An Ghníomhaireacht Airgeadais Tithíochta
Housing Finance Agency

YEARS
financing social housing

1982-2022

Annual Report 2021

An Exceptional Journey

The Housing Finance Agency (HFA) celebrates our 40th anniversary this year having been established in February 1982. Originally lending solely for income-related loans, to now offering a wide suite of financial products on a loan book of €5.9 billion, our business model has changed dramatically since our foundation.

We would like to express our sincere gratitude to those who have worked with and supported the HFA over the past forty years, helping to deliver quality affordable housing to those who are in most need.

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For more information visit our website
www.HFA.ie

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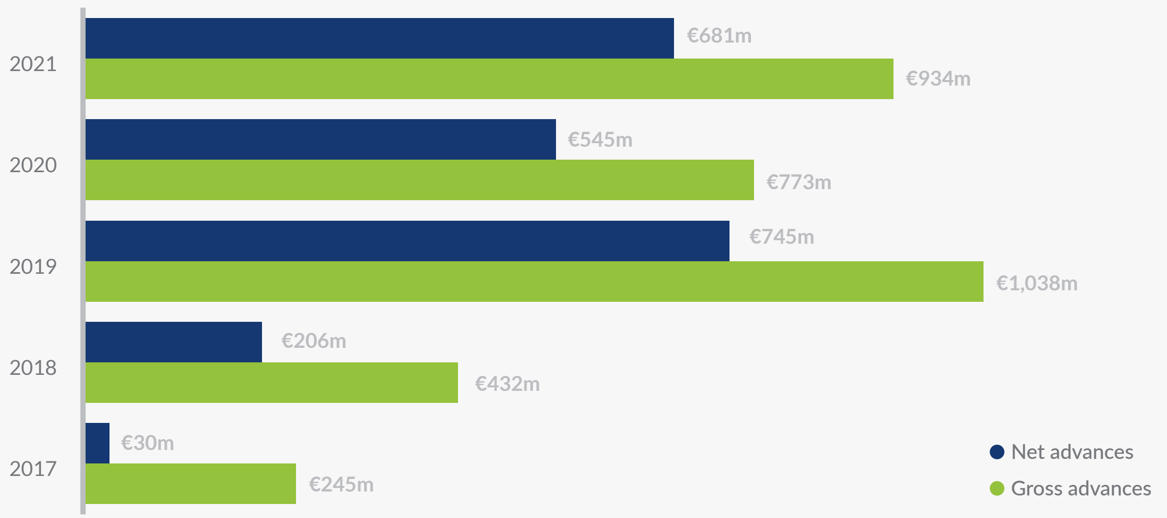
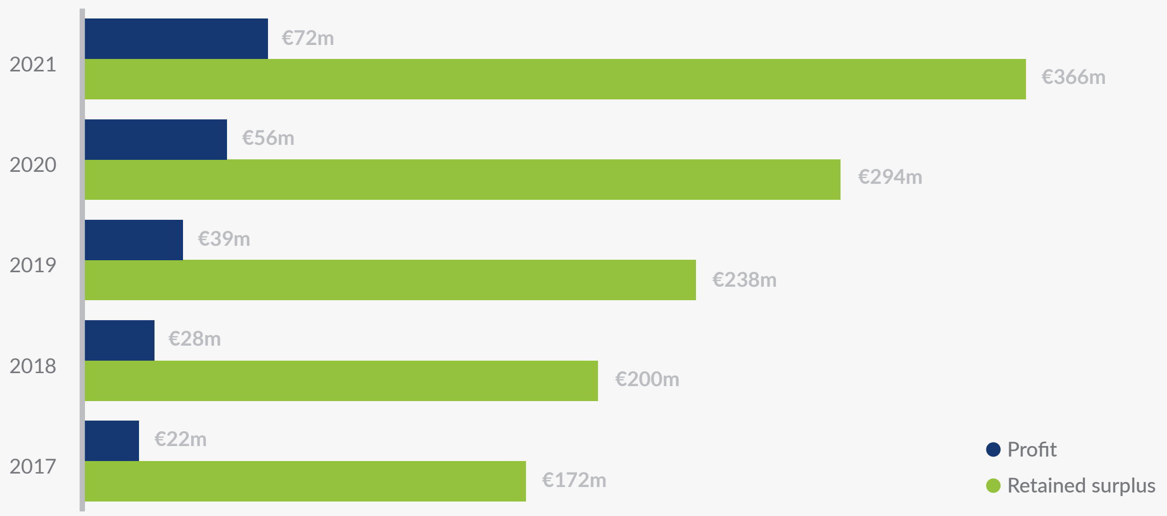


€5.9 Billion

Outstanding Loan Book

Despite the difficulties of Covid-19 on working arrangements, the HFA had a busy year in lending, with AHB loan approvals of €1 billion in 2021 and €934 million in total loans advanced to local authorities, approved housing bodies (AHBs) and higher education institutions (HEIs).

Profitability



Chairperson's Letter

Partners in Progress

It is my pleasure to present the Annual Report of the Housing Finance Agency. This Report illustrates the continuing successful progress the HFA has made in the last year in funding the ever increasing demand for housing. Building on firm foundations as we celebrate our fortieth anniversary. The HFA has grown to an organisation with a substantial loan book of €5.9 billion; and a record €72 million in profits in 2021 building up retained reserves to ensure that the Agency can cover the risks in its business.

We continue to have excellent long-standing relationships with our stakeholders including our customers, the NTMA, our auditors, lawyers, IT contractors and bankers and all those who provide essential services without which we would not be able to do what we do. Thanks are offered for their support, and especially to the Ministers for Housing, Local Government & Heritage, Public Expenditure and Reform, and Finance, and their staff.

This Annual Report covers the final year of the Board whose term of office ended on 31 December 2021. We pay tribute to that Board's careful stewardship of the HFA over the last five years, especially given the challenges of Covid-19 restrictions over the last two years. I would like to thank in particular Professor Michelle Norris who chaired the Board for the last ten years in a collegiate and engaging manner, and also to other Board members whose term of office ended – Padraic Cafferty, Emma Cunningham, Clare Curley and Brian Fitzpatrick. On behalf of the Agency, Board members and staff, I would like to thank them for their continuing support during their term.

With a new Board appointed in January 2022, we welcome back Aideen Hayden, William Johnston, Rory O'Leary, Lianne Patterson and Jennifer Ward who have continued on for a second term, and appreciate their wise counsel and expertise. We anticipate the imminent arrival of the new Chairperson and further Board members and trust that their time on the Board will be rewarding and productive.

HFA Strategy 2026

The HFA stands ready to fund at least 25 % of the €20 billion funding planned under *Housing for All*. The next five years promises to be eventful and interesting with anticipated net new lending of €6 billion to result in an outstanding loan book of c.€12 billion by end-2026 – effectively doubling the size of the HFA. This planned

€2.18bn
loan book increase in the last 5 years

€200m
Finance Contract with the European Investment Bank (EIB) for funding AHBs and LAs

€2bn
in loan approvals for AHBs in the last two years

rapid growth will bring its own challenges including the recruitment of the necessary staff to cater for the extra workload as well as the further arrangement of competitive finance to on-lend to our current and prospective customers.

Each year the Board visits a number of social housing schemes, which facilitates meeting with a wide selection of people directly engaged in the delivery of social housing, thereby gaining first-hand knowledge of the opportunities and challenges they face. In 2021 the Board visited University College Dublin campus along with the Minister for Housing, Local Government & Heritage, Darragh O'Brien TD, to see newly completed and purpose-built student accommodation. The Board also had an opportunity to visit a significant social and affordable housing scheme being developed by Clúid Housing Association in Cherrywood, Co. Dublin which is due for completion this year. Both schemes are funded by the HFA.

I would like to pay tribute to the CEO, Barry O' Leary and all his team at the HFA. They have worked admirably with the growth in business over the last couple of years, while doing so primarily working from home. Their skill, dedication and positive attitude are the reason the HFA is the success it is. I am convinced we can face the future with confidence to satisfy the funding requirements of our customers.

William Johnston
Interim Chairperson

31 March 2022

Chief Executive's Review

Ready Willing and Able

'Big things have small beginnings' as the saying goes, and the HFA began its work, just over forty years ago, on 8 February 1982. The organisation has changed a lot in that time, yet our core culture of providing excellent service to our customers in the provision of finance for housing, remains to this day.

The HFA had a very good year with substantial increases in the amount advanced and the number of homes funded.

We completed a five-year strategic review and launched **HFA Strategy 2026** to complement the Governments *Housing for All* Plan.

Lending

Despite the ongoing Covid-19 restrictions and all the challenges it has brought, our lending continues to grow strongly. Total loans now stand at a record €5.9 billion, supporting the development of social and affordable housing by local authorities and approved housing bodies as well as, more recently, finance to higher education institutions for the provision of new student accommodation. The majority of the HFA's loan book as at end December 2021 is lent to local authorities and approved housing bodies (€3.33bn and €2.42bn, respectively) and this is the second consecutive year of approved housing body loan approvals reaching nearly €1 billion, resulting in overall net advances of €681 million.

While the HFA has been supporting the delivery of social housing for many years, the provision of affordable housing Cost Rental funding is a relatively new and welcome endeavour which carries with it new elements of risk which are carefully reviewed in each loan application we receive. The Cost Rental Equity Loan (CREL) scheme was launched by the Department of Housing, Local Government and Heritage in early 2021. Two 'calls for proposals' of this scheme have been announced since then, with take up by AHBs. HFA approved a total of €93 million in funding for the provision of 390 affordable rental homes in March 2021 and a further 9 applications in the second round of funding totalling €108m, for the build and acquisition of 454 units. All applications are for turnkey units and the expected delivery is within the next eighteen months.

€983m
AHB loan approvals

€5.9bn
Outstanding Loan Book

€934m
Total new lending

The HFA has an appetite for providing more finance for CREL schemes and has estimated a further €850 million in cost rental finance in its strategy **HFA 2026**.

Funding

As part of ensuring we have adequate funds available to lend, we continue to put facilities in place such as a new €200 million Finance Contract with the European Investment Bank (EIB) for funding AHBs and local authorities and a €75 million facility with the Council of Europe Development Bank (CEB) which was recently signed to support the development of purpose-built student accommodation by higher education institutions (HEIs). Both of these facilities will help the HFA to continue to provide long-term, competitive fixed rate finance to support its core activities. In early 2022, the HFA has also commenced the arrangement of a €125 million increase to an existing €150 million CEB facility to provide sufficient headroom for further fixed rate lending to our customers.

Risk and Customer Engagement

The management of risk within the HFA is of central importance to our operations and is a standing agenda item for the Audit & Risk Committee. The key financial risk areas of the business comprise the management of interest rate, credit, liquidity, operational and market risks, the details of which are explained throughout this report. The Board and Management work closely to understand, measure, monitor and control all aspects of risk within the business and continues to keep risks in these areas under close review.

The HFA complies with the Code of Practice for the Governance of State Bodies as detailed in the Corporate Governance Statement on pages 38 to 42. The Code contains a 'comply or explain' concept and the HFA has complied fully with the Code except for matters outlined in the Corporate Governance Compliance Statement.

Outlook

The provision of competitive funding by the HFA is seen as an important component in the delivery of social and affordable housing by the Department of Housing, Local Government and Heritage. To continue to fulfil our role effectively, we developed **HFA 2026**, a strategy which supports and complements *Housing for All*, the Government's new housing plan for Ireland, and builds on the success of our last strategy. Details of our five-year strategy may be found on pages 27 and 28.

In 2022 we anticipate net new lending of €1.14 billion (representing growth of almost 20% in one year) mostly to AHBs in the development of social and cost rental housing. Given the projected growth in business and the challenges that will bring to the HFA over the next few years, we have drawn up a new workforce plan to provide for the necessary staffing to enable the implementation of our Strategy. This will result in a larger, more complex organisation which will ensure the HFA is well placed to welcome in the next forty years of business.

Barry O'Leary

Barry O'Leary
Chief Executive Officer

31 March 2022

In Memoriam

Bernadette Noctor

It was with great shock and sadness that I received a call in September 2021 from Peter Noctor, advising me of the sudden and untimely death of his beloved wife, and our colleague and friend, Bernie Noctor.

Bernie joined the HFA in 2000 and was a wonderful colleague. Efficiency and good humour were the hallmark of the lady. Bernie's willingness to help a co-worker or friend knew no limits. It was Bernie's keen eye for detail that saw a number of our Annual Reports in the past be shortlisted for the Chartered Accountants Ireland Leinster Society Published Accounts Awards.

Bernie is very much missed within the HFA and, on behalf of the Board and the team in the HFA, I offer our heartfelt sympathies to Peter.

Barry O'Leary
March 2022

Our Stories

Since the HFA commenced lending to approved housing bodies ten years ago, we have advanced €2.54 billion in loans for the provision of 11,674 new social housing units. The following pages detail some of the stories behind this finance and the difference the homes have made to the lives of individual tenants.

“I absolutely love it here, we have a lovely little community.

Clúid Housing

Maydenhayes is a development of 12 universally designed homes which Clúid Housing acquired in Donacarney, Co. Meath. The development consists of 12 age-friendly bungalows, designed to allow residents to age in place and live independently for as long as possible in their own home. It's central location, enables residents to remain connected to their community and maintain social and support networks. The homes were obtained through private finance from the Housing Finance Agency, Capital Advance Leasing Facility from the Department of Housing, Local Government and Heritage funding and, in partnership with Meath County Council under Rebuilding Ireland.

James, a Clúid resident, was delighted to receive the good news of a new A energy rated home in Maydenhayes. For more than 20 years, James McLoughlin lived in a mobile home in Meath. As he grew older the mobile was no longer suitable, it was cold and damp. After being on the Local Authority housing list for 8 years he jumped at the offer of a home in Maydenhayes. Not only was it a beautiful property but the central location, the community spirit, and the support of the staff in Clann made it a home.

Clúid Housing
Maydenhayes,
Donacarney,
Co. Meath

Graigue na hAbhainn
Ballickmoyler Road,
Graiguecullen Co Laois &
Co Carlow

“ I’m looking forward to getting space for me and my daughter.

Co-Operative Housing Ireland

Co-operative Housing Ireland (CHI) acquired 77 homes in the new Graigue na hAbhainn development which is located on the Carlow- Laois border. Graigue na hAbhainn was delivered through private finance from the Housing Finance Agency, Capital Advance Leasing Facility from the Department of Housing, Local Government and Heritage funding and, in partnership with Laois and Carlow County Council under Rebuilding Ireland. The development consists of a mix of two and three houses. The average cost of a home in the development was approximately €203,000 meaning these high-quality, A energy rated family homes represent excellent value.

CHI were pleased to provide a new home for Jodie and her daughter Aria. Jodie grew up in the Graiguecullen area and until she received her new home she was living at home with her parents, daughter and two brothers in a three-bed semi-detached house with a small garden. The house had become unsuitable for so many people living in it. This was especially tough during Covid-19 as if one person contracted the disease then there was no way to isolate, and her parents became very worried over this.

“I’ve found living on the campus to be a great experience.

UCD

The new Village residences at UCD caters for 924 students and increases the population living on campus to 4,000, making it a vibrant hub for all students. As the Village was the first purpose-built student accommodation funded by the Housing Finance Agency under 2016 legislation that allows for low-cost loans for this purpose, UCD has taken the opportunity to incorporate social and student well-being services into the space.

Students of UCD, Donal and Andrew have been enjoying the convenience of living on campus in this new purpose built accommodation scheme. They are saving on the daily commute which can be rather costly, and this has enabled them to have a great balance of student life.

UCD


D3

“Since we moved into the new apartment our life changed tremendously.

Royal Hospital Donnybrook

Royal Hospital Donnybrook (RHD) provides social housing for frail older adults and adults with physical disabilities. RHD’s vision is to provide secure, high-quality housing in which people can live independently for as long as possible. They focus on providing services and supports to meet the specific needs of older persons and people with physical disabilities which enable them to live in their own homes. By providing supported, purpose designed accommodation they enable their residents to remain in their homes for longer than would otherwise be the case.

RHD purchased four apartments under Part V acquisition in Donnybrook Gardens through HFA finance, funds from their own reserves and in partnership with Dublin City Council and the Department of Housing, Local Government and Heritage funding. RHD welcomed new tenants to these apartments during May and June 2021. One of their tenants was Lynn and her husband who were delighted to receive a new apartment in Donnybrook which has changed their life for the better.

Donnybrook Gardens
Greenfield Park, Donnybrook, Dublin 4


81

“

The day that we got the keys we were so happy we cried.

Túath Housing

Túath Housing acquired 63 new homes in Cois Dara which was part of a 93- home development. Cois Dara was delivered with finance from the HFA, a CALF loan from the Department of Housing, Local Government and Heritage and in partnership with Carlow County Council under Rebuilding Ireland. The development consists of a mix of two, three and four-bed houses. The average cost of a home in the development was approximately €221,000 meaning these high-quality, A energy rated family homes represent excellent value.

Túath Housing were delighted to provide a new home to a family of five, Stefan, Joselba and their children , 11-month-old Felipe, nearly three-year-old Luca, and five year old Helena. Helena has Autism and Down Syndrome. They previously lived in a rented house with a very small back garden where they could not fit any equipment for children to play. They were also not allowed to improve the safety of the house in order to suit Helena’s needs. Helena was the main reason they applied for a home.

Cois Dara
Chapelstown, Co. Carlow

“

I love this house and I am delighted to have my own space.

