



Working together **delivering homes**

Annual Report 2015



Housing Finance Agency
An Ghníomhaireacht Airgeadais Tithíochta



Planning

Working together delivering homes

The Housing Finance Agency (HFA) is a non-commercial semi-State company under the aegis of the Minister for the Environment, Community & Local Government of Ireland. It was established by the Housing Finance Agency Act, 1981 and incorporated in 1982.

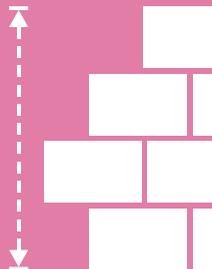
The HFA's remit is to lend to local authorities and approved housing bodies for housing and related purposes, and to borrow or raise funds to enable such lending.

The HFA's Board is appointed by the Minister for the Environment, Community & Local Government, with the consent of the Minister for Public Expenditure & Reform. Normally it has twelve members.

The HFA has the equivalent of eleven full-time staff members (FTEs).



Finance



Building

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Delivering



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www.hfa.ie/publications

Financial Highlights

Our operating surplus for the year was €21.6 million.

€21.6_m

The operating surplus was achieved in conjunction with a reduction of our average variable rate from 1.85% to 1.72%, which resulted in a saving of nearly €4.5 million for our customers.

€4.5_m

€128.1_m

Retained Reserves

Our retained reserves increased from €105.9m to €128.1m.

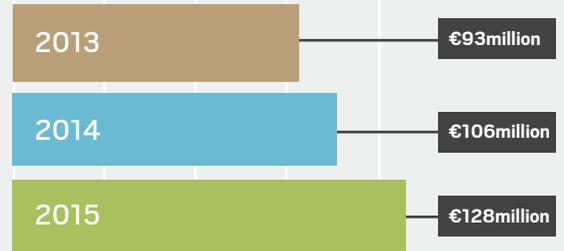
1.50%

A variable mortgage rate cut 0.25% at the start of July 2015, which was passed on to our customers. The rate charged by local authorities to borrowers is now approximately 1.5% below average mortgage market rates charged.

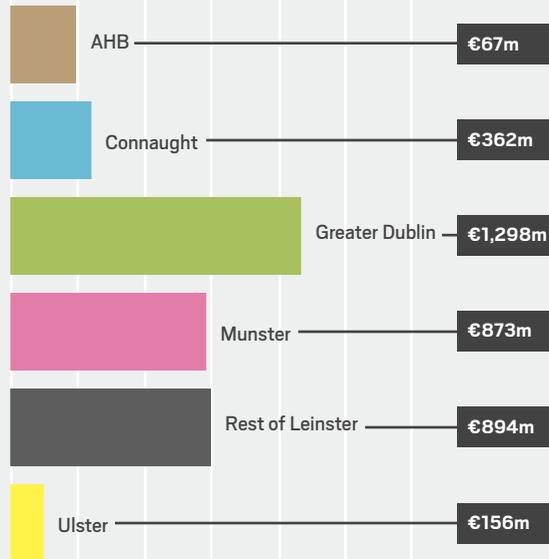
Operating Surplus



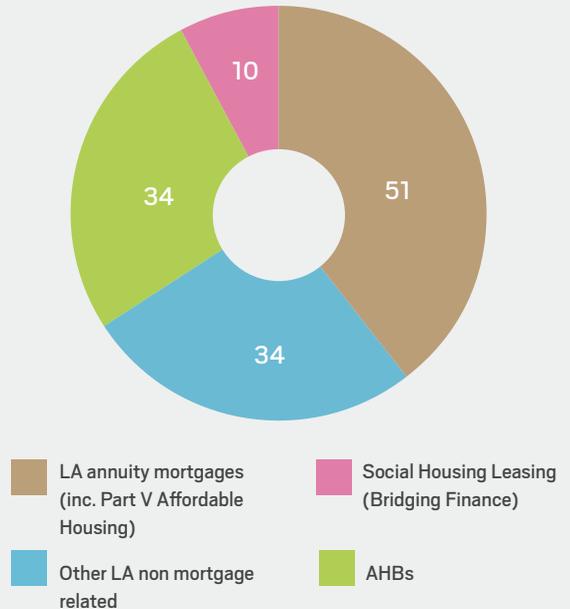
Retained Reserves



Balance Outstanding by AHB, and Regionally by Local Authority



Loan Advances in 2015 by type €m





Chairman's Message

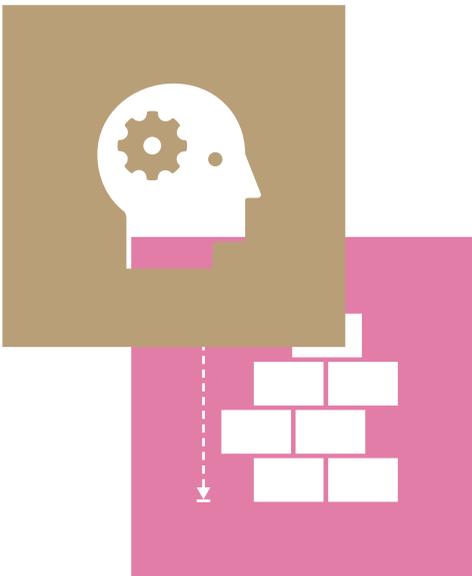
Currently the demand for social housing significantly exceeds the level of supply, particularly, in urban areas. Financing an increased supply of social housing is one of the key challenges facing government, and Irish society more broadly.

The Housing Finance Agency has devoted every effort to meeting this challenge by sourcing additional loan finance at very low interest rates. It is currently empowered to lend this finance to non profit sector approved housing bodies (AHBs) and I am delighted to report that take up of our social housing loans has increased very substantially in recent months. We will continue to work with the Department of the Environment, AHBs and local authorities to increase take up of these loans and develop new financing products that help reduce the acute level of social housing need.

Planning for Future Social Housing Output

We plan to continue meeting the funding requirements of social housing providers, and we will achieve this through innovation, collaboration and delivery.

We are looking to meet the increasing demands of our customers with an on-going programme of innovation which will tailor our products to the needs of our customers. The HFA will continue to focus on helping AHBs to de-risk their businesses by expanding the range and duration of its fixed rate offering while ensuring that our pricing remains the most competitive available in the marketplace. We will increase our efforts at improving customer service by streamlining our core processes and reducing the burden on customers trying to access our services.



The HFA is committed to collaborating effectively with all members of the organisations involved in social housing delivery to meet the challenging targets set out in the Department of the Environment's *Social Housing Strategy 2020*. We will continue to actively participate in the Project Board and Workstream 1 Finance Group set up under the terms of this strategy to help support delivery of the strategy and will constructively engage with policy makers and social housing providers.

For everyone involved in social housing provision the focus needs to be on delivery. The HFA's primary focus for 2016 will be to increase the levels of loan approvals, converted into loan draw downs and housing units being occupied by those who most need accommodation.

Corporate Governance

Proper Corporate Governance is essential to the sustainable growth of our business. The HFA's Board is committed to the highest standards of corporate governance, transparency and accountability are central to this commitment. The HFA complies with the Code of Practice for the Governance of State Bodies ('The Code') issued by the Department of Finance. The Code provides a framework for the application of best practice in corporate governance by both commercial and non-commercial State bodies. Under the Code, the HFA furnishes bi-annual reports to the Departments of the Environment, Community & Local Government, and Public Expenditure & Reform.

Agency Board

The Board of the HFA comprises individuals who have considerable experience in a wide range of fields. The Board makes all 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. Each non-executive director brings independent judgments to bear on all matters dealt with by the Board, including those relating to strategy, performance, resources and standards of conduct.

Particular thanks go to Colm Brophy and Philip Nugent, both of whom resigned from the Board since the year end. Colm resigned on 8 February 2016, in accordance with the governance rules of the HFA, when he tendered his application for candidacy in the recent General Election. I am delighted that Colm has been successful in gaining a Dáil seat and wish him well in his new endeavours. We value Colm's

involvement, assistance and guidance as a Director and a member of the Credit Committee and, more recently, on the Strategy Working Group which was much appreciated.

Philip, as an official of the Department of the Environment, Community & Local Government, resigned on 1 April 2016 when he moved onto other official duties. Philip had been a member of the Board since 2008 and made a valuable contribution during his term of office, at a time when the HFA faced and overcame a number of significant challenges both in the housing sector itself and the wider economy as a result of the difficulties the Irish State has endured. I offer my thanks to both for their contributions as members of the Board.

In Gratitude

The role of the HFA is to facilitate and support the successful delivery of social housing in Ireland. I would like to thank Barry O'Leary, Chief Executive Officer, and his dedicated team of professionals for their continuing contributions towards this goal.

The HFA would not operate as well as it does without the assistance and collaboration of its stakeholders, including the National Treasury Management Agency (NTMA), its Auditors, Legal Advisors, I.T. contractors and other services providers. We really appreciate the great service you offer the HFA.

Particular thanks are due to Ministers for the Environment, Community & Local Government, Public Expenditure & Reform and Finance, and their staff.

Finally, I would like to thank my fellow Directors on the Board for their on-going commitment to the HFA in what will be the final year of the current Board's term. Their time and support is much appreciated and makes my role as Chair all the more rewarding.



Dr Michelle Norris
Chairman of the Board

28 April 2016

Chief Executive's Review



The year began well, in January, with the Minister for the Environment Community and Local Government, Alan Kelly, TD, and the Minister of State with Special Responsibility for Housing, Planning and Coordination of the Construction 2020 Strategy, Paudie Coffey, TD, supporting the launch of the HFA's loan facility with the European Investment Bank which provides €150m for housing projects. This Facility has allowed the introduction of 25 year fixed rate funding at rates of 3.25%, which has significantly de-risked the interest rate environment for approved housing bodies (AHBs) borrowing from us.

There was a very welcome increase in the number and size of loan applications from AHBs. Loan approvals increased by over five times to €121m in 2015 with the rate of increase growing throughout the year, from €36m in 2014. Nearly half of these applications are availing of EIB finance.

21.6 million

A surplus of **€21.6 million**
(2014: €13.9 million)

128 million

bringing our retained reserves to
€128 million (2014: €106 million)

five-fold increase

A **five-fold increase** in
AHB loan approvals

250%

AHB loan drawdowns
accelerated by **250%**

25-year fixed rate funding
available@ **3.25%**

3.25%

The noticeable shift from acquisition funding to lending for construction of houses will result in a lag between loan approvals and actual drawdowns. However, notwithstanding this, the rate of drawdowns accelerated by 250% in 2015 to €67m, from 2014. The significant increase in activity provides clear evidence of the growing capacity of the Sector to respond to the challenges set out in the Department of Environment, Community & Local Government's Social Housing Strategy.

Overall the loan book fell by €539 million mainly due to the planned redemption, by local authorities, of all water-related loans amounting to €412 million. Our results were achieved while delivering an average interest rate of 1.73% (2014: 1.85%) to our customers, which is very competitive when compared with alternative sources available in the market.

New Customers and New Products

Our customer base and number of product offerings continue to grow. As well as the EIB-supported long term fixed rate loan product, targeting New Build and Retrofit projects, a 'Category 2 Certified Body' facility was launched, which enables Tier 2 AHBs to access acquisition finance for amounts up to €1.5 million through a simplified application process. We now have fourteen approved AHBs (three in the Tier 2 category) of which nine have had loans approved, up from four at end-2014.

In total, loans have been approved in 2015 to acquire or develop approximately 1,000 units, with a further 550 units approved for energy upgrade. The units are well dispersed across the country, with the highest concentration in Dublin accounting for one third of the total. This very positive trend has continued into 2016 and will be reflected in greater loan drawdowns as projects move towards completion and homes made available families.

Risk and Governance

The Board carefully oversees and manages risk and earnings, when necessary adjusting its interest margins to ensure that returns are sufficient to generate the required level of reserves. The significant financial risks and exposures to the HFA in respect of its assets, liabilities and financial instruments are summarised in Note 21 to the Financial Statements, together with the risk management objectives and policies employed.

I am pleased to report that, after a number of years as 'a bridesmaid', the HFA had the pleasure of winning a category at the Leinster Society of Chartered Accountants' Published Accounts Awards for its 2014 Financial Statements. This recognition of our commitment to strong Corporate Governance is most welcome and I would like to congratulate our Head of Finance, Tom Conroy and his finance team for their sterling work in this area.

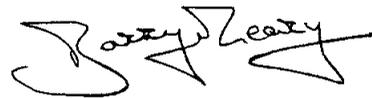
Chair and Board support

The support and advice that I enjoy from my Chairman is very much appreciated. Dr. Michelle Norris gives freely of her time and continues to make an enormous contribution to the success of the HFA.

I would also like to acknowledge the hard work of my fellow Board members, particularly those on the Credit Committee and Strategy Working Group, both of which have been very busy this year.

The year ahead

We are confident that with the availability of funding at the lowest ever interest rates, the year ahead will see a continuation of the increases in lending activity experienced in 2015.



Barry O'Leary
Chief Executive Officer

31 March 2016

Board of Directors

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A diverse board
of directors
**striving to
deliver the best**

1 Michelle Norris | Chairman

Appointment to the Board: February 2012 as Chairman and non-executive Board Member (ex-officio).

Committee membership: Finance, Credit and Remuneration Committees.

Career experience: Head of School in UCEDs' School of Applied Social Science.; teaching and research interests focus on housing policy and urban regeneration. During her career she has led or participated in 20 research projects on these issues and has produced over 100 publications on the results. In 2011 she was appointed by an Taoiseach as an independent member of the National Economic & Social Council.

2 Barry O'Leary | Chief Executive

Appointment to the Board: August 2013 as Board Member (ex-officio) and September 2012 as Chief Executive.

Committee membership: Finance and Credit Committees.

Career experience: An accountant by profession, Barry has experience of insolvencies and worked with the Comptroller and Auditor General. Since 1988 Barry has worked with the Housing Finance Agency, holding the roles of Financial Controller/ Company Secretary and Head of Treasury.

3 Colm Brophy

Appointment to the Board: March 2012 as a non-executive Board Member.

