

**HOUSING
FINANCE AGENCY**

ANNUAL REPORT 2011





HOUSING FINANCE AGENCY plc

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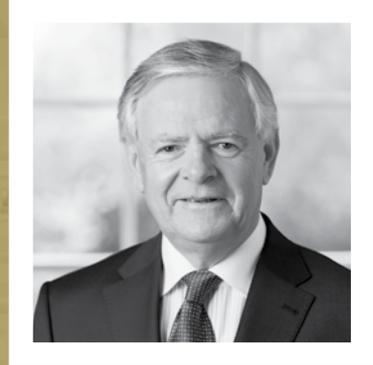
BOARD OF DIRECTORS



DR MICHELLE NORRIS
CHAIRMAN



MR COLM BROPHY



MR PADRAIC CAFFERTY



MS JACKIE MAGUIRE



MR MICHAEL MURRAY



MR PHILIP NUGENT



MR JOHN HOGAN



DR MARY LEE RHODES

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KPMG

Chartered Accountants, Statutory Audit Firm

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Dublin 1.

SOLICITORS

McCann FitzGerald

Riverside One

Sir John Rogerson's Quay

Dublin 2.

01



CHAPTER 01

CHAIRMAN'S REPORT

INTRODUCTION

This Annual Report covers the final year of the Board whose term of office ended on 31 December 2011. I pay tribute to that Board's careful stewardship of the Agency in the difficult times from 2008 and I especially thank my predecessor, John Bolger, for his two years as Chairman. The Agency was left in good financial shape, and it is my intention to oversee its continued prudent management during my term of office. In the current financial and economic environment the Agency, like Ireland, is subject to powerful external forces not within its control. Where the Agency can influence its own destiny, though, it will. I intend that, during my tenure as Chairman, the Agency will continue to work to minimise the burden on its existing customers, the local authorities, and, by extension, their borrowers. Its new business with the voluntary and cooperative housing sectors carries great potential for increasing the delivery of social housing in the years ahead, although this development also poses significant risk management challenges that will require careful monitoring.

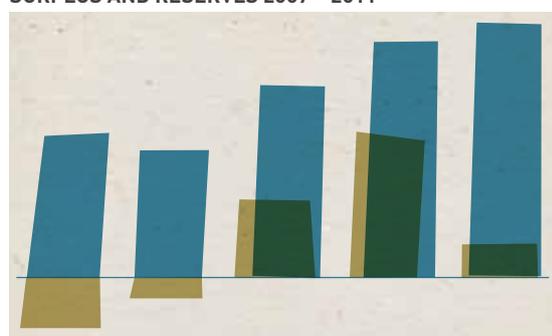
RESULTS

As in 2010, weak activity in the mortgage market and the social housing sector is reflected in the Agency's book decreasing by €90 million over the year. The loan book stood at €4.36 billion at 31 December 2011. With the changes announced in government policy (see below) coming into effect, the Agency expects that the loan book outstanding with local authorities will continue to decline, offset by new lending to the voluntary and cooperative housing sector.

In 2011 the Agency posted a surplus of €3.6 million, while at the same time delivering very low and

competitive interest rates to our customers, the local authorities and households. Reserves at the end of 2011 were €59.1 million. Our reserves exist to cover the long-term and lifetime risks that arise in the business, and it has been Agency policy for many years to ensure that they are adequate to cover the risks identified in our businesses. The Board closely monitors the Agency's risk management and earnings, and adjustments in its margins are made from time to time to ensure that returns are sufficient to generate the desired level of reserves.

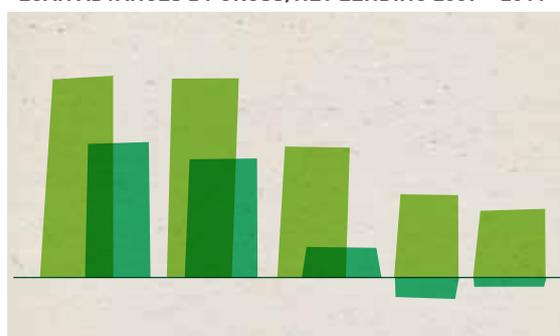
SURPLUS AND RESERVES 2007 – 2011



Year	2007	2008	2009	2010	2011
Closing Shareholders Funds	€24.14m	€21.27m	€31.93m	€55.67m	€59.16m
Recognised Surplus/Deficit	(€6.63m)	(€2.84m)	€10.66m	€23.74m	€3.49m

■ CLOSING SHAREHOLDERS FUNDS
■ RECOGNISED SURPLUS/DEFICIT

LOAN ADVANCES BY GROSS/NET LENDING 2007 – 2011



Year	2007	2008	2009	2010	2011
Gross Advances	€1,062m	€1,062m	€681m	€396m	€293m
Net Advances	€707m	€621m	€134m	(€143m)	(€109m)