Respond Housing

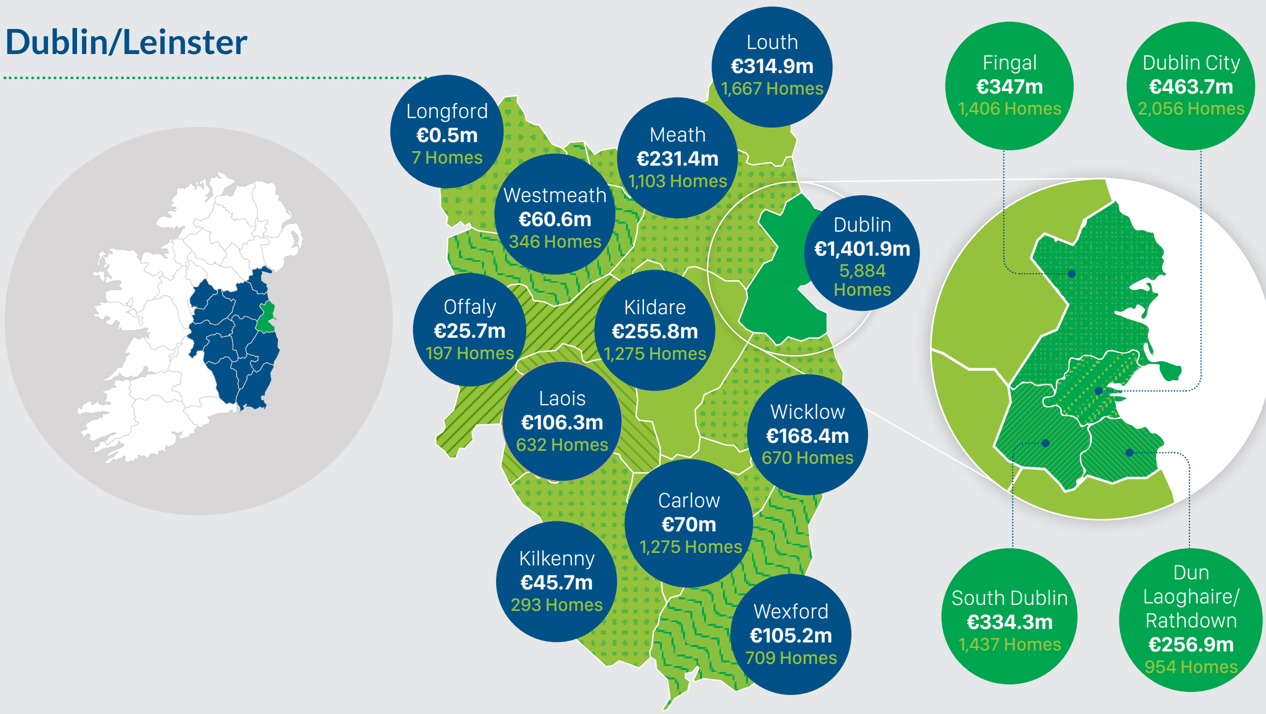
Margaret’s Field is a new build development of 40 homes by Respond Housing in Callan Road, Kilkenny City and comprises of a mix of houses, apartments and duplex apartments. The site is located within a short driving distance of the Kilkenny city centre and a number of supermarkets, schools and childcare facilities.

The homes have been built for general needs housing and have been acquired through private finance from the Housing Finance Agency, Capital Advance Leasing Facility from the Department of Housing, Local Government and Heritage funding and, in partnership with Kilkenny County Council under Rebuilding Ireland. Fiona received a new home from Respond and couldn’t be happier about it. Fiona was living in a severely overcrowded property and now having her own home gives her a new sense of space and security.

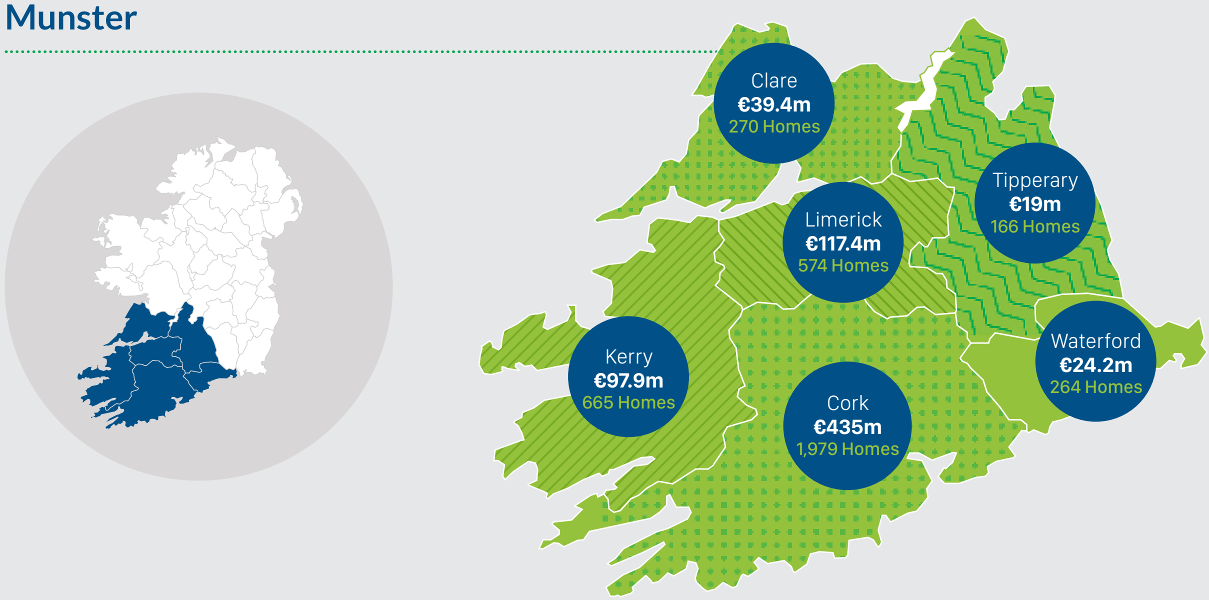
Margaret’s Field
Callan Road,
Kilkenny City

Cumulative AHB Loan Approvals by County

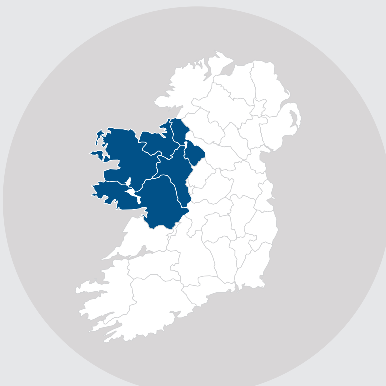
Dublin/Leinster

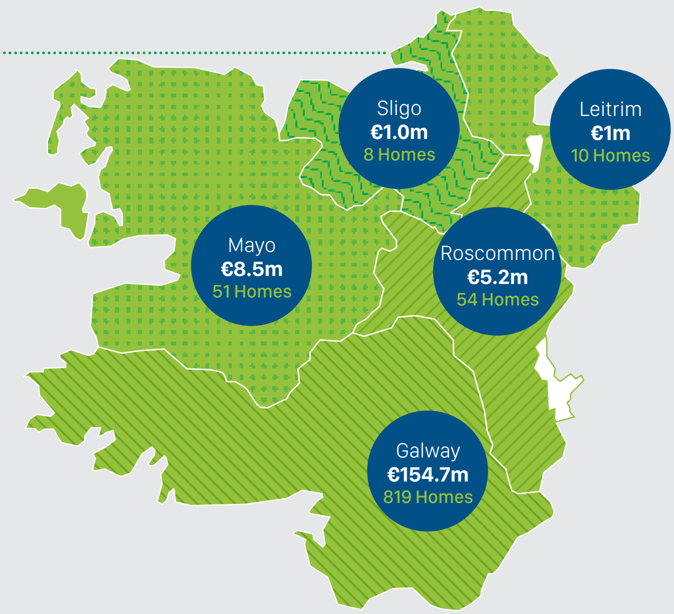


Munster

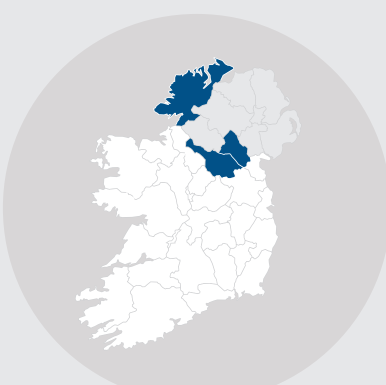


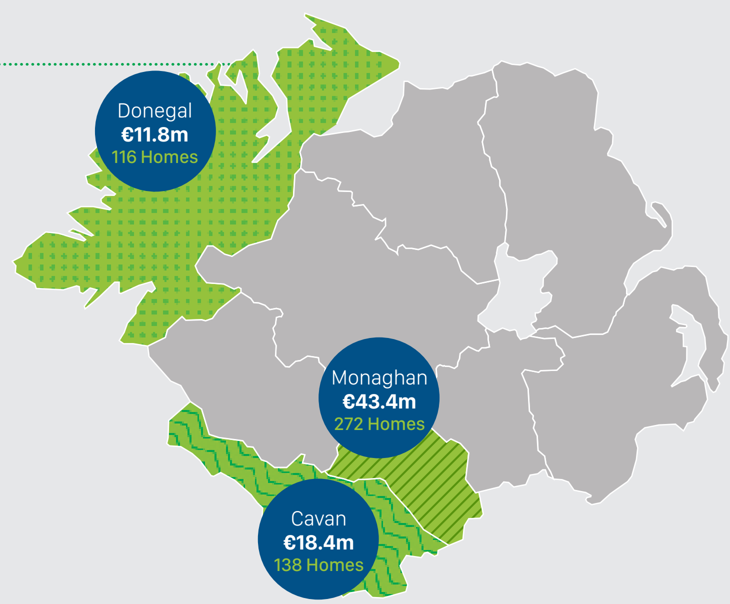
Connacht





Ulster





Board of Directors

William Johnston
Interim Chairperson

Appointment to the Board

Initially in March 2017 and reappointed in January 2022 as a non-executive Board Member.

Committee Membership

Audit & Risk and Credit Committees.

Career Experience

William is a solicitor, an economics graduate of Trinity College Dublin, and a Consultant with Byrne Wallace LLP. He is the external Examiner for the Law Society in banking law, former chair of the banking law division of the International Bar Association and author of 'Banking and Security Law in Ireland (2nd ed, Bloomsbury Professional, 2020)'. He is the Honorary Secretary and Board member of The National Maternity Hospital, Holles Street.

Barry O'Leary
Chief Executive Officer

Appointment to the Board

Initially in August 2013, re-appointed in January 2017 as a Board Member (ex-officio) and subsequently in May 2020.

Committee Membership

Credit Committee.

Career Experience

An accountant by profession, Barry was appointed as Chief Executive Officer in September 2012. He has worked with the Housing Finance Agency since 1988, holding the roles of Financial Controller/ Company Secretary and Head of Treasury. Barry also has experience of insolvencies and previously worked with the Comptroller and Auditor General.

Aideen Hayden
Non-Executive Director

Appointment to the Board

Initially in March 2017 and reappointed in January 2022 as a non-executive Board Member.

Committee Membership

Audit & Risk and Credit Committees.

Career Experience

A solicitor with a degree in Economics, Aideen holds a PhD in housing policy from UCD. She was a member of Seanad Éireann from 2011 to 2016, nominated by the Taoiseach, where she served as vice chair of the Joint Oireachtas Committee on Finance, Public Expenditure and Reform. Aideen was a founding member of the Residential Tenancies Board.

Rory O'Leary
Non-Executive Director

Appointment to the Board
4 March 2021 as a non-executive Board member (ex-officio).

Committee Membership
Audit & Risk Committee.

Career Experience
Rory is a Principal Officer in the Department of Housing, Local Government and Heritage, currently serving in the Planning Division with responsibility for establishing the Maritime Area Regulatory Authority. Rory recently had responsibility for AHB Policy & Regulation and has held a variety of other roles within the Department, including in the Local Government (Finance), Environment and Corporate Divisions. He also had previous experience in the EU Commission (DG Environment) and the Office of Public Works. Rory holds an MSc in Environmental Economics, Policy and Risk from Heriot-Watt University, Scotland and a BSc in Zoology from University College Cork.

Lianne Patterson
Non-Executive Director

Appointment to the Board
Initially in March 2017 and reappointed in January 2022 as a non-executive Board Member.

Committee Membership
Chairperson of the Audit & Risk Committee and a member of the Credit Committee.

Career Experience
Lianne joined the Northern Ireland Civil Service in 2005 and was appointed to her current role of Deputy Secretary for Resources, Reform and Infrastructure at the Department of Education in March 2019. Lianne is a chartered accountant by profession and spent much of her career in management roles in Deloitte and PricewaterhouseCoopers. Prior to her current role she previously held roles as Director of Justice Delivery in the Department of Justice and as Senior Finance Director in the Department of Infrastructure.

Jennifer Ward
Non-Executive Director

Appointment to the Board
Initially in March 2017 and reappointed In January 2022 as a non-executive Board Member.

Committee Membership
Audit & Risk and Credit Committees.

Career Experience
Jennifer is an independent consultant working with an active and diverse client base on advisory consulting. Jennifer was a non-Executive Board member of Clúid Housing from 2015 to 2017, and a member of Clúid's 'Growing Our Business' Committee. She previously worked with AIB's Financial Solutions Group and, in roles as, Head of Investment Planning & Prioritisation and Head of Group Change Management for AIB Group. Jennifer holds an MSc in Management Practice and a BA (Mod) in Economics & Business, both from Trinity College Dublin's Business School.

Management Team

Seán Cremen
Head of Treasury

Seán has over thirty years' experience working in Treasury and Capital Markets. Having previously served as Executive Director on the Board of AIB Mortgage Bank, Seán joined the HFA as Head of Treasury in 2014.

Tom Conroy
Head of Finance & Company Secretary

An accountant by profession, Tom has worked for the HFA since 1999 in a number of key financial roles, before being appointed in his present capacity as Head of Finance and Company Secretary in 2008. As such, he has extensive experience in all elements of the HFA's business. Tom previously worked as an accountant with Jurys Hotel Group plc.

Damian Flynn
Financial Accountant

Damian joined the HFA in 2000 and currently holds the role of Financial Accountant, managing the HFA Corporate Services team. He holds an MA-Financial Management and a Higher Diploma - Public Management. Damian previously worked in the private sector for Irish Cement Ltd (part of the CRH Group), where he qualified as an accountant.

Maria O'Reilly
Lending Team Lead

Maria currently manages the HFA Lending Services team. She graduated from the Waterford Institute of Technology in 2006 with a Bachelor of Business Studies (Hons). Maria has worked with the HFA since graduating, holding the roles of Accounts Assistant, Lending Executive AHBs and Senior Lending Officer, and in that time has accrued experience lending into the AHB sector.

Strategy HFA 2026

The provision of competitive funding by the HFA is seen as an important component in the delivery of social and affordable housing by the Department of Housing, Local Government and Heritage (DHLGH). To continue to fulfil our role effectively, we have developed HFA 2026, a strategy which supports and complements *Housing for All*, the Government's new housing plan for Ireland, and builds on the success of our last strategy.

HFA 2026 was developed by the HFA Board with input and feedback from all stakeholders. The following was undertaken in the formulation of this strategy:

- Key stakeholders (including staff) were consulted to obtain feedback on the performance and standing of the HFA, and to identify potential new business opportunities. A report concluded that stakeholders recognise the professionalism and responsiveness of HFA in approving loans, disbursing funds and generally supporting projects to deliver additional housing for AHBs, local authorities and universities. Several suggestions in the report have been incorporated into this strategy document.
- A series of strategy Board meetings were held to review the HFA's existing business, potential new initiatives and address any other strategy related matters.
- Management held detailed discussions with DHLGH officials to discuss potential new lending initiatives to be included in the Strategy, and to ensure these initiatives are in line with *Housing for All*.

The success of this strategy, which is ambitious yet achievable, is predicated on several factors, including:

- Government capital expenditure constraints.
- The capacity of our customers to deliver homes in the numbers required.
- HFA's continued access to competitive finance.
- The capacity to address the challenges arising from the Covid-19 pandemic.
- The availability of construction resources and land.

Collaboration with all parties in the wider 'housing group' is imperative for the continued delivery of social and affordable housing. We look forward to working closely with our customers, officials of the Departments of Housing, Local Government & Heritage, Finance and Public Expenditure & Reform, the European Investment Bank and Council of Europe Development Bank, State bodies including the NTMA, Housing Agency and the AHB Regulatory Authority, and other stakeholders in the implementation of this strategy.

HFA 2026 consists of 3 strategic goals which are central to its delivery, with high-level objectives as detailed below:

GOAL 1

We will have increased our business portfolio to €11.8 billion by introducing innovative products to existing and new customers.

GOAL 2

We will enjoy a reputation for excellence among our stakeholders.

GOAL 3

We will provide exceptional service to customers through a professional and committed Board and Staff.

Future State Picture for 2026

HFA recognised as the preferred provider for social and affordable housing finance

19,000 new homes

3,300 new student beds

Loan book grown

€11.8 billion

Innovative finance available to meet customers' needs

HFA has adapted as an organisation to cater for planned growth

Funding

25%

of *Housing for All* investment

Environmental, Social and Governance (ESG)

Sustainability for the HFA has three interconnected elements - environmental, social and governance - which are detailed separately below.

Environmental

This includes the extent of non-renewable sources used in production as well as the release of potentially harmful elements to air, land and water.

The HFA operates from 46 St Stephen's Green, Dublin 2, where it leases space on one floor. Our main use of energy is for lighting, heating/air-conditioning, and the powering of computers.

Energy Conservation

In 2021, the HFA used 19.5 MWh (2020:19.6 MWh) of electricity. This represents an average consumption of 1.3 MWh (2020:1.3 MWh) of electricity per employee.

Our leased premises were redeveloped during 2009/2010, with energy-efficient lighting & heating installed at that stage. The HFA's offices have a BER rating of B1.

Under normal working arrangements:

- The HFA recycles paper and cardboard, electronic equipment, printer toners and mobile phones.
- The HFA purchases and operates energy-rated servers, personal computers and printers.
- 87% of HFA staff use public transport for commuting, while 13% of staff cycle or run to and from work, encouraged by the availability of appropriate facilities in the HFA, and the cycle to work scheme.
- HFA employees are encouraged to be energy conscious, and we endeavour to ensure that our office is operated in the most energy-efficient manner possible.

Energy Efficient Builds

2021 saw the approval of €983m (2020: €1,004m) in AHB loan finance for the provision of 4,108 (2020:4,256) social housing units. 96% of these homes are new-builds, which will have an energy-efficiency rating of A2 or higher. The HFA also lends for energy-efficient retrofitting of homes. The HFA hopes to expand on this success over the coming year and aims to consider the development of other sustainable energy products and to bring these to the market. In the government's *Housing for All* strategy as part of the drive to improve sustainability in the state's housing stock it is planned to develop a new Local Authority Energy Efficiency Retrofit Loan proposal for homeowners, supported by the Housing Finance Agency.

Maximisation of Recycling

HFA staff are encouraged to practice recycling to the greatest extent possible. The HFA has segregated bins for waste, glass, paper and used print ink cartridges sent for recycling. Our landlords IPUT have recently introduced an initiative to increase recycling in 2022 from 50% to 75%, thereby reducing waste levels by 25% against 2019 levels.

Indoor Air Quality Monitoring

Indoor air quality monitors have been installed in all areas of our office in 46 St Stephens Green. We are using a Ziggy Tec portal, which monitors and provides information on indoor air quality in our offices and measures carbon dioxide levels, temperature and humidity. These devices are online and can be monitored remotely.

Social

This encompasses how an organisation manages its relationships with suppliers, customers, employees and the communities where it operates.

Social Investment Fund

The HFA Board agreed to the arrangement of a Social Investment Fund of €150,000 for 2020 and because of the high level of interest generated in the fund in 2020, the annual allocation towards the fund was increased by the HFA Board to €250,000 in 2021. Individual allocations will continue to be limited to a maximum of €30,000.

There was a high level of interest in the Fund in 2021, with twenty-eight eligible applications received, totalling €571,000. Of these applications, thirteen were successful in full or part for the allocated amount.