Committee membership: Audit, Board Performance Review and Credit Committees.

Career experience: Councillor on South Dublin County Council since 2008. Colm is also a Board member of South Dublin County Enterprise Board and South Dublin Tourism. Colm is the Founder and General Manager of T.E. Corporate Promotions – a specialist provider of event management services.

Resignation: Colm resigned on 8 February 2016, in accordance with the governance rules of the HFA, when he tendered his application for candidacy in the 2016 General Election.

4 Jackie Maguire

Appointment to the Board: Initially in March 2002, and re-appointed in March 2012 as a non-executive Board Member (ex-officio).

Committee membership: Audit and Remuneration Committees.

Career experience: County Manager of Meath County Council since 2013; commencing her Local Government career with Meath County Council in 1981, being promoted to Head of Finance in 2000, Director of Services in 2003; and County Manager for Leitrim from 2006 to 2013. Jackie has a Diploma in Financial Management and a Masters in Project Finance/Venture Management.

5 James Miley

Appointment to the Board: April 2012 as a non-executive Board Member.

Committee membership: Audit and Board Performance Review Committees.

Career experience: Qualified Chartered Director and Business Consultant, and has worked in a broad range of sectors including broadcasting, development aid, politics and business. James co-founded and led the online property website, www.myhome.ie which has given him a thorough understanding and first-hand knowledge of the Irish property market. In addition to his professional interest, he was Chairman of Concern Worldwide from 2007 to 2010.

6 Michelle Murphy

Appointment to the Board: April 2012 as a non-executive Board Member.

Committee membership: Audit Committee.

Career experience: Regional Manager for the Collins McNicholas Recruitment & HR Services Group, covering the Western region. Michelle has a M.Sc. in Strategic Human Resource Management, and is a Fellow of the Chartered Institute of Personnel & Development.

7 Padraic Cafferty

Appointment to the Board: March 2012 as a non-executive Board Member.

Committee membership: Audit and Credit Committees.

Career experience: Managing Director of Datascan, Executive Chairperson at Northwood Technology Ltd, and Proprietor at Westpoint Business Centre and Sigmund Business Centre, Glasnevin, Dublin. Padraic is currently a Fellow of the Security Institute of Ireland and Past President of the Irish Security Industry Association.

8 John Hogan

Appointment to the Board: February 2012 as a non-executive Board Member (ex-officio).

Committee membership: Finance, Credit Committee and Board Performance Review Committees.

Career experience: Assistant Secretary in the Banking Policy Division of the Department of Finance. John has previously worked in the Departments of Education, Environment, and Foreign Affairs.

9 Gerry Leahy

Appointment to the Board: April 2012 as a non-executive Board Member.

Committee membership: Audit and Board Performance Review Committees.

Career experience: Established estate agent since 1980, with expertise in the field of new housing sales and developments. Gerry was a Director of Horse Sport Ireland and Eventing Ireland, and published the Strategic Plan on High Performance and Olympic Qualification in Equestrian Sport.

10 Michael Murray

Appointment to the Board: March 2012 as a non-executive Board Member.

Committee membership: Finance and Credit Committees.

Career experience: An honors graduate in economics from Trinity College, Dublin, from 1977 to 2002 he served in several senior roles in banking in both London and Dublin. In 2004, Michael joined the European Commission, where he remained until 2010, and had responsibility for advising the Internal Market Commissioner on banking and securities markets regulation. Michael currently works in a consultancy role on a range of financial services issues.

11 Philip Nugent

Appointment to the Board: Initially in April 2008 and re-appointed in February 2012 as a non-executive Board Member (ex-officio).

Committee membership: Finance and Remuneration Committees. Also a member of the HFA/Local Authority Liaison Committee.

Career experience: Principal Officer in the Department of the Environment, Community & Local Government, with responsibility for Rental Market and AHB Regulation.

Resignation: Philip resigned on 1 April 2016, when he moved onto other official duties.

12 Mary Lee Rhodes

Appointment to the Board: March 2012 as a non-executive Board Member (ex-officio).

Committee membership: Finance Committee. Also a member of the HFA/Local Authority Liaison Committee.

Career experience: Associate Professor of Public Management at Trinity College, Dublin, her research being focused on complex public service systems and the dynamics of performance. She is also a member of the Interim Regulatory Committee which is tasked with rolling out the voluntary regulation code for the AHB sector and preparing for statutory regulation. She is also involved in research and management in the non-profit sector and has experience in managing banking operations and technology with JP Morgan, and as an economic analyst with the US Department of Agriculture.



Planning



Positive Developments

Published Accounts Award Winner

In November 2015 the HFA's 2014 Annual report was chosen from amongst 25 finalists, as winner of the overall 'Branding, Communication and Marketing' award by the Leinster Society for Chartered Accountants at its Published Accounts Awards.

The HFA has been a finalist on eight previous occasions in the large not-for-profit and charities sector. This prestigious award was an endorsement of our commitment to good corporate governance and we look forward to building on this success in the years ahead.



Pictured above is Barry O'Leary, HFA CEO, accepting the award from Garrett McCarthy, Chairman Chartered Accountants Ireland Leinster Society (left) and Deirdre Somers, CEO Irish Stock Exchange

Council of Europe Development Bank loan facility

Following the completion of the €150 million European Investment Bank (EIB) Facility Agreement in January 2015, the Council of Europe Development Bank (CEB) made contact with the HFA with a view to completing a similar agreement. The HFA sought and received approval in principle from the Departments of Finance and of the Environment, Community & Local Government, to apply for a second €150 million facility and, following detailed analysis and review by the CEB, the Facility was approved by its Administrative Council.

Under the terms of the proposed Agreement, the CEB will fund the HFA for a maximum of 50% of total project cost and it is intended that the Facility will be used to complement the existing EIB Facility.



Category 2 Certified Borrower lending

There are currently about 60 Tier 2 approved housing bodies, of which 49 are signed up to the Voluntary Regulation Code. Tier 2 AHBs are defined as those bodies with between 50 and 300 units under management. To encourage development by these bodies and as part of the HFA's continuous efforts to offer innovative products to enable the provision of social housing, we introduced a new product offering, in December 2015, aimed solely at these mid-size AHBs.

This product offering for 'Category 2' borrowers enables such bodies to avail of the following:

- drawdown up to a maximum of €1.5 million for acquisition projects;
- applicants do not have to undergo the full Certified Body review process;
- a quick turnaround of applications is enabled with approval at Management Committee level; and
- a minimum loan size of €0.25 million applies for all applications.

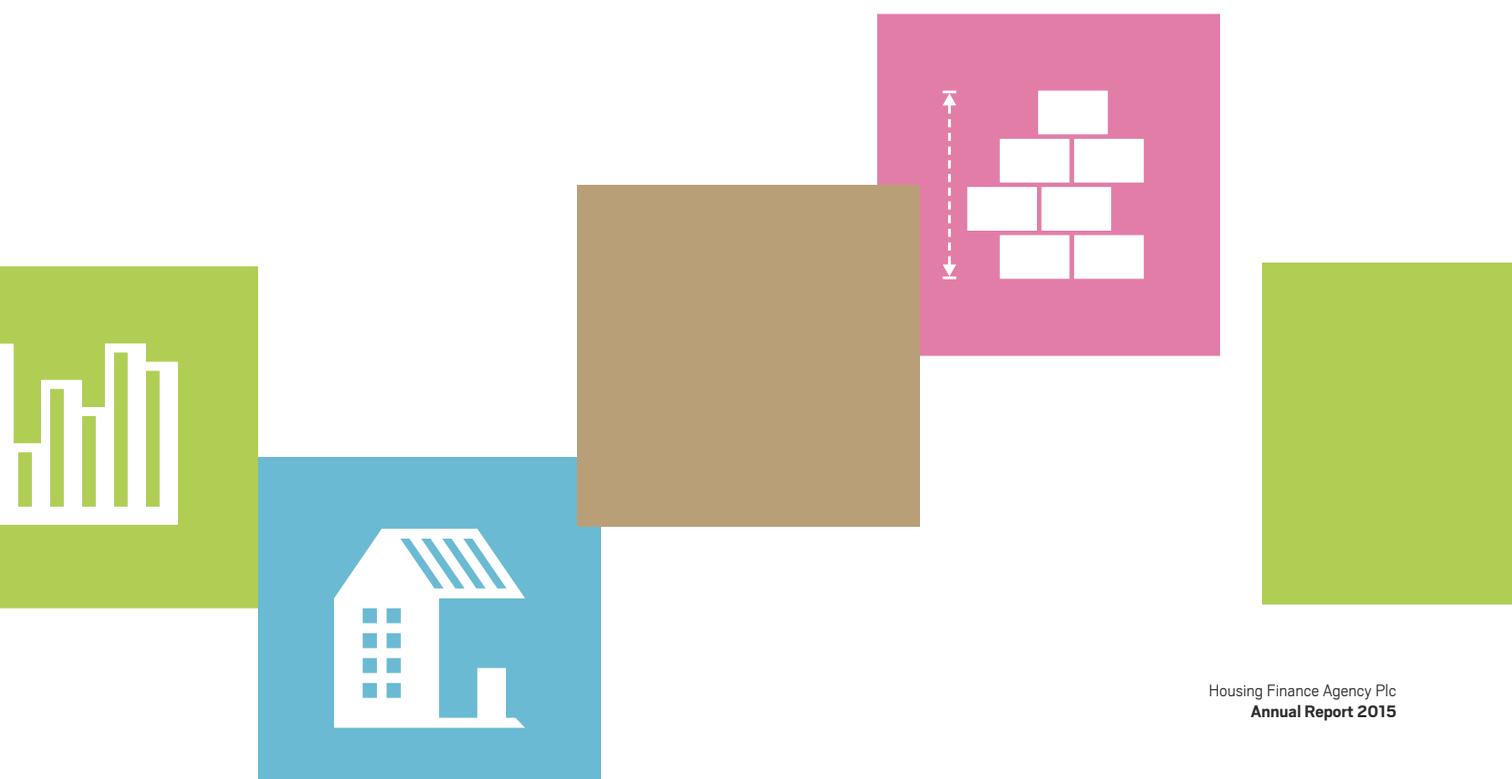
The Facility has received a lot of favourable feedback from Tier 2 AHBs, and it is anticipated that it will generate significant interest over the coming year.

Strategy

The role of the HFA is to facilitate and support the successful delivery of Social Housing in Ireland. In order to fulfil this role effectively, the HFA is preparing **HFA 2020** - a strategy which will support and complement the government's *Social Housing Strategy 2020*. Work undertaken in the development of HFA 2020, has led to the identification of four strategic pillars which are central to the delivery of **HFA 2020**. It is planned that these pillars will be delivered over five years through strategic initiatives, with associated priority actions. The individual pillars are focused on the following areas:

Pillar 1	Customers & Competitors
Pillar 2	Key Stakeholders
Pillar 3	Organisational Interdependence
Pillar 4	Internal Capability

The latest Strategy is a working document, under review by the Board. It is hoped that the HFA will have the new strategy finalised by mid-2016, following consultation with the Departmental stakeholders.



Housing Developments

Introduction

The HFA is uniquely positioned to provide the funding required for social housing development, at market-leading rates.

We are open for business and, in 2015, the HFA provided finance for €34 million in housing projects, comprising finance for acquisition, new-build and Mortgage-to-Rent projects. The following gives a brief outline of some of these projects funded in the year.

1. Oaklee Housing Trust

Pairc Na Gréine, Springfield, Tallaght, Dublin 24

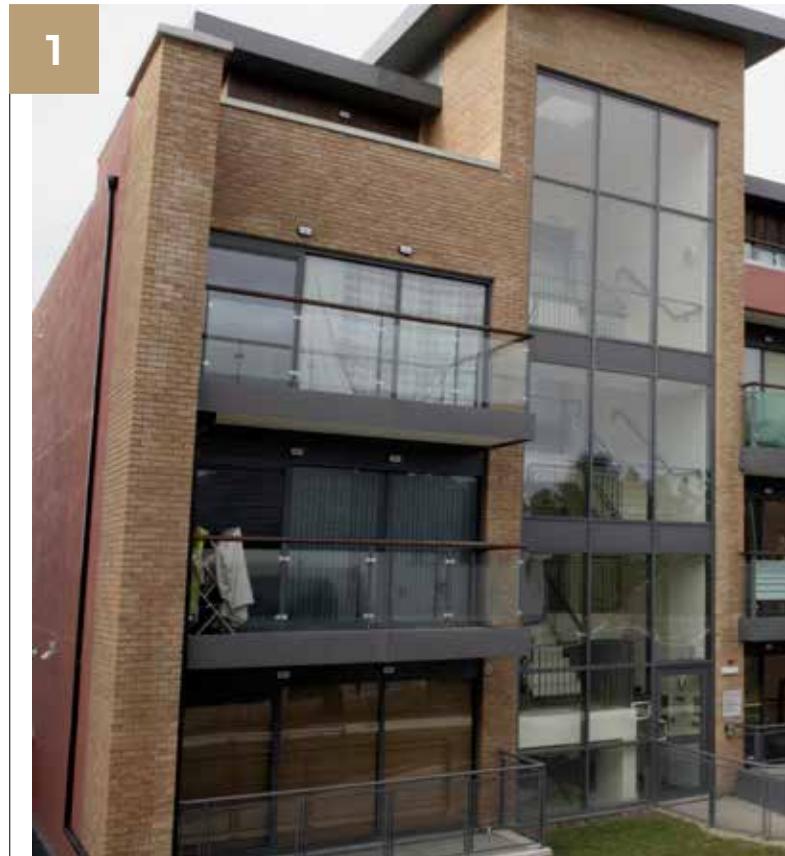
Oaklee Housing Trust delivered 45 new homes at Pairc Na Gréine, Springfield, Tallaght, Dublin 24 which were handed over to tenants during October 2015.

The development is located on the Cookstown Road beside Springfield Shopping Centre, St Mark's School and St Marks GAA Club and consists of 44 two bedroom apartments and a one bedroom apartment. It has direct links to the M50 and the city centre, with a LUAS stop located within walking distance of the development.

