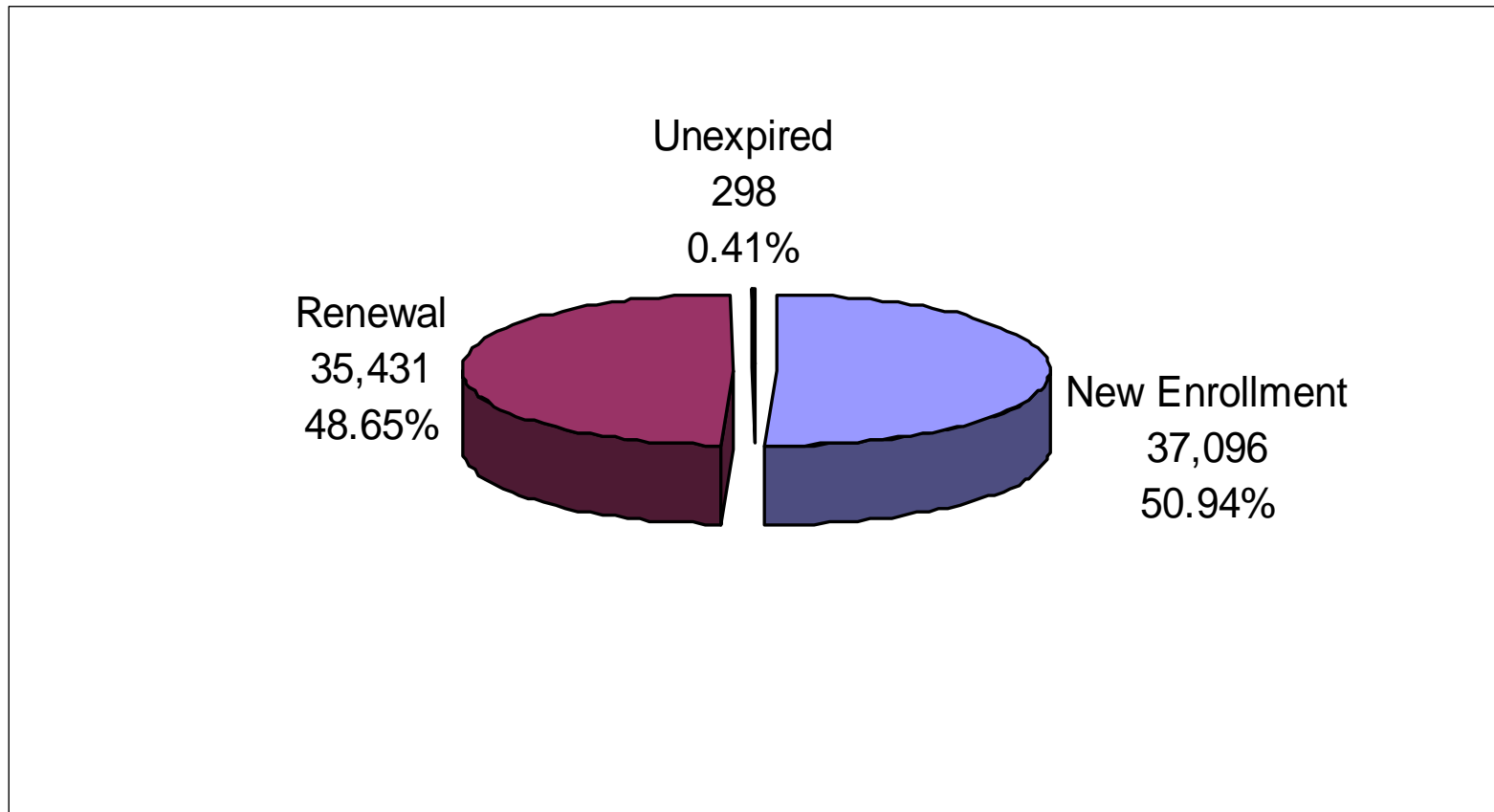
(Jan. – Dec. 2006 vs. Jan. – Dec. 2007)

PROGRAM	Dec-06		Dec-07		% GROWTH	
	UNITS	VALUE (Pm)	UNITS	VALUE (Pm)	UNITS	VALUE (Pm)
GUARANTY LINES						
o Retail Guaranty	211,230	62,820	160,307	62,672	(24)	(0)
o Developmental Guaranty	0	753	13,297	1,154		53
o HDMF Bonds	0	0	34,163	9,000		
sub-total	211,230	63,573	207,767	72,826	(2)	15
o Abot-Kaya Pabahay Fund	109,741	17,126	119,606	19,424	9	13
TOTAL	320,971	80,699	327,373	92,250	2	14

Distribution of Outstanding Guaranty

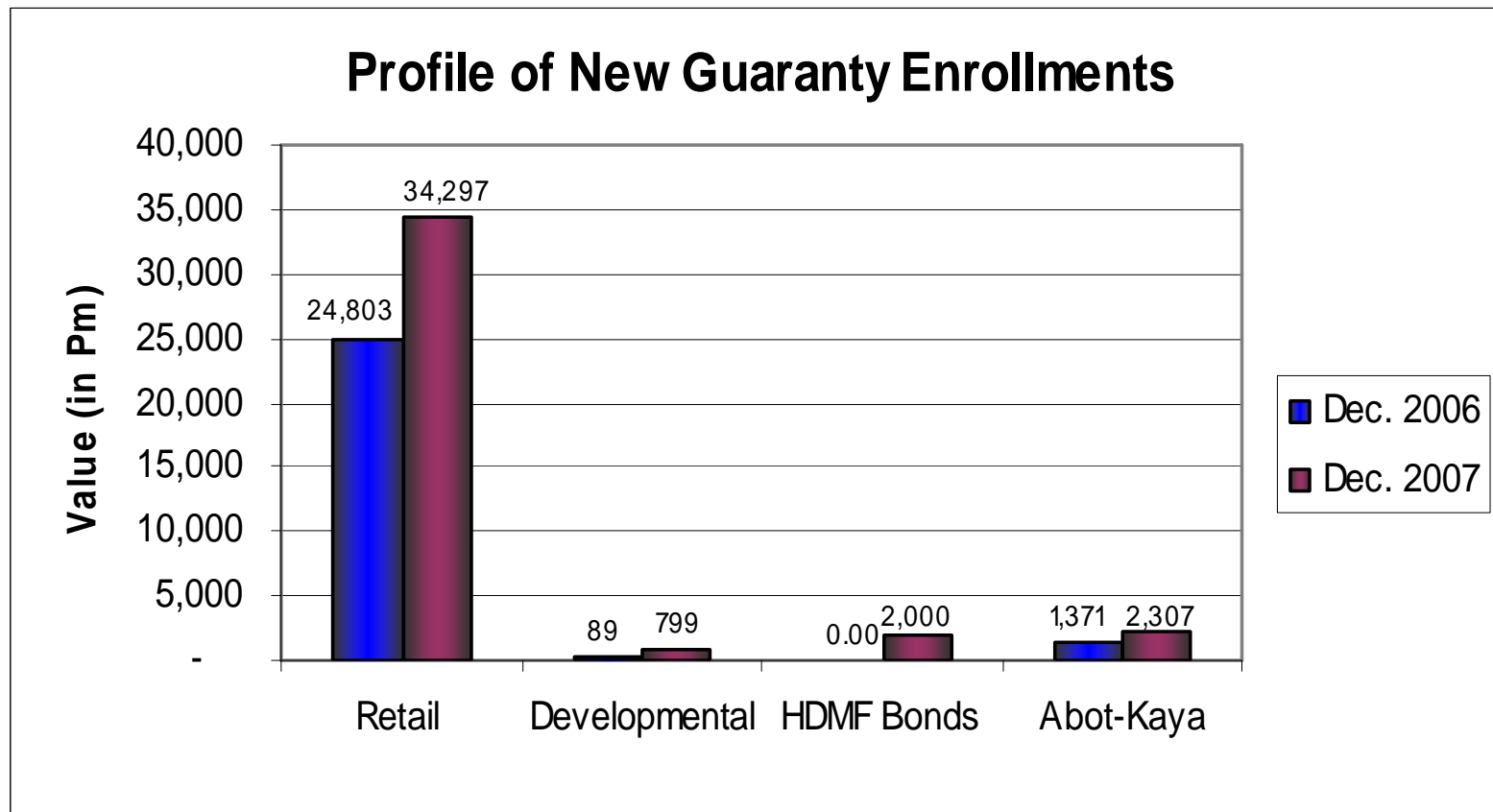
By Account Status, as of December 2007

(In Pm, total of P72.83bn)