Governance

Deals with an organisation's leadership and effective management of the business.

Strategy

The provision of competitive funding by the HFA is seen as an important component in the delivery of social and affordable housing by the Department of Housing, Local Government and Heritage (DHLGH). To continue to fulfil our role effectively, we have developed **HFA 2026**, a strategy which supports and complements *Housing for All*, the Government's new housing plan for Ireland, and builds on the success of our last strategy.

The HFA's Board, collectively, has considerable experience in the areas of social housing policy, the building sector, finance, legal and banking. The Board of Directors holds annual reviews and discussions of its performance – seeking ways to better its contribution to the sustainable growth of our business.

Code of Practice and Risk Management

The HFA complies with the Code of Practice for the Governance of State Bodies (the "Code"), as detailed in the Corporate Governance Statement in this report.

In accordance with the Code, the HFA has a Risk Register detailing all of the major risks in the HFA's business. The Code requires that the Board monitors its effectiveness, reviews material risk incidents, and notes or approves Management's actions, as appropriate. The Chief Executive Officer, Head of Treasury and Company Secretary collegially manage the risk of the HFA, in place of a Chief Risk Officer, and as permitted under the Code of Practice. The Register is segregated into the following five categories of risk: legal and regulatory, financial, process, adaptability and external.

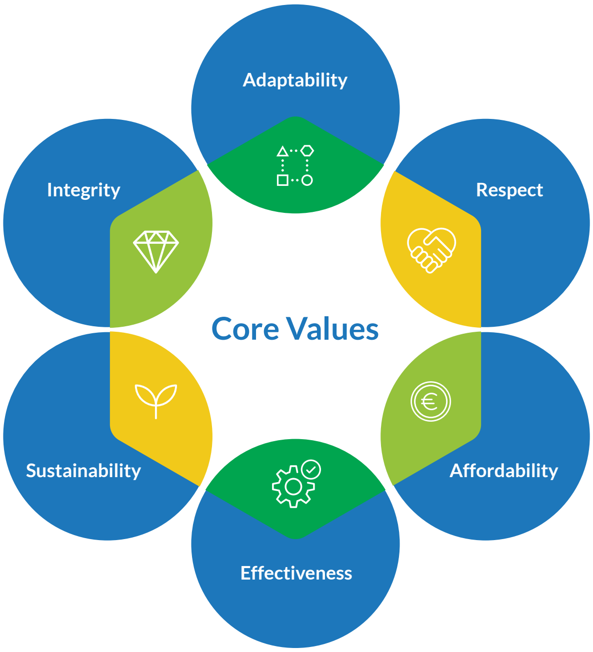
Board and Committees Effectiveness Review

A review of Board and Committee effectiveness was undertaken and reported on in the year, which concluded that the Board, supported by its committees, is exercising its governance role responsibly in the Housing Finance Agency. The overall high levels of satisfaction noted for the Board and committees, in exercising their governance role responsibly, are welcomed.

The report observed a strong governance infrastructure in the HFA, visible commitment to best practice governance by the Board and Executive, and consistent evidence of compliance as reflected in internal and external audit findings.

Customer Service

We have a recognised expertise, built up over the last forty years, in raising and on-lending long-term competitive rate finance for housing purposes in a cost-effective manner. We use this to enable the Department of Housing, Local Government and Heritage and our customers – the local authorities, approved housing bodies and higher education institutions – to support the delivery of social and affordable homes.



Quality Customer Service (QCS) is a concept that is embedded in the heart of the HFA's business and is fundamental to achieving our mission of facilitating the successful delivery of social and affordable housing in Ireland.

A number of strategic initiatives regarding QCS were identified in the development of our new 5-year strategy **HFA 2026**, in particular, identifying and building strong relationships with our customers, to fully understand their needs and challenges. This involves organising regular information-gathering sessions between HFA representatives and key local authority and AHB and HEI staff, participation on Finance and Housing Groups, and developing the AHB and HEI market with appropriate structures and products. Another new area to focus on will be the ability for the Housing Finance Agency to lend to Technological Universities (TUS).

As part of the drafting of Strategy **HFA 2026**, the HFA undertook an independent 'Stakeholder Needs Assessment' to enable it to function more effectively in assisting our customers and our departmental stakeholders gain clarity regarding our products and develop a communication framework to regularly update our customers and Government departments. The feedback from this process was that stakeholders recognised the professionalism and responsiveness of HFA in approving loans, disbursing funds and generally supporting projects to deliver additional housing for our customers. Several suggestions in the report have been incorporated into our strategy.

Information Technology

With a loan book of c.€5.9 billion and with the necessity to work remotely recently because of Covid-19 restrictions, the HFA relies heavily on the use of information technology to facilitate efficient use of its resources and continued effective delivery of its services.

The HFA aims to maximise the number of online services it provides, thereby providing better customer service, improving data accessibility, and reducing costs for service users. The HFA provides access to data via its online portal, which is accessible to customers and other stakeholders. Clients can access services instantaneously, from a variety of locations and at any time of day via the HFA website.

The HFA has currently embarked on a significant project to develop a new Financial Management and Customer Relationship Management system. This project is expected to be completed by end-2022 and will improve reporting capability for the HFA, to enhance its customer service and interaction with stakeholders.

Oversight Agreement

As required by the Code of Practice for the Governance of State Bodies, the HFA has an Oversight Agreement in place with the Department of Housing, Local Government and Heritage. This Agreement reflects the HFA's legal framework; the environment in which it operates (i.e., a non-commercial State body); its purpose and responsibilities; the HFA's level of compliance with the Code; details of the Performance Delivery Agreement (e.g. outputs to be delivered); and arrangements for oversight, monitoring and reporting on conformity with government policy.

The most recent agreement covered the three-year period to end-December 2021. Its replacement, to cover the period to end-2024, is currently being drawn up in consultation with the Department and will be finalised shortly. The HFA's position under the aegis of the Minister ensures that its services are efficient and fully supportive of Government policy.

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Results and dividends

	2021 €'000	2020 €'000
Total recognised gain for the year	**72,182**	55,421
Shareholders' funds at beginning of year	**293,936**	238,515
Shareholders' funds at end of year	**366,118**	293,936

This is an excellent result with profits generated by a margin policy, approved by the Directors, which is designed to ensure that the HFA has reserves sufficient to meet the estimated costs arising in the business.

The Directors do not propose the payment of a dividend for 2021 (2020: nil).

Note 18 to the financial statements details the HFA's financial risk, management objectives, details of its financial instruments and hedging activities, and its exposures to credit, liquidity, and market risks. The Directors' Report also addresses the significant business risks to which the HFA is exposed.

Review of the development of the business

Loans to local authorities (approved pre-27 May 1986)

The HFA was established to issue index-linked loans to local authorities for lending by them on an agency basis to individuals. A total of €403 million was advanced to local authorities under this scheme from 1982 to 1986 and was used to finance 15,571 mortgages. These loans were converted to variable and fixed rate loans in 2015, on the maturity of an underlying index-linked bond. At 31 December 2021 such loans represented outstanding balances of €1.12 million. The HFA is liable for any credit losses that may arise on these loans.

Loans to local authorities (approved post-27 May 1986)

With effect from May 1986, the HFA has issued loans to local authorities to be used by them for any purpose authorised by the Housing Acts, 1966-2014 to finance social housing development. Outstanding loans to local authorities advanced since 27 May 1986 totalled €3.33 billion at end-December 2021.

A significant portion of these funds is retained by the local authorities for social housing purposes. The remainder is lent by the local authorities to individual borrowers. The local authorities are responsible for any losses that may arise on these loans. In the context of:

(i) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments;

(ii) their revenues or funds being security for the due payment to the HFA of all amounts due by local authorities (as set out in the agreement between each local authority and the HFA);

(iii) all loans advanced to local authorities are approved by the Minister for Housing, Local Government & Heritage;

(iv) the Board's understanding that Central Government supports local authorities in meeting their obligations to the HFA; and

(v) the HFA has not experienced any loan losses on its loans advanced to local authorities after 1986.

The Board is of the opinion that, in substance, no credit risk arises, other than sovereign risk, on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans.

In 2021, gross loan advances for Post May 1986 loans amounted to €209 million (2020: €175 million), repayments and redemptions totalled €200 million (2020: €188 million), resulting in net advances of €9 million (2020: net redemptions of €13 million). Such loans represented outstanding balances of €3.33 billion (2020: €3.32 billion). The HFA endeavours to work with the local authorities to develop appropriate loan structures for them in order to better match their financial circumstances. The HFA may provide extended loan terms, interest deferred periods or offer other renegotiations as appropriate. During 2021 the HFA renegotiated €76.78 million (2020: €254.02 million) of non-mortgage related loans and €6.05 million (2020: €31.32 million) of housing related loans. These renegotiations have taken place in the context of €3.33

billion of loans advanced to local authorities as at 31 December 2021 and thus represents renegotiation activity of circa 2.49% in 2021 (2020: 7.65%).

Renegotiated non-mortgage related and mortgage related loans were given interest only periods, and mortgage related loans were given payment breaks for three to six monthly terms, that did not result in impairment or derecognition of the original loan assets as it did not represent a significant modification of terms. The HFA ceases to consider these loans as renegotiated once one year of up-to-date scheduled repayments has elapsed post renegotiation. In this regard, the HFA considers €82.83 million of loans (2020: €254.02 million) to be renegotiated as at 31 December 2021 with €0.38 million (2020: €0.98 million) of interest income recognised on these assets.

Interest accrued on loans converted upon maturity at 31 December 2021 amounts to €nil (2020: €0.01 million).

Loans to approved housing bodies

Under Section 17 of the Housing (Miscellaneous Provisions) Act 2002, the HFA is empowered to lend directly to AHBs, which includes voluntary housing bodies and co-operative housing societies. Under the Social Housing Leasing Initiative, the Department of Housing, Local Government and Heritage, through local authorities, leases suitable housing units from AHBs which are rented to social housing tenants nominated by local authorities.

Properties are either bought or built by AHBs and financed by loan finance raised by the AHB. Income received by the AHBs from a Payment and Availability Agreement with a local authority for a period of up to 30 years, will fund the repayment of the HFA's loan.

AHBs wishing to borrow from the HFA have to submit to a general financial assessment in order to be assessed for Certified Body status (apart those who have applied under the Category 2 product). Only when that status has been confirmed and a master loan agreement signed, can they then furnish loan applications which are subsequently assessed by the credit assessment team. As at 31 December 2021, nineteen Certified AHBs (2020: eighteen) have been successful in obtaining Certified Body status.

The HFA's Credit and Management Committees, as at 31 December 2021, have approved 921 loan applications (2020: 816) totalling €3.81 billion (2020: €2.95 billion), €2.53 billion of which has been advanced (2020: €1.85 billion). It is anticipated that 2022 will herald continued growth in the level of lending in this area. The HFA continues to have frequent interaction with AHBs to develop the suite of products on offer.

Category 2 product

In 2016, the HFA introduced a 'Category 2' product offering for AHBs, whereby they could apply for loan finance up to a limit of €1.5 million, without undergoing a full Certified Body assessment. As and from 1 May 2022 this limit is being increased to €5 million. Loan applications are considered on a case-by-case basis. To date, two AHBs have availed of the Category 2 offering and subsequently underwent a successful Certified Body application. There are currently eight AHBs in this category.

Loans to higher education institutions

Under Section 51 of the Planning and Development (Housing) and Residential Tenancies Act 2016, the HFA is empowered to lend directly to higher education institutions (HEIs), for the development of new student accommodation.

These powers allow HEIs access the HFA's low cost, long term fixed rate finance for on and off campus student housing, thereby significantly reducing the costs to Universities of such projects and improving the affordability for students. The provision of new student accommodation has the added benefit of freeing up existing rental stock to support additional social and affordable housing.

Currently three Universities have had loan facilities approved totalling €168m for the provision of 1,428 new student bedrooms. It is anticipated that further loan applications will be received in the coming months. The HFA advanced funds of €16 million (2020: €49 million) to three HEIs during 2021.

Directors' Report
(continued)

Going concern

The financial statements have been prepared on the going concern basis. In making its assessment of the HFA's ability to continue as a going concern, the Board of Directors has taken into consideration the significant risks and uncertainties that currently impact the HFA. The Risk Management section below, and the 'Access to Funding and Going Concern' section within the Basis of Preparation section of the Statement of accounting policies, lists the HFA's business activities and takes into consideration the significant risks and uncertainties that currently impact the HFA.

In addition, Note 18 to the financial statements details the HFA's financial risk, management objectives, details of its financial instruments, and its exposures to credit, liquidity and market risks. The assessment of going concern is presented on page 44.

Risk management

The Board is responsible for the HFA's system of risk management and internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit & Risk Committee. Details in relation to the Committee's work in this regard are set out in the Audit & Risk Committee Report on pages 43 to 49.

The Chief Executive Officer also reports to the Board, on behalf of Management, on significant changes in the business and external environment which affect risk. Risk is a standing item on the agenda at each meeting of the Board. Where areas for improvements in the system are identified, the Board considers the recommendations made by Management and the Audit & Risk Committee.

Directors

The Directors have considered the principal risks and uncertainties which impact the HFA. In this regard the Directors have concluded that the HFA has potential exposure to credit risk, liquidity risk and market risks owing to its use of financial instruments for certain types of loans. The HFA's objectives, policies and procedures for measuring and managing these risks are set out above and in Note 18 to the financial statements. The Directors and Secretary have no interests in the shares or debentures of the HFA.

Contracts

There are no contracts to be noted.

Post statement of financial position events

No events have taken place since the year-end that would result in an adjustment to the financial statements or inclusion of a note thereto.

Electoral Act, 1997

The HFA made no political donations during the year.

European Communities (Late Payment in Commercial Transactions) Regulations 2012

The HFA is required to comply with the requirements of the European Community (Late Payment in Commercial Transactions) Regulations, 2012, giving effect to Directive No. 2011/7/EC of the European Parliament and of the Council of 23 February 2011 and its predecessor, the European Community (Late Payment in Commercial Transactions) Regulations, 2002. A review of all payments made during the year ended 31 December 2021 shows no late payments were made during 2021 under the above Act.

Accounting records

The Directors are aware of their responsibilities under Sections 281 to 285 of the Companies Act 2014 as to whether, in their opinion, the accounting records of the HFA are sufficient to permit the financial statements to be readily and properly audited and are discharging their responsibility by ensuring that sufficient company resources are available for the task. The accounting records are held at the HFA's Registered Office, 46 St. Stephen's Green, Dublin 2.

Directors' Report
(continued)

Corporate Governance

As required by the Code of Practice for the Governance of State Bodies, which the HFA has adopted, the Directors have prepared a Corporate Governance Statement, which is set out on pages 38 to 42 and which, for the purpose of Statutory Instrument 450/2009 European Community (Directive 2006/46) Regulations, forms part of the Report of the Directors.

Auditors

In accordance with Section 383(2) of the Companies Act, 2014, the Auditors, JPA Brenson Lawlor, Chartered Accountants, will continue in office. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Principal risks and uncertainties

The Directors have considered the principal risks and uncertainties which impact the HFA. In this regard, the Directors have concluded that the HFA's principal risk exposures are in respect of credit risk, liquidity risk and market risk owing to its use of financial instruments. The HFA's objectives, policies and procedures for measuring and managing these risks are set out in Note 18 to the financial statements.

Compliance Statement

The Directors have put in place appropriate arrangements or structures that, in their opinion, provide a reasonable assurance of compliance in all material respects with the HFA's "Relevant Obligations" for the purposes of section 225 of the Companies Act 2014 (the "Relevant Obligations").

The principal arrangements and structures that the HFA has put in place to secure material compliance with its Relevant Obligations are having suitably qualified and experienced personnel (both internal, and external advisers) to perform and assist in the performance of legal and tax compliance, and financial functions. In this regard, it appears to the Directors that the Company Secretary has the knowledge and experience to advise the HFA on the Company's compliance with its Relevant Obligations.

The HFA is also entitled to rely upon, and has access to, service-providers and professional advisers who have the requisite knowledge and experience to advise the HFA on compliance with its Relevant Obligations.

Specifically, the Directors are satisfied that the Company Secretary:

- has been fully briefed regarding section 225 of the Companies Act 2014;
- is aware of and understands the Relevant Obligations and their relevance to the HFA's business and operations, and vice versa;
- has undertaken a risk assessment in respect of those of the Relevant Obligations that are within his/her functional or operational responsibility;
- has implemented appropriate control processes in respect of each of the applicable Relevant Obligations;
- has, or has access to other personnel who have, the requisite knowledge, skills, experience and resources to advise the HFA on the Company's compliance with its Relevant Obligations; and
- reports regularly to the Board of Directors of the HFA, and through more frequent operational channels as necessary, regarding the control processes that are in place to ensure material compliance by the HFA with its Relevant Obligations;
- such that, taken together, these arrangements and structures provide a reasonable assurance of compliance by the HFA with those Relevant Obligations, in all material respects.

The Board will review these arrangements and structures at least annually.

Dividend

No dividend is due to be declared for 2021.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with Companies Act 2014 and FRS 102 (the Financial Reporting Standard applicable in the UK and Ireland issued by the Financial Reporting Council). Under Company Law the Directors must approve the financial statements when they are satisfied that they give a true and fair view of the state of affairs of the HFA and of its surplus and deficit for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, identify those standards, and note the effects and the reasons for any material departures from those standards; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the HFA will continue in business.

The Directors are also required under company law to include a Directors' Report containing a fair review of the business and a description of the principal risks and uncertainties. Under company law the Directors are required to prepare a report to deal, so far as is material for the appreciation of the state of the HFA's affairs, with any change during the financial year in the nature of the business of the company.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the HFA and enable them to ensure that its financial statements comply with the Companies Act 2014. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website (www.hfa.ie).

Each of the Directors confirms that, to the best of each person's knowledge and belief,

- the HFA's financial statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities and financial position of the HFA at 31 December 2021 and of the profit of the HFA for the year then ended; and,
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the HFA's performance, business model and strategy.

Statement of Disclosure to Auditor

Each of the Directors in office at the date of approval of this Annual Report confirms that:

- there is no relevant audit information of which the Company's Auditor is unsure; and,
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 330 of the Companies Act 2014.

On behalf of the Board,

William Johnston
Interim Chairperson

31 March 2022

Barry O'Leary
Chief Executive Officer

31 March 2022

Corporate Governance

The Directors are committed to maintaining the highest standards of corporate governance and comply with the revised Code of Practice for the Governance of State Bodies (the Code), as published by the Department of Public Expenditure & Reform. The revised and updated Code is designed to ensure that both commercial and non-commercial State bodies meet the highest standards of corporate governance. It provides a framework for the application of best practice and is intended to take account of developments in respect of oversight, reporting requirements and the appointment of Board members. The Code is based on the underlying principles of good governance: accountability, transparency, probity and a focus on the sustainable success of the organisation over the longer term.