All local amenities are within easy reach with excellent shopping facilities at The Square Town Centre. South Dublin County Council Offices, The Civic Theatre, Shamrock Rovers stadium and Public Library are also close by.

The apartments are well laid out and generous in size with the one bed 59m² and the 2 bedroom apartments ranging between 66 – 87m². All apartments are dual aspect, have underfloor heating and come with a B energy rating for most of the units.

This Project has been made possible through funding private finance from the Housing Finance Agency and the DoECLG's Capital Advance Leasing Facility.





2. Clúid Housing Association

Leitir Burca, Ballymoneen Road,
Knocknacarra, Galway

This Scheme of 10 properties was presented to Clúid Housing Association in their, then, condition in the middle of 2015. A very short closing time was provided to acquire these properties. Through the cooperation of the HFA, Galway City Council and NAMA, by October 2015 Clúid had fully acquired the units and upgrade works were completed for the tenants.

An improved energy efficient heating system was installed, furniture was upgraded, the intercom system was fixed, secure door locks were fitted and wheelchair ramps were introduced. Painting was completed internally and externally. The tenants at Leitir Burca are in the process of creating a residents' association with Clúid and have spoken of the real sense of community in the Scheme and their satisfaction as Clúid tenants.

2



Thorndale, Castleblaney, Co Monaghan

Clúid completed the purchase of 9 high quality 3 bedroom houses in the Thorndale Estate which is located in Bree, Castleblaney in Co Monaghan. The Estate was developed by Murnaghan Brothers Ltd, who are a long standing established builder and developer in the North East Region. The Development is located very close to an array of facilities and amenities which will serve the residents of the development.

In close proximity to Thorndale is the Castleblaney Arts & Community Resource Centre, which provides a one-stop facility for a wide range of activities for the people of Castleblaney and the surrounding area. There is also an array of sporting and leisure activities in the town including a local GAA club, football club, golf club and a number of water based activities. The Castleblaney Enterprise Centre also provides a number of facilities for the local community including meeting rooms, IT and training for local businesses.

This is Clúid's second housing development in County Monaghan and the Organisation has plans to undertake more development in the County and work in partnership with Monaghan County Council. The Scheme is funded using a small government loan, to leverage a larger loan via the HFA which provided long term finance at very advantageous rates, and the HFA's active support is absolutely critical to Clúid's development programme.

2

Housing developments (continued)

3. Túath Housing Association

Túath Housing Association acquired 33 new social homes in three locations in Cork, Kerry and Dublin. All homes have been acquired via private finance provided through the HFA and CALF funding through the Department of Environment, Community and Local Government.

3a. Old Course, Mallow, Co. Cork

14 homes were acquired in Old Course, Mallow. This was an unfinished estate and Túath worked in partnership with NAMA, the Receiver and Cork County Council to ensure that all site resolution works were completed and all homes were finished internally. There is a mixture of houses, apartments and duplexes in the Scheme, and they have been allocated to priority tenants from Cork County Council's social housing waiting list.

3b. Uaran an Toirin, Killorglin, Co. Kerry

Túath worked closely with developers Michael Sheahan and Sons, to acquire 6 x 3-bed family homes. These were the last homes to be completed in the Uaran an Toirin development in Killorglin, Co. Kerry, of which there are over 70, and were completed to an exceptionally high standard. They will be allocated to families from Kerry County Council's social housing waiting list in May 2016. This acquisition represents Túath's first owned units in Kerry and they hope to work in partnership with the Council again in the coming years.



3c

3a



3b



3c. Hampton Wood, Finglas, Dublin 11

Túath renewed its relationship with Dwyer Nolan Developments to acquire a further 13 homes in Hampton Wood, Finglas. Some 64 homes have been acquired from Dwyer Nolan in the last 12 months, and these houses and duplexes have been allocated to priority tenants from Dublin City Council's waiting list, as well as council tenants who are being temporarily transferred from their homes in Ballymun. This increases the Association's presence within the development to 59 homes.



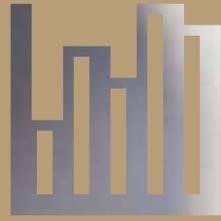
3d



Acquisition Of Leased Homes In Kildare

3d. Cois Bhearu, Athy, Co. Kildare

Túath held a 10 year lease, via the private leasing initiative, with Paddy Raggett Homes for 10 houses in Cois Bhearu, Athy. An agreement was reached for the Association to exercise its option to purchase, and all homes have since been acquired via private finance through the HFA and CALF funding through the Department of Environment, Community & Local Government. All homes were allocated to people from Kildare County Council's waiting list, and these tenants now have greater security of tenure.



Finance



Quality Customer Service



Relationships

The delivery of excellent Quality Customer Service ('QCS') is of prime importance to the HFA. The HFA has critical relationships with stakeholders in a number of different categories: local authorities, approved housing bodies, Departmental stakeholders, and other bodies within the wider housing group.

A number of strategic initiatives with regard to Customer Service were identified in the development of the HFA's Strategy 2020, in particular identifying and building strong relationships with representative local authorities and AHBs, to fully understand their needs and challenges. This will

involve organising regular information gathering sessions between HFA representatives and key LA and AHB staff, participation on Finance and Housing Groups, and developing the AHB market with appropriate structures and products.

In tandem with this, the HFA will identify approaches to enable the HFA interact more effectively in assisting our customers and our Departmental Stakeholders in gaining clarity regarding our products and developing a communication framework to regularly update our customers and Government Departments.

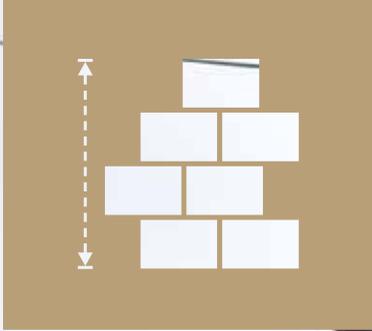
Initiative	Description
Participation in Heads of Finance meetings	The HFA's relationship with local authorities involves it attending Heads of Finance meetings, where regular presentations are made on a wide range of related issues involving both the HFA and the Local Authorities. Participation at these meetings also provides the HFA with a forum to obtain the views of local authorities on the various issues that arise from time to time. This work will continue and expand in future.
Representation on the Board	Our principal customers, the local authorities, are normally represented on the Board by a County Manager and an elected representative.
Electronic information	All information is now issued by e-mail to finance and housing officials. Board and Committee meeting papers are also issued electronically.
Programmes of regional workshops	Regional workshops are held from time to time in conjunction with local authorities, to train local authority staff in use of the HFA's online loan system. A series of regional workshops is planned during 2016 to facilitate the rollout of the HFA's redeveloped Loan and Treasury Management System (LMTS)
Purchase of Software	During 2015 the HFA purchased Brixx Software for use by AHB customers. This will facilitate customers' financial planning skills and assist them in submitting information for assessment with regard to creditworthiness assessments and funding drawdown requests.
Meetings with AHBs	The HFA also held a number of one to one meetings to assist current and potential AHB customers and discuss issues that needed clarification.
Central Government reporting	The HFA has developed a module on its website that enables local authorities to obtain current period actual and 3-year loan projections of principal and interest repayments for Central Government reporting purposes. The HFA supplies CSO quarterly statistical information to the Department of the Environment, Community and Local Government.
Code of Conduct for staff	The HFA's Personnel Code of Conduct provides guidance for staff in dealing with our customers covering written correspondence, personal calls to our offices and phone calls. The Personnel Code of Conduct provides that correspondence must be acknowledged unless a reply (if required) can be sent within a week. Where delay in replying is unavoidable staff are advised of the desirability of sending an interim reply.

Service Level Agreement with DoECLG

The Code of Practice for the Governance of State Bodies provides that any State body involved in service provision should have a Service Level Agreement (SLA) in place with its parent Department.

The coherence of public policy in relation to housing and the coordination of the associated financing initiatives are ensured by having them all under the control of the Minister for the Environment, Community & Local Government (DoECLG). The HFA's position under the aegis of the DoECLG ensures that its services are efficient and fully supportive of Government policy.

The HFA has had an SLA in place with the DoECLG since 2014, which is reviewed and updated annually by both parties with the approval of the HFA's Board. All of the objectives specified in the Agreement for 2015 were met. The SLA requires that meetings should be held between the HFA and the DoECLG, at a minimum of a quarterly basis.



Building



Information Technology

Reliance on Information Technology

With a staff of only 11 FTEs (full-time equivalents) managing a loan book of €3.7 billion and approximately 7,000 live loans, the HFA relies heavily on the use of information technology to facilitate more efficient use of its resources and 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. This enables customers and other stakeholders to carry out tasks more efficiently. The HFA has introduced the most appropriate, reliable and integrated electronic systems to complement its ability to deliver on the expectations of customers and stakeholders. Clients can access services instantaneously, from a variety of locations and at any time of day via the HFA website.

Redevelopment of LABS – HFA Loan and Treasury Management System (LTMS)

The HFA has an existing loan application, billing and treasury system (LABS) which is an essential tool in its business. This facilitates an online workflow that involves HFA staff and external users – primarily local authorities and the Department of the Environment, Community & Local Government – and provides comprehensive reporting and enquiry options for HFA personnel.

The LABS application provides the HFA with the functionality necessary for processing loan applications and billing. While the HFA was satisfied with the functionality of its current LABS system, the fact that it was written some 15 years ago suggested that it was prudent to have the system upgraded/ redeveloped using a modern and, as far as possible, future-proofed technology.

This system will shortly be replaced by a new system - the HFA Loan and Treasury Management System (LTMS). The new system will enable the HFA to benefit from a modern technology platform in areas such as security, user interface, and information access and retrieval. The redevelopment process is largely complete, after 12 months of significant development and testing. The System is currently being tested by a selected group of local authorities, with 'go-live' implementation planned for May 2016. The system uses a cross-browser (MS Explorer, Mozilla Firefox, Google Chrome, and Apple Safari) common web-based user interface to all elements of the solution for internal back-office

administrators and external stakeholders in the DoECLG (including the local Government Auditor, for access to local authority loans data), local authorities and approved housing bodies. This will provide a consistent and universal user experience and provide secure remote access to the system.

Benefits of LTMS

1. Document upload	Electronic copies of resolutions, declarations, etc. can now be attached to loan and redemption applications.
2. New Floating rate Treasury notes	Will be available on the release of the new system, allowing local authorities to invest surplus funds for terms longer than 12 months.
3. Specified capital amount	Ability for a specified capital amount to be repaid on individual loans each period.
4. Crystal Reports	A number of Crystal Reports have been created for local authorities, and it is planned that these will be expanded and improved upon over time, with feedback from our customers.
5. Ability to access both the Loans and Treasury modules via one password	Users can now access both the Loans and the Treasury modules with one username and password, which was not possible on the previous system.
6. Interest only periods	Interest only periods for annuity loans are allowable with specific timeframes on individual loans, e.g. 5 years interest-only, with annuity repayments thereafter.
7. Percentage capital repayments	Percentage capital repayments to be repaid on individual loans each period, e.g. 70% of full annuity repayment, to revert to normal-course annuities after a specified period.
8. Help section	A comprehensive help section has been created with video instruction as well as pdf files to review.

Energy Conservation

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.

In 2015, the HFA consumed 27.7 MWh of energy, consisting solely of electricity. This represents an average consumption of 2.5 MWh of electricity per employee. Our leased premises was redeveloped during 2009/2010, with energy-efficient lighting installed at that stage.

- The HFA's offices have a BER rating of B1.
- 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.
- 90% of HFA staff use public transport for commuting, while 10% of staff cycle to and from work, encouraged by the availability of appropriate facilities in the HFA.
- 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.

Actions Undertaken in 2015

In 2015, the HFA undertook a range of initiatives to improve our energy performance, including:

- the purchase of two new energy-saving printers: and
- implementation of various 'turn-off' initiatives (computers and lights).

Actions Planned for 2016

Energy conservation is very important to the HFA. We will continue to deliver efficiency savings in all aspects of our business in 2016 and will explore the possibility of working with SEAI to ascertain what further progress can be made.

In 2015, the Housing Finance Agency approved loan finance for the purposes of retrofitting 550 social housing units. The HFA hopes to expand on this success over the coming year, consider the development of other sustainable energy products and to bring these to the market.



Deliveri



ng

Report of the Directors

The Directors present their report and the audited Financial Statements for the year ended 31 December 2015.

Results and dividends

	2015 €'000	2014 €'000
Total recognised gain for the year	22,209	12,735
Shareholders' funds at beginning of year	105,970	93,235
Shareholders' funds at end of year	128,179	105,970

This is a good performance 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 from index linked, fixed rate funding mismatches and other risks.

The Directors do not propose the payment of a dividend for 2015 (2014: nil).

A review of the significant financial risks and exposures to the HFA in respect of its assets, liabilities and financial instruments is set out together with the risk management objectives and policies employed with respect to managing those risks in Note 21 to the Financial Statements. The Director's 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 and was used to finance 15,571 mortgages. At 31 December 2015 such loans represented outstanding balances of €10.28 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 finance income related, convertible and annuity loans and improvement grants. The extension of the HFA's powers under the Housing (Miscellaneous Provisions) Act, 1992 to fund local authorities for any of their functions under the Housing Acts has resulted in the HFA issuing loans to local authorities to fund the Shared Ownership and Voluntary Housing Schemes.

A significant portion of these funds is retained by the local authorities for purposes such as land acquisition. The remainder is lent by the local authorities to individual borrowers and AHBs. 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 the Environment, Community & Local Government;
- (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 2015, gross loan advances amounted to €129 million (2014: €153m), repayments and redemptions totalled €671 million (2014: €297m), resulting in net redemptions of €542 million (2014: €144m). This figure includes the redemption of water-related loans of €412 million on 31 July, as agreed with the DoECLG and local authorities. Such loans represented outstanding balances of €3.65 billion (2014: €4.18 billion).