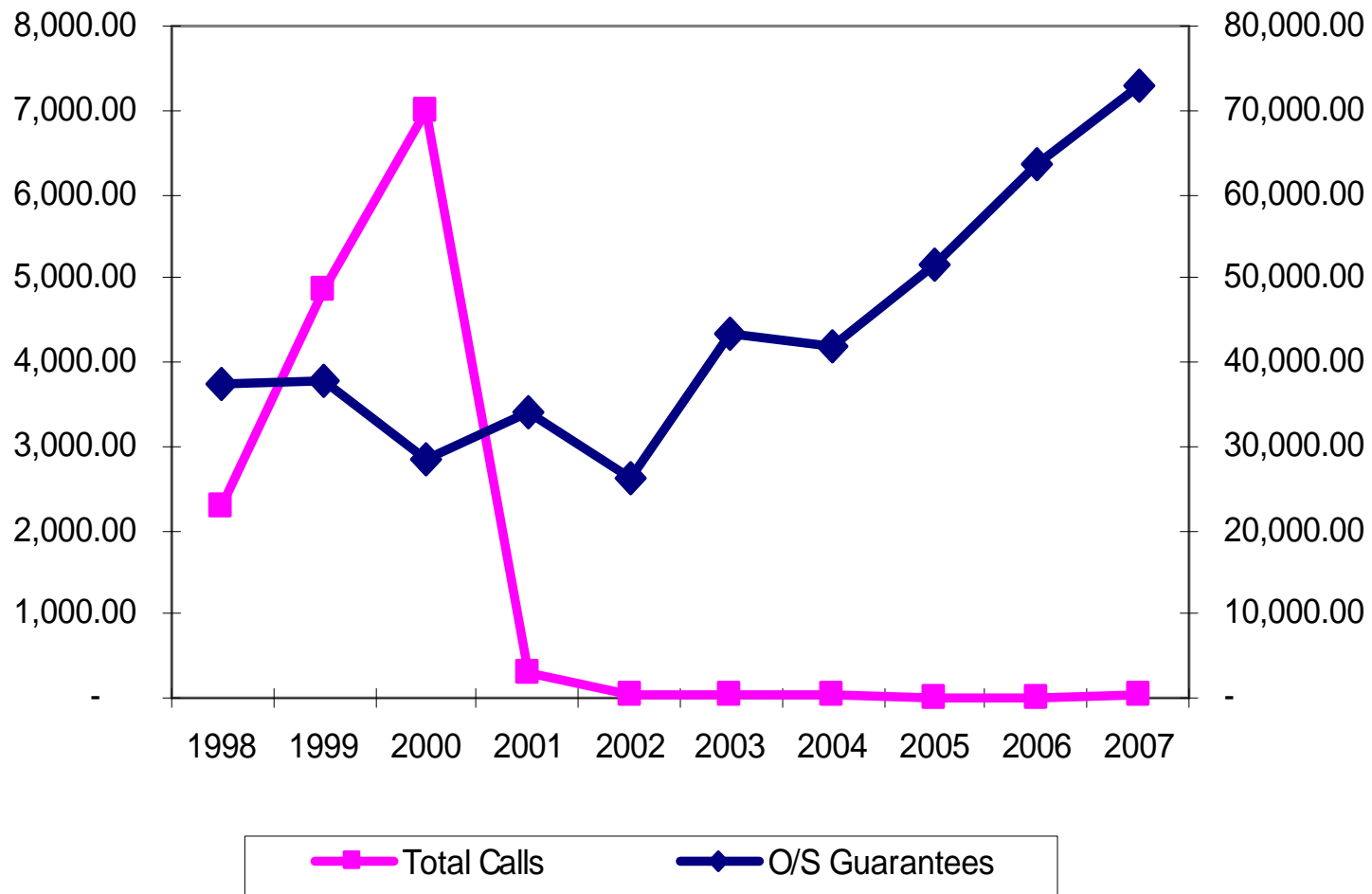


Guaranty Operations

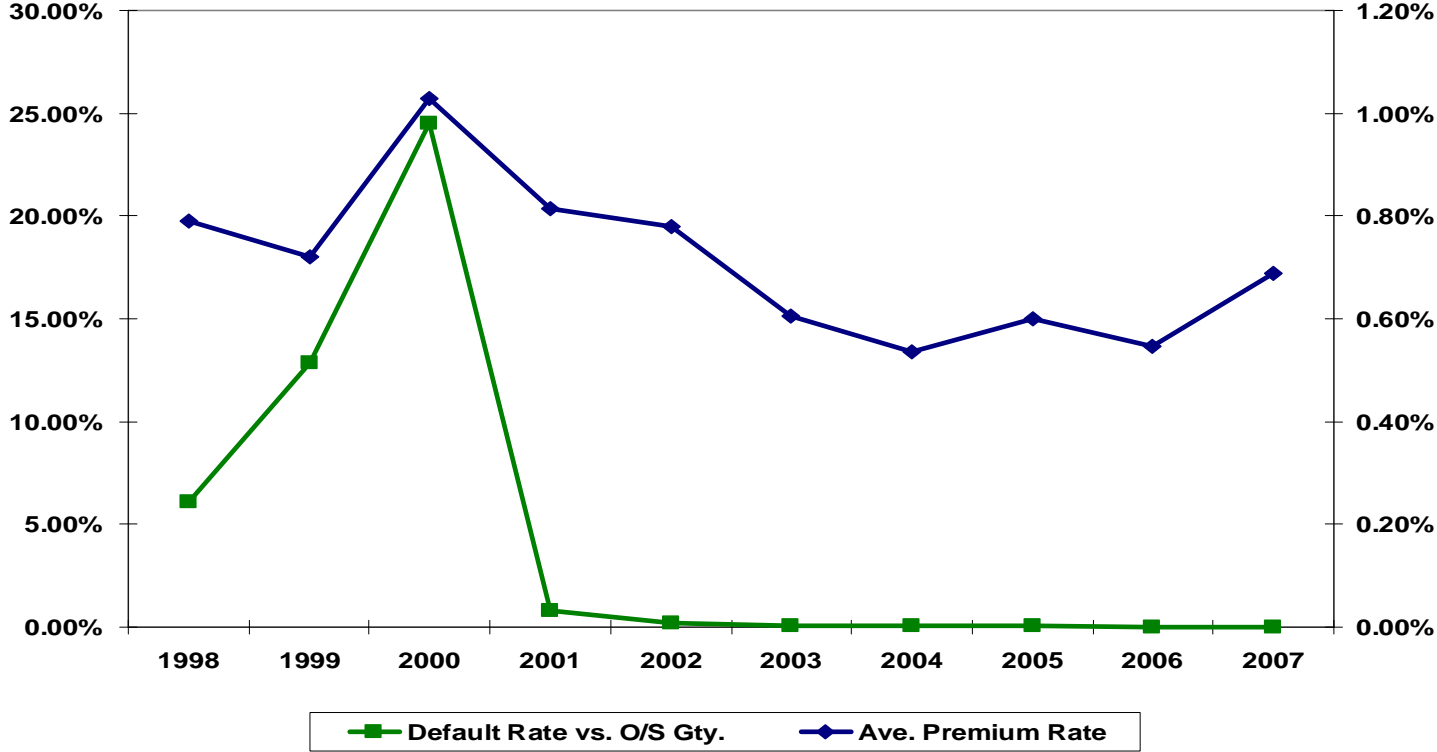
(Jan. – Dec. 2006 vs. Jan. – Dec. 2007)



