

Housing Finance Agency

Annual Report

09



HOUSING FINANCE AGENCY plc

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Board of Directors



John Bolger Chairman



Ian d'Alton CEO



Julia Carmichael



Fr. Patrick Cogan



Patrick Doyle



Michael Hayes



Clodagh Henehan



Jackie Maguire



Philip Nugent



Áine Stapleton



Eddie Wade

Other Information

Secretary and Registered Office

Tom Conroy, A.C.M.A.

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Auditors

KPMG

Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1.

Solicitors

**McCann FitzGerald
Solicitors**

Riverside One
Sir John Rogerson's Quay
Dublin 2.

From 19 April 2010 the Agency's registered office and business premises will be at 46 St. Stephen's Green, Dublin 2.



CHAPTER ONE

Chairman's Report

Introduction

I am pleased to present my first report as Chairman of the Agency, and I look forward to working productively with my fellow Board members and the Agency's staff. As my appointment commenced after the end of the year under review my report relies, to a large extent, on the generous help and information given to me by the Chief Executive Officer, Ian d'Alton, and the other members of the management team.

The year just concluded was both profitable and testing for the Agency. The external economic environment remained extremely difficult. The Irish economy saw its largest peacetime contraction, with GDP falling by 7.1%. The housing market continued its decline, with completions in 2009 down by nearly 50% on 2008's. House prices at end-2009 are reckoned to be between 30% and 40% below their peak. As anticipated in last year's report, the state of the public finances and the housing market were factors contributing to a lower level of activity in the Agency's businesses than in previous years. The loan book stood at €4.58 billion at 31 December.

Net new lending – at €134 million – was sharply down in 2009 compared with 2008's figure of €621 million. We expect that this trend will continue in 2010. Nevertheless, the Agency posted a healthy profit of €10.9 million while, at the same time, delivering very low and competitive interest rates to our customers, the local authorities and households. We ended 2009 in excellent financial shape, with reserves of €32 million.



○ Gross Advances ○ Net Advances

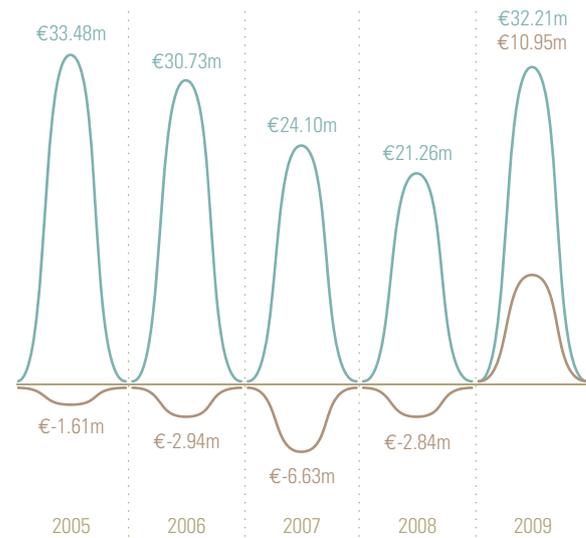
LOAN ADVANCES BY GROSS/ NET LENDING 2005–2009

Significant Developments During 2009

Two initiatives by government during 2009 will affect the quantum and extent of the Agency's operations in 2010 and beyond – the Housing (Miscellaneous Provisions) Act 2009; and the announcement of a new leasing scheme for the provision of social housing.

The *Housing (Miscellaneous Provisions) Act 2009* reached the statute book in July, and the commencement of its provisions is in train. The principal provisions affecting the Agency are:

- An increase in the Agency's borrowing limit from €6 to €10 billion;
- Phasing out of the shared ownership scheme;
- Recycling of funds received from affordable house purchasers through an Affordable Dwellings Fund, to be managed and accounted separately for by the Agency;
- Potential involvement of the Agency (providing an investment outlet, via its Guaranteed Notes programme) in the apartment complex support fund for tenant purchases of apartments; and



○ Closing Reserves ○ Surplus/Deficit

SURPLUS AND RESERVES 2005–2009

- Repeal of Section 56 of the 1966 Housing Act, and its replacement in this Act with a similar provision that enables local authorities to borrow for housing and community-related developments.

A new *leasing scheme* – as an alternative funding mechanism for the provision of social housing – was announced during the course of 2009. One of the models available under the leasing initiative will enable voluntary and co-operative housing bodies acquire units which will then be leased for periods up to 25 years by the State. While it is envisaged that the housing bodies will eventually obtain capital funds from the private sector, the Agency (which is empowered under section 17 of the Housing (Miscellaneous Provisions) Act 2002 to lend directly to such bodies) is progressing an interim lending scheme, and work is well under way. The amount envisaged in 2010 is about €200 million.

Profitability and Reserves

The Agency made a surplus of €10.9 million in 2009, compared to a loss of €2.02 million in 2008. Reserves at 31 December 2009 were €32.2 million, which are adequate to cover risks in its business. While the Agency

Chairman's Report continued

operates as a non-profit entity, it needs to build up and maintain its reserves to cover the long-term and lifetime risks that arise in its business. This has been consistent Board policy for many years. The Board monitors the Agency's risk management and earnings, and the Agency makes adjustments in its margins to ensure that returns are sufficient to compensate for the risks that have been identified.

Corporate Governance

The Agency aims to achieve the highest standards of corporate governance. In June 2009, an update of the *Code of Practice for the Governance of State Bodies* was issued by the Department of Finance. It sets out a framework within which can be achieved best practice for corporate governance in both commercial and non-commercial State bodies. The updated Code reflects a range of changes since the original code (adopted and followed by the Agency) was published in October 2001, both in legislative and administrative guidelines that have implications for the governance framework of State bodies. The Board, at its meeting in September 2009, adopted the revised Code.

On 22 September 2009, the Agency appeared before the Joint Oireachtas Committee on the Environment, Heritage and Local Government to present the Agency's 2008 *Annual Report and Accounts*. The Agency representatives answered questions and comments from Committee members, who were generally appreciative of the work carried out by the Agency.

I am pleased to report that the Agency was again a finalist in the 2009 Chartered Accountants Published Accounts Awards.

Corporate Planning and Reporting

Under the *Code of Practice for the Governance of State Bodies* the Agency furnishes semi-annual reports to the Departments of the Environment, Heritage and Local Government and Finance. These reports have been made on time in 2009, and the arrangement will continue in 2010. The Agency's rolling five-year *Corporate Plan*, published on our website, is updated annually and approved by the Board.

The Agency's website underwent a complete refurbishment during 2009, and the new version – which aims to be more user-friendly and informative – went live in January 2010. The site is not just a window into the Agency, but is primarily a working tool whereby loans are accredited, verified, approved and issued to our customers.

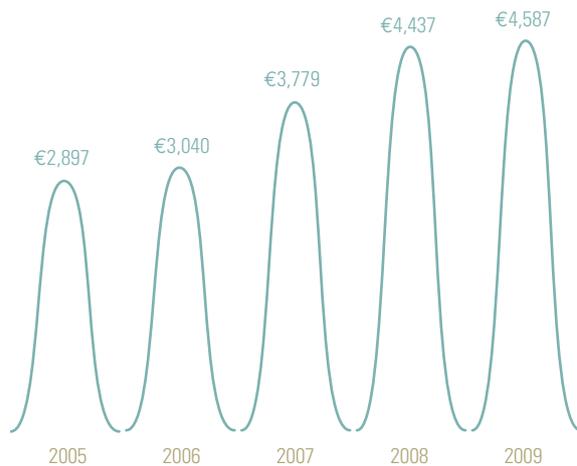
Risk Management

In conformity with the revised *Code of Practice for the Governance of State Bodies*, a Risk Management Framework (to be overseen by the Audit Committee) was agreed by the Board in 2009, and a formal risk management committee, consisting of senior management, has been set up. Risk is a standing item on all Board meeting agendas.

The Agency faces risks that require the maintenance of adequate reserves and, where appropriate, specific provisions. *Inflation risk* principally relates to the cost of a long-term mismatch between older shared ownership and income-related indexed loans with the legacy bonds that fund them. These loans generated a gain of €0.5 million in 2009, due to the effects of deflation. This mismatch will continue to 2015 (when the bonds fall due for repayment) at a projected cost to the Agency as inflation returns. In addition, intra-year differences in inflation can produce gains or losses. In 2009, these differences produced a loss of €2.3 million. Over the medium to long term, however, intra-year movements should broadly balance.

The *fixed rate mismatch* will continue until 2018, when a bond issue matures. In the years 1986–89, the Agency made fixed rate mortgage-related advances, funded by an Irish pound fixed rate bond issuance. The relative inflexibility of issuing conditions in the pre-euro environment resulted in a mismatch arising over time between the amount of loans outstanding and bonds in issue. This cost the Agency €4.2 million in 2009.

During 2009, the risk relating to the *balances on older income-related loans* gave rise to further incurred but not reported losses of €0.5 million, bringing the total provision for this element of risk to €1.04 million. While no call on that provision was made in 2009, additional provisions are likely in future years.



LOAN BOOK €M 2005–2009

I am pleased to say that the Agency's *pension fund* is fully funded as at end-2009, in compliance with the Funding Standard of the Irish Pensions Board.

Quality Customer Service

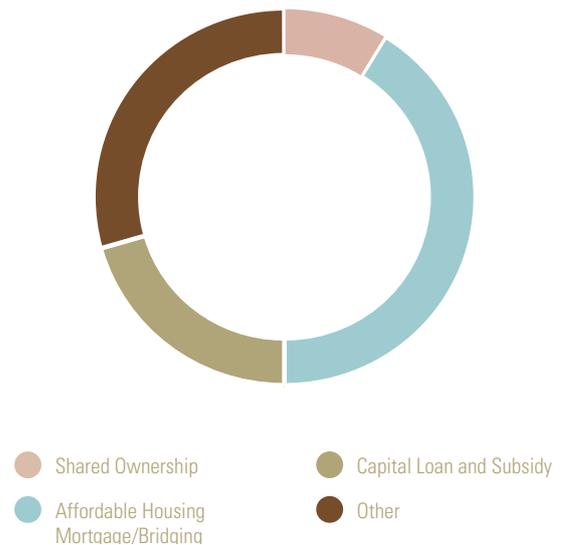
Quality Customer Service is monitored on a regular basis, and I report that performance in this area is very close to, or exceeds, our targets.

In regard to timely disbursement of *loan advances to local authorities*, the Agency has as its target that 95% of loans are made within seven days of receipt of the application. The Agency met this target in 2009.

Dealing with correspondence from external sources in a timely fashion is an important measure of how well an organisation serves its customers. The Agency continues to meet its target of replying to all correspondence received from external sources within one working week.

Staff training and development is important for the ongoing efficiency of the Agency. Our target of spending the equivalent of 4% of payroll costs on training is close to being realised, with 3.2% the outturn for 2009.