The HFA endeavors 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 2015, the HFA renegotiated €136.1 million (2014: €238.9 million) of non-housing related loans and had 2 housing related loans renegotiated during the year totalling €0.6 million (2014: Nil). These renegotiations have taken place in the context of €3.65 billion of loans advanced to local authorities as at 31 December 2015 and represents renegotiation activity of circa 3.8% in 2015 (2014: 5.7%).

Renegotiated non-housing related and housing related loans 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 €136.05 million of loans (2014: €238.99 million) to be renegotiated in 2015 with €1.19 million (2014: €2.67 million) of interest income recognised on these assets.

As at year ended 31 December 2015, €25.47 million (2014: €117.53 million) of land acquisition loans were converted upon maturity to annuity loans repayable over a period of up to 30 years. There were no land acquisition loans considered renegotiated at 31 December 2015 as we have received one full year of up to date scheduled repayments. Interest accrued on loans converted upon maturity at 31 December 2015 amounts to €0.22 million (2014: €1.18 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 DoECLG, 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 Payment and Availability Agreement (PAA) 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. Only when that status has been confirmed and a master loan agreement signed can they apply for loan advances which are subsequently assessed independently. As at 31 December 2015, thirty one applications (2014: twenty seven) for Certified Body status have been received from AHBs. Twelve approved housing bodies (2014: nine) have been successful and seventeen were unsuccessful, with two of these still pursuing the path to a successful application. The approved AHBs are:

1. Circle Voluntary Housing Association
2. Clanmil Ireland Housing Association

3. Clúid Housing Association
4. Co-operative Housing Ireland
5. Focus Housing Association
6. Fold Ireland
7. Housing Association for Integrated Living (HAIL)
8. Oaklee Housing Trust Limited
9. Respond! Housing Association
10. The Iveagh Trust
11. Tinteán-Carlow Voluntary Housing Association
12. Túath Housing Association

The HFA's Credit Committee, as at 31 December 2015, has approved 110 loan applications (2014: 44) totalling €183.2 million (2014: €62.7 million), €69.83 million of which has been advanced (2014: €36.1 million). It is anticipated that 2016 will herald continued growth in the level of lending in this area. The HFA continues to have frequent interaction with the AHBs to develop the suite of products which it offers.

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 in 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 21 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 assessment of going concern is presented on page 45.

Report of the Directors (continued)

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 Committee. Details in relation to the Audit Committee's work in this regard are set out in the Audit Committee Report on pages 38 to 43.

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 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 21 to the Financial Statements.

The Directors and Secretary have no interests in the shares or debentures of the HFA.

Contracts

There has not been any contract or arrangement with the HFA during the year in which a Director of the HFA was interested in relation to the HFA's business.

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 2015 shows no late payments were made during 2015 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.

Corporate Governance

As required by the 2014 UK Corporate Governance Code, which the HFA has adopted voluntarily, the Directors have prepared a Corporate Governance Statement, which is set out on pages 32 to 37 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 21 to the financial statements.

Compliance Statement

The Directors are responsible for securing the HFA's compliance with its relevant obligations (compliance with both company and tax law) and with respect to each of the following three items, we confirm that it has been done.

We confirm:

- the existence of a compliance policy statement;
- appropriate arrangements or structures put in place to secure material compliance with the HFA's relevant obligations; and
- a review of such arrangements and structures has taken place during the year.

Dividend

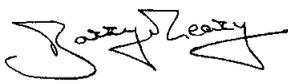
No dividend is due to be declared for 2015.

On behalf of the Board,



Michelle Norris
Chairman of the Board

31 March 2016



Barry O' Leary
Chief Executive Officer

31 March 2016

Corporate Governance Statement

The Directors are committed to maintaining the highest standards of corporate governance and support the 2014 UK Corporate Governance Code (available at www.frc.org.uk), formerly known as the Combined Code, which the HFA voluntarily complies with. The Code of Practice for the Governance of State Bodies, as published by the Department of Finance, was issued in June 2009 and the HFA also complies with this Code.

The Directors note that an updated version of the UK Corporate Governance Code was issued in 2014, and is effective for accounting periods beginning on or after 1 October 2014.

The Directors understand that the 'comply or explain' concept continues to apply in the updated Code. The Board recently reviewed its obligations under the new legislation which include further requirements on the Board and Audit Committees regarding consistency and appropriateness of disclosure, as well as a separate section for the Audit Committee in the annual report. As required by the 2014 UK Corporate Governance Code, which the HFA has adopted voluntarily, the Directors have prepared a 'Corporate Governance Statement,' which is set out on 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 2014 UK Corporate Governance Code except for matters discussed in the Corporate Governance Compliance Statement.

Application of the Principles and Provisions of the UK Corporate Governance Code

The following information explains how the HFA applies the principles and provisions of the 2014 UK Corporate Governance Code issued by the Financial Reporting Council (FRC), The Irish Corporate Governance Annex issued by the Irish Stock Exchange (ISE), and the Code of Practice for the Governance of State Bodies, published by the Department of Finance.

Board of Directors

The Board takes the major strategic decisions and retains full and effective control while allowing operating 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 2015 the Board of Directors comprised eleven non-Executive Directors and one Executive Director. The Directors are appointed by the Minister for the Environment, Community & Local Government 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 term. The roles of the Chairman of the Board 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 2015 and is responsible for the proper management of the HFA.

Attendance at meetings during the year ended 31 December 2015 and length of service at 31 December 2015.

Members	Meetings held in 2015	Directors attendance	Board Service in years
Michelle Norris (Non-executive Chairman)	7	7	3.83 years
Barry O'Leary (Chief Executive Officer)	7	7	2.33 years
Colm Brophy (Non-executive Director)	7	5	3.75 years
Padraic Cafferty (Non-executive Director)	7	7	3.75 years
John Hogan (Non-executive Director)	7	6	3.83 years
Gerry Leahy (Non-executive Director)	7	5	3.67 years
Jackie Maguire (Non-executive Director)	7	5	13.75 years*
James Miley (Non-executive Director)	7	5	3.67 years
Michelle Murphy (Non-executive Director)	7	6	3.67 years
Michael Murray (Non-executive Director)	7	6	3.75 years
Philip Nugent (Non-executive Director)	7	6	7.67 years
Mary Lee Rhodes (Non-executive Director)	7	4	3.75 years

* Please see the Corporate Governance Compliance Statement on page 36.

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, housing valuation, the Department of Environment, Community and Local Government and the Department of Finance, which should enable the HFA to address major future challenges.

Directors' Remuneration

The Minister for the Environment, Community & Local Government 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 2015 €	Fees 2014 €
Michelle Norris	-	-
Colm Brophy	7,695	7,695
Padraic Cafferty	7,695	7,695
John Hogan	-	-
Gerry Leahy	7,695	7,695
Jackie Maguire	-	-
James Miley	7,695	7,695
Michelle Murphy	7,695	7,695
Michael Murray	7,695	7,695
Philip Nugent	-	-
Mary Lee Rhodes	-	-
Total	46,170	46,170

* During 2015, a sum of €2,856 (2014: €2,591) was charged by University College Dublin as compensation for loss of hours worked by Michelle Norris for time spent in her duties as Chairman of the HFA in 2015.

Corporate Governance Statement (continued)

The remuneration of the Executive Director/Chief Executive Officer is detailed in Note 9 to the Financial Statements. Total expenses reimbursed to Directors during 2015 for travel and subsistence was €6,983 (2014: € 9,137).

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 2015 there were four female members on the Board out of twelve members. Looking beyond the Board, the HFA also recognises the importance of diversity including gender diversity and the benefits this could bring to the organization.

The CEO and employees are also 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 or ethnic origin, religion or belief, age, disability, sexual orientation or gender in relation to employment and occupational or vocational training.

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 Committee

Please see Audit Committee Report on pages 38 to 43.

Board Performance Review Committee

The Board Performance Review Committee met once during the year. The Committee was established in 2008 for the formal evaluation of the Boards performance and that of its Committees and individual Directors. This Committee reports to the Board and the Chairman annually on its findings. The Chair of the Board Performance Review Committee is rotational between its members.

The Committee reviews the Board's performance and that of its Committees and also appraises each member of the Board of Directors to ensure that they are adequately fulfilling their role and objectives. It also undertakes an annual review of each Director's independence including his/her actual, potential or perceived conflicts of interests and commitments in terms of time. For further information please refer to the Corporate Governance Compliance Statement on page 36.

Scheduled Board Performance Review Committee meetings for the year ended 31 December 2015

Members	Meetings held in 2015	Directors attendance
Patrick Cafferty	1	1
John Hogan	1	1
Michelle Murphy	1	1
James Miley	1	1

Finance Committee

The following Directors are members of the Finance Committee: Michelle Norris (Chairman), Barry O'Leary (CEO), John Hogan, Michael Murray, Philip Nugent and Mary Lee Rhodes.

The Committee is empowered on behalf of the HFA to borrow and raise money and to implement, utilise and operate any approved facilities. The Committee operates under formal terms of reference approved by the Directors.

Members	Meetings held in 2015	Directors attendance
Michelle Norris	1	1
John Hogan	1	1
Michael Murray	1	1
Philip Nugent	1	1
Barry O'Leary	1	1
Mary Lee Rhodes	1	1

Remuneration Committee

The following Directors are members of the Remuneration Committee: Michelle Norris (Chairman), Jackie Maguire and Philip Nugent.

The Remuneration Committee's Terms of Reference entitle it to make recommendations in relation to the remuneration of the Chief Executive Officer for consideration by the Board, subject to the approval of the Minister for the Environment, Community & Local Government. Details of emoluments are set out in Note 9 to the Financial Statements in accordance with the requirements of Section 155 of the Companies Act 2014. No circumstances arose during 2015 which necessitated the convening of a meeting of the Remuneration Committee. For further information please refer to the Corporate Governance Compliance Statement.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, 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 three years to 31 December 2018. The Directors have assumed that a three year time span was an appropriate period for the annual assessment given that this is the key period of focus within the HFA's strategic planning process. The HFA's Corporate Plan is reviewed annually by both the DoECLG and the Directors and is subject to stress testing regarding scenarios which take account of the principal risks and uncertainties facing the HFA.

The assessment considered the 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 21. 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 21. 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 three year period of assessment.

Credit Committee

The HFA's Credit Committee is comprised of Board members 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 and to ensure that all the relevant documentation is in order before proceeding to advance such monies to AHBs. The Committee operates under formal terms of reference approved by the Board.

Scheduled Credit Committee meetings for the year ended 31 December 2015:

Members	Meetings held in 2015	Directors attendance
Michelle Norris	11	10
Barry O'Leary	11	11
Colm Brophy	4	4
Padraic Cafferty	11	11
Tom Conroy	4	4
Sean Cremen	11	11
Michael Murray	11	9

To ensure that a majority of non-Executive Board members remained on the Committee, the Board agreed to reduce the membership of the Committee to five, following the resignation of Colm Brophy from the Committee in April 2015. As a result, Tom Conroy also resigned from the Committee on the same date.

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.

Corporate Governance Statement (continued)

Relations with stakeholders

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

Accountability and Audit

Accounts and Directors' Responsibilities

The Directors are of the view that the Annual Report for the year ended 31 December 2015 is consistent with the 2014 UK Corporate Governance Code principles requiring the presentation of 'a fair, balanced and understandable assessment of the Company's position and prospects'. The Directors have reviewed the 2015 Annual Report and believe that it presents a fair, balanced and understandable assessment of the HFA's position and prospects.

Corporate Governance Compliance Statement

The Directors are pleased to report that the HFA has chosen to voluntarily comply with the 2014 UK Corporate Governance Code, issued by the Financial Reporting Council, The Irish Corporate Governance Annex, issued by the Irish Stock Exchange and The Code of Practice for the Governance of State Bodies, published by the Department of Finance, during the year ended 31 December 2015 except for the following matters:

Current Board size and structure

Non-Executive Directors are appointed by the Minister for the Environment, Community & Local Government for a period not to exceed five years. The Minister, after consultation with the Minister for Public Expenditure & Reform, may appoint a Chief Executive Officer and as a result provisions B.2.1 of the Code are not applicable to the HFA. This appointment process also addresses the HFA's requirement for determination of how a Director is regarded as independent/non independent. There are no planned or anticipated changes to the Board's size or structure. The Government has brought in new arrangements for making appointments to State boards and bodies. In appointing the current Board of the HFA, the DoECLG asked persons interested to apply on their website for vacancies on the boards of bodies under their aegis.

Ministers are not necessarily confined to those who make expressions of interest but will ensure all appointees have the relevant qualifications.

The Government also decided that those who are being proposed for appointment as chairpersons of State boards are required to make themselves available to the appropriate Oireachtas Committee to discuss the approach they will take as chairperson and their views about the future contribution of the body or board in question. Following that discussion, decisions are taken by the Minister or the Government, as appropriate, to confirm the nominee as chairperson. Michelle Norris appeared before the Oireachtas Committee for the Environment, Transport, Culture and the Gaeltacht in 2012 for this purpose.

Senior Independent non-Executive Director

Consideration has been given to the matter of designating a recognised senior Board member other than the Chairman to whom concerns can be conveyed and in view of the manner of appointment of Directors, the shareholding structure and existing Board procedures, in accordance with provision A.4.1 of the Code. It has been concluded that it is not appropriate in the circumstances to nominate a non-Executive Board member as a Senior Independent non-Executive Director.

Independence of non-Executive Director

Jackie Maguire was reappointed to the Board in 2012 having been originally appointed in 2002. The length of her service on the Board exceeds nine years and the UK Corporate Governance Code, under provision B.1.1, provides that an explanation be made to stakeholders concerning her continued independence. The Board considers that the integrity and independence of Ms. Maguire is beyond doubt. She is financially independent of the HFA and has other significant commercial commitments. Ms. Maguire has extensive experience of the unique environment in which the HFA operates. Her experience and long term perspective on the HFA's business has been most valuable to the Board. It is the Board's view that the independence of Ms. Maguire has not been compromised by the virtue of her period in office exceeding nine years.