■ GROSS ADVANCES
■ NET ADVANCES

HOUSING POLICY

A new government took office in 2011, and housing policy was reviewed and reassessed. The revised policy is based on choice, fairness and equity across tenures and on delivering quality outcomes for the resources invested. The overall strategic objective is to enable all households' access good quality housing appropriate to household circumstances and in their particular community of choice. It will neither force nor entice people through fiscal or other stimuli to treat housing as a commodity and a means of wealth creation. Policy makers will take account of current economic circumstances which effectively dictate that State provided housing supports must be prioritised towards meeting the most acute housing needs. From the Agency's perspective, the significant changes in policy relate to the ending of the Affordable Housing Scheme (which provided finance for cheaper housing for home buyers) and the Capital Loan and Subsidy Scheme (which provided non-repayable loans to fund social housing provision by Approved Housing Bodies [AHBs] in the voluntary and co-operative housing sectors, from the Agency through local authorities). The Government is committed to developing other funding mechanisms that will increase the supply of permanent new social housing. Such mechanisms will include options to purchase on lease agreements, build-to-lease, and the sourcing of loan finance by AHBs for social housing construction and acquisition. AHBs will be at the heart of the Government's vision for housing provision. It is envisaged that finance will be available from the Agency initially, with private-sector banking participation increasing as and when the economic climate generally improves.

LENDING DURING 2011

The Agency's mission is to source and supply cost-efficient loan finance for local authorities and AHBs in the voluntary and co-operative sector. The Agency currently lends to 42 local authorities under a variety of schemes and structures. In 2011, gross loan advances amounted to €293 million. Repayments and redemptions totalled €401 million. In housing, gross advances in 2011 were principally for bridging finance for affordable housing (€71 million), to voluntary housing bodies under the Capital Loan and Subsidy scheme (€45m), and house purchase loans for low and middle income households (€34 million). €137 million was advanced to local authorities for housing-related purposes under Section 11 of the Housing (Miscellaneous Provisions) Act, 2009, of which €61 million was for infrastructural water/waste/environmental projects. The Agency is conscious of the financial pressures under which the local government system is operating. It is working with the Department and local authorities to ensure that the range of options set out under the Central Bank's Code of Conduct on Mortgage Arrears (including a local authority variant of the Mortgage Arrears Resolution Process) is available to distressed borrowers. It is also developing appropriate loan structures for local authorities in order to better match their financial circumstances.

1 AND 3 MONTH EURIBOR® RATES 2011



INTEREST RATES

The Agency's interest rates continued to be the lowest available in the market. Households benefited from an Agency-generated house purchase annuity mortgage rate that was about 1.5% below the average standard variable rates available in the market, and which averaged 3.06% during 2011. In spite of a persistently volatile relationship between the Agency's cost of funds and the ECB/Euribor rate the Agency managed to pass on all the decreases in ECB interest rates during the period, and the current rate to borrowers is 2.75%. The Agency's decisions in regard to future interest rate changes triggered by ECB/Euribor movements will, as in the past, have to have regard for its cost of funds and the necessity for it to meet its costs from its operations.

In 2011, local authorities paid an average variable rate of 2.30% on loans for non-mortgage housing and housing-related purposes. The interest rate structure for loans made directly to AHBs will be somewhat higher, reflecting the increased risks in lending directly to this sector; but they will still be cost-effective when compared with the market alternative.

FUNDING

The vast majority of the Agency's loans have a variable rate structure and hence its funding has traditionally matched this through use of a State-guaranteed €6 billion eurocommercial paper [ECP] programme. The sovereign's borrowing difficulties, which began in 2010, are well documented. This led to unfavourable conditions for issuing under the Agency's ECP programme. The alternative source of floating rate funding, which became available in 2011, through the multi-lateral EU/IMF Programme of Financial Support for Ireland via the NTMA using the Guaranteed Notes programme, remains in place. The programme, with a capacity of €4.5 billion, is more than sufficient to cover the Agency's variable funding needs at present. An amount of €4.0 billion was drawn under the GN programme at year end, of which €3.8 billion was funded through the EU/IMF Programme of Financial Support.

The relatively short tenure of notes issued under this programme has enabled the Agency to maintain very competitive interest rates to its customers, while having an assured supply of funding.

The Agency also utilises the GN programme to provide local authorities with an investment facility for their surplus cash, offering competitive interest rates. In 2011, the Agency dealt with 24 local authorities in this area of its business (29 in 2010). The average weekly turnover of investments grew by 12%, to €173 million in 2011 (from €154 million in 2010). As well as providing a cost-effective and flexible service to our customers, the facility is another source of funding for the Agency.