Compliance with the Agency's Policies and Procedures Manual measures our adherence to appropriate and structured corporate governance. Compliance is reported upon twice a year and reviewed by the Audit Committee. Our target in this area was to limit the number of policy



LOAN ADVANCES BY LOAN TYPE IN 2009

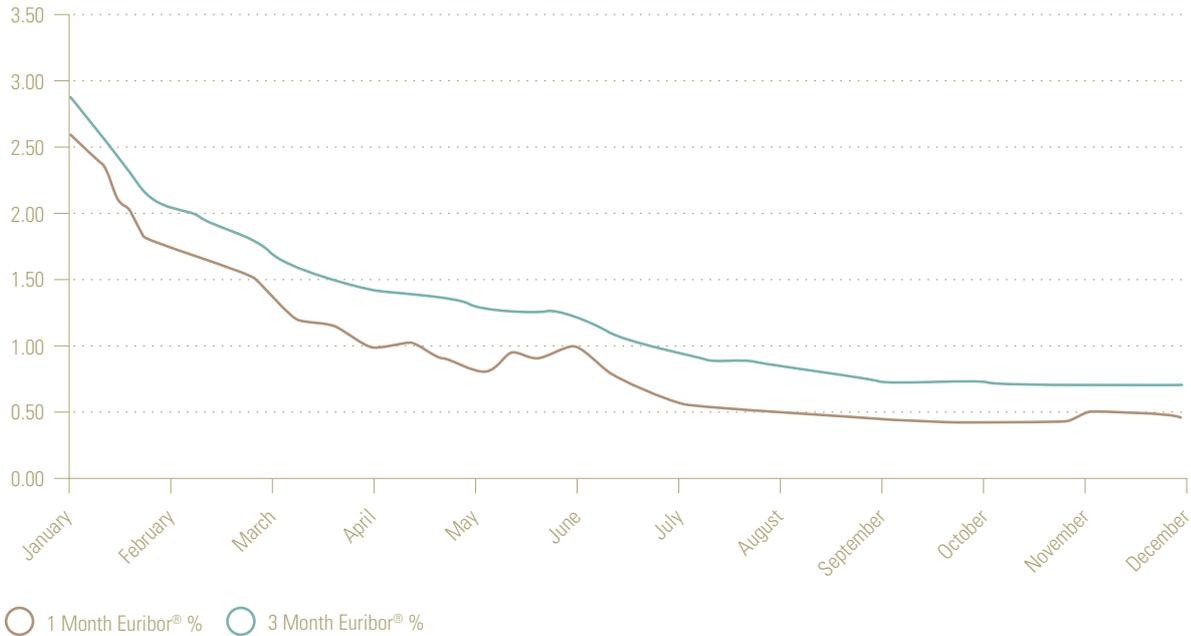
and procedures breaches (other than those arising from staff absences) to less than 10. I am pleased to report that we achieved our target, with no such exception reports in 2009.

We maintain close contact with our customers through discussions with and presentations to local authority officials' representative associations (heads of finance, town clerks); one-to-one meetings with local authority staff; and involvement in the Agency/local authority liaison committee, comprised of Agency Directors and county and city managers.

Lending During 2009

The Agency's mission is to source and supply cost-efficient loan finance for local authorities and approved housing bodies in the voluntary sector. The Agency currently lends to 44 local authorities under a variety of schemes and structures. In 2009, gross loan advances amounted to €681 million. Net of repayments and redemptions, advances were €134 million, and at year-end the loan book reached a total of €4.58 billion.

In housing, gross advances in 2009 were principally for Affordable Housing (€274 million), for voluntary housing bodies under the Capital Loan and Subsidy scheme (€139 million) and Shared Ownership (€61 million). In infrastructure, €196 million was advanced for water/waste/environmental projects.



1 AND 3 MONTH EURIBOR® RATES 2009

Funding and Treasury Management

The Agency's business is principally in variable rate loans, and these are mainly funded by State-guaranteed commercial paper programmes. The Agency utilises its eurocommercial paper programme (operated on its behalf by the National Treasury Management Agency, and carrying the highest short term ratings) and its Guaranteed Notes programme to raise funds at the finest rates possible. A domestic note issuance facility and an overdraft provide the flexibility that is important and useful in a business which has a cash and cash-equivalent turnover of some €55 billion per annum.

The Agency has recently completed a review of our debt profile, which examined the feasibility and cost implications of lengthening the maturity profile of the portfolio. The report essentially concluded that from a prudential perspective there are good reasons why the maturity profile should be lengthened. The Agency intends, during 2010, to progress and intensify our existing policy of raising longer-term funds wherever and whenever possible, subject, however, to an appropriate balance with the cost implications for our borrowers and to the availability of suitably-structured instruments. In that context, it continues to seek cost-effective funding, as with a 12/20 year funding from the Council of Europe Development Bank completed in December 2009.

The Agency also provides an investment facility for local authorities and, in 2009, we dealt with 47 local authorities in this area of our business. As well as providing a cost-effective and flexible service to our customers, the facility is another source of funding for the Agency.

Interest Rates

The Agency continues to offer excellent value to its customers. Households benefit from an Agency-generated house purchase annuity mortgage rate that is now over 1% below the average standard variable rates in the market. Home Choice loan rates are set somewhat higher, reflecting government policy in this area. For non-mortgage housing and housing-related purposes, the interest rate over 2009 to local authorities averaged a low 2.3%. The Agency's policy is to keep its interest rates at the lowest possible level consistent with providing for risks in the Agency's portfolio, and to deliver cost-effective loan structures to match our customers' requirements.

Freedom of Information

The Agency has fallen within the scope of the Freedom of Information Act, 1997 since 2002. Details of access to the Agency's records and information on the Agency

Chairman's Report continued

can be found at the Agency's website, www.hfa.ie. The Freedom of Information Officer is Mr Barry O'Leary and the Agency's internal reviewer is Dr Ian d'Alton. No requests for information were received in 2009.

Energy Conservation

In accordance with current public policy on energy conservation, the Agency has adopted relevant conservation measures. I report as follows:

- The Agency recycles paper & cardboard, electronic equipment and mobile phones;
- It purchases and operates energy-rated servers and personal computers;
- The Travelpass scheme is availed of by 55% of staff; and
- 17% of staff cycle to and from work.

It is intended to build on these achievements with a view to introducing further energy saving measures during 2010.

Administration and Staff

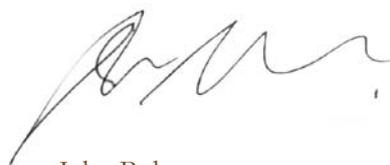
The Agency pays its own way by taking a small margin from its lending. While the Agency – as recognised in the *Report of the Special Group on Public Service Numbers and Expenditure Programmes* (the McCarthy Report) – is a self-financing body not in receipt of a budget allocation from the Exchequer, nonetheless the Board supports the Government position in relation to expenditure control insofar as it is compatible with and does not jeopardise the Agency's business model. Where the Agency has some discretion on expenditure, we aim to keep operating costs as low as possible, while delivering the service level required of us. As a percentage of the end-year loan book, the Agency's administrative costs have dropped from 0.06% to 0.04% in the period from 2002 to 2009. The Agency does not pay bonuses, overtime or premium pay.

The Agency's staff consists of the equivalent of twelve whole-time persons. During the year, the Agency lost one-ninth of its staff complement with the retirement of one full-time member, and the ending of a half-time contract. This is a substantial burden for a small but financially significant organisation to bear, and we are in negotiation for replacements. I point out that while the number of transactions carried out by the Agency has increased many-fold in recent years, the staff establishment is the same as in 2002. The Agency is extremely appreciative of the qualities of flexibility and dedication that our staff exhibit, particularly in these difficult times, and we endeavour to operate family-friendly and work-life balance structures.

Acknowledgements

The Agency, with its small core staff, could not operate effectively without the assistance and co-operation of all its stakeholders. Our thanks for their support go especially to the Ministers for the Environment, Heritage and Local Government, and Finance, and their staff. We offer our appreciation to the NTMA, the Central Bank, the credit rating agencies, our auditors, lawyers, IT contractors and bankers and all those who provide essential services to the Agency. Our focus is on the needs of our customers, and we are appreciative of their courtesy and efficiency in their dealings with the Agency.

The Board held eight meetings during the year, and I thank Board members for their contribution to its efficient and effective work. Last year's report recorded the untimely death of the Agency's former Chairman, Mr Edward Coffey, in March. During the year Mr Anthony Vesey ceased to be a Director, and thanks is given for his work while on the Board. Finally, Board members note, with considerable regret, the retirement of Ms Eleanor Parnell, a long-serving and popular staff member, and wish her well in her new life.



John Bolger
Chairman
29 April 2010



CHAPTER TWO

Directors' Report

The Directors present their annual report and audited financial statements for the year ended 31 December 2009.

1. Background

Housing Finance Agency plc is a company limited by shares promoted by the Minister for the Environment, Heritage and Local Government under the terms of the Housing Finance Agency Act, 1981 and incorporated on 8 February 1982. The principal objects of the company are:

- (a) to advance funds to local authorities to be used by them for any purpose authorised by the Housing Acts; and
- (b) to borrow or raise funds for these purposes.

All of the issued share capital of the Agency is beneficially owned by the Minister for Finance. Directors are appointed by the Minister for the Environment, Heritage and Local Government with the consent of the Minister for Finance.

Directors' Report continued

2. Results and Dividends

	€'000
Total recognised surplus for the year	10,951
Surplus at beginning of year	21,255
Surplus at end of year	32,206

The results are satisfactory and represent profits generated by a margin policy approved by the Directors which is designed to ensure that the Agency has reserves sufficient to meet the estimated costs arising from index linked, fixed rate funding mismatches and other risks.

The Directors do not recommend the payment of a dividend.

A review of the significant financial risks and exposures to the Agency in respect of its assets, liabilities and financial instruments, is set out together with the risk management objectives and policies employed by the Agency with respect to managing those risks in note 15 to the financial statements. Details of any financial instruments used in mitigating these risks are detailed in notes 15 and 16 to these accounts. On pages 4 to 9, the Chairman's report addresses the significant business risks to which the Agency is exposed.

3. Review of the Development of the Business

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

The Agency 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 2009 such loans represented outstanding balances of €21.6 million. The Agency is liable for any credit losses that may arise on these mortgages.

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

With effect from May 1986 the Agency has issued loans to local authorities to finance income related,

convertible and annuity loans and improvement grants. The extension of the Agency'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 Agency 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 authority for purposes such as land acquisition. The remainder is lent by the local authorities to individual borrowers and approved housing bodies. The local authorities are responsible for any losses that may arise on them. The Agency is of the opinion that as all loans advanced after 27 May 1986 are approved by the Minister for the Environment, Heritage and Local Government, credit risk does not arise.

At 31 December 2009 such loans represented outstanding balances of €4.58 billion.

During the year, amounts of €176.10 million and €87.74 million for advances due to mature in 2009 and 2010, respectively were renegotiated and rolled over into 2011.

4. Corporate Governance

The Directors are committed to maintaining the highest standards of corporate governance and support the Principles of Good Governance and Code of Best Practice ("2008 Combined Code") derived by the Committee on Corporate Governance from the Committee's Final Report and from the Turnbull Report. A new *Code of Practice for the Governance of State Bodies* as published by the Department of Finance was issued in June 2009 and the Agency complies with this code.

Principles of Good Corporate Governance

The Directors are accountable to the Agency's shareholder for good corporate governance and the following statement describes how the relevant Principles of Good Governance set out in the 2003 Combined Code and the *Code of Practice for the Governance of State Bodies* are applied in the Agency.

*Directors' Report continued***Board of Directors**

Scheduled Board meetings for the year ended 31 December 2009:

Members	Occupation	Available to Attend	Attended
Edward Coffey (deceased)	Chairman	2	0
Ian d'Alton (CEO)	Chief Executive Officer	8	8
Julia Carmichael	Councillor	8	3
Fr. Patrick Cogan	CEO of Respond !	8	7
Patrick Doyle	Consultant	8	6
Michael Hayes	Civil engineer	8	8
Clodagh Henehan	Local authority official	8	7
Jackie Maguire	Local authority official	8	8
Philip Nugent	Civil servant	8	8
Áine Stapleton	Civil servant	8	7
Anthony Vesey	Councillor	6	6
Eddie Wade	Councillor	8	8

The Board met eight times in 2009 and is responsible for the proper management of the Agency.

The roles of the Chairman and Chief Executive are separate. At 31 December 2009 the Board of Directors comprised nine non-executive Directors and one executive Director. The Directors are appointed by the Minister for the Environment, Heritage and Local Government for a period not to exceed five years. All of the non-executive Directors are independent of management.

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. It has reserved certain items for its review including the approval of the annual financial statements, significant contracts, major investments and significant capital expenditure. Each non-executive Director brings an 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 Agency's professional advisors are available for consultation with the Directors as required. Individual Directors may take independent professional advice, if necessary, at the Agency's expense.