The Board reviewed its obligations under the Code which includes requirements on the Board regarding consistency and appropriateness of disclosure, as well as a separate section for the Audit & Risk Committee in the Annual Report. The Directors have prepared a 'Corporate Governance Statement,' which is set out in this section and which, for the purpose of Statutory Instrument 450/2009 European Community (Directive 2006/46) Regulations 2009, forms part of the Directors' Report. The HFA has complied with the Code of Practice for the Governance of State Bodies.

Application of the Principles and Provisions of Corporate Governance

The following information explains how the HFA applies the principles and provisions of the Code of Practice for the Governance of State Bodies published by the Department of Public Expenditure and Reform.

Board of Directors

The Board takes the major strategic decisions and retains full and effective control while allowing Management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

The Board has reserved to itself for decision a formal schedule of matters pertaining to the HFA and its future direction such as major acquisitions and disposals, appointment and removal of the Company Secretary, expenditure budgets and risk management policies. Each non-executive Director brings independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct. All Board members have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The HFA's professional advisors are available for consultation with Board members as required. Individual Directors may take independent professional advice, if necessary, at the HFA's expense.

At 31 December 2021, the Board of Directors comprised ten non-executive Directors and one Executive Director. The Directors are appointed by the Minister for Housing, Local Government & Heritage in consultation with the Minister for Public Expenditure & Reform for a period not to exceed five years, unless the Minister sees fit to reappoint a Director for a second or subsequent term. The roles of the Chairperson and Chief Executive Officer (CEO) are separate. The CEO is employed full time and does not have any other significant commitments. All Directors, except for the CEO, are independent non-Executive Directors. The Board met seven times in 2021 and is responsible for the proper management of the HFA. Two of our directors have terms ceasing in 2025 and 2026. Four directors were reappointed in January 2022 by the Minister for Housing and the process of selecting the remaining directors is ongoing via a competition on Stateboards.ie.

Corporate Governance
(continued)

Attendance at Board meetings during the year ended 31 December 2021 and length of service at 31 December 2021

Members	Meetings held	Directors attendance	Board service in years
Michelle Norris (Non-executive Chairperson)	7	7	9.81 years
Barry O' Leary (Chief Executive Officer)	7	7	6.67 years
Padraic Cafferty (Non-executive Director)	7	4	9.75 years
Emma Cunningham (Non-executive Director)	7	7	5.00 years
Clare Curley (Non-executive Director)	7	5	5.00 years
Brian Fitzpatrick (Non-executive Director)	7	7	4.82 years
Aideen Hayden (Non-executive Director)	7	7	4.82 years
William Johnston (Non-executive Director)	7	7	4.82 years
Rory O'Leary(Non-executive Director) *	6	6	0.83 years
Derek Rafferty (Non-executive Director) **	0	0	4.13 years
Lianne Patterson (Non-executive Director)	7	7	4.82 years
Jennifer Ward (Non-executive Director)	7	7	4.82 years

** R O'Leary appointed on 4 March 2021*
*** D Rafferty resigned on 18 February 2021*

The Board of the HFA comprises individuals who bring a wide range and depth of experience to the activities of the HFA being drawn from experts from areas such as housing policy, legal services, construction, the Departments of Housing, Local Government & Heritage, which should enable the HFA to address major future challenges.

Directors' Remuneration

The Minister for Housing, Local Government & Heritage determines the level of remuneration for the Board of Directors. Remuneration of non-executive Directors is not linked to performance. The table below provides details of all fees paid to Directors during the year.

Members	Fees 2021 €	Fees 2020 €
Michelle Norris*	-	-
Padraic Cafferty	7,695	7,695
Emma Cunningham ***	-	-
Clare Curley ***	-	-
Brian Fitzpatrick	7,695	7,695
Aideen Hayden	7,695	7,695
William Johnston	7,695	7,695
Rory O' Leary**	-	-
Lianne Patterson	7,695	7,695
Derek Rafferty ***	-	-
Jennifer Ward	7,695	7,695
Total	**46,170**	**46,170**

** During 2021, a sum of €9,000 (2020: €9,000) was charged by University College Dublin as compensation for loss of hours worked by Professor Michelle Norris for time spent in her duties as Chairperson of the HFA in 2021.*
*** Rory O' Leary was appointed on 4 March 2021.*
**** Public servants serving on state boards in an ex officio capacity or on behalf of their Parent Department/organisation should not be paid remuneration in the form of board fees when serving in such a representational capacity.*

Corporate Governance
(continued)

The remuneration of the Chief Executive Officer is detailed in Note 8 to the financial statements.

Ethics in Public Office

The HFA is included in Statutory Instrument no. 699 of 2004 for the purposes of the Ethics in Public Office Acts, 1995 and 2001. The Members of the HFA and relevant staff have fulfilled their obligation under this legislation.

Protected Disclosures Act, 2014

There were no protected disclosures made to the HFA in 2021.

Human Rights and Equality

In accordance with Section 42 of the Irish Human Rights and Equality Commission Act, 2014 the HFA has established and maintains procedures to eliminate discrimination, promote equality and protect the human rights of people that use the Agency's services, people affected by its policies and people employed by the Agency. In respect of 2021 no disclosures were made to the Agency under the Irish Human Rights and Equality Commission Act, 2014.

Administrative Expenses

In line with Appendix B.7 of the Code of Practice for the Governance of State Bodies, the total number of employees whose short- term benefits exceeded €60,000 p.a. (excluding employer pension costs) is as follows:

€	No.
120,001-130,000	1
110,001-120,000	1
100,001-110,000	-
90,001-100,000	1
80,001-90,000	-
70,001-80,000	2
60,001-70,000	1

Also, as required under Appendix B.5 of the Code, expenditure on external consultancy/advisory services for 2021 was as follows:

Legal fees: €1,578,463 (2020: €1,861,230). Legal fees are directly related to conveyances.

Management consultancy fees: €16,962 (2020: € 5,669).

Total expenses reimbursed to Directors for travel and subsistence: €1,265 (2020: € 2,588) and international travel (in relation to the UK and the EU): €nil (2020: €677).

Travel and subsistence for employees: €2,508 (2020: €4,000) and international travel (in relation to the UK and the EU): €nil (2020: €nil).

Hospitality expenditure: €1,469 (2020: €601).

Diversity

The Board believes that diversity is important for effectiveness and has been following the debate regarding gender, age, culture, educational background and professional experience. While the Board does not think specific quotas on such criteria as gender are appropriate and believes that the opportunities should be made on merit, it does believe that a diverse mix of skills, experience, and knowledge background is important, of which gender is a significant element.

As at 31 December 2021 there were six female Directors on the Board out of eleven members. Looking beyond the Board, the HFA also recognises the importance of diversity including gender diversity and the benefits this could bring to the organisation. The CEO and employees are subject to a Code of Conduct and must comply with all statutory requirements, namely Equal Status Act (2000), Equality Act (2004), Disability Act (2005) Part 5 and Civil Law (Miscellaneous Provisions) Act (2008) to ensure that the work environment is free of discrimination based on membership of the Traveller Community, race (nationality, colour or ethnic origin), religion or belief, age, disability, sexual orientation, civil status, family status or gender in relation to employment and occupational or vocational training.

Corporate Governance
(continued)

Board Committees

The Board has an effective committee structure to assist in the discharge of its responsibilities. Please see the terms of reference for each Board Committee available on the HFA website, www.hfa.ie.

Audit & Risk Committee

Please see Audit & Risk Committee Report on pages 43 to 49.

Credit Committee

The HFA's Credit Committee comprises members of the Board and Management. The Committee was established in 2009 to maintain credit risk within Board policy, to review the creditworthiness of AHBs and approve credit risk limits before proceeding to advance such monies to AHBs. The Committee operates under formal terms of reference approved by the Board.

Attendance at meetings during the year ended 31 December 2021

Members	Meetings held	Members Attendance
Michelle Norris *	5	4
Barry O' Leary	13	12
Tom Conroy	13	10
Seán Cremen	13	12
Brian Fitzpatrick	13	12
Aideen Hayden	13	13
William Johnston	13	12
Maria O'Reilly	13	12
Jennifer Ward	13	11

** Michelle Norris resigned from the committee on 29 April 2021.*

Induction and Professional Development

There is an induction process for new Directors. Its content varies between Executive and non-executive Directors. In respect of the latter, the induction is designed to familiarise non-executive Directors with the HFA and its operations and comprises the provision of relevant briefing material including details of the HFA's strategic and operational plans, and a programme of meetings with the Chief Executive Officer and Management.

Relations with Stakeholders

The Directors and Management maintain an ongoing dialogue with the HFA's stakeholders on strategic issues. Certain specified matters require the approval of the Minister for Housing, Local Government & Heritage and/or the Minister for Public Expenditure & Reform, in respect of which, ongoing communication with the Ministers, through their Departments, is maintained.

Dedicated email address for Oireachtas members

The HFA has a dedicated email address for Oireachtas members to provide enquiries - oireachtas.enquiries@hfa.ie. The HFA received eight enquiries in 2021 (2020: one). These were acknowledged and responded to within the required timelines.

Accountability and Audit

Accounts and Directors' responsibilities

The Directors have reviewed the 2021 Annual Report and believe that it presents a fair, balanced and understandable assessment of the HFA's position and prospects.

Viability statement

The Directors have assessed the viability of the HFA taking into account its current position and the principal risks facing the HFA over the next two years to 31 December 2023. The Directors have assumed that a two-year time span is an appropriate period for the annual assessment given that this is the key period of focus within the HFA's strategic planning process.

Corporate Governance
(continued)

The assessment considered current financial performance, funding and liquidity management of the HFA, and the governance and organisation framework by which the HFA manages and seeks, where possible, to mitigate risk, as described in Note 18. An assessment of the principal risks facing the HFA including those that affect the operations, governance and internal control systems was also undertaken and considered, the details of which are included in Note 18. The Directors have a reasonable expectation, taking into account the HFA's current position, and subject to the identified risks, that the HFA will continue in operation and meet its liabilities as they fall due over the two-year period of assessment.

Corporate Governance Compliance

Internal audit

Due to the size and nature of the HFA, the Internal Audit function is not free from operating responsibility. However, the Directors are satisfied that a sufficient level of independence is afforded to the internal audit function to allow it to carry out its duties in an objective and sufficiently independent manner.

Defined benefit scheme disclosure for Directors

The Directors have complied with the disclosure guidelines set out in the Code of Practice for the Governance of State Bodies.

On behalf of the Board,

William Johnston
Interim Chairperson

31 March 2022

Barry O'Leary
Chief Executive Officer

31 March 2022

Audit & Risk Committee Report

The purpose of the Audit & Risk Committee, as per its terms of reference, is to assist the Board in its general oversight of the HFA's financial reporting, internal controls, risk management and audit functions. The responsibilities of the Audit & Risk Committee are discharged through its meetings and receipt of reports from Management, the Risk Management Committee (consisting of the Chief Executive Officer, Head of Treasury and Company Secretary), external consultants, and the external and internal auditors. The Audit & Risk Committee has an agenda, as per its terms of reference, for the year that includes:

- monitoring the financial reporting process, integrity of the financial statements and any formal announcements relating to the HFA's financial performance;
- monitoring the effectiveness of the HFA's risk management and internal control arrangements;
- reviewing significant financial reporting judgements;
- reviewing any proposed changes to corporate governance practices and endorsing the same for adoption by the Board;
- monitoring the statutory Audit of the Annual Financial Statements;
- reviewing the External Auditor's performance, objectivity, qualification and independence;
- making recommendations to the Board in relation to the appointment of the External Auditor, the approval of the Auditors' remuneration and terms of engagement;
- dealing with significant control issues raised by Internal or External Audit;
- reviewing the cost of funds and interest rates charged; and,
- monitoring compliance with the General Data Protection Regulation and the Irish Data Protection Acts.

In line with Section 289 of the Companies Act 2014, the financial statements must give a true and fair view of the assets, liabilities and financial position, as at the end of the financial year, and profit or loss, for the financial year.

The Risk Management Committee reports to the Audit & Risk Committee and to the Board on a regular basis. An annual review of the financial risk of the HFA was performed by the Board at its 31 March 2022 meeting.

Scheduled Audit & Risk Committee meetings for the year ended 31 December 2021

Members	Meetings held in 2021	Directors attendance
Brian Fitzpatrick (Committee Chairperson)	4	4
Emma Cunningham	4	4
Aideen Hayden	4	4
Rory O' Leary*	3	3
Lianne Patterson	4	4
Jennifer Ward	4	4

** Rory O' Leary was appointed to the committee on 29 April 2021*

The Chief Executive Officer, Head of Treasury, the Company Secretary and representatives of the External Auditors attend upon invitation. Mazars successfully tendered for the provision of Internal Audit services for six months to end-September 2021 to cover maternity leave.

Monitoring the integrity of the financial statements including significant judgements

Financial Reporting

The Audit & Risk Committee receives and considers regular reports on financial performance from Management during the course of the year, as well as directing the work of and receiving reports from the Internal Auditor and discussing the audit strategy and focus of the External Auditor.

Taking into account the information from these activities and views from the meetings of the Board of Directors, the Committee determined the key risks of financial reporting related to the availability of funding and going concern and provisions for doubtful debts arising on post-1986 loans in the context of current market conditions.

Audit & Risk Committee Report
(continued)

These issues were discussed with Management during the year and with the External Auditor at the conclusion of the external audit of the financial statements. Management represented to the Audit & Risk Committee that the HFA's audited financial statements were prepared in accordance with Companies Act 2014 and FRS 102.

This review included a discussion with Management of the quality, not merely the acceptability, of the HFA's accounting principles, the reasonableness of significant estimates and judgements and the clarity of disclosure in the HFA's financial statements, including the disclosures related to critical accounting estimates.

Availability of funding and going concern

These financial statements have been prepared on a going concern basis. The Guaranteed Note ("GN") Programme is guaranteed by the Minister for Finance and facilitates issuance out to a maximum maturity of thirty years from the date of issue. At end 2021 the average maturity of HFA debt was 6.57 years (2020: 5.16 years). This provides a stable funding base for the HFA's loan portfolio and significantly reduces short term liquidity risk for the HFA.

The liability maturity profile is expected to increase in 2022 as further additional long-term fixed rate funding is due to be accessed via the GN Programme with the NTMA and the bilateral agreements with the European Investment Bank and the Council of Europe Development Bank. In addition, the HFA will continue to have access to the NTMA and a Bank overdraft for short term liquidity needs as required.

The Audit & Risk Committee is satisfied with the disclosures of the appropriateness of the going concern assumption and access to funding that are made in these financial statements.

Misstatements

Management confirmed to the Audit & Risk Committee that it was not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation.

Interaction with Management

The Audit & Risk Committee, as part of the approval of the financial statements, obtains and reviews a paper prepared by Management which sets out the significant risks impacting the HFA, a detailed assessment of these risks and how they are mitigated. The Committee challenges the assumptions and judgements contained in these management reports prior to submitting the financial statements to the Board for approval. See pages 48 and 49 of the financial statements for further information relating to the Audit & Risk Committee's ongoing responsibilities in respect of the HFA's internal controls.

Recommendation of Approval of Financial Statements

As a result of these reviews and discussions with Management and Internal Audit, and the reports to the Audit & Risk Committee of the External Auditor, the Committee has reported to the Board that it considers the financial statements, taken as a whole, to be fair, balanced and understandable and provides the information necessary for stakeholders to assess the HFA's performance, business model and strategy. The Audit & Risk Committee also recommended the inclusion of the audited financial statements in the HFA's Annual Report for the year ended 31 December 2021.

External Audit

Audit Firm Tendering

In 2021 the HFA continued its practice of tendering for the provision of external audit services every three years, to cover the 2021-2023 external audit period and JPA Brenson Lawlor were the tender winners. The Board recommended the appointment of JPA Brenson Lawlor as independent External Auditor for a tenure of 3 years.

Ensuring the independence of our external auditor

The Audit & Risk Committee believes the issue of auditor independence is taken very seriously and is reviewed annually. The Audit & Risk Committee has discussed with JPA Brenson Lawlor and Management regarding the firm's independence and there were no issues to note.

Audit & Risk Committee Report
(continued)

In 2021, apart from audit work, there was no other non-audit services carried out by our independent external auditor. The Audit & Risk Committee via its terms of reference reviews non-audit work performed by the external auditor and confirms that there is no adverse effect on actual or perceived independence or objectivity of the audit work itself.

Mazars successfully tendered for the provision of Internal Audit services for six months to end-September 2021 to cover maternity leave.

The Board of the HFA monitors the provision of non-audit services by the external auditor and the Audit Committee through the ongoing review of administration expenses. Given that there were no non-audit services provided by JPA Brenson Lawlor during 2021, therefore there was no conflict with auditor independence.

Fees for audit and non-audit services to the HFA's independent auditors JPA Brenson Lawlor

Year ended	**31 December 2021 €'000**	31 December 2020 €'000
Audit of financial statements	**34**	34
Tax advisory services	**-**	-
Other services	**-**	-
Total Auditors remuneration	**34**	34
Internal audit fees	**16**	-

Liaising with external auditors

The Audit & Risk Committee provides a link between the Board and the External Auditor and is independent of the HFA's Management. JPA Brenson Lawlor, the HFA's statutory auditor, is responsible for performing an independent audit of the HFA's financial statements in accordance with international Standards on Auditing (Ireland). The Audit & Risk Committee has ultimate authority and responsibility for selecting, compensating, evaluating, and, when appropriate, replacing the HFA's independent audit firm. In accordance with Section 383(2) of the Companies Act 2014, the Auditor, JPA Brenson Lawlor, Chartered Accountants, will continue in office.

The Audit & Risk Committee pre-approves all services to be provided by the external auditors. Pre-approval includes audit services, audit-related services, taxation advice, and other services.

The Audit & Risk Committee also has the authority to engage its own outside advisors, including experts in particular areas of accounting, as it determines appropriate, apart from counsel or advisors hired by Management.

Assessment of external audit process

The performance of the External Auditor is reviewed annually by the Committee at the end of the annual audit cycle. The review encompasses taking into account feedback from Management and staff of the HFA involved in the audit process together with a review of the level of service provided by JPA Brenson Lawlor to the HFA. Based on its consideration of the feedback, together with its own ongoing assessment, for example through the quality of the external auditors' reports to, and the audit partner's interaction with the Committee, the Audit & Risk Committee is satisfied that JPA Brenson Lawlor continues to provide an effective audit service.

Risk Management

As prescribed by the revised Code of Practice for the Governance of State Bodies, the Risk Register, overseen by the Audit & Risk Committee, was adopted by the Board, and a formal Risk Management Committee, consisting of Senior Management, has been operational since 2009. The Chief Executive Officer, Head of Treasury and Company Secretary collegially manages the risk of the HFA, in place of a Chief Risk Officer, as permitted under the Code of Practice.