Total Calls vs. Outstanding Guaranty

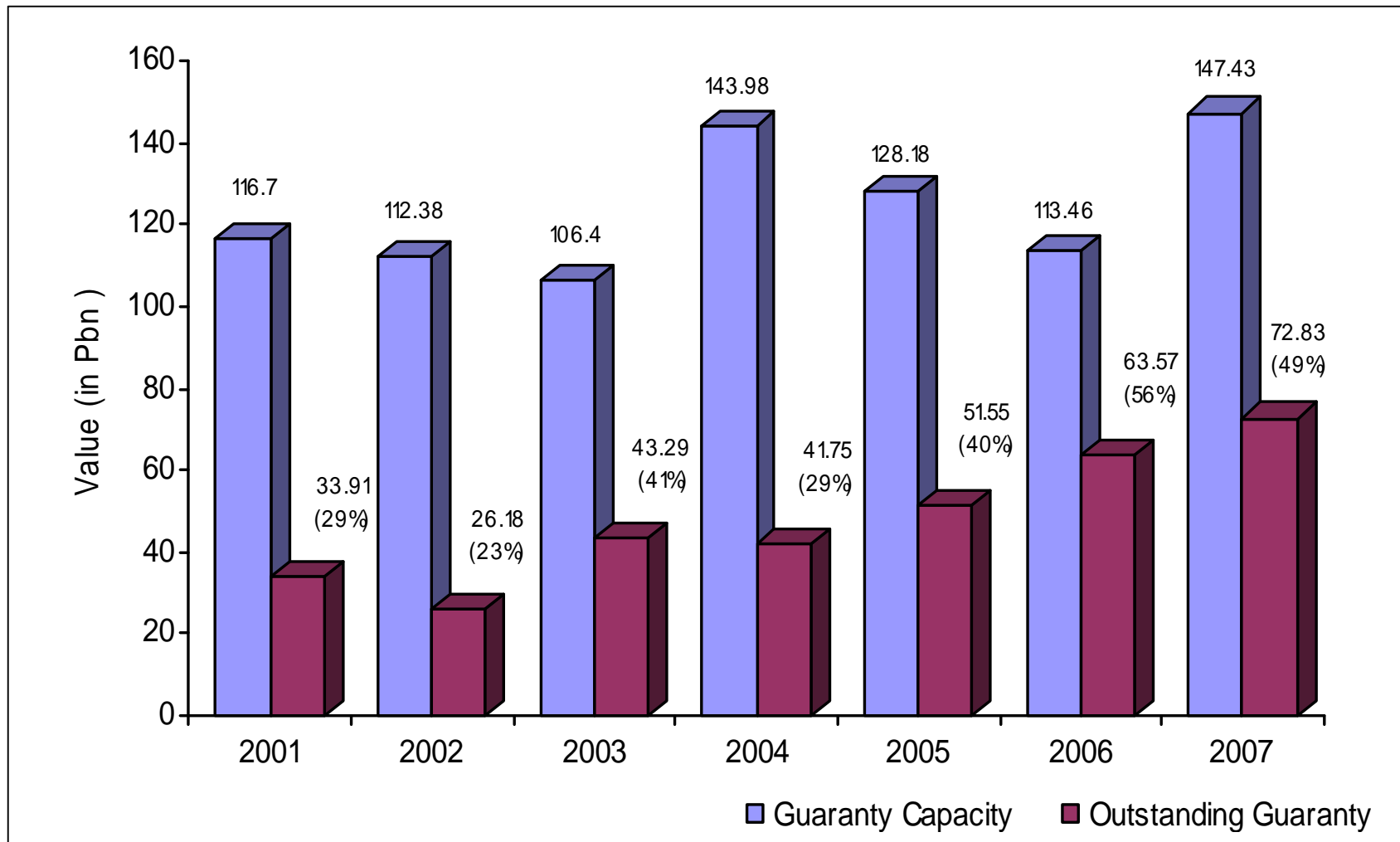


Default Rate vs. Ave. Premium Rate



<u>Period</u>	<u>Average Default Rate</u>
1998 to 2001	11.09%
2002 to 2007	0.05%

Utilization of Guaranty Capacity



Guaranty Operations

(As of December 2007)

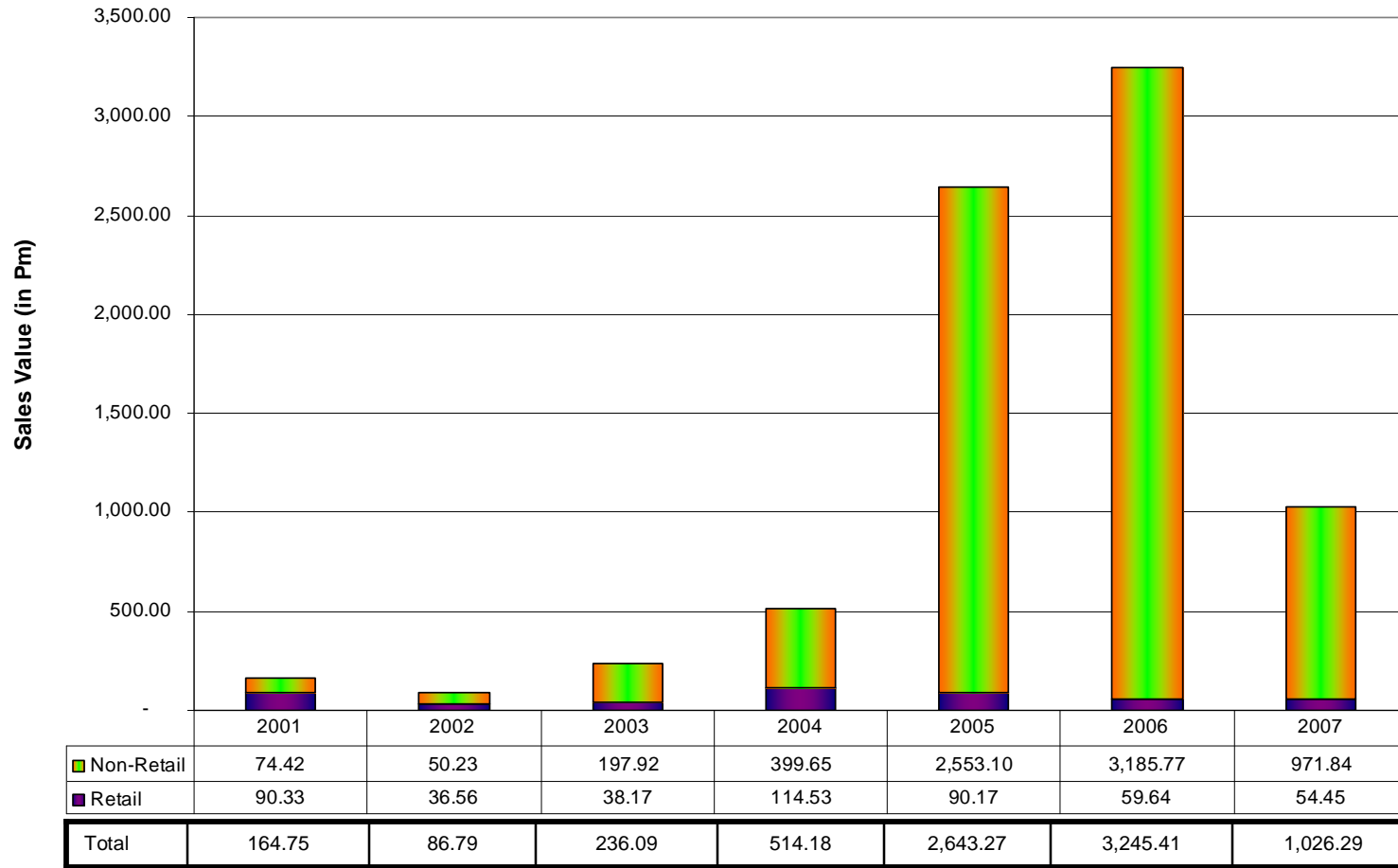
Outstanding Guaranty as to Type of Housing Package