The auditors have stated their continuing independence as auditors to the Agency for the year ended 31 December 2009. There is a process in place by which the Board reviews, within agreed parameters, any non-audit services undertaken by the auditors, and related fees. This ensures that the objectivity and independence of the auditors is safeguarded.

Directors' Report continued

The Board has an effective committee structure to assist in the discharge of its responsibilities including:

Audit Committee

Scheduled Audit Committee meetings for the year ended 31 December 2009:

Members	Available to Attend	Attended
Fr. Patrick Cogan	4	3
Patrick Doyle	4	4
Michael Hayes	4	4
Jackie Maguire	4	4
Anthony Vesey	4	3
Eddie Wade	4	3

The Audit Committee met four times this year and operates under formal terms of reference. Under the *Code of Practice for the Governance of State Bodies*, the committee may review any matters relating to the financial affairs of the Agency. It reviews the annual financial statements, internal audit reports, compliance with accounting standards and the appointment and fees of the external auditors, review rates and the approval of the internal audit plan, against which performance of the plan is measured. The external auditors meet with the Committee to review the results of the annual audit of the Agency's financial statements.

Finance Committee

Scheduled Finance Committee meetings for the year ended 31 December 2009:

Members	Available to Attend	Attended
Edward Coffey (deceased) (Chairman)	1	1
Ian d'Alton (CEO)	2	2
Julia Carmichael	2	1
Clodagh Henehan	2	2
Áine Stapleton	2	2
Philip Nugent	2	1

The Committee met twice during the year and is empowered on behalf of the Agency 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.

Remuneration Committee

The Committee did not meet during the year.

Members

Edward Coffey (deceased) (Chairman)

Fr. Patrick Cogan

Philip Nugent

The Remuneration Committee makes 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, Heritage and Local Government and operates under formal terms of reference. Details of Directors' fees and emoluments are set out in note 6 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2006.

Board Performance Review Committee

Scheduled Board Performance Review Committee meeting for the year ended 31 December 2009:

Members	Available to Attend	Attended
Fr. Patrick Cogan	1	1
Michael Hayes	1	1
Áine Stapleton	1	1

The Board Performance Review Committee met once during the year. The Committee was established in 2008, for the formal evaluation of the Board's performance and that of its Committees and individual Directors. This Committee reports to the Board and the Chairman annually on its findings.

*Directors' Report continued***Directors' Remuneration**

The Minister for the Environment, Heritage and Local Government determines the level of remuneration for the Board of Directors. Remuneration of non-executive Directors is not linked to performance.

Relations with Shareholders

The Directors and Management maintain an ongoing dialogue with the Agency's shareholder on strategic issues. Certain specified matters require the approval of the Minister for the Environment, Heritage and Local Government and/or the Minister for Finance, in respect of which ongoing communication with the Ministers, through their departments, is maintained.

Internal Control

The Agency's business involves the acceptance and management of a range of risks and the nature of these risks means that events may occur which give rise to unanticipated losses. In line with Section 8 of the *Code of Practice for the Governance of State Bodies*, at its meeting on 4 December 2009, the Board of the Agency approved the adoption of a Risk Management Framework and to the appointment of a committee of the CEO, Head of Treasury and Company Secretary as the body designated to manage and be responsible for risk within the Agency. Risk is overseen by the Audit Committee of the Board and is a standing item at each Board meeting.

In accordance with the 2008 Combined Code, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Agency. This process has been in place for the year under review and up to the date of approval of the annual report and accounts, is regularly reviewed by the Board and accords with the guidance.

The Board has reviewed the effectiveness of the system of internal control; in particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. This has been reinforced by the adoption of a Code of Ethics, approved by the Board, which provides practical

guidance for all staff. There are also supporting Agency policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

The Agency 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 15. The Agency has developed a risk management process which includes quarterly reviews of its loans and advances portfolio, and an annual review of treasury related risk which allows it to manage these risks. This process is designed to ensure as far as possible that its assets and liabilities are match funded in loan type and duration.

Residual risk is associated principally with fixed rate and index linked borrowings, and inflation movements. This is dealt with by a reserves and margin policy. The Agency carries out a comprehensive annual review of risks, which is approved by the Board and forms part of the Agency'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 Agency lends to local authorities. The repayment risk is assessed as being negligible as the legal relationship is with local authorities and is not dependant on changes in house prices or other economic variations. The Agency is of the opinion that as all loans advanced after 27 May 1986 are approved by the Minister for the Environment, Heritage and Local Government, credit risk does not arise. The Agency 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. Whilst the local authorities are counterparties to these loans the Agency is exposed to the underlying risk to the individual borrowers. The local authority holds collateral against loans advanced pre 27 May 1986 in the form of mortgage interests over property and only in the event of that collateral not being sufficient to discharge the debt is the Agency liable.

The Chief Executive Officer also reports to the Board on behalf of the Management on significant changes in the business and external environment, which affect

Directors' Report continued

risks. The Board is provided with quarterly information. Where areas for improvements in the system are identified, the Board considers the recommendations made by the Management and the Audit Committee.

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 Directors have regard to what, in their judgement, is appropriate to the Agency's business, to the materiality of the financial risks inherent in the business and to the relative costs and benefits of implementing specific controls.

The Agency'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, because of changes in conditions, the effectiveness of an internal control system may vary over time.

During 2009 the Agency increased its Guaranteed Notes programme to €3,750 million (from €700 million) to allow the Agency fund maturing eurocommercial paper (ECP) notes in circumstances where the ECP market is not as welcoming as heretofore. The Agency's statutory borrowing limit was also increased, from €6 billion to €10 billion. These increases should largely cover projected future activity.

The Directors have established an organisational structure with defined responsibility for internal control for each element of the Agency's business and this, together with the associated responsibility for reviewing periodically the effectiveness of such internal control, is formally acknowledged by the Chief Executive Officer once a year.

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

- (a) a clearly defined organisation structure with appropriate segregation of duties and limits of authority;
- (b) internal financial controls documented in a Policies and Procedures Manual which has been approved by the Board;
- (c) clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;

- (d) annual budgets and long term plans for the Agency identifying key risks and opportunities;
- (e) monthly management accounts prepared and presented to the Board;
- (f) an internal auditor reviews key financial systems and controls;
- (g) an audit committee deals with significant control issues raised by internal or external audit.

The Directors have reviewed the effectiveness of the system of internal control for the financial year and to the date of approval of the financial statements and have considered the major business risks and the control environment.

Compliance Statement

The Agency has chosen to comply, so far as is possible given Agency's particular circumstances, with the 2008 Combined Code on Corporate Governance issued by the Financial Reporting Council as part of its policy of striving to follow best practice in matters of corporate governance.

The Directors are pleased to report that the Agency has complied with the 2008 Combined Code and the *Code of Practice for the Governance of State Bodies*, (as revised and updated in 2009), during the year ended 31 December 2009, except for the following matters:

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 it has been concluded that it is not appropriate in the circumstances.

Nominations Committee and Procedures for Election and Re-Election

Non-Executive Directors are appointed by the Minister for the Environment, Heritage and Local Government and hold office for such term as the Minister specifies when making the appointment but not for a period exceeding five years and as a result, these provisions of the Code are not applicable to the Agency.

*Directors' Report continued***Directors' Remuneration**

The Minister for the Environment, Heritage and 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 collectively for all non-executive Directors as fees in note 6 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.

Internal Audit

Due to the size and nature of the Agency 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.

5. Going Concern

The Agency's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report on pages 4 to 9. In addition, note 15 to the financial statements details the Agency's financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, liquidity, market and interest rate risks.

The Directors believe that the Agency is well placed to manage its business risks successfully in the current uncertain economic outlook, and to generate sufficient margins to cover its costs and identified risks.

Section 17 of the Housing (Miscellaneous Provisions) Act 2002 and section 19 of the Planning and Development (Amendment) Act 2002 gives the Agency the power to request the National Treasury Management Agency (NTMA) to undertake borrowing and debt management on the Agency's behalf. Under the terms of a formal agreement between the NTMA and the Agency, the Agency decides the general policy within

which funding carried out by the NTMA, together with the appropriate debt instruments, takes place. The Agency acts in close consultation with, and on the advice of, the NTMA in regard to its ECP operations. In December 2009, the Agency's statutory borrowing limit was increased from €6 billion to €10 billion, which will afford the Agency greater access to funding.

After making enquiries, the Directors have a reasonable expectation that the Agency has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

6. Directors

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

7. Contracts

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

8. Post Balance Sheet Events

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

9. Electoral Act, 1997

The Agency made no political donations during the year.

10. European Communities (Late Payment in Commercial Transactions) Regulations

The Agency is required to comply with the requirements of the European Communities (Late Payment in Commercial Transactions) Regulations, 2002 and its predecessor, the Prompt Payment of Accounts Act, 1997 (collectively "the Regulations"). A review of all payments made during the year ended 31 December 2009, shows no late payments were made during 2009 under the above Act.

Directors' Report continued

11. Health and Safety of Employees

The well being of the Agency's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 2005 imposes certain requirements on employers and the Agency has taken the necessary action to ensure compliance with the Act, including the adoption of a safety statement, which is reviewed annually by the Directors.

12. Accounting Records

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Agency are maintained at its registered office.

13. Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board,



John Bolger
Chairman
25 March 2010



Ian d'Alton
Chief Executive Officer
25 March 2010



CHAPTER THREE

Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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 Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Agency's financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Agency will continue in business.



Statement of Directors' Responsibilities continued

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Agency and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2009. 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 also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'John Bolger'.

John Bolger
Chairman
25 March 2010

A handwritten signature in black ink, appearing to read 'Ian d'Alton'.

Ian d'Alton
Chief Executive Officer
25 March 2010



CHAPTER FOUR

Independent Auditor's Report to the Members of Housing Finance Agency plc

We have audited the financial statements of Housing Finance Agency plc for the year ended 31 December 2009 which comprise the income and expenditure account, balance sheet, statement of total recognised gains and losses, cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Agency's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Agency'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 Agency and the Agency's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of the HFA continued

Respective Responsibilities of Directors and Independent Auditor

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the Agency; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Agency; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the statement regarding the system of internal financial control required by the 2009 *Code*

of Practice for the Governance of State Bodies made in the Corporate Governance Statement on pages 11 to 16 reflects the Agency's compliance with the relevant provisions of the Code and we report if it does not. We also review, at the request of the Board, whether the Corporate Governance Statement on pages 11 to 16 reflects the Agency's compliance with the nine provisions of the Financial Reporting Council's 2008 Combined Code on Corporate Governance specified for review by auditors, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and Chairman's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Independent Auditor's Report to the Members of the HFA continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Agency's affairs as at 31 December 2009 and of its surplus on operations for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Agency. The Agency's financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' report and the Chairman's report is consistent with the financial statements.

The net assets of the Agency, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Agency.

Chartered Accountants,



KPMG

Registered Auditor

25 March 2010



CHAPTER FIVE

Statement of Accounting Policies

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

Basis of Preparation

The financial statements have been prepared under the historic cost convention except that recognised financial assets and financial liabilities that are hedged are stated at fair value in respect of the risk that is hedged; all derivative instruments are measured at fair value.

The financial statements comply with generally accepted accounting practice in Ireland, which includes compliance with Irish law and Financial Reporting Standards ("FRS") of the Accounting Standards Board 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.

Functional and Presentation Currency

These financial statements are presented in euro, which is the Agency's functional currency. Except as indicated, financial information presented in euro has been rounded to the nearest thousand.

Statement of Accounting Policies continued

Use of Estimates and Judgements

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

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

Impairment Loss on Loans and Advances

The Agency lends to the local authorities. Where there is a risk that the Agency will not receive full repayment of the amount advanced, provisions are made in the financial statements to reduce the carrying value of loans and advances to the amount expected to be recovered.

Employee Benefits

The Agency operates a defined benefit pension scheme covering all permanent employees; the actuarial value of the assets and liabilities of the scheme are calculated. This involves modelling their future growth and requires Management, with the advice of an external actuary, to make assumptions 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 23.