The Risk Register is regularly reviewed by the Committee. The monitoring of risk remains a standing item at Board meetings. The HFA is a financial business and the key risks associated with the business are therefore essentially financial, credit and also treasury related risk (i.e. market and liquidity risks). These risks are outlined in more detail in Note 18 of our financial statements.

Audit & Risk Committee Report
(continued)

The HFA has developed a risk management process which includes constant reviews of its loans and advances portfolio and an ongoing review of treasury related risk, which allows it to manage these risks. The Board of the HFA adopted a Credit Policy regarding lending to AHBs in 2013 which is regularly updated, most recently in December 2021, due to be implemented in May 2022.

Risk is dealt with by a reserves and margin policy as detailed in the HFA's Policies and Procedures Manual and also within the Risk Register. In the context of the HFA's Balance Sheet, interest rate risk arises where a move in interest rates gives rise to a change in the cost of existing funding, which is not offset by a corresponding change in the income earned from existing loans, leading to a positive or negative impact on current and future profitability. To measure this risk, HFA Management developed an Interest Rate Risk (IRR) model which calculates the outstanding IRR exposure on an annual basis (the annual gap) for all fixed rate liabilities and assets, up until their re-pricing date. The IRR model has been reviewed and reported on by the HFA external auditors.

The HFA carries out a comprehensive annual review of risks which is approved by the Board and forms part of the HFA's interest rate and reserves policy for subsequent years. The Board is informed on a quarterly basis of developments and corrective action, if required, is taken.

The Audit & Risk Committee assesses material risks namely:

- interest rate risk mismatch;
- funding, liquidity and going concern risks;
- credit risk associated with post 1986 local authority lending;
- local authority mortgage arrears;
- credit risk associated with approved housing body lending;
- credit risk associated with higher education institution lending;
- credit risk associated with pre 1986 local authority lending; and,
- funding risks in relation to the defined benefit pension scheme.

Pre 27 May 1986 local authority loans

With regard to the HFA's lending to local authorities, the HFA is liable for any credit losses that may arise on pre-May 1986 mortgages which are secured by the underlying mortgage property and mortgage protection insurance. Of the €1.15 million of pre- May 1986 loans outstanding at 31 December 2021 (2020: €7.5 million), only €1.12 million (2020: €5.2 million) of these are still due to the local authorities from the underlying borrowers and there is a total impairment provision of €0.43 million.

The gap of €0.03 million (2020: €2.3 million) has arisen as the local authorities are not required to remit in full to the HFA monies received in relation to redemptions and repayments as allowed under the terms of the loan facility. The Board is of the opinion that, similar to post 1986 loans, in substance, no credit risk arises, other than sovereign risk, for this funding mismatch. The local authorities hold collateral against the remaining €1.12 million of loans advanced pre-27 May 1986, in the form of mortgage interests over property. Only in the event of that collateral not being sufficient to discharge the debt is the HFA liable for any impairment losses which may arise.

Individual borrowers are required to hold Mortgage Protection Insurance ('MPI') on their property. MPI covers the borrower in the event of death or disability on the loan amount outstanding, excluding arrears.

Post 27 May 1986 local authority loans

The legal relationship of post May 1986 loan advances is with local authorities and is not dependent on changes in house prices or other economic variations. In the context of:

(a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments;

(b) their revenues or funds being security for the due payment to the HFA of all amounts due by local authorities (as set out in the agreement between each local authority and the HFA);

(c) all loans advanced to local authorities are approved by the Minister for Housing, Local Government & Heritage;

(d) the Board's understanding that central Government supports local authorities in meeting their obligations to the HFA; and,

(e) the HFA has not experienced any loan losses on its loans advanced to local authorities after 1986.

The Board is of the opinion that, in substance, no credit risk arises, other than sovereign risk, on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans. The Audit & Risk Committee is satisfied with the use of this assumption in the preparation of these financial statements and with the disclosure of these circumstances. At 31 December 2021, following the renegotiation of the terms of certain loans, all local authorities were up to date with their scheduled repayments on this portfolio (see Note 18(a)). The HFA has not experienced any losses on its post May 1986 loans advanced to local authorities.

Loans to approved housing bodies

Up until 2011, the Government grant funded AHBs, through local authorities, for social housing. There was a rationale for the introduction of loan finance to replace grants, and for lending directly to AHBs to enable the timely completion of social housing projects. The HFA was given a central role in the provision of loan funding for the sector, in the absence of competitive rates and tenors, at the time, in the market.

The HFA established a process for the assessment of AHBs for 'Certified Body' status, i.e. deemed suitable for the provision of loan finance. The assessment process for AHBs is in two parts. The first is a market standard corporate review which uses a scoring matrix to assess current performance, corporate governance, and development and financial plans. The application is then brought before the HFA's Credit Committee for consideration. Following this, applicants are then awarded Certified Body status and can apply for funding on a case-by-case basis. Project applications are supported by the State funded Capital Advance Leasing Facility (CALF) and a Payment and Availability Agreement (PAA).

In December 2015 the HFA launched a lending initiative specifically targeted at AHBs which are not currently Certified Bodies. This product targets AHBs with lending requirements from a minimum of €0.25 million up to €1.50 million and is specifically tailored towards property acquisitions. Tier 2 AHBs who apply for the new product do not have to undergo a full HFA credit review process.

There has been significant growth in AHB activity which has continued in 2021, strongly supported by the HFA's range of fixed rate offerings including acquisition, new build and mortgage-to-rent products. In particular the National Treasury Management Agency (NTMA), European Investment Bank ("EIB") and Council of Europe Development Bank ("CEB") financing has facilitated long-term fixed rate funding out to 30 years at a current rate of 2.25%, which has significantly de-risked the interest rate environment for AHBs borrowing from the HFA. The HFA remains confident that it can play a central role in ensuring that any development plans can be supported with competitive and flexible financing which will meet the needs of the AHB sector.

Loans to higher education institutions

Section 51 of the Planning and Development (Housing) and Residential Tenancies Act, 2016, allows the HFA to lend to higher education institutions (HEIs) for the development of new student accommodation. These powers allow HEIs access the HFA's low cost, long term fixed rate finance for on and off campus student housing, thereby significantly reducing the costs to universities of such projects and improving the affordability for students. The provision of new student accommodation has the added benefit of freeing up existing rental stock to support additional social and affordable housing.

Currently three Universities have had loan applications approved totalling €168m for the provision of 1,428 new student bedrooms.

It is anticipated that further loan applications will be received in the coming months. The HFA advanced funds of €16 million (2020: €49 million) to one HEI during 2021 (2020: three).

Audit & Risk Committee Report
(continued)

Loans to Technological Universities (TUs)

In *Housing for All* it is proposed to allow Technological Universities to borrow from the Housing Finance Agency.

Treasury

The HFA raises funding, with the support of a Guarantee from the Minister of Finance, largely through the NTMA, local authorities and international agencies such as the European Investment Bank and the Council of Europe Development Bank. Marginal funding is raised via the NTMA using the Guaranteed Note Programme under an agreed pricing arrangement as approved by the Board.

Review of internal controls

The Directors have responsibility for maintaining a system of internal control which provides reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. In this context the Audit & Risk Committee has regard to what, in its judgement, is appropriate to the HFA's business, to the materiality of the financial and operational risks inherent in the business and to the relative costs and benefits of implementing specific controls. The HFA has a policy outlined in its Policies and Procedures Manual whereby employees can raise concerns, in confidence, about possible irregularities in financial reporting or other matters.

The Board has devolved the task of reviewing risks, in detail, to the Committee, and this is a standing agenda item for meetings of the Audit & Risk Committee. The Audit & Risk Committee subsequently reports and makes recommendations to the Board on its findings, with the Board tasked with overseeing risk and considering recommendations from the Committee. At most of the meetings of the Audit & Risk Committee a review is undertaken of one area of risk as detailed in the HFA's Risk Register.

The HFA's system of internal control is designed to provide reasonable, but not absolute, assurance against the risk of material errors, fraud or losses occurring. It is possible that internal controls can be circumvented or overridden. Further, due to changes in conditions, the effectiveness of an internal control system may vary over time.

HFA Management endeavours to amend internal control systems in line with changes in the underlying business in a timely manner.

The Internal Auditor identifies and evaluates the HFA's internal control systems as a basis for reporting upon its adequacy and effectiveness. An approved plan is agreed with the Audit & Risk Committee and the Internal Auditor plans, performs and evaluates their work based around this schedule. If significant weaknesses are found with internal controls within any sample tested, then the Internal Auditor reverts to carrying out substantive tests on the areas where the controls were found to be ineffective/defective. The Audit & Risk Committee reviews the reports carried out by the Internal Auditor on a twice-yearly basis and the Internal Auditor also holds a yearly private meeting with the Committee, without Management present, where any issues can be raised by either the Internal Auditor or the Committee.

The Directors have established an organisational structure with defined responsibility for internal control for each element of the HFA's business and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally reported upon by the Chief Executive Officer once a year and is subject to testing by Internal Audit throughout the year with reports issued to the Audit & Risk Committee twice a year. The key elements of the system of internal control are as follows:

- a clearly defined organisational structure with appropriate segregation of duties and limits of authority;
- internal financial controls documented in a Policies and Procedures Manual which is reviewed semi-annually, and any subsequent changes approved by the Board;
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
- annual budgets (and means of comparing actual results with budgets during the year) and long-term plans for the HFA identifying key risks and opportunities;
- monthly management accounts prepared and presented to the Board;

Audit & Risk Committee Report
(continued)

- an Internal Auditor reviewing key financial systems and controls;
- an Audit & Risk Committee dealing with any significant control issues raised by Internal or External Audit; and,
- the preparation and issue of financial reports, including the Annual Report, managed by the Finance Section with oversight from the Audit & Risk Committee. The financial reporting process is controlled using documented accounting policies. Whilst the Directors have the responsibility for the preparation of the financial statements, the Directors are supported by Senior Management and professional advisors, such as an actuary, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion and reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of the financial reports. The financial information for each year is subject to review by Senior Management prior to being submitted to the Audit & Risk Committee. The Annual Report is also reviewed by the Audit & Risk Committee in advance of being presented to the Board for its approval.

The Audit & Risk Committee has reviewed and discussed with Management its assessment and report on the effectiveness of the HFA's internal control over financial reporting as of 31 December 2021.

Discussions with the Auditor

The Audit & Risk Committee has received and discussed a report from the External Auditor on the findings from the external audit engagement, including those relating to the risks noted above. The External Auditor reported to the Audit & Risk Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted.

Committee Effectiveness

The effectiveness of the Committee is reviewed on an annual basis by both the Board and the Committee itself. Following such reviews, the Committee is satisfied to advise that it is considered to have discharged its duties, as per its terms of reference, in an effective and efficient manner.

Conclusion

After reviewing the presentations and reports from Management and Internal Audit and taking into account views expressed by the External Auditor, the Audit & Risk Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect to the amounts reported and the disclosures. The Audit & Risk Committee is also satisfied that it has sufficiently scrutinised and challenged the significant assumptions used for determining the value of assets and liabilities.

On behalf of the Audit and Risk Committee,

Liane Patterson

Lianne Patterson
Committee Chairperson

31 March 2022

Report of the Independent Auditor
to the Members of Housing Finance Agency Plc

Opinion

We have audited the financial statements of Housing Finance Agency plc (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its gain for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of the report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risks that had the greatest effect on the audit were as follows:

Existence and recoverability of loans

There is a risk that loans on the Agency's loan book do not exist, or that funds have been disbursed to bodies other than the local authorities or approved housing bodies. There is also a risk that loans may not be recoverable and that credit risk arises on the Agency's loan book, particularly post May 1986 loans which account for the substantial portion of the Agency's loan book.

We selected a sample of loans outstanding at the statement of financial position date, including loans that were advanced during the year. We inspected the documentation to support each of these loans, and we performed recalculations of the amounts outstanding on each of the loans at the statement of financial position date, referring to key inputs such as interest rates and repayment history. In all cases we discussed the status of each loan with management. In relation to recoverability, we considered the disclosures made in the Audit Committee Report in relation to the recoverability of post May 1986 loans in particular. We are satisfied that management's assessment that there is no credit risk on post May 1986 loans is appropriate.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the HFA's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that in our opinion:

- the information given in the Directors' Report is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

We have nothing to report in respect of our obligation under the Companies Act 2014 to report to you if, in our opinion, the disclosures of director's remuneration and transactions specified by sections 305 to 312 of the Act are not made.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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 these financial statements.

Report of the Independent Auditor
to the Members of Housing Finance Agency Plc (continued)

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on- Auditing-for-use-in-Ire/International-Standards- on-Auditing-(Ireland)/ISA-700-(Ireland). This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas McDonald,

For and on behalf of JPA Brenson Lawlor Chartered Accountants, Statutory Audit Firm
Argyle Square,
Morehampton Road Donnybrook,
Dublin 4,
Ireland

31 March 2022

Income Statement

	Note	31 December 2021 €'000	31 December 2020 €'000
Interest income	*5*	**95,146**	80,698
Interest expense	*6*	**(23,166)**	(22,371)
Net Interest Income		**71,980**	58,327
Administration expenditure	*7*	**(1,882)**	(1,657)
Operating lease	*7*	**(196)**	(196)
Depreciation on tangible assets	*7, 12*	**(56)**	(53)
Discount on Pre May 86 repayments	*7*	**(711)**	-
Impairment charges	*7*	**2,286**	-
Other Administration Expenses	*9*	**(250)**	(150)
Gain on ordinary activities before finance income/expense		**71,171**	56,271
Finance income	*10*	**-**	-
Finance expense	*10*	**(9)**	(8)
Gain on ordinary activities after finance income		**71,162**	56,263

The accompanying notes on pages 58 to 89 form an integral part of the financial statements.

On behalf of the Board,

William Johnston
Interim Chairperson

31 March 2022

Barry O'Leary
Chief Executive Officer

31 March 2022

Statement of Comprehensive Income

	Note	**31 December 2021 €'000**	31 December 2020 €'000
Gain on ordinary activities after finance income		**71,162**	56,263
Actuarial gain/(loss)	*17*	**1,020**	(842)
Total comprehensive income for the financial year		**72,182**	55,421

Statement of Financial Position

	Note	**31 December 2021 €'000**	31 December 2020 €'000
Assets			
Cash and cash equivalents	*11*	**624,464**	987
Property, plant and equipment	*12*	**76**	104
Loans and advances	*13*	**5,968,476**	5,281,392
Other debtors and receivables	*14*	**3,379**	3,543
Total assets		**6,596,395**	5,286,026
Liabilities			
Debt securities in issue	*15*	**5,399,434**	4,290,761
Bank loans	*16*	**829,260**	698,684
Pension scheme deficit	*17*	**636**	1,603
Other payables		**947**	1,042
Total liabilities		**6,230,277**	4,992,090
Equity			
Called up share capital	*20*	**39**	39
Retained surplus	*21*	**366,079**	293,897
Total equity		**366,118**	293,936
Total liabilities and equity		**6,596,395**	5,286,026

The accompanying notes on pages 58 to 89 form an integral part of the financial statements.

On behalf of the Board,

William Johnston
Interim Chairperson

31 March 2022

Barry O'Leary
Chief Executive Officer

31 March 2022

Statement of Changes in Equity

	Share Capital €'000	Retained Earnings €'000	Total €'000
Balance as at 1 January 2021 as previously reported	39	293,897	293,936
Profit for the year	-	71,162	71,162
Actuarial gain on defined benefit pension schemes	-	1,020	1,020
Balance as at 31 December 2021	**39**	**366,079**	**366,118**

Statement of Cash Flows

	31 December 2021 €'000	31 December 2020 €'000
Cash flow from operating activities		
Profit for the financial year	**71,162**	56,263
Adjustments for:		
Depreciation	**56**	53
Pension actuarial costs	**1,020**	(842)
Impairment charges	**(2,286)**	-
Net (increase)/decrease in loans and advances	**(684,605)**	(548,325)
Net(increase)/decrease in other creditors	**(1,060)**	1,127
Net (increase)/ decrease in debtors	**(30)**	107
Net cash generated from operating activities	**(615,743)**	(491,617)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(28)**	(58)
Net cash used in investing activities	**(28)**	(58)
Cash flows from financing activities		
Movement of borrowings	**1,239,249**	492,302
Net cash used in financing activities	**1,239,249**	492,302
Net increase (decrease) in cash and cash equivalents	**623,478**	626
Cash and cash equivalents at the beginning of the year	**987**	361
Cash and cash equivalents at the end of the year	**624,465**	987

Notes to the financial statements

1. Statutory Information

The Housing Finance Agency is a public limited company domiciled in Ireland, registration number 87513. The registered office is located at 46, St Stephen's Green, Dublin 2.

2. Compliance with Accounting Standards

The financial statements have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Ireland issued by the Financial Reporting Council. There were no material departures from that Standard.

3. Accounting Policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the HFA's financial statements.

The financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets.

The financial statements comply with generally accepted accounting practice in Ireland, which includes compliance with Irish law and FRS 102, the Financial Reporting Standard applicable in the UK and Ireland, issued by the Financial Reporting Council, as promulgated by Chartered Accountants Ireland. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Due to the nature of the HFA's business and the type of transactions it is engaged in, the Directors have adapted the Income Statement to suit the circumstances of the business in accordance with Section 3, Part II of the Companies Act 2014. The Directors have chosen to present their financial statements in a format which is used by similar financial institutions.

Access to Funding and Going Concern

The financial statements have been prepared on the going concern basis. In making its assessment of the HFA's ability to continue as a going concern the Board of Directors has taken into consideration the significant risks and uncertainties that may impact the HFA, in particular with regard to difficulties which may arise in relation to access to funding.

About 40% of the HFA's loans have a variable rate structure, and the funding acquired to provide these loans is similarly structured. The HFA's main funder is the National Treasury Management Agency (NTMA) through the HFA's Guaranteed Notes (GN) programme. The GN programme is guaranteed by the Minister for Finance and facilitates issuance out to a maximum maturity of thirty years from the date of issue.

In January 2016 a pricing arrangement with the NTMA was introduced whereby the interest rate for new issues (fixed or floating) is priced off the Irish Government bond yield curve for the respective maturity plus a margin agreed between both parties. At end 2021 the average maturity of HFA debt was 6.6 years (2020: 5.2 years). The NTMA had purchased €1.67bn in GNs at 31 December 2021 (2020: €1.59bn).

The Directors are satisfied that there is a sufficient range of funding options available, to allow the HFA to continue to provide ongoing financing to its customers and to continue its operations into the foreseeable future. The Directors are also assured that, given the average life of the HFA's borrowing is significantly longer than 18 months from the date of approval of these financial statements, it continues to be appropriate to prepare the financial statements on a going concern basis and that the HFA will continue in business for the foreseeable future.