Housing Package	Charter	Outstanding Guaranty			
	Prescribed	Corporate		Inclusive of Abot-Kaya	
	Allocation (%)	Value (Pm)	% of Total	Value (Pm)	% of Total
Socialized Housing (P300,000 and below)	40	14,328	20	33,752	37
Low Cost Housing (>P300,000 to P2.0 M)	30	55,866	77	55,866	61
Medium Cost Housing (>P2.0 M to P4.0 M)	20	1,423	2	1,423	2
Open Housing (>P4.0 M to P5.0 M)	10	1,209	2	1,209	1
Total	100	72,826	100	92,250	100

Summary of Guaranty Operations (Corporate)

	TOTAL GUARANTY CAPACITY (Pm) (a)	APPROVED GUARANTY LINES (Pm) (b)	APPROVED GUARANTY LINES AS A % OF TOTAL GUARANTY CAPACITY (b/a)	OUTSTANDING GUARANTEES (Pm) (c)	OUTSTANDING GUARANTY AS A % OF GUARANTY CAPACITY (c/a)	OUTSTANDING GUARANTY AS A % OF APPROVED LINES (c/b)
A. Retail		138,040	93.63	62,672	42.51	40.40
B. Developmental		7,600	5.15	1,154	0.78	0.74
C. HDMF Bonds		9,500	6.44	9,000	6.10	5.80
Total	147,430	155,140	105.23	72,826	49.40	46.94

Asset Disposition



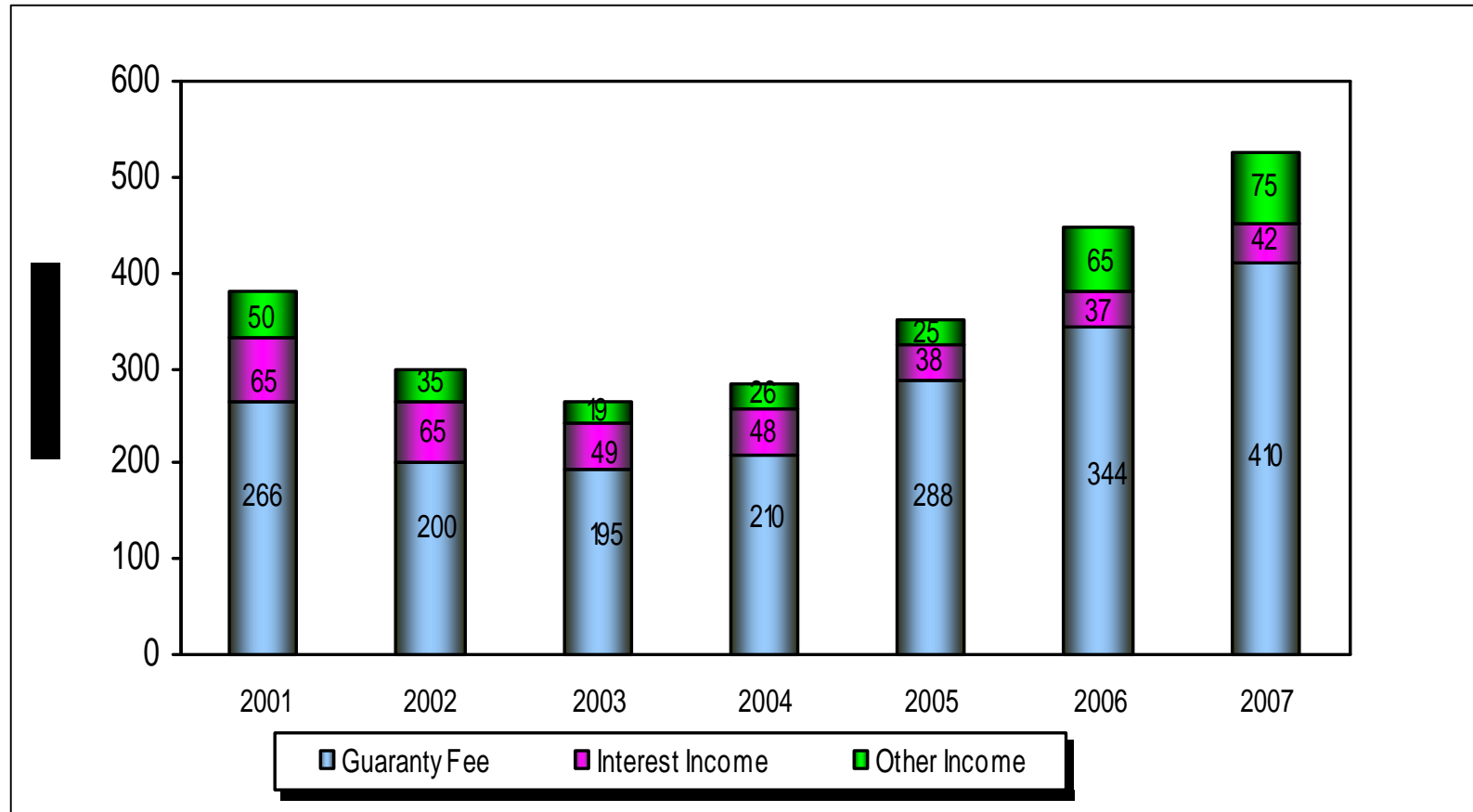
Financial Performance

(Comparative Dec '05, Dec. '06 & Dec. '07)

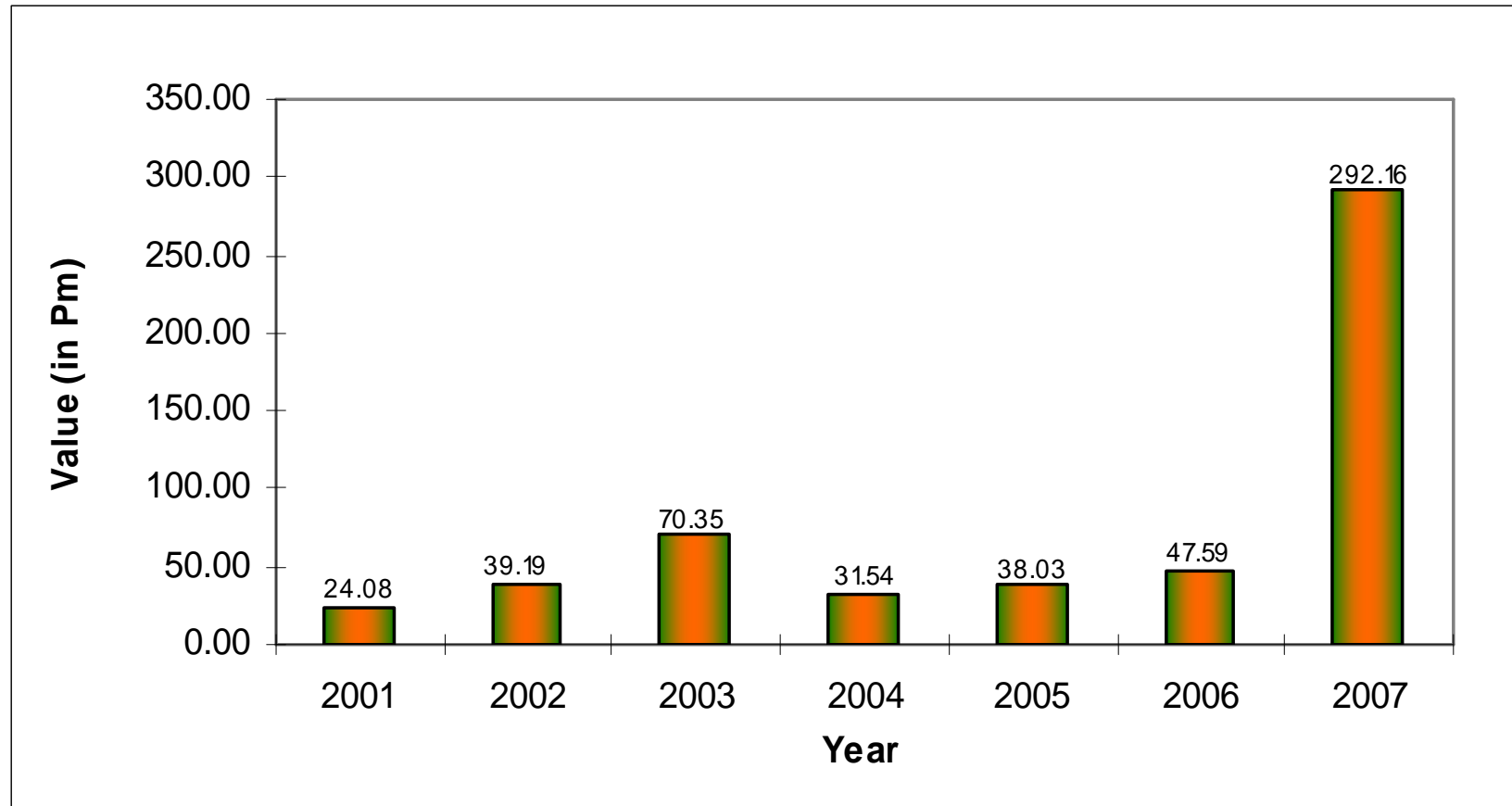
Item	As of	As of	Average	As of	% Growth / (Decrease)	
	Dec-05 (Pm)	Dec-06 (Pm)	Dec.'05 & '06 (Pm)	Dec-07 (Pm)	Against Ave.	Y-o-Y
A. Operating Revenue	351.15	452.85	402.00	526.74	31.03	16.32
o Guaranty Fee	288.56	345.66	317.11	409.92	29.27	18.59
o Interest Income	38.80	42.17	40.48	41.92	3.56	(0.58)
o Other Income	23.80	65.02	44.41	74.89	68.65	15.19
B. Operating Expenses	156.07	217.64	186.85	305.05	63.26	40.17
o Personal Services	60.78	75.31	68.04	80.08	17.69	6.34
o MOOE	95.29	142.33	118.81	224.97	89.35	58.06
Other Professional Services	15.17	35.97	25.57	54.05	111.38	50.26
Depreciation, Leasehold, Improvement	6.81	6.27	6.54	50.20	667.58	700.64
Taxes, Duties & Licenses	19.88	23.12	21.50	41.35	92.33	78.85
Rent Expenses	16.66	17.43	17.05	19.65	15.28	12.74
Office Supplies	11.93	11.04	11.49	9.97	(13.19)	(9.69)
Others	24.84	48.50	36.67	49.72	35.59	2.52
C. Income from Operations	195.09	235.21	215.15	221.69	3.04	(5.75)
D. Other Income	99.16	35.46	67.31	270.77	302.29	663.59
o Income from Disposition	19.86	(12.95)	3.46	(25.05)	(623.99)	(93.44)
o Income from Treas. / Trading Optrns.	79.29	48.41	63.85	295.82	363.30	511.08
E. Project Expenses	89.59	87.33	88.46	72.47	(18.07)	(17.01)
F. Income Before Financial Charges	204.65	183.34	193.99	419.98	116.49	129.07
o Financial Charges	863.78	939.61	901.70	1518.99	68.46	61.66
G. Net Income (Loss)	(659.14)	(756.27)	(707.70)	(1,099.01)	(55.29)	(45.32)