Determination of Fair Value Instruments

The financial instruments on the balance sheet are subject to the fair valuing. The best evidence of fair value is an observable market price in an active market. Management uses active market prices for valuing derivatives.

The absence of quoted prices increases reliance on valuation techniques which requires use of judgement. The judgement includes determining the cash flows, identifying a risk free discount rate and applying a

credit spread. All valuation techniques applied are based on observable market data and are subject to review and approval.

Financial Assets and Liabilities

Recognition

The Agency initially recognises loans and advances, deposits, debt securities issued and index-linked bonds on the date that they are originated.

Derecognition

The Agency 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 Agency is recognised as a separate asset or liability.

The Agency derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Agency enters into transactions whereby it transfers assets recognised on its balance sheet, 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 balance sheet.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Agency 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 Agency has the intent and ability.

Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is

Statement of Accounting Policies continued

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 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 Agency 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 Agency does not intend to sell immediately or in the near term.

Loans and receivables are initially measured at fair value of the consideration received 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 balance sheet date the Agency 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 on the asset that can be estimated reliably.

The Agency 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 profit or loss and reflected in an allowance account against loans and advances.

Interest on the impaired asset continues to be recognised through the unwinding of the discount rate.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established provisions for impairment or directly to the income and expenditure account.

Derivatives and Hedging

Hedge accounting allows one financial instrument, generally a derivative such as a forward rate agreement to be designated as a hedge of another financial instrument such as a loan or a debt security. At inception of the hedging relationship formal documentation is drawn up specifying the hedging strategy, the component transactions and the methodology that will be used to measure effectiveness.

Derivatives are initially recognised at fair value on the dates the contracts are entered into and are subsequently classified as financial assets or financial liabilities designated as hedging instruments. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative as a derivative liability. The gain or loss on re-measurement to fair value at the balance sheet date is taken to cashflow hedge reserve to the extent that the hedging relationship is considered effective.

Monitoring of hedge effectiveness is undertaken on an ongoing basis. Hedge accounting continues to be applied if the change in fair value of the hedge and the hedged item are correlated within a range of 80% to

Statement of Accounting Policies continued

125% either for the period since effectiveness was last tested or cumulatively since inception.

The Agency uses cashflow hedging to hedge the risk of changes in cashflows attributable to changes in foreign currency exchange rates of the underlying financial instrument (i.e. debt security), which matches the cashflows of hedged items against the corresponding cashflow of the hedging derivative. The effective part of any gain or loss on the derivative is recognised directly in equity and the hedged item is accounted for in accordance with the policy for that financial instrument. Any ineffective part of any gain or loss is recognised immediately in the income and expenditure account. The amount deferred in reserves will remain in equity until the designated cashflows occur and will be recognised in the income and expenditure account and at the time that the foreign currency exchange difference on the hedged item is recognised in the income and expenditure account.

If the hedged cash flows are no longer expected to occur or the hedge is no longer effective or its hedging derivative is early settled or is terminated then the amount deferred in reserves is recognised in the income and expenditure account immediately.

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 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 basis over the period to maturity.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment. The charge for depreciation is calculated to write off the original cost less residual value of each fixed asset over its expected useful life as follows:

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

Estimates of expected useful life are reviewed periodically. Where necessary, 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 or its value in use. Impairment losses are recognised in the income and expenditure account.

Effective Interest Rate

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 received or paid, fees and commissions paid or received that are integral to the yield as well as incremental transaction costs. At inception of the index linked bond, the inflationary element of the return was deemed to be closely related and therefore not requiring separate accounting as an embedded derivative. As such the projected inflation return is also included in the effective interest rate calculation and reassessed every half year. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument or, where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability at initial recognition.

Foreign Currencies

Transactions denominated in currencies other than euro are recorded at the rates ruling at the date of those transactions. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. The exchange differences are dealt with in the income and expenditure account.

Operating Lease

Costs from operating leases are included in indirect expenditure on an accruals basis over the period of the lease using the straight line method.

*Statement of Accounting Policies continued**Finance Income*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues using the effective interest rate method.

Pensions

The Agency'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 balance sheet date that have maturity dates approximating to the terms of the Agency'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 the statement of recognises gains and losses in the period in which they are incurred.

The charge to the income and expenditure account includes current service cost, past service cost, the interest cost of the plan liabilities and the expected return on plan assets.



CHAPTER SIX

Income and Expenditure Account

	<i>Note</i>	Year ended 31 December 2009	Year ended 31 December 2008
		€'000	€'000
Income – continuing activities	3	99,417	190,119
Direct expenditure	4	(89,765)	(209,448)
Surplus/(deficit) of income over direct expenditure		9,652	(19,329)
Indirect expenditure	5	(1,946)	(2,082)
Operating surplus/(deficit) for the financial year – continuing activities		7,706	(21,411)
Finance income (net)	7	3,182	19,388
Surplus/(deficit) for the financial year		10,888	(2,023)

On behalf of the Board,

John Bolger
Chairman
25 March 2010

Ian d'Alton
Chief Executive Officer
25 March 2010



CHAPTER SEVEN

Statement of Total Recognised Gains and Losses

	<i>Note</i>	Year ended 31 December 2009	Year ended 31 December 2008
		€'000	€'000
Surplus/(deficit) for the financial year		10,888	(2,023)
Actuarial gains/(losses)	23	63	(820)
Net change in cash flow hedge reserve	17	(294)	(21)
Total recognised gains and losses for the financial year		10,657	(2,864)

CHAPTER EIGHT

Balance Sheet

	Note	31 December 2009	31 December 2008
		€'000	€'000
Assets employed			
Tangible fixed assets	9	47	81
Current assets			
Debtors (advances due after more than one year: €3,599,813 [2008: €3,426,229])	8	4,672,511	4,552,506
Derivative financial instruments	16	41,882	113,332
Cash and cash equivalents	10	259,309	408,984
		<u>4,973,702</u>	<u>5,074,822</u>
Current liabilities			
Creditors (amounts falling due within one year)	11	(4,554,747)	(4,397,280)
Derivative financial instruments	16	(6,415)	(66,758)
		<u>412,540</u>	<u>610,784</u>
Net current assets			
		<u>412,587</u>	<u>610,865</u>
Total assets less current liabilities			
Creditors (amounts falling due after more than one year)	12	(97,555)	(299,304)
Debt securities in issue index linked bonds	13	(191,304)	(198,295)
8.75% Housing Finance Agency stock 2018	14	(92,277)	(91,916)
		<u>31,451</u>	<u>21,350</u>
Net Asset before pension surplus/(deficit)			
Pension surplus/(deficit)	23	479	(77)
		<u>31,930</u>	<u>21,273</u>
Net Assets			
Capital and reserves			
Called up share capital	19	39	39
Retained surplus	20	32,206	21,255
Cashflow hedge reserve	17	(315)	(21)
		<u>31,930</u>	<u>21,273</u>
Shareholder's funds			
	21	<u>31,930</u>	<u>21,273</u>

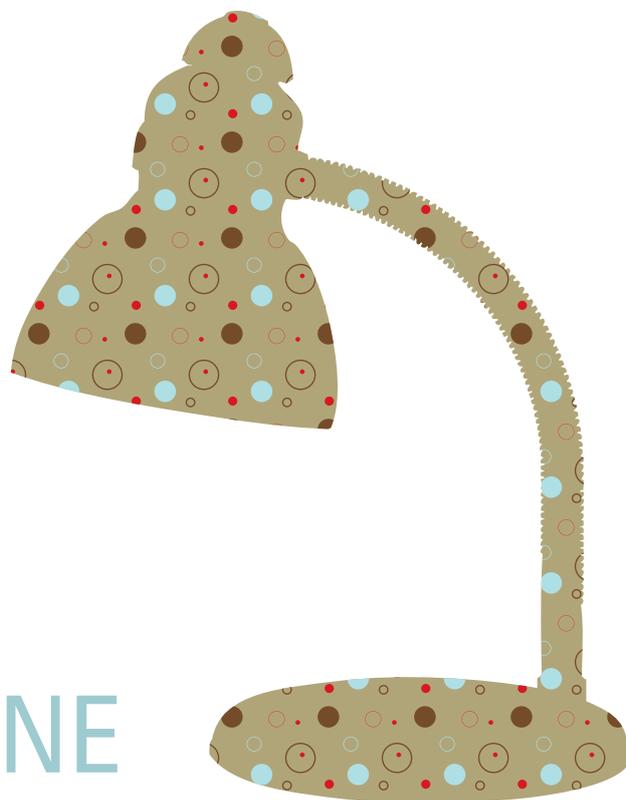
On behalf of the Board,



John Bolger
Chairman
25 March 2010



Ian d'Alton
Chief Executive Officer
25 March 2010



CHAPTER NINE

Cash Flow Statement

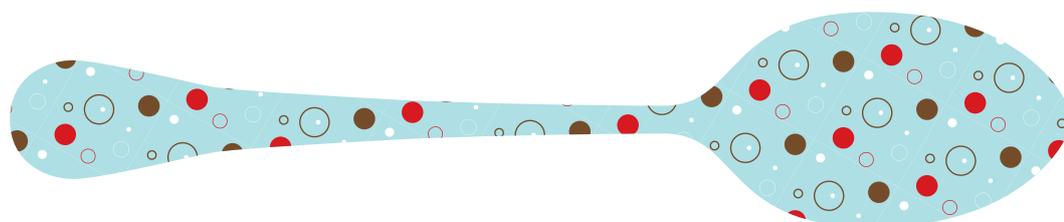
	<i>Note</i>	Year ended 31 December 2009	Year ended 31 December 2008
		€'000	€'000
Cash outflow from operating activities	<i>18(a)</i>	(131,420)	(741,441)
Returns on investments and servicing of finance	<i>18(b)</i>	-	(266,906)
Capital expenditure	<i>18(b)</i>	(8)	(57)
(Decrease)/increase in bank loans and notes payable	<i>18(b)</i>	(17,166)	902,490
Decrease in cash during the year		(148,594)	(105,914)



CHAPTER TEN

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year ended 31 December 2009	Year ended 31 December 2008
		€'000	€'000
Decrease in cash during the year		(148,594)	(105,914)
Cash inflow from change in debt financing	18(b)	17,166	(902,490)
Non-cash movements	18(c)	6,629	256,006
Movement in net debt during the year		(124,799)	(752,398)
Net debt at beginning of year	18(c)	(4,542,930)	(3,790,532)
Net debt at end of year	18(c)	(4,667,729)	(4,542,930)



CHAPTER ELEVEN

Notes Forming Part of the Financial Statements

1. Status of the Agency and Related Party Transactions

Housing Finance Agency plc is a company limited by shares promoted by the Minister for the Environment, Heritage and 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 Agency was formed as a private limited company on 8 February 1982 and on 13 January 1983 became a public limited company.

There were no related party transactions during the year within the meaning of Financial Reporting Standard No. 8 Related Party Disclosures apart from dealings with other Government bodies. The Agency deals in the normal course of business with other Government bodies; in particular, a significant portion of the Agency's financing is arranged by the National Treasury Management Agency and income from continuing activities derives from loans to local authorities.

2. Taxation Status of the Agency

Under Section 218 of the Taxes Consolidation Act 1997, income earned by Housing Finance Agency plc 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 Agency is entitled to pay dividends gross of Dividend Withholding Tax.

Notes Forming Part of the Financial Statements continued

3. Income – Continuing Activities

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Interest on advances to local authorities which were approved:		
Post 27 May 1986	100,391	188,435
Pre 27 May 1986	(974)	1,684
	<u>99,417</u>	<u>190,119</u>

Total interest income on financial assets not carried at fair value through the income and expenditure account amounted to €102.6 million which includes €3.2 million of investment income for the year ended 31 December 2009 (2008: €209.5 million which includes investment income of €19.4 million). Pre 27 May 1986 income is negative due to a deflation rate prevailing for all of 2009.