Notes to the financial statements
(continued)

3. Accounting Policies (continued)

Functional and presentation currency

These financial statements are presented in euro, which is the HFA's functional currency. Financial information presented in euro has been rounded to the nearest thousand except where indicated.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements that have a significant effect on the financial statements and those with a risk of material adjustment in the next year are in the areas of impairment losses that may arise on loans and advances issued before 1986 and on loans to approved housing bodies.

Impairment loss on loans and advances

The HFA currently lends to local authorities, approved housing bodies, the Local Government Management Agency and higher education institutions. These borrowers have different credit risk profiles. A more detailed explanation regarding this can be found in Note 18(a).

The most significant judgement on which the financial statements have been prepared relates to the Directors' view of the credit risk of loans issued post 1986 to local authorities. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments; (b) their revenues or funds being security for the due payment to the HFA of all amounts due by local authorities (as set out in the agreement between each local authority and the HFA); (c) all loans advanced to local authorities are approved by the Minister for Housing, Local Government & Heritage; (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the HFA; and (e) the HFA has not experienced any loan losses on its loans advanced to local authorities after 1986, the Board is of the opinion that, in substance, no credit risk arises, other than sovereign risk, on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans.

Other areas of estimates which have a less significant impact on the HFA's financial reporting include impairment losses that may arise on loans issued before May 1986 and loans to AHBs. The HFA is liable for any credit losses that may arise on the €1.12 million (2020: €5.2 million) still due to the local authorities from the underlying borrowers on pre-May 1986 mortgages which are secured by the underlying mortgage property. A collective provision of 0.43 million has been recognised in respect of these accounts. Refer to Note 13 for further details. Direct lending to AHBs commenced in 2012 with the total balances as at 31 December 2021 of €2.42 billion (2020: €1.76 billion). No loans losses were incurred on loans to AHBs and therefore no loan loss allowances were made.

Employee benefits

The HFA operates a defined benefit pension scheme covering all employees that commenced employment prior to 2013. Eight employees, recruited since 1 January 2013, are included in the Single Public Service Pension Scheme in line with government policy. The market value of the assets and actuarial value of the liabilities of the HFA's pension scheme are evaluated annually. This involves Management, with the advice of an external actuary, making assumptions regarding the future as to price inflation, salary and pension increases, return on investments and employee mortality. There are acceptable ranges in which these estimates validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. Further details are disclosed in Note 17 to the financial statements.

Notes to the financial statements
(continued)

3. Accounting Policies (continued)

The HFA's net deficit or surplus in respect of its defined benefit plan represents the shortfall or surplus, respectively, for the fair value of the plan assets over the present value of the future benefits owed to employees in return for their service in the current and prior periods. The discount rate used is the market yield on high quality corporate bonds at the year-end date that have maturity dates approximating to the terms of the HFA's obligations. The calculation is performed by a qualified independent actuary using the projected unit cost method. Actuarial gains and losses are taken directly to other comprehensive income in the year in which they are incurred. The impact on the Income Statement includes current service cost, past service cost, the interest cost of the plan liabilities and the expected return on plan assets.

Financial assets and liabilities

Recognition

The HFA initially recognises at fair value, loans and advances, deposits and debt securities issued on the date that they are originated.

Derecognition

The HFA derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the HFA is recognised as a separate asset or liability.

The HFA derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The HFA may enter into transactions whereby it transfers assets recognised on its Statement of Financial Position but retains both all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Statement of Financial Position.

Financial Instruments

In previous financial years, the HFA opted-in to the requirements of FRS 26 'Financial Instruments: Recognition and Measurement'. FRS 26 implements the recognition, measurement and hedge accounting requirements of the International Standard IAS 39 'Financial Instruments: Recognition and Measurement'. IAS 39 requires Financial Assets to be classified into one of four categories. The HFA classified its loans to local authorities, approved housing bodies and higher education institutions under the category of 'Loans and Receivables' in accordance with IAS 39.

Therefore, the HFA's loans were initially recognised at fair value of the consideration paid and were subsequently measured at amortised cost less provision for impairment. The HFA has considered the requirements of Sections 11 and 12 of FRS 102 in deciding on the accounting treatment for its loans to local authorities, approved housing bodies and higher education institutions.

Pre May 1986 loans

The HFA is liable for any credit losses that arise on pre-May 1986 mortgages which are secured by the underlying mortgage property. The HFA considers that these loans fall under the category of asset-backed securities in accordance with Paragraph 11.6 of FRS 102, and therefore they fall under the scope of section 12 which deals with complex financial instruments.

Post May 1986 local authority loans

The HFA notes the definitions included in paragraphs 11.8 and 11.9 of FRS 102 and considers that its post May 1986 loans to local authorities constitute debt instruments in which the contractual return to the Agency is a fixed amount and a positive fixed rate or a positive variable rate, and therefore meet the definition of basic financial instruments.

Notes to the financial statements
(continued)

3. Accounting Policies (continued)

Loans to approved housing bodies

The HFA commenced lending to approved housing bodies in 2012. The HFA considers that the loans advanced to AHBs meet the definition of complex financial instruments on the basis that the loans are secured by way of charges over the underlying properties.

Loans to higher education institutions

The HFA commenced lending to higher education institutions in 2019. The HFA considers that the loans advanced to HEIs meet the definition of complex financial instruments on the basis that the loans are secured by way of charges over the underlying properties.

Consideration of accounting treatment

Section 11 of FRS 102 requires that Basic Financial Instruments be measured initially at the transaction price, and subsequently at amortised cost using the effective interest method. This method of accounting represents no difference from what the HFA previously applied and therefore would not give rise to any transition adjustments. Section 11 applies to the most significant part of the Agency's loan books, dealing with the loans advanced to local authorities post May 1986. Section 12 of FRS 102 requires that complex financial instruments be initially recognised at fair value, and subsequently should also be measured at fair value at the end of each reporting period. As noted above the loans that would fall into this category comprise the HFA's loans advanced to local authorities prior to May 1986, and its loans to approved housing bodies and higher education institutions. These loans collectively account for 43% of the HFA's total loan book.

The HFA considers that the nature of its business means that it meets the requirements to be classified as a Public Benefit Entity in accordance with FRS 100. In accordance with paragraph 11.1A of FRS 102, a Public Benefit Entity that makes or receives public benefit entity concessionary loans may refer to the paragraphs of Section 34 of the standard for the accounting requirements for these loans. In so far as it applies to the HFA, the standard defines such a loan as one that is below the prevailing market rate of interest, is not payable on demand, and is for the purpose of furthering the objectives of the Public Benefit Entity. Section 34 of the standard allows the user to apply the recognition, measurement and disclosure requirements of Section 11 or Section 12. The HFA has therefore opted to apply the provisions of Section 34 and continues to account for its loans at fair value on initial measurement, and at amortised cost. This applies the principles of Section 11 of the Standard covering Basic Financial Instruments.

In relation to all other Financial Instruments, the HFA is satisfied that these meet the definition of Basic Financial Instruments and therefore should continue to be accounted for in the same manner as in previous years. This does not give rise to any transition adjustments.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position only when the HFA has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when the HFA has the intent and ability to set off the amounts.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Accounting Policies (continued)

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Quoted market value for assets is based on bid prices, where available. For all other financial instruments fair value is determined by using valuation techniques. For securities where market quotes are not available, the HFA uses estimation techniques to determine fair value.

Estimation techniques used include discounted cash flows, internal models that utilise observable market data or comparisons with other securities that are substantially the same.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the HFA does not intend to sell immediately or in the near term.

Loans and receivables are initially measured at fair value of the consideration paid and are subsequently held at amortised cost less provision for impairment.

Identification and measurement of impairment

At each year-end date the HFA assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

The HFA considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet reported. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows. Losses are recognised in the Income Statement and reflected in an allowance account against loans and advances.

All loans that are assessed for renegotiation are tested for impairment and where a loan is deemed to be impaired, an appropriate provision is raised to cover the difference between the loan's carrying value and the present value of estimated future cash flows. Where the terms on a renegotiated loan which has been subject to an impairment provision differ substantially from the original loan terms either in a quantitative or qualitative analysis, the original loan is derecognised, and a new loan is recognised at fair value.

Any difference between the carrying amount of the loan and the fair value of the new renegotiated loan terms is recognised in the income statement.

Interest on the impaired asset continues to be recognised and a write-off is made when all or part of a loan is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the Income Statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, and short-term investments which are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Notes to the financial statements
(continued)

3. Accounting Policies (continued)

Property, plant and equipment

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Computer assets	Straight line over 3 years
Other assets	Straight line over 5 years

Estimates of expected useful life are reviewed at the end of each accounting period. Where necessary a provision is also made for any impairment of tangible fixed assets. The carrying amount of the tangible fixed assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists then the asset is tested for impairment by comparing the carrying amount to the recoverable amount, which is the higher of the amount that can be obtained from selling the asset less costs or its value in use. Impairment losses are recognised in Other Comprehensive Income.

Interest receivable and payable

Interest receivable and payable on financial instruments classified as loans and advances and financial liabilities at amortised cost. This calculation takes into account interest and commissions, paid or received, that are integral to the yield as well as incremental transaction costs or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability at initial recognition.

Foreign currencies

Transactions denominated in currencies other than euro are recorded at the rates ruling at the date of those transactions. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the year-end date. The exchange differences are dealt with in the Income Statement.

Segment reporting

The HFA has only one type of operation carried out in only one country. Management reviews the operations of HFA as a whole and does not distinguish operating segments. As a result, operations are reported in these financial statements as a single segment.

Operating lease

Operating lease costs are disclosed separately in the Income Statement on an accruals basis over the period of the lease using the straight-line method. Operating lease incentives are recognised in the statement of financial position and released on a straight-line basis over the period to the first review to market rate contained within the lease.

Inflationary increases in lease rentals are expensed as incurred.

Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues.

Notes to the financial statements
(continued)

4. Status of the HFA and related party transactions

Housing Finance Agency plc. is a public company limited by shares promoted by the Minister for Housing, Local Government & Heritage under the terms of the Housing Finance Agency Act, 1981. The issued share capital is beneficially owned by the Minister for Public Expenditure and Reform. The HFA was formed as a private limited company on 8 February 1982 and on 13 January 1983 became a public limited company.

In the normal course of business, the HFA is funded by the NTMA and local authorities, which are also Government bodies and are as such considered to be related parties. Details of amounts outstanding under the Guaranteed Note programme which are provided by the NTMA and local authorities, at 31 December 2021, can be found in Note 15. The interest expense relating to these facilities for the financial year was €12.06 million (2020: €12.84 million) for the NTMA, and €4.98 million (2020: €3.63 million) for local authorities.

In the normal course of business, the HFA loans funds to local authorities which are Government bodies and are, in this respect, also considered to be related parties. Interest earned on these advances is detailed in Note 5 to the financial statements.

The management/administration of the HFA's pension scheme (see Note 17) is performed by Irish Life Corporate Business, effective from 1 January 2012.

In the normal course of business, the HFA deposits funds from short term surpluses that arise with Allied Irish Bank plc. (in whom the State owns a majority of its shares), on either of the HFA's treasury related or expense accounts, or with the NTMA. Interest charged on these positive balances during 2021 was €0.046 million (2020: €0.20 million) and amounts on deposit and invested with the NTMA as at 31 December 2021 were €624.46 million (2020: €0.99 million).

Transactions with key Management personnel

Key Management personnel include those personnel that have authority or responsibility for controlling the activities of the HFA and include the Board of Directors and the Chief Executive Officer, Head of Treasury and Head of Finance. In addition to their salaries, the HFA also contributes to a post-employment defined benefit plan on behalf of key Management personnel. Total key Management personnel compensation comprised:

	31 December 2021 €'000	31 December 2020 €'000
Salaries*	**323**	328
Directors' fees	**46**	46
Pension contributions	**127**	129
	496	503

**Salaries include Chief Executive Officer's remuneration which is detailed in Note 8, in addition to other salaried key senior Management personnel (i.e. Head of Treasury and Head of Finance). One key Management employee is in the Single Public Service Pension Scheme.*

Taxation status of the HFA

Under Section 218 of the Taxes Consolidation Act 1997, income earned by HFA from the business of making loans and advances under Section 5 of the Housing Finance Agency Act, 1981, is exempt from Corporation Tax. Income chargeable under Case III, Schedule D is also exempt from Corporation Tax.

Under Section 172(A) of the Taxes Consolidation Act 1999, the HFA is entitled to pay dividends gross of Dividend Withholding Tax.

Notes to the financial statements
(continued)

5. Interest income – continuing activities

	31 December 2021 €'000	31 December 2020 €'000
Interest on advances to local authorities:		
Post 27 May 1986	**42,273**	42,157
Pre 27 May 1986	**(9)**	97
Interest on advances to approved housing bodies	**50,947**	37,287
Interest on advances to higher education institutions	**1,935**	1,157
	95,146	80,698

Total interest income on financial assets not carried at fair value through the Income Statement amounted to gross interest of €96.96 million (2020: €82.83 million).

6. Interest expense – continuing activities

	31 December 2021 €'000	31 December 2020 €'000
Loan costs		
Interest payable on Guaranteed Notes	**16,860**	16,472
Interest payable on EIB and CEB facilities	**6,260**	5,702
Interest payable on positive balances on AIB account	**46**	197
Total interest expenses	**23,166**	22,371

7. Non-interest expenditure

	31 December 2021 €'000	31 December 2020 €'000
Operating lease (Note 8)	**196**	196
General expenditure, Directors emoluments and Employee	**1,882**	1,657
Depreciation (Note 12)	**56**	53
Discount on Pre May 86 repayments *	**711**	-
Impairment charges **	**(2,286)**	-
Total non-interest expenditure	**559**	1,906

** Discount on Pre May 1986 repayments of €0.71m*
*** Adjustment to the Pre-May 1986 provision of (€2.29m)*

Notes to the financial statements
(continued)

8. Administration expenditure

Operating lease commitments

The HFA has commitments under an operating lease (office premises) to make total payments as follows:

Buildings	**€'000**
Not later than one year	**197**
After one year less than five years	**788**
After five years	**1,628**

Administration expenditure

Administration expenditure has been arrived at after charging:

Year ended	**31 December 2021 €'000**	31 December 2020 €'000
Auditor's remuneration		
Audit of financial statements	**34**	34
Total Auditor's remuneration	**34**	34
Other assurance services	**16**	-
General expenses	**468**	323
Directors emoluments		
Fees – Chairperson	**-***	-*
Fees – other Directors	**46**	46
Total Director emoluments	**46**	46
Employee costs (excluding Directors)		
Chief Executive Officer's remuneration	**122**	124
Other salaries	**776**	754
Pension contributions	**73**	74
Social Welfare costs	**86**	83
Pension service costs - present	**261**	219
Total employee costs	**1,318**	1,254
Total administration expenses	**1,882**	1,657

**A sum of €9,000 (2020: €9,000) was charged by University College Dublin as compensation for loss of hours worked by Professor Michelle Norris for time spent in her duties as Chairperson of the HFA for 2021.*

Total salaries for key Management were €323,000 (2020: €328,000). The balance of €574,000 (2020: €550,000) was for administration staff. PAYE/PRSI and VAT at the year-end were €61,907 (2020: €56,999). The average number of employees during the year was fifteen (2020: fifteen) including the Executive Director.

Notes to the financial statements
(continued)

9. Other administration expenditure

	31 December 2021 €'000	31 December 2020 €'000
Other Administration Expenditure	**250**	150
Total other administration expenditure	**250**	150

Other Administration Expenditure relates to the HFA Social Investment Fund. The HFA contributes towards the social and economic fabric of communities through sponsorship of schemes submitted for approval by customers. The aim of the Social Investment Fund is to enable the HFA to support suitable local projects that complement social housing and enable community development.

10. Finance expense

	31 December 2021 €'000	31 December 2020 €'000
Net Interest expense on defined benefit pension scheme liabilities	**9**	8
Net finance expense	**9**	8

11. Cash and cash equivalents

Year ended	31 December 2021 €'000	31 December 2020 €'000
Cash at bank and in hand	**424,464**	987
Amounts held on short term deposits	**200,000**	-
	624,464	987

Notes to the financial statements
(continued)

12. Property, plant and equipment

	31 December 2021 €'000
Cost or valuation	
At 1 January 2021	**738**
Additions	**28**
Disposals	**(454)**
At end of year	**312**
Accumulated depreciation	
At beginning of year	**634**
Charged for year	**56**
Disposals	**(454)**
At end of year	**236**
Net book value	
31 December 2021	**76**
31 December 2020	**104**

13. Loans and advances to local authorities, approved housing bodies and higher education institutions

	31 December 2021 €'000	31 December 2020 €'000
Loans advanced to local authorities	**3,329,248**	3,325,889
Loans advanced to approved housing bodies (AHBs)	**2,421,660**	1,756,145
Loans advanced to higher education institutions (HEIs)	**120,158**	107,207
Total balances due on advances	**5,871,066**	5,189,241
Less: Collective provision	**(425)**	(2,711)
	5,870,641	5,186,530
Due from local authorities, AHBs and HEIs	**97,835**	94,862
Total loans and advances to local authorities, AHBs and HEIs	**5,968,476**	5,281,392

The HFA is liable for any credit losses that may arise on the €1.12 million (2020: €5.2 million) still due to the local authorities from the underlying borrowers on pre-May 1986 mortgages which are secured by the underlying mortgage property. A provision of €0.43 million (2020: €2.71 million) has been recognised in respect of these loans. Refer to Note 18(a) for further details. This provision is based on the HFA's best estimate of the present value of estimated future cash flows compared to the carrying value of the loans as at 31 December 2021 and subject to changes in the underlying assumptions and may increase or decrease in future years.

Notes to the financial statements
(continued)

13. Loans and advances to local authorities, approved housing bodies and higher education institutions (continued)

In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments; (b) their revenues or funds being security for the due payment to the HFA of all amounts due by local authorities (as set out in the agreement between each local authority and the HFA); (c) all loans advanced to local authorities are approved by the Minister for Housing, Local Government & Heritage; (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the HFA; and (e) the HFA has not experienced any loan losses on its loans advanced to local authorities after 1986, the Board is of the opinion that, in substance, no credit risk arises, other than sovereign risk, on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans. Please refer to Note 18(a) for further details.

Direct lending to approved housing bodies commenced in 2012 and losses are recognised on these loans to the extent that losses are incurred. No such losses arose in 2021 and no provision is considered necessary in respect of these advances as at 31 December 2021.

Lending to higher education institutions commenced in 2019 and losses are recognised on these loans to the extent that losses are incurred. No such losses arose in 2021 and no provision is considered necessary in respect of these advances as at 31 December 2021.