Procedures for election and re-election

Non-Executive Directors are appointed by the Minister for the Environment, Community & Local Government and hold office for such term as the Minister specifies when making the appointment but not for a period exceeding five years, unless the Minister sees fit to reappoint a Director for a second term, and, as a result, provision B.2.1 of the Code is not applicable to the HFA Directors' appointment. There is no policy for board renewal.

Director's Remuneration

There is no internally developed remuneration policy, as the Minister for the Environment, Community & Local Government determines the level of remuneration for non-Executive Directors. The remuneration of the Chief Executive Officer is set in line with current guidelines for pay in the public service. Remuneration of non-executive Directors is not linked to performance and is disclosed above individually for all non-Executive Directors as fees in Note 9 to the Financial Statements. Recommendations in relation to the Chief Executive Officer's remuneration are proposed by the Remuneration Committee for consideration of the Board. However the Remuneration Committee did not meet in the current year.

External Review of the evaluation of Board Performance

Provision B.6.2 of The UK Corporate Governance Code requires that the Board of FTSE 350 companies should be evaluated by an external facilitator at least every three years. The HFA does not consider this provision of the Code relevant to its present structure.

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

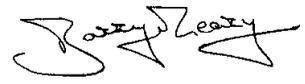
The Directors have complied with the disclosure guidelines set out in the Code of Practice for the Governance of State Bodies, rather than following the UK Corporate Governance Code, in this respect, as they are considered to be more appropriate to the HFA.

On behalf of the Board,



Michelle Norris
Chairman of the Board

31 March 2016



Barry O'Leary
Chief Executive Officer

31 March 2016

Audit Committee Report

The purpose of the Audit Committee, as per its terms of reference, is to assist the Board in its general oversight of the HFA's financial reporting, internal controls and audit functions. The responsibilities of the Audit 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 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;
- reviewing significant financial reporting judgements;
- reviewing any proposed changes to corporate governance practices and endorse 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;
- monitoring the effectiveness of the HFA's risk management and internal control arrangements; and,
- reviewing the cost of funds and interest rates charged accordingly.

In line with Provision C.3.4 of the 2014 UK Corporate Governance Code, the Committee must formally advise the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the performance of the HFA, along with its business model and strategy.

Risk is overseen by the Risk Management Committee, consisting of the CEO, Head of Treasury and the Company Secretary, which report to the Audit committee and the Board on a regular basis. An annual review of the Risk Management and Framework Policy was performed by the Board at its 31 March 2016 meeting.

Scheduled Audit Committee meetings for the year ended 31 December 2015

Members	Meetings held in 2015	Directors attendance
Colm Brophy	4	1
Padraic Cafferty	4	4
Gerry Leahy	4	3
Jackie Maguire	4	2
James Miley	4	3
Michelle Murphy	4	4

The Chief Executive Officer, Head of Treasury, and the Company Secretary and representatives of the External Auditors attend upon invitation.

Monitoring the Integrity of the Financial Statements including Significant Judgements

Financial Reporting

The Audit 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 Audit 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.

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 Committee that the HFA's audited Financial Statements were prepared in accordance with generally accepted accounting principles applicable to the UK and the Republic of Ireland. 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 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 GN programme is guaranteed by the Minister for Finance and facilitates issuance out to a maximum maturity of ten years from the date of issue. The HFA significantly extended the average maturity profile of its funding in December 2014 to provide a more stable funding base and reduce short term liquidity risk. At the end of 2015 the average maturity of HFA debt was 2.8 years.

In January 2016, the first tranche of the NTMA funding matured and a new pricing arrangement with the NTMA was introduced (as advised to the Board at the June 2015 meeting) whereby the interest rate (fixed or floating) is priced off the Irish Government bond yield curve for the respective maturity of the new rollover plus a margin agreed between both parties. The GNs are guaranteed by the Minister for Finance of Ireland

The Audit 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 Committee that it was not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation.

Interaction with Management

The Audit 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, Management's detailed assessment of these risks and how they are mitigated. The Audit Committee challenges the assumptions and judgements contained in these management reports prior to submitting the Financial Statements to the Board for approval. See pages 42 to 43 of the financial statements for further information relating to the Audit Committee's ongoing responsibilities in respect of 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 Committee of the External Auditor, the Audit Committee has reported to the Board that they consider the Financial Statements, taken

as a whole, to be fair, balanced and understandable and provides the information necessary for stakeholders to assess the company's performance, business model and strategy. The Audit Committee also recommended the inclusion of the audited Financial Statements in the HFA's Annual Report for the year ended 31 December 2015.

External Audit

Audit Firm Tendering

The Committee acknowledges the provisions contained in the 2014 UK Corporate Governance Code in respect of audit tendering. As per the 2014 UK Corporate Governance Code, FTSE 350 companies are now required to put their external audit contract out to tender at least every 10 years. The Committee has considered the audit tendering provisions outlined in the 2014 UK Corporate Governance Code. Given the size of the HFA it is not obliged to tender. However, the HFA continued its practice of tendering for the provision of external audit services in 2015, to cover the 2015-2017 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 Committee believe the issue of auditor independence is taken very seriously and is reviewed annually. The Audit Committee has discussed with JPA Brenson Lawlor and management regarding the firm's independence and there were no issues to note.

In 2015, apart from audit work, the HFA did not award any non-audit services to its independent external auditor. The Audit Committee via its terms of reference reviewed 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. 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 was no non audit services provided during 2015, therefore there is no conflict with auditor independence.

Audit Committee Report (continued)

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

Year ended	JPA Brenson Lawlor 31 December 2015	KPMG 31 December 2014
Audit of financial statements	31	35
Tax advisory services	-	-
Other services	-	4
Total Auditors remuneration	31	39

Liaising with external auditors

The Audit 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 Standards of Auditing in the UK and Ireland. The Audit 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 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 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 on-going assessment, for example through the quality of the external auditors' reports to, and the audit partner's interaction with the Committee, the Audit 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, a risk management policy framework, overseen by the Audit 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 Management Framework and Policy are regularly reviewed by the Committee. The monitoring of risk remains an ever present item at Board meetings. The most recent wholesale revision of our Risk Management Framework and Policy was concluded in December 2011 following an independent review of the policy framework to ensure that it captured all appropriate risks. The Risk Management Framework and Policy was fully implemented in 2012.

The HFA is a financial business and the key risks associated with the business are therefore essentially financial (i.e. credit, market and liquidity risks) and also treasury-related risk. These risks are outlined in more detail in Note 21 of our Annual Report. The HFA has developed a risk management process which includes constant reviews of its loans and advances portfolio and an on-going 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 at its June 2013 meeting, which was most recently updated at its September 2015 Board meeting.

Residual risk is associated principally with fixed rate borrowings. This 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 of the Risk Management Framework and Policy. 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 Committee assesses material risks namely:

- funding, liquidity and going concern risks;
- credit risk associated with post 1986 local authority lending;
- credit risk associated with AHB lending;

- credit risk associated with pre 1986 local authority lending; and,
- defined benefit pension scheme.

Pre 27 May 1986 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 €12.3 million of pre May 1986 loans outstanding at 31 December 2015 (2014: €12.9 million), only €10.3 million (2014: €10.6 million) of these are still due to the local authorities from the underlying borrowers and there is a total impairment provision of €2.2 million. The gap of €2.0 million (2014: €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 €2.0 million balance (2014: €2.3 million).

The local authorities hold collateral against the remaining €10.3 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 Loans

It is assessed that, in substance, there is no repayment risk of loans advanced to local authorities on or after 27 May 1986, other than sovereign risk, as the legal relationship 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 the Environment, Community & Local Government;

- 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. At 31 December 2015, 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 21(a)).

Provisions for doubtful debts arising on loans issued post-1986

In relation to the assessment of credit risk arising on loans issued post 1986 to local authorities, the Audit Committee has considered the opinion of the Board of Directors that, in substance, no credit risk arises, other than sovereign risk, on these loans.

This opinion is based on local authorities being statutory bodies under the Local Government Act 2001, the revenues or funds being security of the due payment to the HFA, the loans having been approved by the Minister for the Environment, Community and Local Government and the Board of Directors' understanding that Central Government supports local authorities in meeting their obligations to the HFA. The HFA has not experienced any losses on its loans advanced to local authorities after 1986. The Audit Committee is satisfied with the use of this assumption in the preparation of these Financial Statements and with the disclosure of these circumstances.

Approved housing bodies loans

Up until 2011, the Government grant-funded AHBs, through local authorities, for social housing. With the emergence of the economic crisis, and the resultant tight budgetary constraints, 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.

Audit Committee Report (continued)

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 & 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 Payment and Availability Agreement (PAA).

In December 2015 the HFA launched a new lending initiative specifically targeted at Tier 2 AHBs which are not currently Certified Bodies. This product targets AHBs with lending requirements from a minimum of €250,000 up to €1,500,000 and is specifically tailored towards property acquisitions. The lending is offered on a variable interest rate basis over 30 years or with a 10 year fixed offering of 3.85% (reverting to variable thereafter). AHBs who apply for the new product will not have to undergo a full HFA credit review process.

From a relatively slow start there has been a significant growth in AHB activity in 2015 and into 2016, strongly supported by the HFA's increasing range of variable and fixed rate offerings including Acquisition, New Build and Mortgage-to-Rent products. In particular the EIB financing has facilitated the introduction of 25 year fixed rate funding at a current rate of 3.25%, which has significantly de-risked the interest rate environment for AHBs borrowing from the HFA. The EIB has indicated that additional financing will be made available on the same terms if required. 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.

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 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 Committee. The Audit 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 Committee a review is undertaken of one area of risk as detailed in Section A4 of the HFA's Risk Register, contained within its Risk Management Framework and Policy.

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 and the management of the HFA 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 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 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 committee twice a year.

The key elements of the system of internal control are as follows:

- (a) a clearly defined organisational structure with appropriate segregation of duties and limits of authority;
- (b) internal financial controls documented in a Policies and Procedures Manual which is reviewed semi-annually and any subsequent changes approved by the Board;
- (c) clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
- (d) 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;
- (e) monthly management accounts prepared and presented to the Board;
- (f) an internal auditor reviewing key financial systems and controls;
- (g) an Audit Committee dealing with any significant control issues raised by internal or External Audit; and,
- (h) the preparation and issue of financial reports, including the Annual Report, managed by the Finance Section with oversight from the Audit 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 Committee. The Annual Report is also reviewed by the Audit Committee in advance of being presented to the Board for its approval.

The Audit 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 2015.

Discussions with the Auditor

The Audit 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 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 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 Committee is also satisfied that it has sufficiently scrutinised and challenged the significant assumptions used for determining the value of assets and liabilities.

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 FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland comprising applicable law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland together with the Companies Act 2014. 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 profit and loss 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; 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 company'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). The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Acts, 2014.

Directors' Statement

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

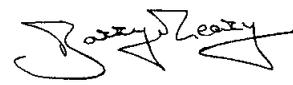
- The HFA's Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities and financial position of the HFA at 31 December 2015 and of the profit of the HFA for the year then ended; and,
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the HFA's performance, business model and strategy.

On behalf of the Board,



Michelle Norris
Chairman of the Board

31 March 2016



Barry O'Leary
Chief Executive Officer

31 March 2016

Report of the Independent Auditor to the Members of Housing Finance Agency plc.

Opinion and conclusions arising from our audit:

1. Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Housing Finance Agency plc (HFA) for the year ended 31 December 2015 as set out on pages 48 to 84 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Statement of Accounting Policies and the Notes to the Financial Statements. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

In our opinion the Financial Statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015 and of its surplus for the year then ended; and,
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, the Companies Act 2014.

2. 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 of material misstatement that had the greatest effect on our 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 balance sheet 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 balance sheet 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.

Going Concern status of the HFA

The HFA has significant liabilities on its Balance Sheet at 31 December 2015. The total of debt securities and bank loans at year end amounts to €3.6bn. These loans are used to fund the loans made to Local Authorities and Approved Housing Bodies which total €3.7bn at year end. There is a risk that if the Agency were unable to make capital or interest repayments on any of its external loans, it would not be able to access the appropriate funding to finance its operations. In addition in the event of default, if the loans were called in the Agency may not have the resources to settle its obligations.

We have held detailed discussions with members of the HFA's treasury team in order to understand how funding requirements are monitored on a day to day basis. We obtained the underlying loan agreements and we inspected the repayment terms. We tested repayments made and we ensured that the year-end position on these loans is correctly stated in accordance with the terms of the underlying agreements. We also obtained external third party confirmation of the year end position on all of the HFA's external borrowings and we ensured that the amounts disclosed in the financial statements were appropriate.

Report of the Independent Auditor (continued)

3. Our Application of materiality and an overview of the scope of our audit

The materiality for the Financial Statements as a whole was set at €18.75 million. This has been calculated with reference to a benchmark of total assets, which we consider to be one of the principal benchmarks within the Financial Statements relevant to members of the HFA in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €450,000; in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

4. We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified any inconsistencies between the knowledge we acquired during our audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's performance, business model or strategy; or,
- The Governance and Oversight – Corporate Governance Statement does not appropriately disclose those matters that we communicated to the Audit Committee.

In addition, the Companies Act 2014 require us to report to you if, in our opinion, the disclosures of Directors' Remuneration and transactions specified by sections 305 to 312 of the Act are not made.

5. Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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.

The Financial Statements are in agreement with the accounting records. In our opinion, the information given in the Directors' Report is consistent with the Financial Statements.

6. Basis of our report, responsibilities and restrictions on use

As explained more fully in the Directors' Responsibility Statement set out on page 44, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report of the Independent Auditor (continued)

Whilst an audit conducted in accordance with ISAs (UK and Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the Auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the Financial Statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

This report is made solely to the HFA'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 HFA'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 HFA, and the HFA's members as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Mc Donald

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

31 March 2016

Income Statement

Note	Note	31 December 2015	31 December 2014
		€'000	€'000
Interest income	6	70,251	81,857
Interest expense	7	(47,003)	(67,274)
Net interest income		23,248	14,583
Administration expenditure	8	(1,462)	(1,207)
Operating lease	8	(184)	(153)
Gain on settlement/curtailment	9	-	574
Depreciation on tangible assets	12	(21)	(27)
Gain on ordinary activities before finance income/expense		21,581	13,770
Finance income	10	10	101
Finance expense	10	(10)	-
Gain on ordinary activities after finance income		21,581	13,871

The accompanying notes on pages 53-84 form an integral part of the Financial Statements.