4. Direct Expenditure

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Index – linked bonds – effective interest		
Bond interest	7,754	8,265
Premium on redemption of bonds (Note 13)	(6,854)	10,650
	<u>900</u>	<u>18,915</u>
Stock and loan costs		
Interest payable on bank borrowings, commercial paper, guaranteed notes and stock	88,864	189,637
Foreign exchange (gain)/loss from borrowings	(499)	351
	<u>88,365</u>	<u>189,988</u>
Incurred but not reported losses		
Pre May 1986 loans*	500	545
	<u>89,765</u>	<u>209,448</u>

*Refer to note 15 for further detail on credit risk.

Notes Forming Part of the Financial Statements continued

5. Indirect Expenditure

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Other expenditure		
Administration expenditure (Note 6)	1,827	1,952
Administration fees to local authorities	119	130
	<u>1,946</u>	<u>2,082</u>

6. Administration Expenditure

Administration expenditure has been arrived at after charging:

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Auditors' remuneration	40	57
Non-audit fees	5	-
Depreciation (Note 9)	42	35
Rental payments under operating lease	75	75
Directors' emoluments		
Fees – Chairman	3	14
Fees – other Directors	50	54
Executive Director/Chief Executive Officers' remuneration	129	128
Pension contributions	59	35
	<u>241</u>	<u>231</u>
Employee costs (excluding Director)		
Salaries	596	548
Social welfare costs	46	44
Service costs-pension-present	58	65
Service costs-pension-past	84	-
	<u>784</u>	<u>657</u>
Total included in income and expenditure account	<u>784</u>	<u>657</u>
Actuarial gains/(losses) on defined benefit scheme included in the statement of recognised gains and losses	<u>63</u>	<u>(820)</u>

The average number of employees, including executive Directors, during the year was 12 (2008: 12).

Notes Forming Part of the Financial Statements continued

7. Finance Income (net)

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Investment income	3,210	19,377
Expected return on pension assets	90	110
Interest cost on pension liabilities	(118)	(99)
Net finance income	3,182	19,388

8. Debtors

	31 December 2009	31 December 2008
	€'000	€'000
Balance due on advances	4,582,617	4,437,638
Due from Local Authorities	90,676	114,199
Other debtors and prepayments	263	1,214
	4,673,556	4,553,051
Less: Incurred but not reported losses	(1,045)	(545)
	4,672,511	4,552,506

Notes Forming Part of the Financial Statements
8 Debtors continued

Balance due on advances is analysed as follows:

	31 December 2009	31 December 2008
	€'000	€'000
(i) Loans approved post 27 May 1986		
Balance at beginning of year	4,413,792	3,752,811
Loans advanced	680,730	1,061,998
Less: loans repaid	(547,190)	(438,896)
Interest charged	100,391	188,435
Interest received	(86,769)	(150,556)
Balance at end of year	4,560,954	4,413,792
(ii) Loans approved pre 27 May 1986		
Balance at beginning of year	23,846	25,899
Less: loans repaid	(2,184)	(2,053)
Interest (incurred)/charged	(974)	1,684
Interest paid/(received)	974	(1,684)
Balance at end of year	21,662	23,846
Balance at end of year	4,582,616	4,437,638
Collective Provision		
Balance at beginning of year	545	-
Provision in year	500	545
Balance at end of year	1,045	545

Loans to local authorities have been segregated into those approved pre and post 27 May 1986 (detailed in (i) and (ii) above), as a different credit risk is applied to each. Included in the post 27 May 1986 are loans of €7.4 million (2008: €7.2 million) advanced to the National Building Agency. Pre 27 May 1986 income is negative due to a minus inflation rate prevailing for all of 2009.

The Agency is liable for any credit losses that may arise on pre-May 1986 mortgages which are secured by the underlying mortgage property; collective provision of €1.045 million has been recognised in these accounts, refer to note 15 for further details. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, and (b) the revenues or funds of local authorities being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), the Board is of the opinion that no significant credit risk arises on foot of loans advanced to local authorities on or after 27 May 1986. Please refer to Note 15 for further details.

Notes Forming Part of the Financial Statements continued

9. Tangible Fixed Assets – Computer and Other Equipment

	31 December 2009
	€'000
Cost	
At beginning of year	536
Additions	8
Disposals	(52)
At end of year	492
Depreciation	
At beginning of year	455
Charged for year	42
Disposals	(52)
At end of year	445
Net book value	
31 December 2009	47
31 December 2008	81

Tangible Fixed Assets totalling €52,071 with a nil written down value were written off during 2009. They are no longer used in the business.

10. Cash and Cash Equivalents

	31 December 2009	31 December 2008
	€'000	€'000
Cash at bank and in hand	20,705	1
Amounts held on short term deposits	238,604	408,983
	259,309	408,984

Short term deposits consist primarily of promissory notes or commercial paper held with the National Treasury Management Agency. Deposits outstanding at 31 December 2009 of €238.6 million (2008: €408.9 million) had a weighted average variable interest rate of 0.31% (2008: 2.78%) (365-day) and less than one month to maturity.

Notes Forming Part of the Financial Statements continued

11. Creditors (Amounts Falling Due Within One Year)

	31 December 2009	31 December 2008
	€'000	€'000
Commercial paper, note issuance facilities and guaranteed notes	4,545,902	4,361,318
Interest payable on commercial paper, note issuance facilities and guaranteed notes	3,404	29,338
Interest due on stock and bonds	5,053	5,177
Accruals	388	365
Bank overdraft	-	1,082
	<u>4,554,747</u>	<u>4,397,280</u>
Tax creditors (included in accruals)		
PAYE	27	28
VAT	12	-
	<u>12</u>	<u>-</u>

The commercial paper, note issuance facilities and guaranteed notes are fully guaranteed by the Minister for Finance.

12. Creditors (amounts falling due after more than one year)

	31 December 2009	31 December 2008
	€'000	€'000
Bank loans and notes payable		
Between one and two years	86	251,607
Between two and five years	4,210	27,927
After more than five years	93,259	19,770
	<u>97,555</u>	<u>299,304</u>

The loans and notes payable are fully guaranteed by the Minister for Finance, excepting two €25 million facilities with supranational banks, for the purpose of unguaranteed lending for water, waste and environmental projects.

Notes Forming Part of the Financial Statements continued

13. Debt Securities in Issue – Index Linked Bonds

	31 December 2009	31 December 2008
	€'000	€'000
Housing Finance Agency bond issues		
4% Index Linked Bonds 2015	95,230	95,230
Nominal value of bonds in issue	95,230	95,230
Net unamortised expenses and premium/discount on issue	873	1,008
	96,103	96,238
Provision for premium on redemption of bonds	95,201	102,057
	191,304	198,295

Maturities of the debt securities in issue are tabled in Note 15.

Provision for Premium on Redemption of Bond

	Total	Deferred	Provided
	€'000	€'000	€'000
31 December 2009			
At beginning of year	106,917	(4,860)	102,057
Arising during the year	(7,714)	857	(6,856)
At end of year	99,203	(4,003)	95,201
31 December 2008			
At beginning of year	255,908	(5,525)	250,383
Redemption of 2% 2008 bond	(158,976)	-	(158,976)
Arising during the year	9,985	665	10,650
At end of year	106,917	(4,860)	102,057

The premium payable on redemption is provided by reference to the percentage increase in the Consumer Price Index from the base date of the bond issue to the index applicable sixth months prior to the relevant coupon date. The bond is fully guaranteed by the Minister for Finance.

Notes Forming Part of the Financial Statements continued

14. 8.75% Housing Finance Agency Stock 2018

	31 December 2009	31 December 2008
	€'000	€'000
At par value	95,230	95,230
Less: Unamortised discount on issue	(2,953)	(3,314)
	<u>92,277</u>	<u>91,916</u>

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 15.

15. Financial Risk Management

Introduction and Overview

The Agency 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 Agency's exposure to each of the above risks and the Agency's objectives, policies and procedures for measuring and managing risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Agency's risk management framework. The Agency's risk management policies are established to identify and analyse the risks faced by the Agency, 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, products and services offered. The Agency's policies and procedures include policies on the use of derivative treasury instruments. These support compliance with 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 Agency's assets and liabilities.

The current 'Specification and Requirements' (valid to 31 December 2010), which follows a policy approved by the Board, allows for contracts covering interest rate swaps (€400 million), foreign exchange forwards (€4.4 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 Agency's Chief Executive Officer or Financial Controller (in the case of those involving the National Treasury Management Agency as agent/counterparty, noted by either of the Chief Executive Officer or Financial Controller) and are subject to regular periodic internal audit checks during their lifetime.

The Agency under its ECP programme issues ECP in currencies other than euro. In order to hedge against this currency risk, the Agency enters into foreign currency forward rate agreements.

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

(a) Credit Risk

	31 December 2009	31 December 2008
Financial assets	€'000	€'000
Balance due on advances	4,582,616	4,437,638
Cash at bank and in hand	20,705	-
Amounts held on short term deposits	238,603	408,983
Due from Local Authorities	90,676	114,199
Derivative financial instruments	41,882	113,332
	<u>4,974,482</u>	<u>5,074,152</u>

The Agency had foreign currency forwards with a notional value of €2.14 billion outstanding at the year end which hedged the Agency's entire foreign exchange risk. These were all foreign exchange forward transactions carried out with the National Treasury Management Agency in association with the Agency's eurocommercial paper programme. Further details in respect of currency risk are included in note (c) below.

Credit risk is the risk of financial loss to the Agency if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Agency's loans and advances to its customers, Irish local authorities.

The Agency is currently permitted to advance money to:

- Local authorities to be used by them for any purpose authorised under the Housing Acts 1966 to 2009; and
- the National Building Agency Limited (as referred to in the National Building Agency Limited Act 1963) for use by it for any lawful purpose in connection with the provision or improvement of housing or services related thereto or in substitution for funds borrowed by it for such purposes and still outstanding.
- Local authorities for capital projects authorised under section 17 of the Housing (Miscellaneous Provisions) Act, 2002.

The Agency has two categories of loans to local authorities namely those approved pre and post 27 May 1986.

These two categories have a different credit risk profile.

The Agency 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. Whilst the local authorities are counterparties to these loans the Agency is exposed to the underlying risk to the individual borrowers. The local authority holds collateral against loans advanced pre 27 May 1986 in the form of mortgage interests over property and only in the event of that collateral not being sufficient to discharge the debt is the Agency liable for any impairment losses which may arise.

Estimates of fair value are not updated except where a loan is individually assessed past due or impaired.

The definition of past due and impaired is as follows:

Impaired Loans

Impaired loans are loans for which the Agency 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.

Past Due Loans

Loans where contractual interest or principal payments are past due. The Agency had no loans and advances which are past due at 31 December 2009 (2008: €nil).

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

	31 December 2009	31 December 2008
Analysis of loans to local authorities	€'000	€'000
Pre 1986 loans	21,662	23,846
Post 1986 loans	4,560,954	4,413,792
	4,582,616	4,437,638
Collective provisions		
Pre 1986 loans	1,045	545
Post 1986 loans	-	-
	1,045	545

Renegotiated Loans

Loans with renegotiated terms are loans that have been restructured due to budgetary circumstances and where the Agency has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

During the year, the Agency has reached an agreement with the local authorities to extend the terms of loans from local authorities that were due to mature in 2009 and 2010 to 2011, amounting to €176.10 million and €87.74 million, respectively.

Loans advanced to local authorities on or after 27 May 1986 represent no credit risk to the Agency. Local authorities are bodies constituted under statute. All loans advanced to local authorities are approved by the Minister for the Environment, Heritage and Local Government. It is the Board's belief that, in this context, credit risk does not arise. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, and (b) the revenues or funds of local authorities being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), the Board is of the opinion that no significant credit risk arises on foot of these loans.

The Board of Directors is responsible for the oversight of the Agency'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 there to.
- Reviewing compliance with internal policies and procedures.
- Monitoring of Loans Policy disclosure.

Concentrations

All loans and advances are to local authorities and the National Building Agency (all of which are approved by the Minister for the Environment, Heritage and Local Government).