14. Other debtors and receivables

	31 December 2021 €'000	31 December 2020 €'000
Amounts due to MARP Fund	**3,308**	3,502
Pension related receivables	**71**	41
Total other debtors and receivables	**3,379**	3,543

15. Debt securities in issue

Guaranteed Notes	**31 December 2021 €'000**	31 December 2020 €'000
Local authorities	**3,704,309**	2,683,803
National Treasury Management Agency	**1,665,000**	1,586,150
Environment Fund	**0**	4,428
Local authority MARP fund	**15,070**	9,054
GN HEI Security	**5,097**	0
Total Guaranteed Notes advanced	**5,389,476**	4,283,435
Interest payable on Guaranteed Notes	**9,958**	7,326
Total debt securities issued	**5,399,434**	4,290,761

The Guaranteed Notes are fully guaranteed by the Minister for Finance.

Notes to the financial statements
(continued)

16. Bank loans

Bank loans	31 December 2021 €'000	31 December 2020 €'000
Between one and two years	**51,047**	56,479
Between two and five years	**-**	-
After more than five years	**778,213**	642,205
Total	**829,260**	698,684

The bank loans payable are fully guaranteed by the Minister for Finance, excepting one small facility for the purpose of unguaranteed lending for water, waste and environmental projects, totalling just over €2 million with the Council of Europe Development Bank. The maturity of the amounts falling due after more than one year is further split out in Note 18(c).

17. Pension scheme

The HFA operates a defined benefit pension scheme covering all permanent employees (apart from employees recruited after 31 December 2012). This pension scheme is internally funded.

The latest full actuarial valuation was carried out at 25 June 2020 using the Projected Unit Lost Method.

At 31 December 2021, the market value of the fund's assets was €5.80 million (2020: €5.66 million). The contributions to the fund have been increased in line with the actuary's recommendations. The Actuarial Report is available for inspection by members of the scheme.

For the purposes of FRS 102 Section 28, Employee Benefits, the latest valuations have been updated to 31 December 2021 by a qualified independent actuary using the projected unit cost method.

The principal actuarial assumptions used were as follows:

	31 December 2021 %	31 December 2020 %	31 December 2019 %
Rate of increase in salaries	**3.80**	2.80	2.90
Rate of increase in pensions payments	**2.00**	2.00	2.00
Discount rate	**1.45**	0.60	1.20
Inflation assumption	**2.30**	1.30	1.40
Life expectancies			
Post retirement – male age 65	**23.6 years**	23.6 years	23.6 years
Post retirement – female age 65	**25.5 years**	25.5 years	25.5 years
Post retirement – male age 62.5	**26.0 years**	26.0 years	26.0 years
Post retirement – female age 62.5	**28.0 years**	28.0 years	28.0 years

Notes to the financial statements
(continued)

17. Pension scheme (continued)

The (deficit)/surplus of the scheme may be analysed as follows:

	31 Dec 2021 €'000	31 Dec 2020 €'000	31 Dec 2019 €'000	31 Dec 2018 €'000	31 Dec 2017 €'000
Pension assets	**5,803**	5,661	5,222	4,497	4,486
Pension liabilities	**(6,439)**	(7,264)	(5,966)	(4,580)	(4,654)
Deficit	**(636)**	(1,603)	(744)	(83)	(168)

Based on these assumptions, the following table sets out the market value of the assets of the defined benefit scheme together with the most recent valuation of the scheme liabilities updated for movements in the financial assumptions:

	Value at 31 Dec 2021 €'000	Value at 31 Dec 2020 €'000	Value at 31 Dec 2019 €'000
Equities	**641**	1,778	2,415
Bonds	**5,066**	3,616	2,289
Property	**54**	151	236
Cash and other assets	**42**	116	282
Total market value of pension scheme assets	**5,803**	5,661	5,222
Present value of pension scheme liabilities	**(6,439)**	(7,264)	(5,966)
Total net pension deficit recognised in the Statement of financial position	**(636)**	(1,603)	(744)

Interest income on plan assets for 2021 has been calculated based on the discount rate for the prior year which stood at 0.60%. For the year ended 31 December 2021, interest income on plan assets will be based on a discount rate of 1.45%.

Changes in the present value of the defined benefit obligation are as follows:

	31 December 2021 €'000	31 December 2020 €'000
Present value of defined benefit obligations at 1 January	**(7,264)**	(5,966)
Current and past service cost	**(261)**	(219)
Interest cost	**(43)**	(71)
Contributions by employees	**(24)**	(23)
Actuarial (loss)/gain and remeasurements	**1,086**	(1,013)
Benefits paid	**67**	28
Present Value of defined benefit obligations at 31 December	**(6,439)**	(7,264)

Notes to the financial statements
(continued)

17. Pension scheme (continued)

Changes in the fair value of plan assets are as follows:

	31 December 2021 €'000	31 December 2020 €'000
Fair value of plan assets as at 1 January	**5,661**	5,222
Interest income on plan assets	**35**	63
Contributions by employer	**216**	210
Contributions by employees	**24**	23
Actuarial (loss)/gain	**(66)**	171
Benefits paid	**(67)**	(28)
Present value of defined benefit obligations at 31 December	**5,803**	5,661

History of actuarial gains and losses:

	31 Dec 2021 €'000	31 Dec 2020 €'000	31 Dec 2019 €'000	31 Dec 2018 €'000	31 Dec 2017 €'000
Difference between expected and actual return on assets	**(66)**	171	497	(221)	399
Expressed as a percentage of scheme assets	**1.1%**	3.0%	9.5%	4.91%	8.89%
Actuarial gains and (losses) on scheme liabilities	**1,086**	(1,013)	(1,158)	346	(264)
Expressed as a percentage of scheme liabilities	**16.9%**	13.9%	19.40%	7.55%	5.67%
Total actuarial gains and (losses)	**1,020**	(842)	(661)	125	135
Expressed as a percentage of scheme liabilities	**15.8%**	11.6%	11.10%	2.73%	2.90%

Cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income:

	31 December 2021 €'000	31 December 2020 €'000
Cumulative amount at 1 January	**(3,927)**	(3,085)
Recognised during the period	**1,020**	(842)
Cumulative amount at 31 December	**(2,907)**	(3,927)

The amounts related to the defined benefit scheme that were recognised in the Income Statement and Other Comprehensive Income are presented in Note 8.

17. Pension scheme (continued)

Expected Employer contributions:

	2022 €'000	2021 €'000
Expected Employer contributions	**251**	216

18. Financial risk management

Introduction and overview

The HFA has potential exposure to the following risks from its use of financial instruments:

a) credit risk

b) liquidity risk

c) market risks (including interest rate, inflation and currency). This note presents information about the HFA's exposure to each of the above risks and the HFA's objectives, policies and procedures for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the HFA's Risk Management Framework. The HFA's risk management policies are established to identify and analyse the risks faced by the HFA, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and products and services offered. The HFA's Policies and Procedures manual includes policies on the use of derivative financial instruments. These support and ensure that HFA meet its requirements under the Specification and Requirements of the Minister for Finance issued under the terms of the Financial Transactions of Certain Companies and Other Bodies Act, 1992 and take into account best practice on the use of derivative treasury instruments. The principal objective of using derivative financial instruments is to match or eliminate risk from potential movements in foreign exchange rates in the HFA's assets and liabilities. The HFA does not currently use derivatives.

While the below tables set out the purpose for which lending has been provided to local authorities, the HFA considers it primarily has two categories of loans to local authorities namely those approved pre and post 27 May 1986 and a separate category for loans to AHBs and HEIs. These three categories have a different credit risk profile.

18. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the HFA if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the HFA's loans and advances to its customers, Irish local authorities, approved housing bodies and higher education institutions. The HFA's maximum exposure to credit risk is set out in the table below.

Financial assets	31 December 2021 €'000	31 December 2020 €'000
Loans advanced to local authorities	**3,329,248**	3,325,889
Loans advanced to approved housing bodies	**2,421,660**	1,756,145
Loans to higher education institutions	**120,158**	107,207
Total loans advanced	**5,871,066**	5,189,241
Less collective provision-local authorities	**(425)**	(2,711)
	5,870,641	5,186,530
Due from local authorities, AHBS and HEIs	**97,835**	94,862
Cash at bank and in hand	**624,464**	987
Due from other debtors and receivables	**3,379**	3,543
	6,596,319	5,285,922

The HFA is currently permitted to advance money to:

- local authorities, the Local Government Management Agency and the voluntary housing sector to be used by them for any purpose authorised under the Housing Acts 1966 to 2009;
- local authorities for capital projects authorised under Section 17 of the Housing (Miscellaneous Provisions) Act, 2002;
- higher education institutions for the provision or management of student accommodation, including the acquisition of land for this purpose; and,
- to lend funds to the Housing Agency.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

Balances due from local authorities, AHBs and HEIs are categorised as follows:

Balance due on advances	31 December 2021 €'000	31 December 2020 €'000
Mortgage related loans*	**1,077,123**	1,090,158
Capital subsidy and rental	**773,622**	824,037
Bridging finance	**424,211**	426,810
Land acquisition	**370,343**	382,900
Other non-mortgage housing related loans	**683,949**	601,984
Advances due from local authorities	**3,329,248**	3,325,889
Advances due from approved housing bodies	**2,421,660**	1,756,145
Advances due from higher education institutions	**120,158**	107,207
Overall total balances due on advances	**5,871,066**	5,189,241

** Loans issued pre-1986 of €1.15m are included in the Mortgage related loans (2020: €7.5m).*

Policies and Procedures for managing credit risk

The HFA is liable for any credit losses that may arise on pre-May 1986 mortgages which are secured by the underlying mortgage property and mortgage protection insurance. The local authorities hold collateral in the form of mortgage interests over the property and individual borrowers hold mortgage protection insurance. Only in the event of collateral not being sufficient to discharge the debt is the HFA liable for any impairment losses which may arise.

On post May 1986 loans, the HFA has security, following the discharging of priority charges and payments, over the local authority's revenues or funds for the payment to the HFA of all amounts due. With regard to loans to AHBs the HFA is permitted under Section 17 of the Housing Miscellaneous Provision Act 2002 to lend to AHBs and under section 51 of the Planning and Development (Housing) and Residential Tenancies Act 2016 to lend to higher education institutions and the Housing Agency.

Under the Social Housing Leasing Initiative, the Department of Housing, Local Government and Heritage through local authorities leases suitable housing units from AHBs which are rented to social housing tenants nominated by local authorities. Properties are either bought or built by AHBs and financed by loan finance raised by the AHB (from the HFA or the private sector). Income received by the AHBs from a lease, taken out by the DHLGH for a period of up to 30 years, will fund the repayment of the HFA's loan.

The HFA has a credit policy regarding lending to AHBs which was approved by the Board in June 2013 and recently updated in September 2021. The Credit Committee maintains credit risk within Board limits and reports on the credit worthiness of AHBs.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

Impaired and past due loans

Fair value is not assessed except where a loan is individually assessed past due or impaired. The definition of past due and impaired is as follows:

Impaired loans are loans for which the HFA determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. Loans where contractual interest or principal payments are past due are defined as past due. The HFA had no loans and advances which are past due at 31 December 2021 (2020: nil). Details of loans that were subject to renegotiation in the year are in the Renegotiated Loans section of this note.

Analysis of loans to local authorities and approved housing bodies	31 December 2021 €'000	31 December 2020 €'000
Pre 1986 loans	**1,141**	7,470
Post 1986 loans	**3,328,107**	3,318,419
Loans to approved housing bodies	**2,421,660**	1,756,145
Loans to higher education institutions	**120,158**	107,207
	5,871,066	5,189,241
Collective Provision		
Pre 1986 loans	**425**	2,711
Other loans	**-**	-
	5,870,641	5,186,530

In substance, no material credit risk other than sovereign risk, arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans. Local authorities are bodies constituted under statute. All loans advanced to local authorities are approved by the Minister for Housing, Local Government & Heritage. It is the Board's belief that, in this context, credit risk does not arise.

Loan losses are recognised on direct lending to approved housing bodies and higher education institutions to the extent that losses are incurred. No such losses arose in 2021.

The Board of Directors is responsible for the oversight of the HFA's credit risk including:

- formulating credit policies in conjunction with Management, covering collateral requirements, documentary and legal procedures within the confines of statutory requirements;
- establishing the authorisation structure and approval for new counterparties (non-local authorities) and lending concentrations thereto;
- reviewing compliance with internal policies and procedures;
- monitoring of loans policy disclosure;
- approving any loans advanced to AHBs under the terms of Section 17 of the Housing (Miscellaneous Provisions) Act 2002 and to ensure that all loans advanced are in accordance with the HFA's Credit Policy;
- considering and approving the creditworthiness of each AHB prior to a Master Loan Agreement being executed by the HFA;

Notes to the financial statements
(continued)

18. Financial risk management (continued)

- approving any loans advanced to HEIs under the terms of Section 51 of the Planning and Development (Housing) and Residential Tenancies Act 2016;
- ensuring that it has obtained all relevant documentation pertaining to the credit application; and,
- maintaining credit risk within Board approved limits.

Mortgage Arrears Resolution Process (MARP)

In August 2012, the Department of Housing, Local Government and Heritage provided assistance to local authorities in dealing with their borrowers' mortgage arrears, by issuing guidelines detailing the proposed Mortgage Arrears Resolution Process (MARP). These guidelines reflect the Central Bank's Code of Conduct on Mortgage Arrears and have the intention of standardising an approach to arrears among the Local Authorities Sector. The MARP process consists of a five step process mentioned in the DHLGH's guidelines.

In order to offset future losses and to allay impending financial constraints on local authority revenue streams, the DHLGH established a MARP premium to begin to accumulate funds. MARP has been operational for local authorities since 1 October 2012 through the application of a premium to all variable mortgage related local authority loan accounts.

A MARP premium of 0.80% on variable rate mortgage loans (from 1 January 2014) and a rate of 0.25% is charged on Rebuilding Ireland mortgage loans (for loan applications from 1 January 2018 to 14 January 2020, the rate increased to 0.995% for applications from 15 January 2020). This is collected on the MARP Adjudicating Panel's behalf by the HFA half-yearly and retained in a separate interest-bearing account with the intention of being drawn down, as necessary, when given the proper authorisation. The MARP fund purchases a Guaranteed Note for the amounts collected on their behalf.

The County and City Management Association (CCMA) have established an Adjudicating Panel to operate the MARP fund and to assess applications for assistance from local authorities under the Scheme. This Panel consists of a County Manager, Heads of Finance and an Executive Manager of the Housing Management Services.

Applications for assistance from the MARP Premium Fund will be made on an ongoing basis by local authorities. Decisions to approve/partially approve applications will be notified to the HFA, who will then arrange for payment of the approved amount from the MARP Fund to the applicant local authority, according to instructions received from the Panel.

It should be emphasised that the HFA's only involvement in the MARP Fund is to collect the MARP premium on the local authorities' behalf and to pay these funds as requested by the Adjudicating Panel, as per the instructions mentioned above.

MARP Fund Reconciliation

	€'000
Receipts to MARP Fund	**65,865**
Disbursements from MARP Fund	**(50,840)**
Interest Earned	**45**
Balance at 31 December 2021	**15,070**

The above table represents cash movements since the inception of the fund.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

Renegotiated Loans

Loans with renegotiated terms are loans that have been restructured due to budgetary circumstances and where the HFA has made concessions that it would not otherwise consider.

The HFA endeavours to work with the local authorities to develop appropriate loan structures for them in order to better match their financial circumstances. In this regard, the HFA may extend loan terms, offer deferred interest periods or offer other renegotiations as appropriate.

During 2021, the HFA renegotiated €76.78 million (2020: €254.02 million) of non-mortgage related loans and €6.05 million (2020: €31.32 million) of housing related loans.

These renegotiations have taken place in the context of €3.33 billion of loans advanced to local authorities as at 31 December 2021 and thus represents renegotiation activity of circa 2.49% in 2021 (2020: 7.65%).

Renegotiated non-mortgage related and mortgage related loans were given interest only loans, and mortgage related loans were given payment breaks for three to six monthly terms, that did not result in impairment or derecognition of the original loan assets as it did not represent a significant modification of terms. The HFA ceases to consider these loans as renegotiated once one year of up-to-date scheduled repayments has elapsed post renegotiation. In this regard, the HFA considers €82.83 million of loans (2020: €254.02 million) to be renegotiated as at 31 December 2021 with €0.38 million (2020: €0.98 million) of interest income recognised on these assets.

31 December 2021	**Number of loans**	**Carrying value €'000**
Opening renegotiated loans	**401**	**254,016**
Renegotiated during the year	**105**	**82,833**
Repaid during the year	**-**	**-**
Less loans no longer considered renegotiated	**(401)**	**(254,016)**
Closing renegotiated loans	**105**	**82,833**

31 December 2020	Number of loans	Carrying value €'000
Opening renegotiated loans	3	39,813
Renegotiated during the year	401	254,016
Repaid during the year	-	-
Less loans no longer considered renegotiated	(3)	(39,813)
Closing renegotiated loans	401	254,016

As at year ended 31 December 2021, no land acquisition loans were converted upon maturity to annuity loans (2020: €nil) repayable over a period of up to 30 years. There was no interest accrued on loans converted upon maturity at 31 December 2021 (2020: €nil).

Notes to the financial statements
(continued)

18. **Financial risk management** (continued)

Concentrations

All loans and advances to local authorities are approved by the Minister for Housing, Local Government & Heritage.

The HFA's credit risk also consists of its exposure to institutions (primarily the NTMA), with which it holds short term investments. An investment and counterparty exposure policy are periodically approved by the Board. Investments arise at present only in the context of day- to-day liquidity management. At 31 December 2021 the HFA had investments valued at €200 million (2020: €nil) in Exchequer Notes with the NTMA.

Allied Irish Bank plc. is currently the main counterparty for cash, with a surplus of €423.46 million held at 31 December 2021 (2020: €0.99 million). At 31 December 2021, the Standard & Poor's rating for Allied Irish Bank plc. was BBB- (2020: BBB-).

(b) Liquidity risk

Liquidity risk is the risk that the HFA will encounter difficulty in meeting its obligations from its financial liabilities. At the end of December 2021, the HFA had no floating rate guaranteed notes held by the National Treasury Management Agency (2020: €0.25 billion).

The HFA has arranged €1.965 billion in fixed rate deals with the NTMA.

The HFA issued a fixed rate ten-year guaranteed note worth €75m with the NTMA, with a maturity date in July 2026. The HFA holds €200m of fixed term deals with the NTMA, in five tranches of €40m, with maturity dates ranging from September 2027 to September 2046. The HFA also holds €130m of fixed term deals with the NTMA with a start date of September 2018, with maturity dates ranging from September 2028 to August 2046. The HFA agreed €210m of fixed term deals with the NTMA with a start date of August 2019, in five tranches, two for €60m and three for €30m, with maturity dates ranging from September 2028 to August 2046.