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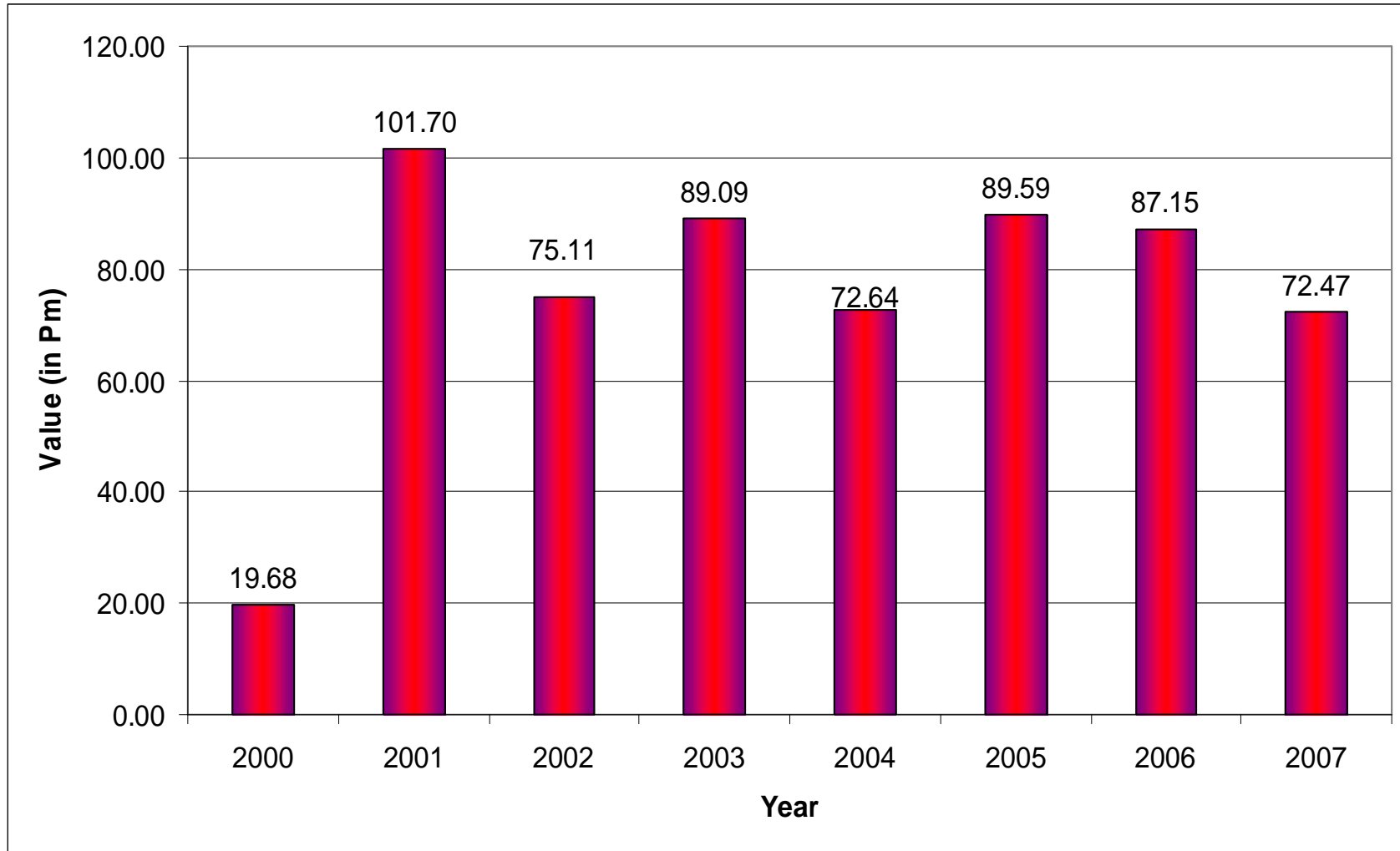
Income from Operations