The Agency's credit risk also consists of its exposure to institutions (primarily the National Treasury Management Agency), 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 the year end the Agency had €236.6 million (2008: €408.9 million) invested in Exchequer Notes with the National Treasury Management Agency.

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

(b) Liquidity Risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations from its financial liabilities.

	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month	1–3 Months	3 Months to 1 year	1–5 years	More than 5 years
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
31 Dec 2009							
Non-derivative liabilities							
ECP programme	4,083,662	(4,044,596)	(992,639)	(1,746,215)	(1,305,742)	-	-
Guaranteed notes facility	212,238	(212,268)	(206,464)	(5,303)	(501)	-	-
Fixed rate medium term note	4,297	(4,607)	(384)	-	(296)	(3,927)	-
20-year variable loan	93,259	(108,624)	-	(164)	(7,938)	(29,777)	(70,745)
5-year term loan	250,000	(250,193)	(100,020)	(150,173)	-	-	-
Index linked bonds	191,304	(115)	-	-	(21)	(85)	(9)
Fixed Rate Stock 8.75%	92,277	(162,944)	-	(8,333)	-	(33,332)	(121,279)
	4,927,037	(4,783,347)	(1,299,507)	(1,910,188)	(1,314,498)	(67,121)	(192,033)
Derivative liabilities							
Trading: outflow	(2,140,026)	(2,150,272)	(405,084)	(508,080)	(1,237,108)	-	-
Trading: inflow	2,140,026	2,150,272	405,084	508,080	1,237,108	-	-
	-	-	-	-	-	-	-
31 Dec 2008							
Non-derivative liabilities							
ECP programme	3,787,293	(3,889,048)	(446,627)	(1,893,436)	(1,548,985)	-	-
Guaranteed notes facility	470,363	(470,981)	(464,710)	(5,764)	(506)	-	-
Fixed rate medium term note	6,251	(6,792)	(535)	-	(535)	(5,722)	-
Note Issuance Facilities	23,266	(23,283)	(23,283)	-	-	-	-
20-year variable loan	43,050	(55,761)	-	-	(5,275)	(19,838)	(30,648)
5-year term loan	250,000	(251,681)	(100,299)	(151,382)	-	-	-
Index linked bonds	198,294	(368,121)	-	-	(13,305)	(69,913)	(284,903)
Fixed Rate Stock 8.75%	91,916	(171,277)	-	(8,333)	-	(33,332)	(129,612)
	4,870,433	(5,236,944)	(1,035,454)	(2,058,915)	(1,568,606)	(128,805)	(445,163)
Derivative liabilities							
Trading: outflow	(2,309,430)	(2,363,048)	(313,627)	(1,358,436)	(690,985)	-	-
Trading: inflow	2,309,430	2,363,048	313,627	1,358,436	690,985	-	-
	-	-	-	-	-	-	-

Notes Forming Part of the Financial Statements
 15. Financial Risk Management continued

Management of liquidity risk

The Agency'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 at its April meeting each year. This takes into account the Agency's internal resource calculations, on estimates of loan advances, loans maturing during the year and funding options.

Regular review of the Agency'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 Agency finances its operations by a combination of bond issues, commercial paper (uncommitted, and with committed backing facilities), bank overdrafts and retained profits. Bond issues and committed facilities amounted to 8% of the Agency's available borrowing facilities at 31 December 2009. The Agency's committed facilities, bond issues and €4.4 billion ECP programme (signed on 22 October 2002, with issues in various currencies now made by the National Treasury Management Agency from 26 February 2003) are used to finance its lending to local authorities under the terms of the Housing Acts. Other uncommitted facilities are largely utilised for bridging and liquidity purposes.

The Agency's funding operations require it to raise new debt and refinance maturing loans. The Agency's overdraft facilities (€51 million available at 31 December 2009) are subject to annual review by the Agency's bankers. The Agency's €4.4 billion ECP programme was increased in March 2010 to €6.0 billion. The average cost of the Agency's debt in 2009 was an annualised 1.8% compared with 4.4% in 2008.

In November 2005, the Agency entered into a five-year variable rate facility of €250 million. This facility was fully drawn at the year-end. The Board has in place a policy of regular assessment of maturing debt and its refinancing and/or repayment.

The Agency has on-lent a number of fixed rate medium-term loans to local authorities for housing and related purposes and has funded these loans with matched fixed rate Medium Term Notes. Because of this, these loans are fully matched in loan term and interest rate, and present no liquidity risk.

The bulk of the Agency's lending – consisting mostly of 30-year annuities – is funded by its short-term variable rate ECP programme, which is guaranteed by the Minister for Finance of Ireland. In the context of the State's rating and its membership of the EU and the eurozone, the Board considers that adequate resources are in place to cover any liquidity risk that may arise.

(c) Market Risks

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Agency'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.

Management of Market Risks

The Agency 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 variable rate.

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

The financial assets are analysed below:

	31 December 2009	31 December 2008
	€'000	€'000
Fixed rate	147,204	154,219
Floating Rate:		
EURIBOR®	4,624,845	4,625,816
Index linked	160,552	180,785
	<u>4,932,601</u>	<u>4,960,820</u>
Derivatives	41,882	113,332
	<u><u>4,974,483</u></u>	<u><u>5,074,152</u></u>

The Agency made new fixed and floating rate advances during the financial year. The Agency's index linked advances are classified as floating rate assets.

Interest rate risk profile of financial assets as at:

	31 December 2009	31 December 2008
Weighted average fixed interest rate	5.53%	5.41%
Weighted average floating interest rate	<u>2.23%</u>	<u>4.49%</u>
Weighted average period for which fixed interest assets are fixed	<u><u>19.5 years</u></u>	<u><u>18.5 years</u></u>

A large proportion of the Agency's fixed rate loans consists 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.

The financial liabilities are analysed below:

	31 December 2009	31 December 2008
	€'000	€'000
Fixed rate	96,573	98,169
Floating Rate:		
EURIBOR®	4,639,160	4,654,369
Prime	-	1,082
Index linked	191,304	198,296
	<u>4,927,037</u>	<u>4,951,916</u>
Derivatives	6,415	66,758
	<u><u>4,933,452</u></u>	<u><u>5,018,674</u></u>

Notes Forming Part of the Financial Statements
 15. *Financial Risk Management continued*

These are analysed as follows:

Floating rate liabilities include the Agency's ECP debt. This debt consists of short-term debt priced off a variable index (EURIBOR®). The Directors believe the debt is appropriately classified as floating rate.

Interest rate risk profile of financial liabilities as at:

	31 December 2009	31 December 2008
Weighted average fixed interest rate	8.78%	8.73%
Weighted average floating interest rate	0.79%	4.06%
Weighted average period for which fixed interest liabilities are fixed	7.9 years	8.6 years

The floating rate financial liabilities comprise bank borrowings 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 uncertainties are taken into account in determining the policy on:

- 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 Agency's business is subject to changes in government policy.

The Agency'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 Agency 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.

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

	Maturity 31 December 2009	Repricing 31 December 2009
	€'000	€'000
Maturity and interest rate repricing of financial assets		
Amounts falling due in one month or less	841,101	4,583,190
Amounts falling due between one and three months	-	165,167
Amounts falling due between three and twelve months	491,687	-
Amounts falling due between one and two years	43,289	16
Amounts falling due between two and three years	85,905	-
Amounts falling due between three and four years	66,888	1,404
Amounts falling due between four and five years	96,289	8,191
Amounts falling due after more than five years	3,307,441	174,632
	<u>4,932,600</u>	<u>4,932,600</u>
	Maturity 31 December 2008	Repricing 31 December 2008
	€'000	€'000
Maturity and interest rate repricing of financial assets		
Amounts falling due in one month or less	523,182	4,583,885
Amounts falling due between one and three months	-	-
Amounts falling due between three and twelve months	1,011,248	229,829
Amounts falling due between one and two years	92,895	332
Amounts falling due between two and three years	48,157	-
Amounts falling due between three and four years	91,588	1,559
Amounts falling due between four and five years	67,521	5,778
Amounts falling due after more than five years	3,126,230	139,438
	<u>4,960,821</u>	<u>4,960,821</u>

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

	Maturity	Repricing	Undrawn Committed Facilities
	€'000	€'000	€'000
Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2009			
Maturing in one month or less	1,208,663	1,310,184	-
Maturing between one and three months	1,768,382	1,968,469	-
Maturing between three and twelve months	1,568,853	1,362,112	-
Maturing greater than 1 year and less than 2 years	-	-	-
Maturing greater than 2 years and less than 3 years	6,299	2,691	96,960
Maturing greater than 2 years and less than 3 years	-	-	-
Maturing greater than 4 years and less than 5 years	-	-	-
Maturing greater than 5 years	374,840	283,581	53,482
	<u>4,927,037</u>	<u>4,927,037</u>	<u>150,442</u>

Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2008

Maturing in one month or less	917,071	1,040,337	-
Maturing between one and three months	1,929,839	2,079,839	-
Maturing between three and twelve months	1,582,248	1,603,385	76,734
Maturing greater than 1 year and less than 2 years	250,000	255	-
Maturing greater than 2 years and less than 3 years	-	1,769	-
Maturing greater than 3 years and less than 4 years	10,253	2,878	98,977
Maturing greater than 4 years and less than 5 years	-	-	-
Maturing greater than 5 years	329,263	290,211	1,720
	<u>5,018,674</u>	<u>5,018,674</u>	<u>177,431</u>

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

Sensitivity to Interest Rate Risk

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

	100 bp parallel increase	100 bp parallel decrease	50 bp parallel increase	50 bp parallel decrease
	€'000	€'000	€'000	€'000
	Gain/(Loss)	(Loss)/Gain	Gain	(Loss)
At 31 December 2009	3,948	(3,948)	1,974	(1,974)
At 31 December 2008	(3,348)	3,348	1,674	(1,674)

The above figures have been calculated using outstanding balances of variable rate loan advances offsetting outstanding variable rate ECP funding, at the above dates. 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 Foreign Exchange Rate Risk

Risk related to changes in foreign exchange rates concerns the following transactions:

The Agency issues zero coupon commercial paper debt in currencies other than the functional currency. The National Treasury Management Agency, acting as agent, hedges the foreign currency exposure in respect of the repayment of this debt by entering into foreign currency forward contracts to exchange a fixed amount of euro for a fixed amount of the foreign currency. As at 31 December 2009 and 2008, after taking into account the effects of foreign currency forward contracts, no material currency exposures existed.

Exposure to Inflation Rate Risk

Inflation related risk arises from a mismatch of index linked borrowings and advances which is inherent in the contracts governing each side of the Agency's book. The Agency, in the absence of readily available hedging instruments, manages this risk by matching the

borrowing and lending portfolios as far as possible and by setting margins above its cost, which is approved by the Board. The Agency's policy is to ensure that adequate reserves are set aside to meet known potential risks in the period to which such exposures relate.

In relation to inflation mismatches and margin fluctuations the Board determines a reserve figure for the current year, based on historic trends. In other areas (e.g. the potential cost of a mismatch between long-term fixed rate assets (advances to local authorities) and liabilities (bonds)) the Board sets aside reserves based on the net present value of potential losses at current market discount rates.

The fair value of the index linked assets are lower than the carrying value due to the fact that the income rate on the indexed linked loans is charged at an applicable fixed rate margin plus inflation. Sustained deflation during 2009 has meant that the overall income rate charged on these loans is now a negative rate. This also impacts on the discount rate used to calculate the fair value, which is a combination of the average income rate charged for the year less the EURIBOR[®] rate at the year end. This outcome has resulted in a negative discount rate for 2009.