At the start of 2020 the HFA agreed deals worth €400m, one €200m tranche with a maturity in 2035 and the other €200m tranche with a maturity in 2040. €650 million worth of deals were arranged in 2021 as follows: - two deals started in April 2021, one worth €175m, has a maturity in 2036, and one with a value of €125 million, with a maturity date of 2046. Two further deals started in November 2021, one for €200 million with a maturity date in 2046 and a deal of €100 million with a maturity date of 2050. During 2021 the HFA agreed deals worth a further €300m, due to commence in May 2022, €200 million with a maturity date in 2044, €100 million maturing in 2051.

The GNs are guaranteed by the Minister for Finance of Ireland. In contrast, loans and receivables have an average original loan term of 26 years (2020: 27 years). This represents a significant mismatch in the maturity profile, however given the assurances received from the NTMA concerning the continuity and quantum of funding, the Board considers that sufficient resources are available to cover any liquidity risk that may arise over the next 24 months. The HFA also holds GNs with local authorities (see Note 15).

In managing liquidity risk, HFA Management hold regular meetings with the NTMA, the Banks, AHBs, HEIs and other market participants to assess future loan demand and funding requirements; agree access to funding sources; explore alternative funding sources and structures; negotiate terms and conditions and obtain the necessary funding commitments. In this regard the HFA's funding requirements for 2022 have been included as part of the overall planning process for State funding.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

The following table presents the maturity analysis of financial liabilities on an undiscounted basis by remaining contract maturity at the year-end date.

31 December 2021	Carrying amount €'000	Gross nominal outflow €'000	Less than 1 month €'000	1–3 months €'000	3 months to 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-derivative liabilities							
NTMA Floating Rate FRN	-	-	-	-	-	-	-
NTMA 10 Year Fixed Rate	(75,000)	(78,632)	(409)	-	(395)	(77,829)	-
NTMA €200m Fixed Rate	(200,000)	(232,794)	-	(931)	(947)	(7,516)	(223,400)
NTMA €130m Fixed Rate	(130,000)	(160,753)	-	-	(2,063)	(8,258)	(150,432)
NTMA €210m Year Fixed Rate	(210,000)	(263,715)	-	-	(3,191)	(12,827)	(247,696)
NTMA €200m 15 Year Fixed Rate	(200,000)	(208,696)	-	(621)	-	(2,484)	(205,591)
NTMA €200m 19 Year Fixed Rate	(200,000)	(219,506)	-	(1,026)	-	(4,107)	(214,373)
NTMA €175m 15 Year Fixed Rate	(175,000)	(193,807)	-	-	(1,253)	(5,018)	(187,537)
NTMA €125m 20 Year Fixed Rate	(125,000)	(146,458)	-	-	(1,078)	(4,286)	(141,095)
NTMA €50m 25 Year Fixed Rate	(50,000)	(61,503)	-	-	(460)	(1,842)	(59,201)
NTMA €200m 25 Year Fixed Rate	(200,000)	(220,849)	-	-	(838)	(3,331)	(216,680)
NTMA €100m 20 Year Fixed Rate	(100,000)	(114,533)	-	-	(504)	(2,002)	(112,028)
NTMA Guaranteed Notes	-	-	-	-	-	-	-
Guaranteed Notes facility (LA)	(3,704,309)	(3,708,898)	(946,853)	(944,461)	(1,733,817)	(83,766)	-
Guaranteed Notes facility (MARP)	(15,070)	(15,071)	(15,071)	-	-	-	-
Guaranteed Notes (Environment Fund)	-	-	-	-	-	-	-
Guaranteed Notes Facility (HEI Sec)	(5,097)	(5,101)	(171)	-	(4,929)	-	-
EIB and CEB loans	(829,261)	(862,367)	(1,275)	-	(15,666)	(112,978)	(732,447)
	(6,218,737)	(6,492,683)	(963,779)	(947,039)	(1,765,141)	(326,244)	(2,490,480)

18. Financial risk management (continued)

31 December 2020	Carrying amount €'000	Gross nominal outflow €'000	Less than 1 month €'000	1–3 months €'000	3 months to 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-derivative liabilities							
NTMA Floating Rate FRN	(252,000)	(252,362)	(252,362)	-	-	-	-
NTMA 10 Year Fixed Rate	(75,000)	(79,437)	(402)	-	(402)	(3,229)	(75,404)
NTMA €200m Fixed Rate	(200,000)	(234,671)	-	(936)	(941)	(7,521)	(225,273)
NTMA €130m Fixed Rate	(130,000)	(162,816)	-	-	(2,063)	(8,264)	(152,489)
NTMA €210m Fixed Rate	(210,000)	(266,906)	-	-	(3,191)	(12,827)	(250,888)
NTMA €200m Fixed Rate	(200,000)	(209,318)	-	(622)	-	(2,484)	(206,212)
NTMA €200m Fixed Rate	(200,000)	(220,535)	-	(1,029)	-	(4,107)	(215,399)
NTMA €175m Fixed Rate	-	-	-	-	-	-	-
NTMA €125m Fixed Rate	-	-	-	-	-	-	-
NTMA €50m Fixed Rate	-	-	-	-	-	-	-
NTMA €200mFixed Rate	-	-	-	-	-	-	-
NTMA €100m 20 Year Fixed Rate	-	-	-	-	-	-	-
NTMA Guaranteed Notes	(319,150)	(319,277)	(319,277)	-	-	-	-
Guaranteed Notes facility (LA)	(2,683,804)	(2,687,162)	(928,841)	(535,341)	(1,154,053)	(68,928)	-
Guaranteed Notes facility (MARP)	(9,054)	(9,054)	(9,054)	-	-	-	-
Guaranteed Notes (Environment Fund)	(4,428)	(4,428)	(4,428)	-	-	-	-
Guaranteed Notes Facility (HEI Sec)	-	-	-	-	-	-	-
EIB and CEB loans	(698,684)	(715,649)	(1,025)	-	(12,173)	(81,577)	(620,874)
	(4,982,120)	(5,161,615)	(1,515,389)	(537,928)	(1,172,823)	(188,937)	(1,746,539)

18. Financial risk management (continued)

Management of liquidity risk

The HFA's policy in relation to liquidity risk is to ensure, by periodic reviews of cashflow requirements, that it can meet its funding obligations for an appropriate period ahead.

The Board approves a rolling update of a five-year Corporate Plan in the first half of each year. This takes into account the HFA's internal resource calculations on estimates of loan advances, loans maturing during the year and funding options. Regular review of the HFA's financial position is presented, along with monthly management accounts, to the Board.

The Board regularly reviews the current debt programme, which includes, borrowings and advances report on a quarterly basis by loan type and maturity detailing capital, interest rate structure, currency composition, borrowing costs, maturity profile.

The HFA finances its operations by a combination of bilateral funding agreements and Guaranteed Notes issuance, bank overdrafts and retained profits. The NTMA had purchased €1.67bn in GNs at 31 December 2021 (2020: €1.59bn).

Given the assurances received from the NTMA concerning the continuity and quantum of funding, the Board considers that sufficient resources are available to cover any liquidity risk that may arise over the next 12 months. The HFA also issues GNs to local authorities and MARP Funds (see Note 15). The HFA's overdraft facilities (€50 million available at 31 December 2021) are subject to annual review by the HFA's bankers.

The average cost of the HFA's debt in 2021 was an annualised 0.45% compared with 0.48% in 2020, primarily due to lower rates charged by the NTMA in 2021.

(c) Market risks

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the HFA's income or the value of its holdings of financial instruments. The objective of market risk management is to minimize or eliminate market risk exposures.

Management of market risks

The HFA splits market risks into risks related to changes in variable and fixed interest rates. Interest rate risk exposure is managed by minimising mismatches between its borrowings and its advances within its individual programmes, fixed rate and floating rate. The following uncertainties are taken into account in determining the policy:

- where borrowers can redeem without penalty;
- where specialised markets may not always be receptive to issues and redemptions; and,
- where the HFA's business is subject to changes in Government policy.

The HFA's general approach in relation to managing its interest rate risk exposure is to generate margins to increase profitability and also by taking action to set interest rates to protect the HFA against perceived residual risks, by reference to various scenarios and assumptions. The Board assesses the situation regularly and determines the level of reserves required annually.

Management reports to the Board on a regular basis with respect to Interest Rate Risk in the Balance Sheet.

18. Financial risk management (continued)

Following the extension of the maximum maturity for notes issued under the HFA's Guaranteed Notes Programme, a suite of fixed rate loan products targeted at local authorities (LAs) and approved housing bodies (AHBs) was approved by the Board in late 2016. In addition, the HFA has access to long term fixed rate funding for new build and retrofit projects from both the European Investment Bank and the Council of Europe Development Bank. Consequently, nearly all new business entered into by LAs, AHBs and HEIs is on a fixed rate basis, giving rise to potential interest rate risk on the HFA's balance sheet.

The gross financial assets are analysed below:

	31 December 2021 €'000	31 December 2020 €'000
Fixed rate	**3,497,322**	2,609,850
Floating rate	**3,095,617**	2,672,528
	6,592,939	5,282,378

The HFA made new fixed and floating rate advances during the financial year. Fixed rate €918.64 million; Floating rate €15.18 million. (2020:Fixed rate €749.56 million; Floating rate €23.20 million).

Interest rate risk profile of financial assets:

	31 December 2021	31 December 2020
Weighted average fixed interest rate	**2.17%**	2.26%
Weighted average floating interest rate	**1.27%**	1.27%
Weighted average period of fixed interest assets	**23.5 years**	23.6 years

HFA's fixed rate loans primarily consist of 25 and 30-year loans issued to approved housing bodies, higher education institutions and local authorities, with lending to local authorities comprising 28% of fixed rate lending and AHBs and HEIs making up the remaining 72%. Floating rate loans consist mainly of loans to local authorities of terms between one and fifty years. Based on original loan balances advanced, the weighted average original loan term is 26 years (2020: 26 years).

The financial liabilities principal amounts are analysed below:

	31 December 2021 €'000	31 December 2020 €'000
Fixed rate	**2,443,214**	1,657,205
Floating rate	**3,775,523**	3,324,915
	6,218,737	4,982,120

18. Financial risk management (continued)

Interest rate risk profile of financial liabilities as at year end date:

	31 December 2021 €'000	31 December 2020 €'000
Weighted average fixed interest rate	**0.83%**	0.93%
Weighted average period for which fixed interest liabilities are fixed (years)	**21 years**	20.3 years
Weighted average floating interest rate	**0.16%**	0.21%
Weighted average period for which variable interest liabilities are fixed (days)	**198 days**	282 days

Fixed rate liabilities include longer-term fixed rate funding with the NTMA and the European Investment Bank and the Council of European Development Bank. Floating rate financial liabilities comprise bank borrowings and Guaranteed Notes.

The following table presents the financial assets at the year-end date:

	Maturity as at 31 December 2021 €'000	Repricing as at 31 December 2021 €'000
Maturity and interest rate of financial assets		
Amounts falling due in one month or less	**722,299**	**3,118,788**
Amounts falling due between one and three months	**0**	**-**
Amounts falling due between three and twelve months	**459,687**	**(636)**
Amounts falling due between one and two years	**6,963**	**8**
Amounts falling due between two and three years	**15,948**	**1,696**
Amounts falling due between three and four years	**27,468**	**2,374**
Amounts falling due between four and five years	**41,838**	**4,804**
Amounts falling due after more than five years	**5,318,735**	**3,465,904**
	6,592,938	**6,592,938**

18. Financial risk management (continued)

	Maturity as at 31 December 2020 €'000	Repricing as at 31 December 2020 €'000
Maturity and interest rate of financial assets		
Amounts falling due in one month or less	95,848	2,691,340
Amounts falling due between one and three months	-	
Amounts falling due between three and twelve months	463,383	596
Amounts falling due between one and two years	20,808	6
Amounts falling due between two and three years	9,512	12
Amounts falling due between three and four years	20,598	1,859
Amounts falling due between four and five years	31,073	2,562
Amounts falling due after more than five years	4,641,156	2,586,003
	5,282,378	5,282,378

The following table presents the maturity and repricing of principal amounts of financial liabilities at the year-end date:

	Maturity as at 31 December 2021 €'000	**Repricing as at 31 December 2021 €'000**
Maturity, liquidity measures and interest rate of financial liabilities		
Maturing in one month or less	**1,013,486**	**1,042,433**
Maturing between one and three months	**873,951**	**893,951**
Maturing between three and twelve months	**1,753,454**	**1,755,554**
Maturing greater than 1 year and less than 2 years	**83,584**	**83,584**
Maturing greater than 2 years and less than 3 years	**-**	**-**
Maturing greater than 3 years and less than 4 years	**-**	**-**
Maturing greater than 4 years and less than 5 years	**75,000**	**75,000**
Maturing greater than 5 years	**2,419,262**	**2,368,214**
	6,218,737	**6,218,736**

Notes to the financial statements
(continued)

18. Financial risk management (continued)

The following table presents the maturity and repricing of principal amounts of financial liabilities at the year-end date:

	Maturity as at 31 December 2020 €'000	Repricing as at 31 December 2020 €'000
Maturity, liquidity measures and interest rate of financial liabilities		
Maturing in one month or less	1,513,258	1,544,837
Maturing between one and three months	534,958	557,458
Maturing between three and twelve months	1,220,220	1,222,620
Maturing greater than 1 year and less than 2 years	-	-
Maturing greater than 2 years and less than 3 years	-	-
Maturing greater than 3 years and less than 4 years	-	-
Maturing greater than 4 years and less than 5 years	-	-
Maturing greater than 5 years	1,713,684	1,657,205
	4,982,120	4,982,120

Undrawn committed facilities

The HFA had undrawn committed facilities at 31 December 2021 of €55.0 million (2020: €150.00 million), these are the amounts yet to be drawn down on approved committed facilities.

Sensitivity to interest rate risk

An analysis of the HFA's sensitivity to an increase or decrease in market interest rates (assuming a constant statement of financial position) would impact on gains/(losses) for the financial year as follows:

	100 bp parallel increase €'000 gain	**100 bp parallel decrease €'000 (loss)**	**50 bp parallel increase €'000 gain**	**50 bp parallel decrease €'000 (loss)**
At 31 December 2021	**(8,723)**	**(7,386)**	**(4,362)**	**(1,387)**
At 31 December 2020	(22,086)	(9,558)	(15,545)	(6,306)

The above figures have been calculated using outstanding balances of variable rate loan advances offsetting outstanding variable rate GN funding, at the above dates. Increases in interest rates above assume mid-point average for the calendar year. Fixed rate advances and fixed rate funding have no sensitivity to changes in market interest rates and are therefore excluded from this analysis.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

Fair value

The following tables outline the fair values of the financial assets and liabilities as at 31 December 2021 and 31 December 2020. The carrying amount of all other financial assets and liabilities not carried at fair value is considered to be a reasonable approximation of fair value. Information for loans is presented below:

	Carrying value €'000	Fair value €'000
31 Dec 2021		
Financial assets		
Loans and receivables:		
Fixed rate	**3,497,322**	**3,598,590**
Floating rate	**3,095,617**	**3,931,718**
	6,592,939	**7,530,308**
Financial liabilities		
Fixed rate	**2,443,214**	**2,490,413**
Floating rate	**3,775,523**	**3,775,523**
	6,218,737	**6,265,936**

The carrying amount of all other financial assets and liabilities not carried at fair value is considered to be a reasonable approximation of fair value. Information for loans is presented below:

	Carrying value €'000	Fair value €'000
31 Dec 2020		
Financial assets		
Loans and receivables:		
Fixed rate	2,609,850	3,024,462
Floating rate	2,672,528	2,789,069
	5,282,378	5,813,531
Financial liabilities		
Fixed rate	1,657,205	1,712,488
Floating rate	3,324,915	3,324,915
	4,982,120	5,037,403

The HFA operates in a relatively niche market serving a need for funding of local authorities and social housing. It is thus difficult to obtain market observable information on which to calculate a fair value of its fixed rate financial assets and liabilities. Estimated fair values of financial fixed rate assets and liabilities have been discounted using relevant Irish Government bond yields as at the statement of financial position date. This is based on the HFA's exposure to sovereign risk as discussed in the liquidity risk section of this note. As per the prior year, the floating rate liabilities are shown at par value due to the short-term nature of their maturities.

Notes to the financial statements
(continued)

18. Financial risk management (continued)

The fair value of the HFA's assets has been estimated as €7.53 billion (2020: €5.81 billion) while the fair value of its liabilities has been estimated as €6.27 billion (2020: €5.04 billion). A significantly different amount may arise if alternative assumptions were used in calculating fair value. In selecting this methodology, it was considered that the value by reference to variable rates gave a more accurate reflection of the situation and allowed both assets and liabilities to be assessed on a similar basis.

19. Movement in cash, liquid resources and financing

Analysis of changes in net debt	At 31 December 2020 €'000	Cash flows €'000	Non-cash movements €'000	**At 31 December 2021 €'000**
Cash and cash equivalents	987	623,478	-	**624,465**
Overdraft	-	-	-	**-**
	987	623,478	-	**624,465**
Guaranteed Notes	(4,283,435)	(1,106,040)	-	**(5,389,475)**
Bank loans	(698,684)	(130,576)	-	**(829,260)**
Interest payable on facilities	(7,326)	(2,632)	-	**(9,958)**
	(4,989,445)	(1,239,248)	-	**(6,228,693)**
Net debt	(4,988,458)	(615,770)	-	**(5,604,228)**

Proceeds from the issue of borrowings during 2021 amounted to €54.31 billion (2020: €55.18 billion) and the repayment of borrowings during 2021 amounted to €54.33 billion (2020: €55.20 billion).

20. Share capital

There are 30,000 ordinary shares of €1.30 (2020: 30,000 shares of €1.30), authorised, allotted, called up and fully paid amounting to €39,000 at 31 December 2021 (2020: €39,000).

21. Reconciliation of retained surplus

	31 December 2021 €'000	31 December 2020 €'000
Retained surplus at the beginning of year	**293,897**	238,476
Total comprehensive income for the financial year	**72,182**	55,421
Retained surplus at end of year	**366,079**	293,897

Notes to the financial statements
(continued)

22. Reconciliation of shareholder's funds

	31 December 2021 €'000	31 December 2020 €'000
Opening shareholder's funds	**293,936**	238,515
Total recognised gain for the financial year	**72,182**	55,421
	366,118	293,936

23. Loan commitments

With regard to proposed lending by the HFA to AHBs/HEIs, loan applications of €1.45 billion were approved but undrawn at 31 December 2021 (2020: €698 million).

24. Post statement of financial position events

There were no significant events after the year-end which require disclosures or adjustments to the accounts.

25. Contingent liability

No dividend is due to be declared for 2021.

26. Approval of Financial Statements

The audited financial statements, which are in the form approved by the Minister for Housing, Local Government & Heritage, with the consent of the Minister for Public Expenditure & Reform, were approved by the Directors on 31 March 2022.

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