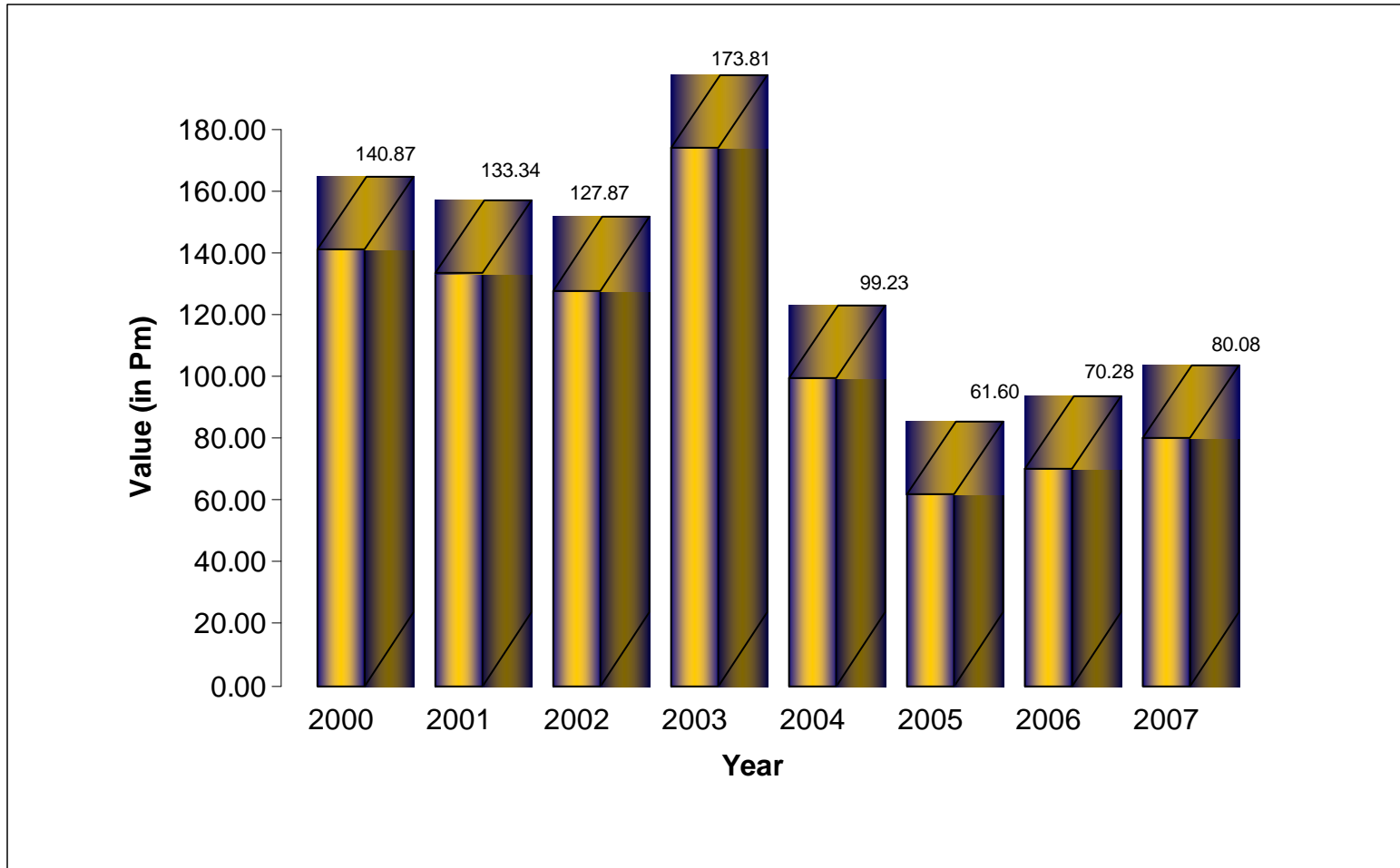
INCOME FROM INVESTMENTS



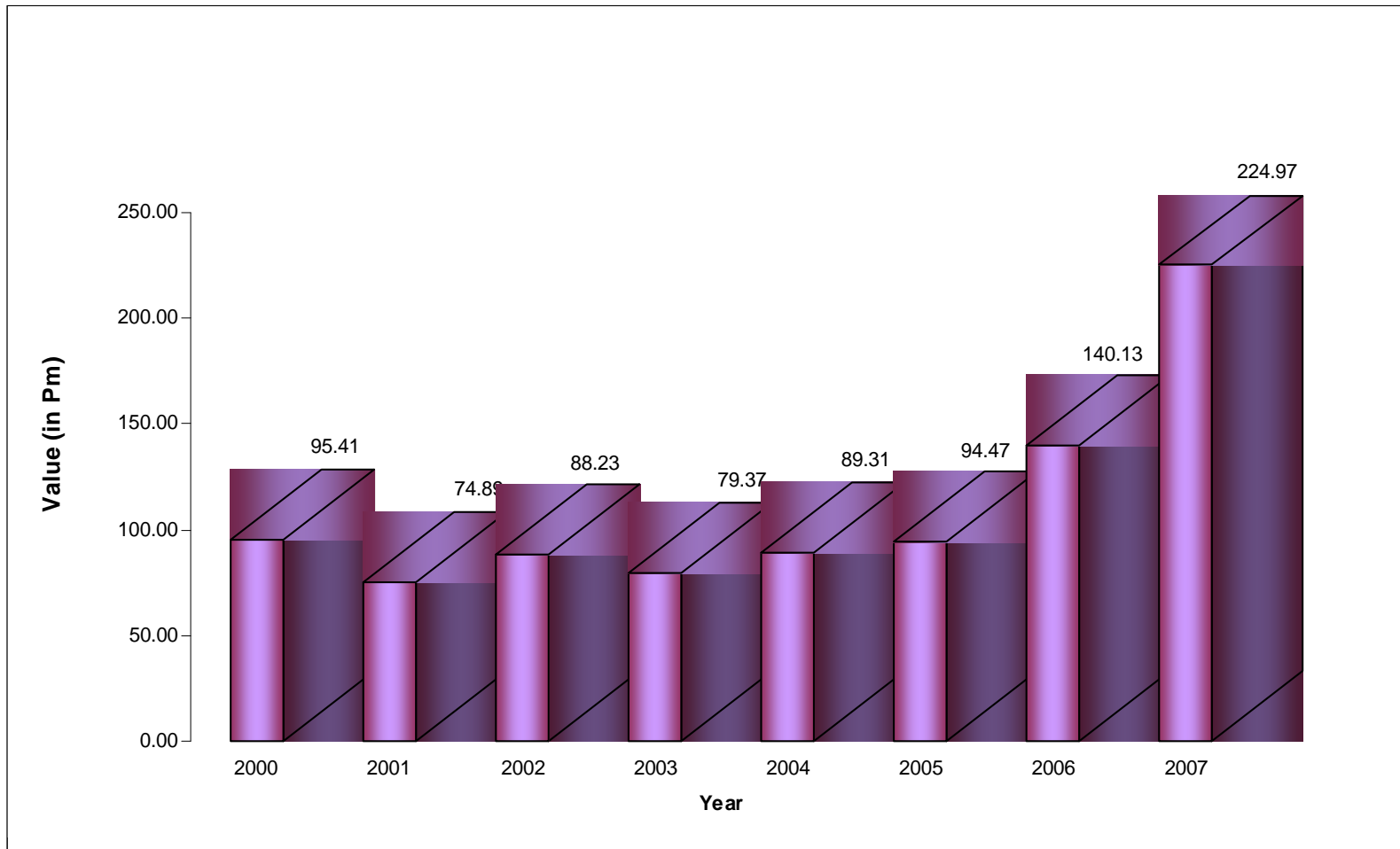
PROJECT EXPENSES



PERSONAL SERVICES



MAINTENANCE & OTHER OPERATING EXPENSES





II
Updates on Major
Corporate
Activities

Updates on Major Corporate Activities

- 1. Hiring of Service Personnel**
 - ü **LBPSC added as another HGC accredited Service Provider**
 - ü **LBPSC to provide HGC's present requirements**

- 2. Appointments to the Vacant Positions in the HGC Plantilla**
 - ü **Created the Personnel Selections Board for the screening of applicants for the 1st, 2nd, and 3rd level positions**

- 3. 2007 Individual Performance Evaluation**
 - ü **For completion within February 2008**

Updates on Major Corporate Activities

- 4. Investment in Marketable Securities**
 - ü No investments in equities yet
 - ü Related item for Board approval under Item Nos. 1 & 2

- 5. Office Order No. 007 Series of 2008**
 - ü Reconstituted the Task Force on Cost Reduction

- 6. Study of HGC's Net Position on its Projects and Acquired Assets**
 - ü On-going
 - ü Preliminary Findings: (next slide)

Updates on Major Corporate Activities

NET POSITION STUDIES: Preliminary Findings (In Pm)			
	Project/Asset	Net Position	Recovery (%)
1.	Balay Ticala	(26.95)	10%
2.	Isabel Homes	(2,294.74)	20%
3.	Eagle Crest Villas	43.03	125%
4.	Pinesville	2.42	102%
5.	Don Pablo	(0.59)	73%
6.	Pacific Village Housing	(22.19)	50%

Updates on Major Corporate Activities

7. Margarita Eastville

- ü **No offers received**
- ü **For negotiated sale**

8. Margarita Plaza

- ü **With three (3) prospective bidders**
- ü **Opening of bids set on March 3, 2008**