An analysis of the Agency's sensitivity to an increase or decrease in the consumer price index inflation rates (assuming a constant balance sheet position) is as follows:

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

	100 bp parallel increase	100 bp parallel decrease	50 bp parallel increase	50 bp parallel decrease
	€'000 Gain	€'000 (Loss)	€'000 Gain	€'000 (Loss)
At 31 December 2009	(176)	176	(88)	88
At 31 December 2008	(111)	111	(55)	55

Fair Value

The following tables outline the fair values of the financial assets and liabilities as at 31 December 2009 and 31 December 2008:

	Carrying Value	Fair Value
	€'000	€'000
31 Dec 2009		
Financial assets		
Fixed rate	147,204	200,093
Floating rate	4,624,845	4,624,845
Index linked	160,552	105,391
Derivative assets	41,882	41,882
	<u>4,974,483</u>	<u>4,972,211</u>
Financial liabilities		
Fixed rate	96,574	146,117
Floating rate	4,639,160	4,639,160
Index linked	191,304	191,416
Derivative liabilities	6,415	6,415
	<u>4,933,453</u>	<u>4,983,108</u>
31 Dec 2008		
Financial assets		
Fixed rate	154,219	184,528
Floating rate	4,625,816	4,625,816
Index linked	180,785	260,573
Derivative assets	113,332	113,332
	<u>5,074,152</u>	<u>5,184,249</u>
Financial liabilities		
Fixed rate	98,169	135,179
Floating rate	4,655,451	4,655,451
Index linked	198,296	265,987
Derivative liabilities	66,758	66,758
	<u>5,018,674</u>	<u>5,123,375</u>

Notes Forming Part of the Financial Statements
15. Financial Risk Management continued

The Agency has considered how best it can determine the fair value of index linked assets and liabilities. The fair value of the Agency's assets is arrived at by assessing the return on €100 (nominal) of an index linked loan, compared to the return on a conventional variable loan based on one month EURIBOR[®], at the balance sheet date. The fair value of the Agency's assets has been calculated as €5.0 billion. This is based on EURIBOR[®] at the year end rate (2009: EURIBOR[®]) on a 365 day basis.

Similarly, the Agency's liabilities are valued by reference to one month EURIBOR[®] (0.453% [360-day basis]) at 31 December 2009, with the cost of funding index linked stock compared to the cost of funding a conventional variable rate stock. €5.0 billion has been estimated as the fair value of the Agency's liabilities. This is again based on EURIBOR[®] at the year end rate (2009: EURIBOR[®]).

In selecting this methodology, the Agency decided against using the quoted market price of the index linked bonds as they are held by few stockholders and are rarely traded. It was felt 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.

The fair value of derivatives is received from an independent, third party provider and is based on applicable market price information. This fair value is calculated based on ECB closing foreign currency rates at 31 December 2009.

The table below analyses financial instruments measured at fair value at the 31 December 2009 by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Quoted market prices (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
	€'000	€'000	€'000	€'000
Fair Value Hierarchy				
Financial assets held at fair value				
Derivative financial instruments	-	41,882	-	41,882
Financial liabilities held at fair value				
Derivative financial instruments	-	6,415	-	6,415

During the year, there were no transfers between levels. The financial instruments valued using observable market data (Level 2) relates to derivative financial instruments.

Notes Forming Part of the Financial Statements continued

16. Derivative Financial Instruments

	Contract/ notional amount	Fair value assets	Fair value liabilities
	€'000	€'000	€'000
At 31 Dec 2009			
Derivatives designated as cash flow hedges			
Forward exchange rate agreements	2,150,272	41,882	(6,415)
Total recognised derivative assets/(liabilities)	2,150,272	41,882	(6,415)
At 31 Dec 2008			
Derivatives designated as cash flow hedges			
Forward exchange rate agreements	2,363,048	113,332	(66,758)
Total recognised derivative assets/(liabilities)	2,363,048	113,332	(66,758)

The cash-flows and related income and expenditure movements in relation to the derivatives above are all expected to occur within one year.

17. Hedging Reserve/Cash Flow Hedges

	2009	2008
	€'000	€'000
Balance at beginning of year	(21)	-
Losses on hedging instruments	(190)	(395)
Transferred to income and expenditure account	(104)	374
Balance at end of year	(315)	(21)

Notes Forming Part of the Financial Statements continued

18. Cash Flow Statement

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
(a) Reconciliation of operating surplus/(deficit) to cash outflow from operating activities		
Operating surplus/(deficit) for the financial year	7,706	(21,411)
Direct expenditure (Note 4)	89,765	209,447
Pension service costs (Note 6)	142	65
Depreciation (Note 9)	42	35
Interest received	4,132	19,245
Interest paid	(96,774)	(201,033)
Movements in working capital:		
Increase/(decrease) in amounts due from local authorities (Note 8)	23,523	(16,256)
Increase in advances (Note 8)	(144,478)	(658,928)
Increase in other debtors and prepayments	-	2
(Decrease)/increase in creditors	(26,585)	18,774
Increase/(decrease) in derivatives	11,107	(91,381)
Cash outflow from operating activities	<u>(131,420)</u>	<u>(741,441)</u>
(b) Gross cash flows		
Returns on investments and servicing of finance		
Redemption of bond	-	(266,906)
Net cash outflow from returns on investments and servicing of finance	<u>-</u>	<u>(266,906)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(8)	(57)
Net cash outflow from capital expenditure and disposals	<u>(8)</u>	<u>(57)</u>
Debt financing		
(Decrease)/increase in bank loans and notes payable	(17,166)	902,490
Net cash inflow from change in debt	<u>(17,166)</u>	<u>902,490</u>

Notes Forming Part of the Financial Statements
18 Cash Flow Statement continued

	At 31 December 2009	Cash flows	Non-cash movements	At 31 December 2008
	€'000	€'000	€'000	€'000
(c) Analysis of changes in net debt				
Cash and cash equivalents	259,309	(149,675)	–	408,984
Overdraft	–	1,082	–	(1,082)
	<u>259,309</u>	<u>(148,593)</u>		<u>407,902</u>
Bank loans and notes repayable within one year	(4,545,902)	(184,584)		(4,361,318)
Bank loans and notes repayable after one year	(97,555)	201,749		(299,304)
Index linked bonds	(96,103)		135	(96,238)
Provision for premium on redemption of bonds	(95,201)		6,855	(102,056)
8.75% Housing Finance Agency Stock 2018	(92,277)		(361)	(91,916)
	<u>(4,667,729)</u>	<u>(131,428)</u>	<u>6,629</u>	<u>(4,542,930)</u>

19. 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 2009 and 2008.

20. Reconciliation of Retained Surplus

	31 December 2009	31 December 2008
	€'000	€'000
Retained surplus at beginning of year	21,255	24,098
Surplus/(deficit) for the financial year	10,888	(2,023)
Actuarial gains and losses	63	(820)
Retained surplus at end of year	<u>32,206</u>	<u>21,255</u>

21. Reconciliation of Shareholder's Funds

	31 December 2009	31 December 2008
	€'000	€'000
Opening shareholder's funds	21,273	24,137
Recognised surplus/(deficit) for year	10,657	(2,864)
Closing shareholder's funds	<u>31,930</u>	<u>21,273</u>

Notes Forming Part of the Financial Statements continued

22. Commitments

Operating Lease Commitments

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

Lease expiring:	Buildings
	€'000
Not later than one year	80
After one year less than five years	120
After five years	120

23. Pension Surplus/(Deficit)

The Agency operates a defined benefit pension scheme covering all permanent employees.

The latest full actuarial valuation was carried out at 31 December 2007 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 2009 the market value of the fund's assets was €2.82 million (2008: €1.95 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 17 Retirement Benefits the latest valuations have been updated to 31 December 2009 by a qualified independent actuary using the projected unit cost method. The principal actuarial assumptions used were as follows:

	2009	2008	2007
	%	%	%
Rate of increase in salaries	3.75	3.75	4.25
Rate of increase in pensions payments	2.00	2.00	2.50
Discount rate	5.10	5.60	5.60
Inflation assumption	2.00	2.00	2.50
Mortality rate	2009	2008	2007
Post retirement – male age 62.5	23.5 years	23.9 years	21.6 years
Post retirement – female age 62.5	25.3 years	27.8 years	25.3 years

Based on these assumptions, the following table sets out the market value of the assets of the defined benefit scheme together with details of the expected long term rates of return used to generate the amount shown in the income and expenditure account. It also shows the most recent valuation of the scheme liabilities updated for movements in the financial assumptions:

Notes Forming Part of the Financial Statements
23 Pension Surplus/(Deficit) continued

	Long-term rate of return expected at 31 December 2009	Value at 31 December 2009	Long-term rate of return expected at 31 December 2008	Value at 31 December 2008	Long-term rate of return expected at 31 December 2007	Value at 31 December 2007
	%	€'000	%	€'000	%	€'000
Equities	7.00	915	7.00	547	6.50	1,276
Bonds	4.00	1,775	4.00	1,301	4.00	173
Property	6.50	65	6.50	72	6.00	121
Cash and other assets	2.00	68	2.00	28	2.50	47
Total market value of pension scheme assets		2,823		1,948		1,617
Present value of pension scheme liabilities		(2,344)		(2,025)		(1,681)
Total net retirement surplus/(deficit) in scheme		479		(77)		(64)
Total net pension surplus/(deficit)		479		(77)		(64)

The expected return has been calculated as the weighted average of the expected long term returns on each of the main asset classes held by the scheme- the weights adopted are the proportions held by the scheme in each of the main asset classes. For equities the expected return has been taken as price inflation plus 5.0% p.a., for property inflation plus 4.5%, and for fixed interest the gross redemption yields on long-term bonds. For cash, the expected return is equal to price inflation.

The actuarial gains and losses of the scheme may be analysed as follows:

	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	€'000	€'000	€'000	€'000	€'000
Included in statement of total recognised gains and losses:					
Difference between expected and actual return on assets	152	(661)	(188)	95	361
Experience gains and losses on scheme liabilities	54	(129)	(184)	(100)	(211)
Effect of changes in actuarial assumptions	(143)	(30)	246	(189)	(361)
Net amount in statement of total recognised gains and losses	63	(820)	(126)	(194)	(211)

History of Actuarial Gains and Losses

	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	€'000	€'000	€'000	€'000	€'000
Difference between expected and actual return on assets	152	(661)	(188)	95	361
Expressed as a percentage of scheme assets	5.38%	(33.9%)	(11.6%)	4.5%	12.1%
Experience gains and losses on scheme liabilities	54	(129)	(184)	(100)	(211)
Expressed as a percentage of scheme liabilities	2.30%	(6.37%)	(10.9%)	(4.8%)	(7.5%)
Total actuarial gains and losses	63	(820)	(126)	(194)	(211)
Expressed as a percentage of scheme liabilities	2.69%	(40.5%)	(7.5%)	(9.3%)	(7.5%)

Notes Forming Part of the Financial Statements
23 Pension Surplus/(Deficit) continued

Changes in the Present Value of the Defined Benefit Obligation Are As Follows:

	2009	2008
	€'000	€'000
Deficit at 1 January	(2,025)	(1,681)
Current service cost	(58)	(65)
Interest Cost	(118)	(99)
Contributions by employees	(26)	(21)
Actuarial (losses)	(89)	(159)
Past service costs	(84)	-
Benefits paid	56	-
Deficit at 31 December	(2,344)	(2,025)

Changes in the Fair Value of Plan Assets Are As Follows:

Fair value of plan assets at 1 January	1,948	1,617
Expected return on plan assets	90	110
Contributions by employer	663	861
Contributions by employees	26	21
Actuarial losses	152	(661)
Benefits paid	(56)	-
Other adjustments (if any)	-	-
Fair value of plan assets at 31 December	2,823	1,948