On behalf of the Board,



Michelle Norris
Chairman of the Board

31 March 2016



Barry O'Leary
Chief Executive Officer

31 March 2016

Statement of Comprehensive Income

Note	Note	31 December 2015	31 December 2014
		€'000	€'000
Gain on ordinary activities after finance income		21,581	13,871
Actuarial gain/(loss)	20	628	(1,136)
Total Comprehensive income for the financial year		22,209	12,735

Statement of Financial Position

Assets	Note	31 December 2015	31 December 2014
		€'000	€'000
Cash and cash equivalents	11	199	17,677
Property, plant and equipment	12	225	105
Loans and advances to local authorities and approved housing bodies	13	3,739,166	4,293,539
Other debtors and receivables	14	4,503	4,344
Total assets		3,744,093	4,315,665
Liabilities			
Bank overdraft	11	6,610	-
Debt securities in issue	15	3,493,791	4,098,304
Bank loans	19	114,946	110,394
Pension scheme deficit	20	7	583
Other payables		560	414
Total liabilities		3,615,914	4,209,695
Equity			
Called up share capital	23	39	39
Retained surplus	24	128,140	105,931
Total equity		128,179	105,970
Total liabilities and equity		3,744,093	4,315,665

The accompanying notes on pages 53-84 form an integral part of the Financial Statements.

On behalf of the Board,



Michelle Norris
Chairman of the Board

31 March 2016



Barry O'Leary
Chief Executive Officer

31 March 2016

Statement of Changes in Equity

	Share Capital	Retained Earnings	Total
	€'000	€'000	€'000
Balance as at 1 January 2015 as previously reported	39	105,931	105,970
Profit for the year	-	21,581	21,581
Actuarial gain on defined benefit pension schemes	-	628	628
Adjustments on transition to FRS 102	-	-	-
Balance as at 31 December 2015	39	128,140	128,179

Statement of Cash Flows

	31 December 2015	31 December 2014
	€'000	€'000
Cash flow from operating activities		
Profit for the financial year	21,581	13,871
<i>Adjustments for:</i>		
Amortisation of premium discount on liabilities	360	1,487
Depreciation	21	27
Gain on Settlement/Curtailment	0	(574)
Pension actuarial costs	634	(65)
Impairment charges	250	250
Net decrease in loans and advances to local authorities and approved housing bodies	553,965	143,941
Net increase in other creditors	-	32
Net decrease in debtors	(431)	(194)
Net cash generated from operating activities	576,380	158,775
Cash flows from investing activities		
Purchases of property, plant and equipment	(147)	(81)
Interest Received	-	-
Net cash used in investing activities	(147)	(81)
Cash flows from financing activities		
Issue of ordinary share capital	-	-
Repayment of borrowings	(600,321)	(215,369)
Net cash used in financing activities	(600,321)	(215,369)
Net decrease in cash and cash equivalents	(24,088)	(56,675)
Cash and cash equivalents at the beginning of the year	17,677	74,352
Cash and cash equivalents at the end of the year	(6,411)	17,677

Notes to the financial statements

1. Statutory Information

The Housing Finance Agency is a public limited company domiciled in the Republic of 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 FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. There were no material departures from that standard.

3. Accounting Policies

Basis of preparation

As the 2015 financial year is the first year of transitioning to FRS 102, we have restated comparatives for 2014 figures included in the report. The date of transition is 1 January 2014. The transition to FRS 102 has resulted in a small number of changes to accounting policies to those used previously. The nature of these changes and their impact on opening equity and the surplus/deficit for the comparative period are explained in the notes below. 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 Republic of Ireland, issued by the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in 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.

These Financial Statements have been prepared on a going concern basis. The GN programme is guaranteed by the Minister for Finance and facilitates issuance out to a maximum maturity of ten years from the date of issue. The HFA significantly extended the average maturity profile of its funding in December 2014 to provide a more stable funding base and reduce short term liquidity risk. At end 2015 the average maturity of HFA debt was 2.8 years. The NTMA had purchased €2.42bn in GNs at 31 December 2015 (2014: €3.15bn).

The vast majority of the HFA's loans have a variable rate structure, and the funding acquired to provide these loans is similarly structured. The HFA raises the majority of its funding via the National Treasury Management Agency (NTMA) through the HFA's Guaranteed Notes (GN) programme. In 2014 the programme was amended to permit deal maturities up to 10 years, to increase the size of the programme from €4.5bn to €5bn, and to facilitate floating rate issuance.

Notes to the financial statements (continued)

3. Accounting Policies (continued)

In January 2016, for new issues a new 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. The GNs are guaranteed by the Minister for Finance of Ireland.

The Directors are satisfied that there is a sufficient range of funding options available, to allow the HFA 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 lending of 2.8 years for significantly longer than 12 months from the date of approval of these Financial Statements; that 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.

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 on-going 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 primarily lends to local authorities, the Local Government Management Agency (LGMA) and to AHBs. These borrowers have a different credit risk profile. 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. A more detailed explanation regarding this can be found in Note 21 (a).

The HFA lends 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 the Environment, Community & Local Government, (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 1986, loans to AHBs and employee benefits. The HFA is liable for any credit losses that may arise on the €10.3 million (2014: €10.6 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 €2.20 million has been recognised in respect of these accounts. Refer to Note 13 (a) for further details. Direct lending to AHBs commenced in 2012 with the total balances as at 31 December 2015 of €67.70 million (2014: €34.50 million).

No loans losses were incurred on loans to AHBs and therefore no loan loss allowances were made.

3. Accounting Policies (continued)

Employee benefits

The HFA operates a defined benefit pension scheme covering all employees, except for one employee who is part of the Single Public Service Pension Scheme (“Single Scheme”), as they commenced employment after 1 January 2013. The market value of the assets and actuarial value of the liabilities of the scheme are evaluated annually. This involves management, with the advice of an external actuary, to 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 20 to the Financial Statements.

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, debt securities issued and index-linked bonds 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 or 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 and Approved Housing Bodies under the category of ‘Loans and Receivables’ in accordance with IAS 39. Therefore the Agency’s loans were initially recognised at fair value of the consideration paid, and were subsequently measured at amortised cost less provision for impairment. The related income on loans and receivables was recognised on an effective interest rate basis. The Agency has considered the requirements of Sections 11 and 12 of FRS 102 in deciding on the accounting treatment for its loans to Local Authorities and Approved Housing Bodies.

Notes to the financial statements (continued)

3. Accounting Policies (continued)

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 Agency 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 Loans

The HFA notes the definitions included in paragraphs 11.8 and 11.9 of FRS 102 and considers that its 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.

Loans to Approved Housing Bodies

The HFA commenced lending to AHB's in 2012. The Agency considers that the loans advanced to AHB's 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 Agency 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 Agency's loans advanced to Local Authorities pre May 1986 and its loans to Approved Housing Bodies. These loans collectively account for a very small portion of the Agency'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 Agency has therefore opted to apply the provisions of Section 34 and continue to account for its loans at fair value on initial measurement, and at amortised cost using the effective interest rate method. This applies the principles of Section 11 of the Standard covering Basic Financial Instruments.

Consequently, the Housing Finance Agency has opted to change its accounting policy with regard to the measurement of its loans to Local Authorities and Approved Housing Bodies. Previously the HFA opted-in to the requirements of FRS 26 and applied the recognition and measurement principles of IAS 39, it now applies the PBE provisions of Section 34 and Section 11 in accounting for its financial instruments. Further details on loans to Local Authorities and Approved Housing Bodies are given in note 13.

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.

3. Accounting Policies (continued)

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 using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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. Income on loans and receivables is recognised on an effective interest rate basis.

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 discounted at the assets' original effective interest rate. 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 discounted at the loan's original effective interest rate. 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.

Notes to the financial statements (continued)

3. Accounting Policies (continued)

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 primarily promissory notes or commercial paper with maturities of three months or less at date of acquisition and are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Income from such investments is recognised on an effective interest rate basis over the period to maturity.

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 equipment	Straight line over 3 years
Other equipment	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, is recognised on an effective interest rate basis. 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.

The effective interest rate is the rate that discounts the expected future cash flows over the expected life of the financial instrument.

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 one country. Management reviews the operations of HFA as a whole and do not distinguish operating segments. As a result, operations are reported in these Financial Statements as a single segment.

3. Accounting Policies (continued)

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 on 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 using the effective interest rate method.

4. Status of the HFA and related party transactions

Housing Finance Agency plc. is a company limited by shares promoted by the Minister for the Environment, Community & Local Government under the terms of the Housing Finance Agency Act, 1981. The issued share capital is beneficially owned by the Minister for Finance. 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 a Government bodies and is as such considered to be a related party. Details of amounts outstanding under the Guaranteed Note programme, which is provided by the NTMA, at 31 December 2015, can be found in Note 16. The interest expense was €32.09 million for 2015 (2014: €46.87 million) relating to these facilities for the NTMA and for local authorities totalled €2.53 million for the financial year (2014: €0.60 million).

In the normal course of business, the HFA loans funds to local authorities, which are Government bodies and are as such considered to be related parties. Interest earned on these advances is detailed in Note 6 to the Financial Statements. The management/administration of the HFA's pension scheme (see Note 20) 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., (who are currently owned by the state), or the NTMA, on either of the HFA's treasury related or expense accounts. Interest earned on these deposits during 2015 was €Nil (2014: €0.05 million) and amounts on deposit as at 31 December 2015 were €Nil (2014: €17.68 million).

Notes to the financial statements (continued)

4. Status of the HFA and related party transactions (continued)

Transactions with key management personnel

Key management personnel include those personnel that have authority or responsibility for controlling the activities of the HFA, and would 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 2015	31 December 2014
	€'000	€'000
Salaries *	273	270
Directors' fees	46	46
Pension contributions	42	42
	361	358

* Salaries include Executive Director/Chief Executive Officer's remuneration which is detailed in Note 9, in addition to other salaried key senior management personnel. One key management employee is in the Single Public Service Pension Scheme.

5. 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.

6. Interest income – continuing activities

	31 December 2015	31 December 2014
	€'000	€'000
Interest on advances to local authorities:		
Post 27 May 1986	69,289	81,007
Pre 27 May 1986	2	188
Interest on advances to approved housing bodies	960	662
	70,251	81,857

Total interest income on financial assets not carried at fair value through the Income Statement amounted to gross interest of €70.97 million which includes €0.01 million of Finance income (see Note 10) for the year ended 31 December 2015 (2014: €82.75 million which included Finance income of €0.08 million).

7. Interest expense – continuing activities

	31 December 2015	31 December 2014
	€'000	€'000
<i>Index linked bonds effective interest</i>		
Bond interest	1,928	7,887
Premium on redemption of bonds	687	1,279
<i>Stock and loan costs</i>		
Interest payable on bank borrowings, commercial paper, guaranteed notes and stock	44,131	57,849
<i>Fees and commission expense</i>		
Eurocommercial paper (ECP) fees	257	259
Total interest expense	47,003	67,274

8. Non interest expenditure

	31 December 2015	31 December 2014
	€'000	€'000
<i>Administration expenditure</i>		
Operating lease (Note 9)	184	153
General expenditure, Directors emoluments and Employee costs (Note 9)	1,462	1,207
Depreciation (Note 12)	21	27
Total administration expenditure	1,667	1,387

9. 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	2,810

Notes to the financial statements (continued)

9. Administration expenditure (continued)

Administration expenditure

Administration expenditure has been arrived at after charging:

Year ended	31 December 2015 €'000	31 December 2014 €'000
Auditor's remuneration		
Audit of Financial Statements	31	35
Tax advisory services	-	-
Other services	-	4
Total Auditor's remuneration	31	39
General Expenses	425	278
Directors' emoluments		
Fees – Chairman	-*	-
Fees – other Directors	46	46
Executive Director/Chief Executive Officer's remuneration	106	106
Pension contributions	42	42
Total Director emoluments	194	194
Employee costs (excluding Directors)		
Salaries	569	547
Social welfare costs	56	54
Service costs-pension-present	187	95
Service costs-pension-past	-	-
Total employee costs	812	696
Total administration expenses	1,462	1,207
Year ended	31 December 2015 €'000	31 December 2014 €'000
Gain on settlement/curtailment	-	574**

* A sum of €2,586 (2014: €2,591) was charged by University College Dublin as compensation for loss of hours worked by Dr. Michelle Norris for time spent in her duties as Chairman of the HFA for 2015.

** Following the clarification in respect of past service costs of two retired employees, the HFA recognised a settlement/curtailment gain of €574,000 in the financial year ended 31 December 2014.

Total salaries for key Management were €273,000 (2014: €270,000). The balance of €401,000 (2014: €383,000) was for administration staff. PAYE/PRSI and VAT at the year-end was €42,975 (2014: €34,834). The average number of employees, including the Executive Director, during the year was eleven (2014: eleven).