9. Legacy Memorial Estates

- ü **Failed bidding, no bidders**
- ü **For negotiated sale**

Updates on Major Corporate Activities

10. Building 19, C-5 MRB, Taguig City

- ü **Published for disposition in bulk**
- ü **HDMF expressed interest to bid**
- ü **Awaiting formal offer from HDMF**

11. Club Ultima Condominium Tower, Fuente Osmeña

- ü **Published for disposition in bulk**
- ü **J-King and Sons, and Mr. Wilbert Loa submitted bids on February 26, 2008 for P182.0m & P180.0m, respectively**
- ü **J-King and Sons' bid, being responsive, will be considered for award subject to post-qualification**

12. Mindoro Loop

- ü **2nd Bidding declared failure; Shenkai Corp., the lone bidder, submitted a non-responsive bid (P29.0m vis-à-vis minimum bid price of P139.0m)**
- ü **For negotiated sale**

Updates on Major Corporate Activities

13. Triboa Bay Properties

- ü **1st Bidding on-going**
- ü **Opening of bids set on April 18, 2008**

14. APEC Villas 9, 10, 11 & 15

- ü **3rd bidding failed**
- ü **For negotiated sale**
- ü **Offer for Villa 10 to be taken up as Item No. 5.3**

15. El Kabayo Riding Stables

- ü **Awaiting Lease Development Agreement from SBMA**

Updates on Major Corporate Activities

16. Times Square Plaza

- ü Awaiting Lease Development Agreement from SBMA

17. Rosmont Heights

- ü The winning bidder, Misibis Land, Inc. (MLI), is working on the transfer of title in HGC's name
- ü MLI has allocated P23m as a cash bond to be held in escrow, which shall be released to HGC upon perfection of documentation

18. South Meadows, Sto. Tomas, Batangas (Portion of Phase 2A, 2D, 2F)

- ü Draft contract with the winning bidder, Casa Regalia, Inc. (CRI)

Updates on Major Corporate Activities

19. Building 31, Guadalupe Bliss

- ü **MOA between HGC and Orientech Construction and Development Corp. (OCDC) for finalization**

20. Divine Mercy Village

- ü **P100,000 earnest money to be paid by Lealand Properties, Inc. upon signing of CTS set on February 29, 2008**
- ü **Full down payment to be paid 45 days after signing**

Updates on Major Corporate Activities

21. Kenmore Homes

- ü **The balance of P1.950m has already been paid by Parkways Properties, Inc. (PPI)**
- ü **Deed of Cancellation of Mortgage for the released titles has been received by PPI**

22. Old Bilibid Compound Project

- ü **Draft of the Amendments to Proclamation No. 661 endorsed to HUDCC's Asset Reform Group for comments**

Updates on Major Corporate Activities

23. Status of the CTS between HGC and NHA for the purchase of the 2,669-sq.m. NHA lot where the 3 SAPARI MRBs were constructed

ü CTS already signed by Pres. Bongolan and submitted to NHA

ü Initial agreement for the payment:

Cost of Lot	P6.00m
Less: 10% Balance on the C-5 MRBs purchased by NHA from HGC	<u>4.32m</u>
Net Amount due NHA	P1.68m

ü NHA is now requiring HGC to re-submit the technical documents of the C-5 MRBs that were already submitted as early as year 2000. In 2005, NHA again required HGC to submit the same documents and HGC complied. This year, NHA is yet again requesting for the documents. HGC is ready to re-submit, except for the certificate of fire inspection and occupancy permits, which are under process by the Fire Marshall and Engineering Office of Taguig

ü NHA commented that since we are unable to complete all the requirements, HGC will have to pay the total cost of P6.0m; the 10% balance of P4.32m that should be deducted from the P6.0m will be subject of another negotiation

Updates on Major Corporate Activities

24. BF Lifeman Condominium

- ü **BF Lifeman Condominium filed a collection case against HGC for non-payment of condominium dues covering 5 units, which included the non-delinquent unit 104 that HGC is leasing out to East West Bank**



III
**Business Arising from
the previous Meetings
and Compliance to
Board Instructions**

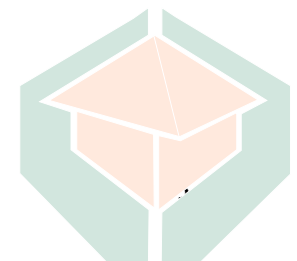
Business Arising from Previous Meetings and Compliance to Board Instructions

1. **Authority to Obtain Long-term Financing**
 - ü For discussion with the DOF

2. **Eagle Crest – Lis Pendens on the titles**
 - ü Filed petition for the cancellation of lis pendens

3. **Smokey Mountain Project**
 - ü R-II reiterated its position that HGC turn-over the SMAP properties to it
 - ü Draft reply is ready

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Business Arising from Previous Meetings and Compliance to Board Instructions

- 4. Criminal Case vs. Alejandro Herrera of Lexber, Inc.**
 - ü **Filed reply affidavit on motion to suspend proceedings**

- 5. Ejectment Case vs. KDIC (Landowner of the Monumento Plaza)**
 - ü **Filed intervention case against KDIC and Sevilla**

- 6. Directors' & Officers' Liability Insurance**
 - ü **Enrollment with GSIS on-going**

- 7. Paco Mall Project**
 - ü **Awaiting final survey results**

Business Arising from Previous Meetings and Compliance to Board Instructions

- 8. NHMFC's demand of the payment of P580m on the NGC18C & NGC-MRHP**
 - ü **On-going review**

- 9. Study on the reasons for the trends in appraisal and disposition values of HGC's acquired assets**
 - ü **On-going**
 - ü **Parallel effort with Net Position studies**

- 10. Manual of Good Governance**
 - ü **1st draft under review**

Business Arising from Previous Meetings and Compliance to Board Instructions

- 11. Administration of the PF Fund by RG Asset Management**
 - ü Fund Management Contract under review**

- 12. Conveyance to the PMA of Parcel 3, Lots 6 & 7 of Pinesville**
 - ü On-going documentation of the donation to PMA**
 - ü For presentation to Camp Aguinaldo officials**

- 13. HGC's turnover of Trust Assets to NHA**
 - ü For hiring of an estate manager**
 - ü TOR for engagement of estate managers for publication**

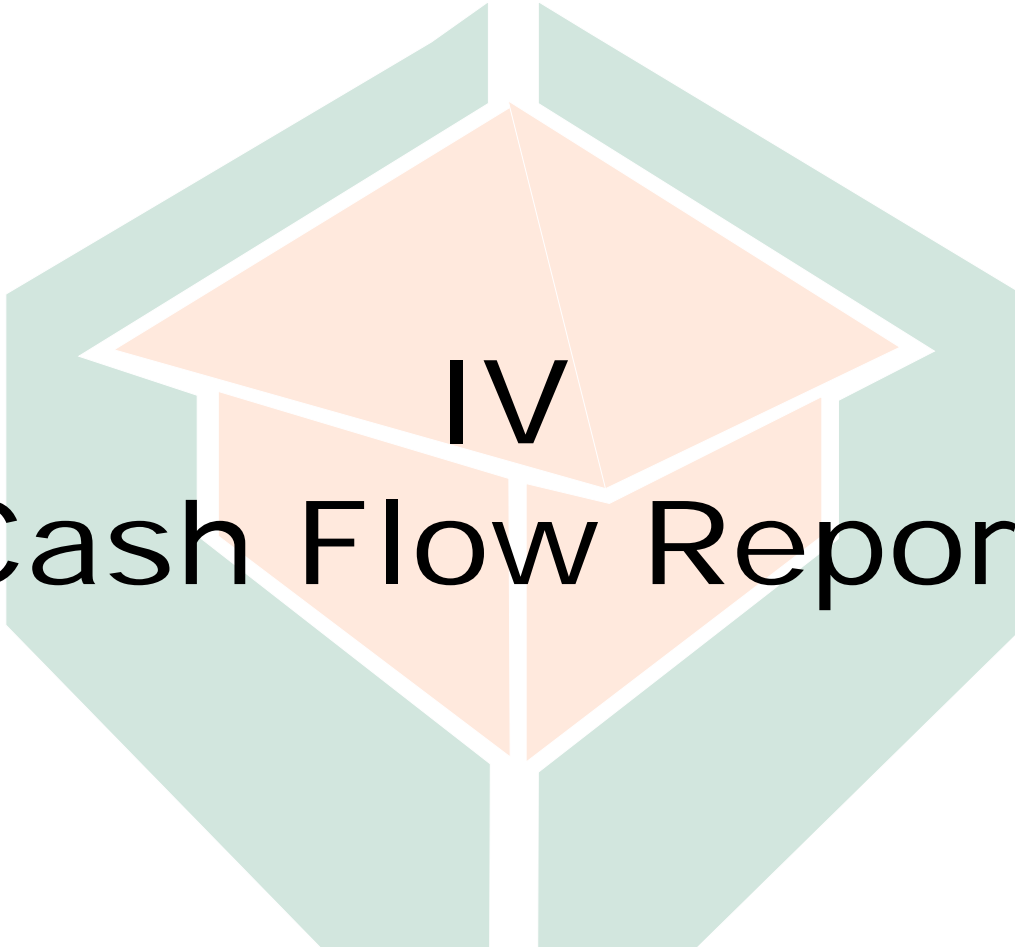
Business Arising from Previous Meetings and Compliance to Board Instructions