Additional Information

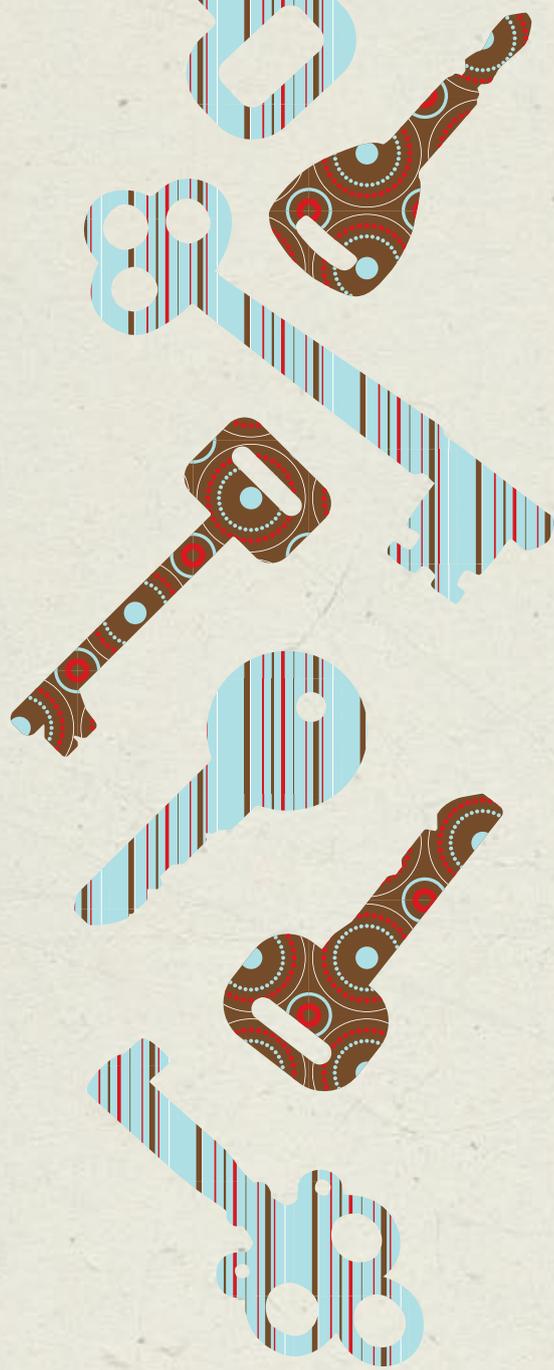
	Year ended 31 December 2010	Year ended 31 December 2009
	€'000	€'000
Expected Employer contributions	203	229

24. Post Balance Sheet Events

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

25. Approval of Financial Statements

The audited financial statements, which are in the form approved by the Minister for the Environment, Heritage and Local Government with the consent of the Minister of Finance, were approved by the Directors on 25 March 2010.



Appendices



I-4

APPENDIX ONE

Balance Outstanding by Local Authority & National Building Agency

Local Authority	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Athlone Town Council	2,489	2,531
Athy Town Council	1,985	960
Bray Town Council	7,420	1,427
Bundoran Town Council	1,903	-
Carlow County Council	39,125	40,202
Carrick-on-Suir Town Council	397	389
Castleblaney Town Council	75	82
Cavan County Council	19,024	17,694
Clare County Council	52,216	48,322
Clonakilty Town Council	2,289	3,442
Clones Town Council	186	193
Clonmel Borough Council	5,201	5,379
Cork City Council	158,418	155,646
Cork County Council	418,514	386,681
Donegal County Council	102,390	102,925
Drogheda Borough Council	76,062	79,290
Dublin City Council	1,023,972	1,008,340
Dundalk Town Council	54,057	52,076
Dungarvan Town Council	2,045	2,001
Dunlaoghaire/Rathdown County Council	160,897	156,328
Ennis Town Council	999	1,000
Enniscorthy Town Council	-	420
Fermoy Town Council	332	325
Fingal County Council	449,245	463,025
Galway City Council	126,670	143,559
Galway County Council	91,581	72,197
Kerry County Council	84,363	73,282
Kildare County Council	139,315	145,477
Kilkenny Borough Council	719	775
Kilkenny County Council	52,195	56,874

Appendix One continued

Local Authority	Year ended	Year ended
	31 December 2009	31 December 2008
	€'000	€'000
Killarney Town Council	-	3,500
Laois County Council	140,755	137,011
Leitrim County Council	9,873	9,487
Limerick City Council	17,838	27,841
Limerick County Council	43,605	47,751
Listowel Town Council	1,446	1,766
Longford County Council	44,258	44,887
Longford Town Council	6,891	8,543
Louth County Council	32,196	3,870
Mallow Town Council	3,759	3,679
Mayo County Council	66,142	68,553
Meath County Council	94,782	75,153,
Monaghan County Council	35,147	31,938
Naas Town Council	11,820	11,652
Nenagh Town Council	749	-
North Tipperary County Council	49,267	39,639
Offaly County Council	41,740	39,036
Roscommon County Council	7,584	5,897
Skibbereen Town Council	1,371	1,341
Sligo Borough Council	43,624	50,570
Sligo County Council	58,007	51,810
South Dublin County Council	245,086	242,528
South Tipperary County Council	57,798	61,246
Tralee Town Council	20,424	19,990
Tullamore Town Council	6,931	12,607
Waterford City Council	97,250	97,525
Waterford County Council	37,604	35,666
Westmeath County Council	98,109	80,566
Westport Town Council	3,531	3,456
Wexford Borough Council	5,080	5,350
Wexford County Council	138,310	121,523
Wicklow County Council	72,980	58,150
Wicklow Town Council	7,210	7,056
Sub total	4,575,251	4,430,429
National Building Agency	7,365	7,209
Total	4,582,616	4,437,638

APPENDIX TWO

Loans Advanced By Local Authority & National Building Agency

Local Authority	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Athlone Town Council	-	1300
Athy Town Council	1,027	960
Bray Town Council	6,100	-
Bundoran Town Council	1,900	-
Carlow County Council	1,307	4,409
Cavan County Council	3,186	3,163
Clare County Council	7,760	3,604
Cork City Council	26,365	50,581
Cork County Council	93,078	137,593
Donegal County Council	12,854	11,871
Drogheda Borough Council	1,749	8,525
Dublin City Council	160,594	222,265
Dundalk Town Council	2,835	8,345
Dunlaoghaire/Rathdown County Council	7,286	61,656
Ennis Town Council	-	1,000
Fingal County Council	44,790	116,813
Galway City Council	8,390	23,387
Galway County Council	23,882	11,604
Kerry County Council	14,900	21,335
Kildare County Council	14,385	26,035
Kilkenny County Council	11,848	15,520
Killarney Town Council	-	3,500
Laois County Council	16,956	51,081
Leitrim County Council	1,000	127
Limerick City Council	11,250	10,904

Appendix Two continued

Local Authority	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Limerick County Council	850	12,939
Listowel Town Council	-	640
Longford County Council	6,043	14,000
Longford Town Council	-	6,000
Louth County Council	28,566	-
Macroom Town Council	-	1,200
Mayo County Council	263	14,956
Meath County Council	36,341	5,516
Monaghan County Council	5,142	1,966
Nenagh Town Council	750	-
North Tipperary County Council	14,637	15,066
Offaly County Council	4,145	1,949
Roscommon County Council	1,900	696
Sligo Borough Council	-	2,915
Sligo County Council	7,909	2,309
South Dublin County Council	28,955	60,097
South Tipperary County Council	632	3,920
Tullamore Town Council	-	12,398
Waterford City Council	5,800	23,588
Waterford County Council	3,448	2,585
Westmeath County Council	23,900	27,184
Wexford County Council	20,057	41,705
Wicklow County Council	17,950	14,789
Total	680,730	1,061,996

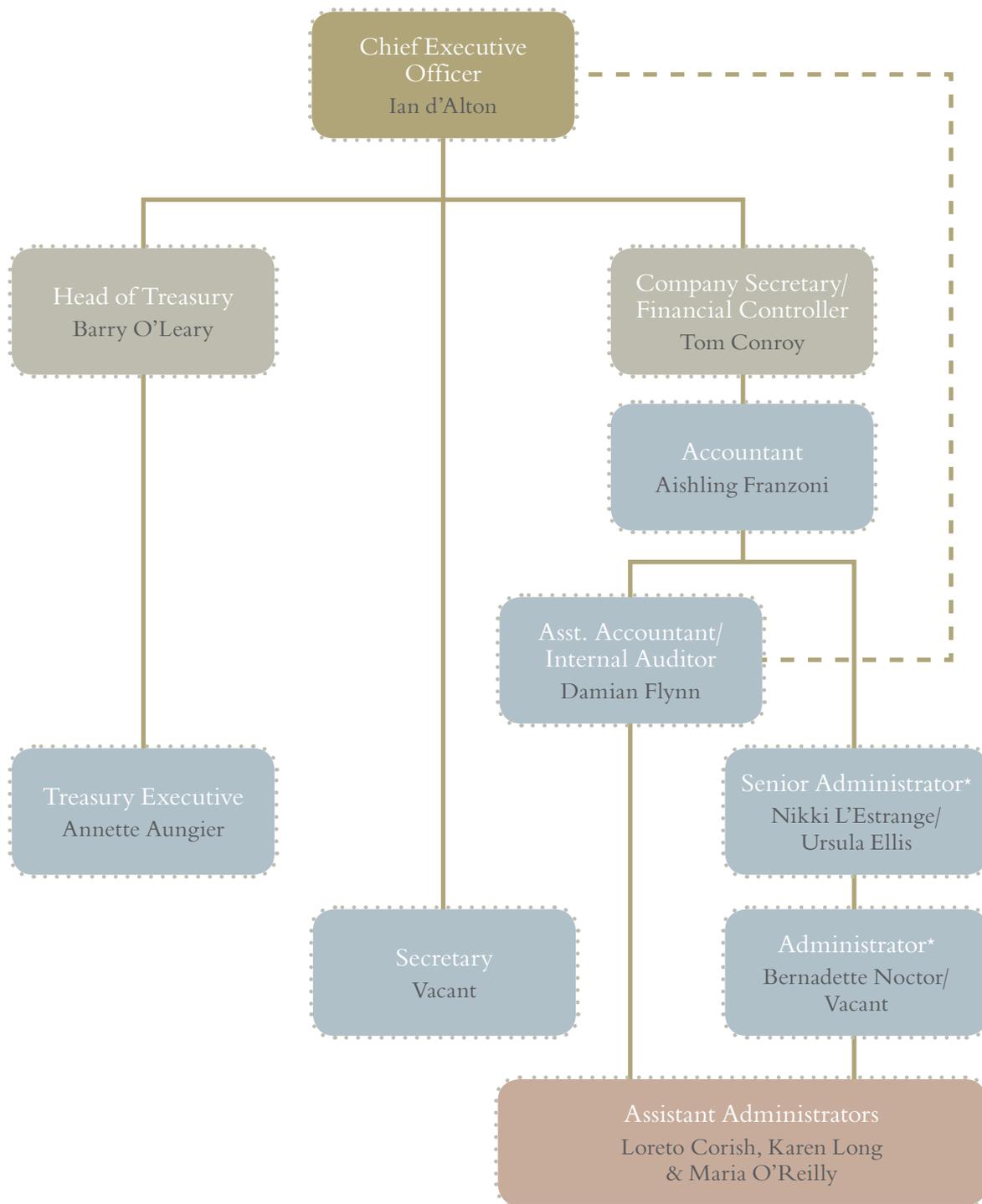
APPENDIX THREE

Balance Outstanding on Loan Book by Rate Type & Duration of Loan

	Fixed Rate	Variable Rate	Index Linked		Total
			Post May 1986	Pre May 1986	
	€'000	€'000	€'000	€'000	€'000
0 to 5 years	1,271,809	7,665	(956)	-	1,278,518
6 to 10 years	200,782	25,880	-	4,688	231,350
11 to 15 years	229,494	4,007	-	31,738	265,239
16 to 20 years	595,651	19,842	-	93,556	709,049
21 to 25 years	1,007,073	43,190	-	-	1,050,263
26 to 30 years	856,328	39,400	-	-	895,728
31 to 40 years	124,321	-	21,759	6,389	152,469
Total	4,285,458	139,984	20,803	136,371	4,582,616

APPENDIX FOUR

Agency Staff Structure



* Work-sharing

--- For internal audit purposes only.