10. Finance income

Year ended	31 December 2015 €'000	31 December 2014 €'000
Investment income on short-term deposits	10	36
Interest received on cash balances	-	46
Net Interest income on defined benefit pension scheme assets	-	19
Net finance income	10	101

Finance expense

Year ended	31 December 2015 €'000	31 December 2014 €'000
Net Interest expense on defined benefit pension scheme liabilities	10	-
Net finance expense	10	-

11. Cash and cash equivalents

Year ended	31 December 2015 €'000	31 December 2014 €'000
Cash at bank and in hand	199	17,677
Overdrafts	(6,610)	-
	(6,411)	17,677

Notes to the financial statements (continued)

12. Property, plant and equipment

Year ended	31 December 2015
	€'000
Cost or valuation	
At 1 January 2015	300
Additions	147
Disposals	(31)
At end of year	416
Accumulated Depreciation	
At beginning of year	195
Charged for year	21
Charge on disposals	(25)
At end of year	191
<i>Net book value</i>	
31 December 2015	225
31 December 2014	105

13. Loans and advances to local authorities and approved housing bodies

Year ended	31 December 2015	31 December 2014
	€'000	€'000
Loans advanced to local authorities	3,578,860	4,150,351
Loans advanced to approved housing bodies	67,165	34,503
Total balances due on advances	3,646,025	4,184,854
Less: Collective provision	(2,211)	(1,961)
	3,643,814	4,182,893
Due from local authorities	95,352	110,646
Total loans and advances to local authorities and approved housing bodies	3,739,166	4,293,539

13. Loans and advances to local authorities and approved housing bodies (continued)

The HFA is liable for any credit losses that may arise on the €10.2 million (2014: €10.6 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 €2.21 million (2014: €1.91 million) has been recognised in respect of these loans. Refer to Note 21 (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 2015 and subject to changes in the underlying assumptions and may increase or decrease in future years.

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 the Environment, Community & Local Government, (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 21 (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 2015 and no provision is considered necessary in respect of these advances as at 31 December 2015.

14. Other debtors and receivables

Year ended	31 December 2015	31 December 2014
	€'000	€'000
Amounts due to MARP Fund	4,503	4,344
Total Other debtors and receivables	4,503	4,344

15. Debt securities in issue

Year ended	31 December 2015	31 December 2014
	€'000	€'000
Commercial paper and Guaranteed notes (Note 16)	3,396,200	3,797,570
Index Linked Bonds (Note 17)	-	203,503
8.75% Housing Finance Agency Stock (Note 18)	97,591	97,231
Total Debt Securities Issued	3,493,791	4,098,304

Notes to the financial statements (continued)

16. Debt securities in issue – Commercial Paper and Guaranteed Notes

Year ended	31 December 2015 €'000	31 December 2014 €'000
Guaranteed Notes		
National Treasury Management Agency	2,424,316	3,144,515
Local authorities	964,281	643,029
Environment Fund	2,377	7,417
GN re MARP Committee	222	1,132
Total Commercial Paper and Guaranteed Notes advanced	3,391,196	3,796,093
Interest Payable on Commercial Papers and Guaranteed Notes	5,004	1,477
Total Commercial Papers and Guaranteed Notes	3,396,200	3,797,570

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

17. Debt securities in issue – Index linked bonds

Year ended	31 December 2015 €'000	31 December 2014 €'000
HFA bond issue 4% Index Linked Bonds 2015		
Nominal value of bonds	-	95,230
Net unamortised expenses and premium/discount on issue	-	114
Provision for premium on redemption of bonds	-	106,160
Total bonds in Issue	-	201,504
Interest payable on Index Linked Bonds	-	1,999
Total Index Linked Bonds	-	203,503

Maturities of the debt securities in issue are tabled in Note 21 (c).

17. Debt securities in issue—Index linked bonds (continued)

Provision for premium on redemption of Index linked bonds

	Charge €'000	Deferred €'000	Provided €'000
31 December 2015			
At beginning of year	105,978	182	106,160
Arising during the year	(105,978)	(182)	(106,160)
At end of year	-	-	-
31 December 2014			
At beginning of year	105,650	(769)	104,881
Arising during the year	328	951	1,279
At end of year	105,978	182	106,160

18. Debt Securities in issue - 8.75% Housing Finance Agency Stock

	31 December 2015 €'000	31 December 2014 €'000
8.75% Housing Finance Agency Stock at par value	95,230	95,230
Less: unamortised discount on issue	(789)	(1,149)
	94,441	94,081
Coupon interest payable	3,150	3,150
Total	97,591	97,231

The par value due on redemption and interest on this stock are fully guaranteed by the Minister for Finance. Maturities of the debt securities in issue are tabled in Note 21 (c).

Notes to the financial statements (continued)

19. Bank loans

Year ended	31 December 2015 €'000	31 December 2014 €'000
Bank loans		
Between one and two years	359	719
Between two and five years	950	3,958
After more than five years	113,637	105,717
Total	114,946	110,394

The bank loans payable are fully guaranteed by the Minister for Finance, excepting two €25 million facilities and a €30 million facility with the European Investment Bank and the Council of Europe Development Bank, for the purpose of unguaranteed lending for water, waste and environmental projects. The maturity of the amounts falling due after more than one year is further split out in Note 21(c).

20. Pension scheme deficit

The HFA operates a defined benefit pension scheme covering all permanent employees. This pension scheme is internally funded.

The latest full actuarial valuation was carried out at 30th September 2014 using the Aggregate Method. The principal assumption underlying the actuarial valuation was that the long term rate of return on investments would exceed salary inflation by 2% per annum.

At 31 December 2015, the market value of the fund's assets was €3.47 million (2014: €3.19 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 2015 by a qualified independent actuary using the projected unit cost method. The principal actuarial assumptions used were as follows:

	31 December 2015 %	31 December 2014 %	31 December 2013 %
Rate of increase in salaries	3.00	3.00	3.50
Rate of increase in pensions payments	2.00	2.00	2.00
Discount rate	2.50	2.00	4.00
Inflation assumption	1.50	1.50	2.00
Life expectancies			
Post retirement – male age 65	24.1 years	24.1 years	24.1 years
Post retirement – female age 65	27.8 years	27.8 years	27.8 years

20. Pension scheme deficit (continued)

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

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	€'000	€'000	€'000	€'000	€'000
Pension Assets	3,471	3,192	2,699	3,381	2,773
Pension Liabilities	(3,478)	(3,775)	(2,785)	(4,060)	(2,124)
(Deficit)/surplus	(7)	(583)	(86)	(679)	649

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 2015	Value at 31 Dec 2014	Value at 31 Dec 2013
	€'000	€'000	€'000
Equities	2,914	2,660	2,264
Bonds	557	532	385
Property	-	-	50
Cash and other assets	-	-	-
Total market value of pension scheme assets	3,471	3,192	2,699
Present value of pension scheme liabilities	(3,478)	(3,775)	(2,785)
Total net pension (deficit) recognised in the Statement of financial position	(7)	(583)	(86)

Interest income on plan assets for 2015 has been calculated based on the discount rate for the prior year which stood at 2.0%. For the year ended 31 December 2016, interest income on plan assets will be based on a discount rate of 2.5%.

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

	31 December 2015	31 December 2014
	€'000	€'000
Present Value of defined benefit obligations at 1 January	(3,775)	(2,785)
Current and past service cost	(186)	(95)
Interest cost	(75)	(116)
Contributions by employees	(23)	(24)
Gain on Settlement/Curtailment	-	574
Actuarial gains and (losses)	569	(1,342)
Benefits paid	12	13
Present Value of defined benefit obligations at 31 December	(3,478)	(3,775)

Notes to the financial statements (continued)

20. Pension scheme deficit (continued)

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

	31 December 2015	31 December 2014
	€'000	€'000
Fair value of plan assets at 1 January	3,192	2,699
Expected return on plan assets	65	135
Contributions by employer	144	141
Contributions by employees	23	24
Actuarial gains	59	206
Benefits paid	(12)	(13)
Fair value of plan assets at 31 December	3,471	3,192

History of actuarial gains and losses:

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	€'000	€'000	€'000	€'000	€'000
Difference between expected and actual return on assets	59	206	404	344	(190)
Expressed as a percentage of scheme assets	1.70%	6.45%	14.97%	10.17%	6.86%
Actuarial gains and (losses) on scheme liabilities	569	(1,342)	187	(1,725)	38
Expressed as a percentage of scheme liabilities	16.36%	35.55%	6.71%	42.49%	1.40%
Total actuarial gains and (losses)	628	(1,136)	591	(1,381)	(152)
Expressed as a percentage of scheme liabilities	18.06%	30.09%	21.22%	34.01%	7.16%

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

	31 December 2015	31 December 2014
	€'000	€'000
Cumulative amount at 1 January	(3,045)	(1,909)
Recognised during the period	628	(1,136)
Cumulative amount at 31 December	(2,417)	(3,045)

The amounts related to the defined benefit scheme that were recognised in the Income Statement and Other Comprehensive Income are presented in Note 9.

Expected Employer contributions:

	2016	2015
	€'000	€'000
Expected Employer contributions	130	130

21. Financial risk management

Introduction and overview

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

- credit risk
- liquidity risk
- 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.

(a) 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 current 'Specification and Requirements' (valid to 31 December 2017), which follows a policy approved by the Board, allows for contracts covering interest rate swaps (€400 million), foreign exchange forwards (€6.0 billion), forward rate agreements (€80 million) and interest rate caps (€300 million). The 'Specification and Requirements' set out details of the types of counterparties and Board responsibilities in relation to the management of derivatives.

Transactions can only be carried out with the approval of the HFA's Chief Executive Officer, Head of Treasury or Head of Finance (in the case of those involving the NTMA as agent/counterparty, the NTMA has been granted authority to act on behalf of the HFA. Any transaction undertaken, while not requiring formal approval must be noted by either of the Chief Executive Officer, Head of Treasury or Head of Finance) and are subject to regular periodic internal audit checks during their lifetime.

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. These three categories have a different credit risk profile.

Notes to the financial statements (continued)

21. Financial risk management (continued)

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 and approved housing bodies. The HFA's maximum exposure to credit risk is set out in the table below.

Financial assets	31 December 2015	31 December 2014
	€'000	€'000
Loans advanced to local authorities	3,578,860	4,154,695
Loans advanced to approved housing bodies	67,165	34,503
Total loans advanced	3,646,025	4,189,198
Less collective provision-local authorities	(2,211)	(1,961)
	3,643,814	4,187,237
Due from local authorities	95,352	110,646
Cash at bank and in hand	(6,411)	17,677
Due from other debtors and receivables	-	-
	3,732,755	4,315,560

The HFA is currently permitted to advance money to:

- local authorities 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.

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

Balance due on advances	31 December 2015	31 December 2014
	€'000	€'000
Mortgage Housing related loans*	1,133,062	1,204,124
Capital Subsidy and Rental	1,059,571	1,100,767
Bridging Finance	447,639	470,275
Land Acquisition	467,819	484,618
Water, Waste and Environment Projects	29,917	368,469
Other Non-Mortgage Housing Related Loans	440,852	522,098
Advances due from local authorities	3,578,860	4,150,351
Advances due from approved housing bodies	67,165	34,503
Overall total balances due on advances	3,646,025	4,184,854

*Loans issued pre 1986 of €12.3m are included in the Mortgage Housing related loans (2014: €12.9m)

21. Financial risk management (continued)

Policies and Procedures for managing credit risk

Collateral

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.

Under the Social Housing Leasing Initiative of the DoECLG, 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 DoECLG 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 2015. The Credit Committee maintains credit risk within Board limits and reports on the credit worthiness of AHBs.

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 2015 (2014: nil).

Details of loans that were subject to renegotiation in the year are in the Renegotiated Loans section of this note.

	31 December 2015	31 December 2014
	€'000	€'000
Analysis of loans to local authorities and approved housing bodies		
Pre 1986 loans	12,300	12,929
Post 1986 loans	3,566,560	4,137,422
Loans to approved housing bodies	67,165	34,503
	3,646,025	4,184,854
Collective Provision		
Pre 1986 loans	2,211	1,961
Post 1986 loans	-	-
	2,211	1,961

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 the Environment, Community and Local Government. It is the Board's belief that, in this context, credit risk does not arise.

Notes to the financial statements (continued)

21. Financial risk management (continued)

Loan losses are recognised on direct lending to approved housing bodies to the extent that losses are incurred. No such losses arose in 2015.

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;
- 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 DoECLG provided assistance to local authorities in dealing with their borrowers' mortgage arrears, by issuing guidelines detailing the proposed Mortgage Arrears Resolution Process (MARP). These reflect the Central Bank's Code of Conduct on Mortgage Arrears and have the intention of standardising an approach to the rising arrears among the Local Authorities Sector. The MARP process consists of a five steps process mentioned in the DoECLG's guidelines.

In order to offset future losses and to allay impending financial constraints on local authority revenue streams, the DoECLG 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% (from 1 January 2014) is collected on the MARP Adjudicating Panel's behalf by the HFA half-yearly and retained in 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 City and County Managers Association 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 on-going 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.

21. Financial risk management (continued)

MARP Fund Reconciliation

	€ '000
Receipts to MARP Fund	18,829
Disbursements from MARP fund	(18,629)
Interest Earned	22
Balance at 31 December 2015	222

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 2015, the HFA renegotiated €136.05 million (2014: €238.95 million) of non-housing related loans and €0 million (2014: €0m) of housing related loans. These renegotiations have taken place in the context of €3.58 billion of loans advanced to local authorities as at 31 December 2015 and thus represents renegotiation activity of circa 3.8 % in 2015 (2014: 5.7%).

Renegotiated non-housing related and housing related loans were given interest only loans 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 €136.05 million of loans (2014: €238.95 million) to be renegotiated as at 31 December 2015 with €1.19 million (2014: €2.67 million) of interest income recognised on these assets.

31 December 2015	Number of loans	Carrying value €'000
Opening renegotiated loans	106	238,950
Renegotiated during the year	77	136,050
Repaid during the year	-	-
Less loans no longer considered renegotiated	(106)	(238,950)
Closing renegotiated loans	77	136,050
31 December 2014	Number of loans	Carrying value €'000
Opening renegotiated loans	190	164,516
Renegotiated during the year	106	238,950
Repaid during the year	-	-
Less loans no longer considered renegotiated	(190)	(164,516)
Closing renegotiated loans	106	238,950

As at year ended 31 December 2015, € 25.47 million (2014: €117.53 million) of land acquisition loans were converted upon maturity to annuity loans repayable over a period of up to 30 years. Interest accrued on loans converted upon maturity at 31 December 2015 amounts to € 0.22 million (2014: €1.18 million).

Notes to the financial statements (continued)

21. Financial risk management (continued)

Concentrations

All loans and advances are to local authorities and AHBs all of which are approved by the Minister for the Environment, Community & Local Government.