14. Amendments to the Guidelines of HGC Provident Fund

- ü For submission of F/S to the SEC**

15. Our Lady's Village Virac, Portion IV-B

- ü Negotiating with Mr. Robert A. Maullon, Manager of Our Lady's Foundation, Inc.**



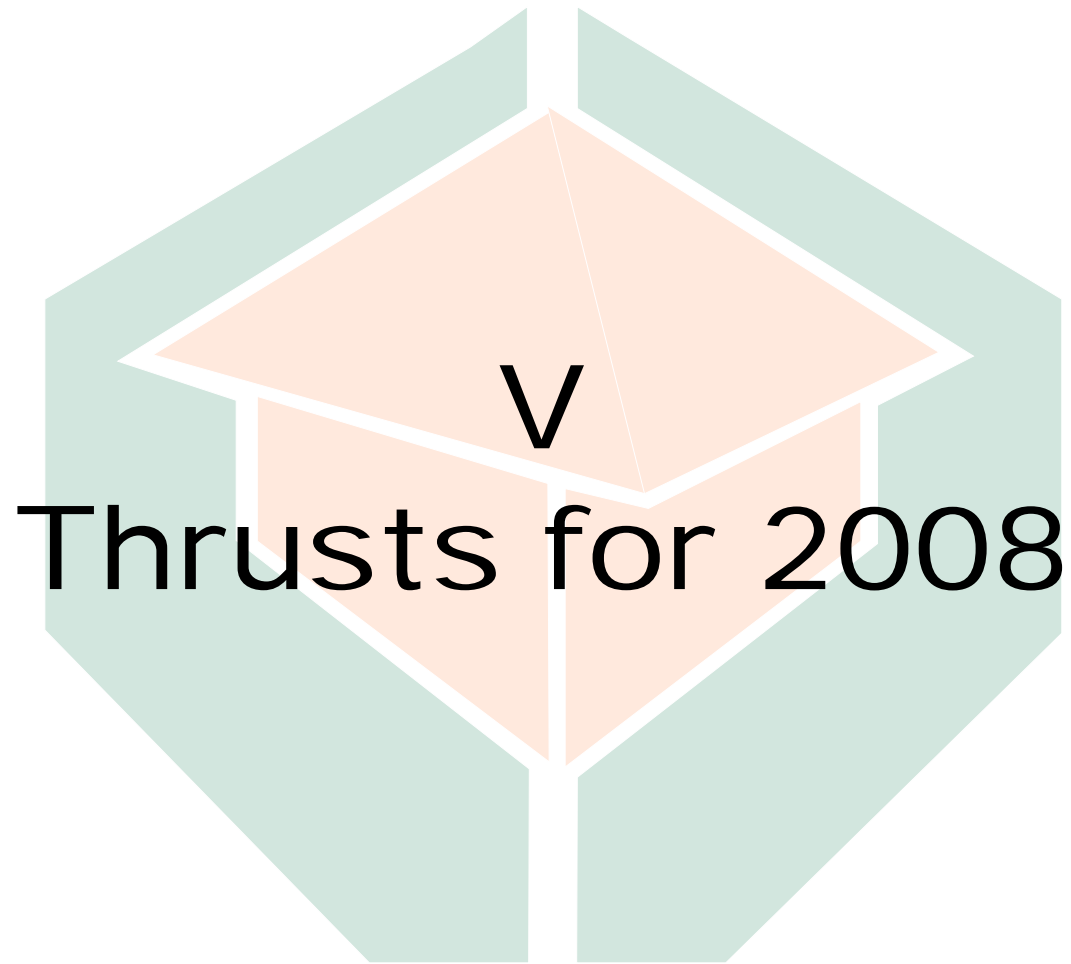
IV
Cash Flow Report

Cash Flow Report

SUMMARY OF CASH FLOWS				
(in Pm)				
	2007			2008
	PROJECTIONS	ACTUAL	VARIANCE	TARGETS
Receipts:				
A. Operating Activities	588	631	+7%	727
B. Investing Activities	675	1,492	+121%	3,505
C. Financing Activities	1,900	3,573	+88%	5,200
Total Receipts	3,163	5,696	+80%	9,432
Disbursements:	-			
A. Operating Activities	272	277	+2%	367
B. Investing Activities	2,568	3,010	+17%	3,816
C. Financing Activities	215	-	-100%	289
Total Disbursements	3,055	3,287	+8%	4,482
Net Cash Flow	107	2,409	+2,141%	4,949
Add: Cash Balance: Beginning	364	364		
Add: Sinking Fund (P7.0 Bn, P3.0 Bn)	7,000	7,000	0%	2,773
Cash Available for Debt Repayment	7,471	9,773	+31%	7,723
Debt Service Requirement				
HGC Zeroes: P7.0 Bn	7,000	7,000	0%	-
Total Repayment (Principal & Interest)	7,000	7,000	0%	880
CASH BALANCE, END	471	2,773	+488%	3,843

Cash Flow Report

CASH FLOWS CY 2008		
MAJOR ASSUMPTIONS:		
I. Equity Releases	P 200m	
II. Long-Term Financing	P 5.00bn	
III. Settlement of Obligations:		
Maturing Debenture Bonds	P 430m	
Guaranty Obligations:	Cash Payment	Issuance of Debenture Bonds
GSIS	P300m	P252m
SSS	P580m	P232m
IV. Guaranty Operations:		
Outstanding Guaranty	P79.02bn	
Guaranty Fee	P 514m	
V. Acquired Assets Disposition	Units	Value
	5,025	P 3.368bn
VI. Cash Balance	P 3.843bn	



Thrusts for 2008

- ü **Calendar of Activities**
- ü **2007 Year-End Performance Assessment Report**
- ü **Completion of HGC's Reorganization**
- ü **Extension of the Early Separation and Incentive Program (ESIP)**
- ü **Hiring of Consultants and Additional Employees**
- ü **Implementation of Performance Evaluation System (PES)**
- ü **Investment Plan Implementation and Guidelines**

Thrusts for 2008

- ü **Development and Implementation of the 5-Year Information Systems Strategic Plan (ISSP)**
- ü **Resolution of Remaining Obstacles for the Disposition of Big-Ticket Developmental and APC Projects**
- ü **Documentation of APC Study and Experiences**
- ü **Second Philippine Housing Finance Forum**
- ü **Growth in outstanding guaranty**
- ü **Formalization of all Business Model Studies**

Thrusts for 2008

- Ü **Tax Exemption Limits, Re-packaging of the HGC Guaranty**
- Ü **Backlog in HGC Research**
- Ü **Office Renovation and Sub-Leasing of Vacant Office Spaces**
- Ü **Finalization and Implementation of Security Policies**
- Ü **Formation of Corporate Culture and Values**
- Ü **Implementation of Cost-Saving Measures**
- Ü **Payment of Unpaid Guaranty Obligations**
- Ü **Fund Raising**

END OF PRESENTATION

6/23/2008