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 is periodically approved by the Board. Investments arise at present only in the context of day-to-day liquidity management. At 31 December 2015 the HFA had no investments (2014: €0 million) in Exchequer Notes with the NTMA.

Allied Irish Bank plc. is currently the main counterparty for cash, with an overdraft of €6.411 million held at 31 December 2015 (2014: €17.677 million surplus balance). At 31 December 2015, the Standard & Poor's rating for Allied Irish Bank plc. was BB (2014: BB).

(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 2014, the HFA refinanced €2,872 million of its short term fixed rate guaranteed notes which were held by the National Treasury Management Agency. These notes were replaced with longer term floating rate guaranteed notes, also held by the National Treasury Management Agency. The floating rate notes have maturities tranches at six monthly intervals from July 2015 to January 2021. The interest rates are refixed on a quarterly basis, at a margin over the three month Euribor® rate. 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 (2014: 24 years). This represents a significant mismatch in the maturity profile, however given the assurances received from the NTMA concerning the continuity and quantum of floating-rate 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 and a small amount with the Environment Fund (see Note 16).

In managing liquidity risk, HFA management hold regular meetings with the NTMA, the Banks, AHBs 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 NTMA has confirmed that the HFA's funding requirements for 2015 have been included as part of the overall planning process for State funding.

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

	Carrying amount	Gross nominal outflow	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
31 Dec 2015	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative liabilities							
Guaranteed Notes facility (LAs)	(3,390,974)	(3,398,394)	(641,723)	(224,545)	(258,319)	(2,021,162)	(252,645)
Guaranteed Notes facility (MARF)	(222)	(222)	(222)	-	-	-	-
20-year variable loan Index	(114,946)	(124,894)	(86)	(59)	(6,927)	(25,028)	(92,794)
Fixed Rate Stock 8.75%	(94,442)	(112,945)	-	(4,166)	(4,166)	(104,613)	-
Overdraft	(6,611)	(6,611)	(6,611)	-	-	-	-
	(3,607,195)	(3,643,066)	(648,642)	(228,770)	(269,412)	(2,150,803)	(345,439)

21. Financial risk management (continued)

	Carrying amount	Gross nominal outflow	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years
31 Dec 2014	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative liabilities							
Guaranteed Notes facility	(3,796,094)	(3,800,844)	(621,611)	(131,561)	(271,825)	(2,018,798)	(757,049)
20-year variable loan	(110,394)	(116,558)	-	(64)	(6,346)	(35,074)	(75,074)
Index linked bonds	(201,506)	(206,121)	-	-	(206,121)	-	-
Fixed Rate Stock 8.75%	(94,081)	(129,610)	-	(4,166)	(4,166)	(121,278)	-
	(4,202,075)	(4,253,133)	(621,611)	(135,791)	(488,458)	(2,175,150)	(832,123)

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 a match-funding, 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 bond, bilateral funding agreements, and Guaranteed Notes issuance, bank overdrafts and retained profits. The NTMA had purchased €2.42bn in GNs at 31 December 2015 (2014: €3.14bn).

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 holds GNs with local authorities and a small amount with the Environment Fund (see Note 16).

The HFA's overdraft facilities (€50 million available at 31 December 2015) are subject to annual review by the HFA's bankers. The HFA has historically issued a number of long term fixed rate loans to local authorities for housing and related purposes and has funded these loans with matched 8.75% fixed rate stock. Because of this, these loans are fully matched in loan term and interest rate, and present no liquidity risk. The HFA predominantly borrows at floating interest rates.

The average variable cost of the HFA's debt in 2015 was an annualised 0.95% compared with 1.26% in 2014, as a result of decreases in the Euribor rates in 2015.

(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 minimise or eliminate market risk exposures.

Notes to the financial statements (continued)

21. Financial risk management (continued)

Management of market risks

The HFA splits market risks into risks related to changes in variable interest rates, foreign exchange rates and inflation. Interest rate risk exposure is managed by minimising mismatches between its borrowings and its advances within its individual programmes – index linked, 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 (e.g. index linked) 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.

The gross financial assets are analysed below:

	31 December 2015	31 December 2014
	€'000	€'000
Fixed rate	54,426	30,236
Floating Rate:		
Euribor®	3,685,042	4,169,634
Index linked	-	117,651
	3,739,468	4,317,521

The HFA made new fixed and floating rate advances during the financial year. Fixed rate €30.25 million; Floating rate €99.18 million. (2014: Fixed rate €0.10 million; Floating rate €152.47 million). The HFA's index linked advances are classified as floating rate assets. Interest rate risk profile of financial assets as at:

	31 December 2015	31 December 2014
Weighted average fixed interest rate	4.63%	6.08%
Weighted average floating interest rate	1.72%	1.85%
Weighted average period of fixed interest assets	20.6 years	11.3 years

A large proportion of the HFA's fixed rate loans consist of 30-year loans issued in 1986. Post 27 May 1986 new advances are fixed for much shorter periods, averaging from five to ten year loan periods. Floating rate loans consist 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 (2014: 24.5 years).

Floating rate liabilities include the HFA's GNs, European Investment Bank and Council of European Development Bank debt. This debt consists of short-term debt priced off a variable index (Euribor®). Index linked borrowings, which are priced off the Consumer Price Index, are also classified as floating rate liabilities. The Directors believe the debt is appropriately classified as floating rate.

21. Financial risk management (continued)

The financial liabilities principal amounts are analysed below:

	31 December 2015	31 December 2014
	€'000	€'000
Fixed rate	94,441	94,081
Floating Rate:		
Euribor®	3,506,142	3,906,488
Prime	6,611	-
Index linked	-	201,506
	3,607,194	4,202,075

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

	31 December 2015	31 December 2014
Weighted average fixed interest rate	8.82%	8.86%
Weighted average period for which fixed interest liabilities are fixed (years)	2.1 years	3.1 years
Weighted average floating interest rate	0.84%	1.02%
Weighted average period for which variable interest liabilities are fixed (days)	98 days	51 days

The floating rate financial liabilities comprise bank borrowings and Guaranteed Notes bearing interest at rates fixed in advance for periods ranging from three to six months by reference to the six-month and three month Euribor® and index linked liabilities bearing interest rates which are calculated by reference to the Irish Consumer Price Index.

The following table presents the contractual maturity and repricing of financial assets at the year-end date:

	Maturity 31 December 2015	Repricing 31 December 2015
	€'000	€'000
Maturity and interest rate of financial assets		
Amounts falling due in one month or less	279,993	3,687,646
Amounts falling due between one and three months	-	-
Amounts falling due between three and twelve months	280,994	1,164
Amounts falling due between one and two years	13,491	3,274
Amounts falling due between two and three years	18,831	979
Amounts falling due between three and four years	8,323	664
Amounts falling due between four and five years	24,096	182
Amounts falling due after more than five years	3,113,740	45,559
	3,739,468	3,739,468

Notes to the financial statements (continued)

21. Financial risk management (continued)

	Maturity 31 December 2014 €'000	Repricing 31 December 2014 €'000
Maturity and interest rate of financial assets		
Amounts falling due in one month or less	394,395	4,187,880
Amounts falling due between one and three months	-	102,648
Amounts falling due between three and twelve months	306,056	2,122
Amounts falling due between one and two years	27,232	286
Amounts falling due between two and three years	21,698	6,615
Amounts falling due between three and four years	22,963	1,900
Amounts falling due between four and five years	24,661	789
Amounts falling due after more than five years	3,520,516	15,281
	4,317,521	4,317,521

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

	Maturity €'000	Repricing €'000
Maturity, liquidity measures and interest rate of financial liabilities as at 31 December 2015		
Maturing in one month or less	648,048	692,785
Maturing between one and three months	224,118	259,118
Maturing between three and twelve months	257,999	292,849
Maturing greater than 1 year and less than 2 years	504,000	504,000
Maturing greater than 2 years and less than 3 years	599,392	598,442
Maturing greater than 3 years and less than 4 years	504,000	504,000
Maturing greater than 4 years and less than 5 years	504,000	504,000
Maturing greater than 5 years	365,637	252,000
	3,607,194	3,607,194

21. Financial risk management (continued)

	Maturity €'000	Repricing €'000
Maturity, liquidity measures and interest rate of financial liabilities as at 31 December 2014		
Maturing in one month or less	621,308	3,540,677
Maturing between one and three months	131,485	168,985
Maturing between three and twelve months	472,806	398,332
Maturing greater than 1 year and less than 2 years	504,719	-
Maturing greater than 2 years and less than 3 years	506,959	-
Maturing greater than 3 years and less than 4 years	599,081	94,081
Maturing greater than 4 years and less than 5 years	504,000	-
Maturing greater than 5 years	861,717	-
	4,202,075	4,202,075

Undrawn committed facilities

The HFA had undrawn committed facilities at 31 December 2015 of €185.05 million (2014: €39.60 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 2015	8,571	(10,422)	4,286	(4,410)
At 31 December 2014	12,215	(16,061)	6,107	(6,870)

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.

Exposure to inflation rate risk

Up to April 2015, inflation related risk arose from a mismatch of index linked borrowings and advances which was inherent in the contracts governing each side of the HFA's book. Following on from the maturity of the 2015 index linked bond, in April 2015, together with the elimination of the inflation related element of index linked loan advance charges, has eliminated inflation related risk, for the HFA.

Notes to the financial statements (continued)

21. Financial risk management (continued)

Fair value

The following tables outline the fair values of the financial assets and liabilities as at 31 December 2015 and 31 December 2014:

	Carrying value €'000	Fair value €'000
31 Dec 2015		
Financial assets		
<i>Loans and receivables:</i>		
Fixed rate	54,426	78,169
Floating rate	3,685,042	4,074,934
Index linked	-	114,691
	3,739,468	4,267,794
Financial liabilities		
Fixed rate	94,442	113,130
Floating rate	3,506,141	3,506,141
Prime	6,611	6,611
Index linked	-	-
	3,607,194	3,625,882

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 2014		
Financial assets		
<i>Loans and receivables:</i>		
Fixed rate	30,236	39,031
Floating rate	4,169,634	4,196,149
Index linked	117,651	134,896
	4,317,521	4,370,076
Financial liabilities		
Fixed rate	94,081	120,436
Floating rate	3,906,488	3,906,488
Index linked	201,506	206,121
	4,202,075	4,233,045

21. Financial risk management (continued)

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 indexed linked and fixed rate financial assets and liabilities. Estimated fair values of financial fixed rate and indexed linked 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.

The fair value of the HFA's assets has been estimated as €4.27 billion (2014: €4.37 billion) while the fair value of its liabilities has been estimated as €3.62 billion (2014: €4.23 billion). A significantly different amount may arise if alternative assumptions were used in calculating fair value.

In selecting this methodology, the Directors decided against using the quoted market price of the index linked bonds, which matured in 2015 as they are held by few stockholders and are rarely traded. 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, given the bond matured in April 2015 its fair value is not likely to be significantly different.

22. Movement in cash, liquid resources and financing

	At 31 December 2014	Cash flows	Non-cash movements	At 31 December 2015
	€'000	€'000	€'000	€'000
Analysis of changes in net debt				
Cash and cash equivalents	17,677	(17,478)	-	199
Overdraft	-	(6,610)	-	(6,610)
	17,677	(24,088)	-	(6,411)
Guaranteed Notes	(3,796,093)	404,897	-	(3,391,196)
Bank loans	(110,394)	(4,552)	-	(114,946)
Index linked bonds	(95,344)	95,344	-	-
Provision for premium on redemption of bonds	(106,160)	106,160	-	-
8.75% HFA Stock 2018	(94,081)	-	(360)	(94,441)
Interest payable on facilities	(6,626)	(1,528)	-	(8,154)
	(4,208,698)	600,321	(360)	(3,608,737)
Net debt	(4,191,021)	576,233	(360)	(3,615,148)

Proceeds from the issue of borrowings during 2015 amounted to €40.34 billion (2014: €30.29 billion) and the repayment of borrowings during 2015 amounted to €40.37 billion (2014: €30.34 billion).

Notes to the financial statements (continued)

23. Share capital

There are 30,000 ordinary shares of €1.30 authorised, allotted, called up and fully paid amounting to €39,000 at 31 December 2015 and 2014.

24. Reconciliation of retained surplus

	31 December 2015	31 December 2014
	€'000	€'000
Retained surplus at beginning of year	105,931	93,196
Total comprehensive income for the financial year	22,209	12,735
Retained surplus at end of year	128,140	105,931

25. Reconciliation of shareholder's funds

	31 December 2015	31 December 2014
	€'000	€'000
Opening shareholder's funds	105,970	93,235
Total recognised gain for the financial year	22,209	12,735
Closing shareholder's funds	128,179	105,970

26. Loan commitments

With regard to proposed lending by the HFA to AHBs, loan applications of €113.4 million were approved but undrawn at 31 December 2015 (2014: €26.59 million).

27. Post statement of financial position events

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

28. Contingent liability

No dividend is due to be declared for 2015.

29. Approval of Financial Statements

The audited Financial Statements, which are in the form approved by the Minister for the Environment, Community & Local Government, with the consent of the Minister for Public Expenditure & Reform, were approved by the Directors on 31 March 2016.

Corporate Information

Secretary

Tom Conroy, ACMA, CGMA

Registered Office

46 St. Stephen's Green,
Dublin 2.

Registered No: 87513

T +353 1 872 5722

F +353 1 872 5878

E cosec@hfa.ie

W www.hfa.ie

Auditors

JPA Brenson Lawlor Chartered Accountants,
Argyle Square,
Morehampton Road,
Donnybrook
Dublin 4

Solicitors

McCann FitzGerald,
Riverside One,
Sir John Rogerson's Quay,
Dublin 2.

Bankers

Allied Irish Bank plc.
Bankcentre,
Ballsbridge,
Dublin 4



Housing Finance Agency
An Ghníomhaireacht Airgeadais Tithíochta

Housing Finance Agency plc, 46 St Stephen's Green, Dublin 2, Ireland
T +353 1 872 5722 | **F** +353 1 872 5878 | **E** cossec@hfa.ie | www.hfa.ie