LENDING TO APPROVED HOUSING BODIES

Last year's Annual Report signalled the beginning of a process of direct lending to AHBs in the voluntary and co-operative housing sectors. I am pleased to say that considerable progress has been made in this area. The process - which allows for the assessment of suitability of AHBs for lending purposes and for the vetting of their loan applications - is now fully operational. The Agency's Credit Committee - consisting of board members and senior management - met five times during the year and as at 31 December 2011, of the eleven applications for Certified Body status received, three AHBs were successful on first application and a number of others are currently revising their applications and internal procedures with a view to receiving Certified Body status, following reapplication to the Agency. One loan had been approved, but not paid, as at 31 December 2011. Lending activity, which will follow successful certification, will pick up in due course and it is anticipated that 2012 will see a significant upturn in the level of lending in this area. The Agency has undertaken a number of private and forum based meetings to interact with AHBs and assist them in ensuring that their applications for certified status have the best chance of succeeding.

CORPORATE GOVERNANCE AND PLANNING

The Agency aims to achieve the highest standards of corporate governance. It conforms to the *Code of Practice for the Governance of State Bodies* issued by the

Department of Finance. The Code sets out a framework to be adopted by State bodies towards the achievement of best practice for corporate governance in both commercial and non-commercial State bodies. It 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. Under the Code the Agency furnishes semi-annual reports to the Departments of the Environment, Community and Local Government, and Public Expenditure and Reform. I acknowledge that the Board is responsible for the Agency's system of internal control. Additional information, as required to be disclosed by Appendix V of the Code is contained with the Governance and Oversight - Corporate Governance Statement on page 18.

During 2011 the Agency carried out a root-and-branch revision of its 'workshop' operational procedures, as detailed in its Policies and Procedures Manual. With outside advice, and benchmarking to best practice, the Manual was updated and conformed, and is an essential tool for the proper and consistent management of the Agency's business. The Agency's rolling five-year Corporate Plan, published on its website, is updated annually and is tabled for approval by the Minister for the Environment, Community and Local Government, and the Board thereafter. The Agency complies with the UK

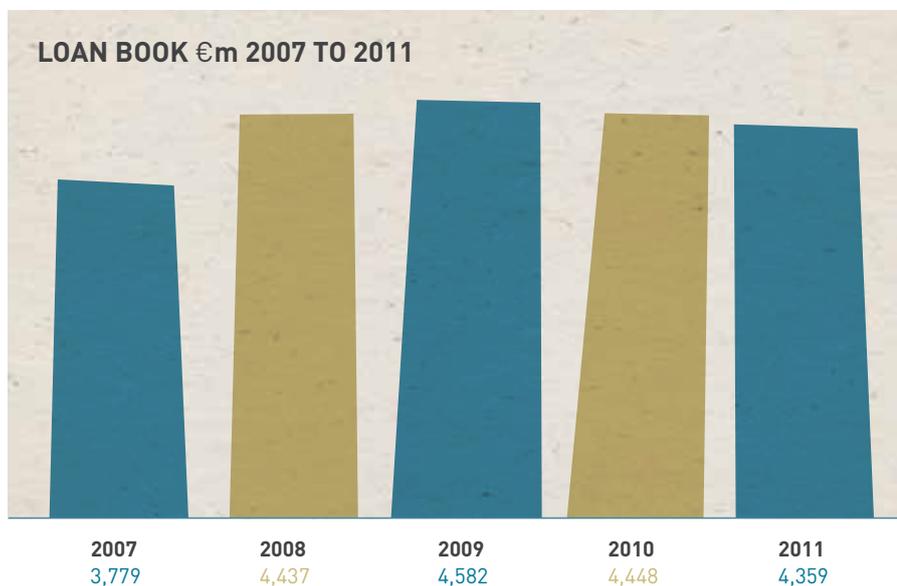
Code of Corporate Governance (see the Governance and Oversight - Corporate Governance Statement on page 18). There is a new Irish Stock Exchange requirement (the Irish Corporate Governance Annex) which the Agency has voluntarily adopted for the year ended 31 December 2011.

In addition, the Agency's objectives under the Croke Park Agreement are reported on regularly and published on its website, www.hfa.ie.

RISK MANAGEMENT

In conformity with the revised *Code of Practice for the Governance of State Bodies*, a risk management policy framework (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. During 2011, the Agency commissioned an outside review of the policy framework to ensure that it captured all appropriate risks. This was approved by the outgoing Board in October 2011.

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 incurred a loss of €2.0 million in 2011, (2010: €0.4 million) and this mismatch will continue to 2015 (when the bonds mature). In addition, intra-year differences in inflation can produce gains or losses. In 2011, these differences produced a gain of €1.4 million, (2010: €3.2 million) as deflation was replaced by inflation during the year. Over the medium to long term, however, intra-year movements should broadly balance.

The Agency has substantial risk in parts of its portfolio – principally in the index-linked and fixed rate books – as a result of structural changes in the level of interest rates since Economic and Monetary Union in 1998. The Agency has long term fixed interest rate and index linked debt financed by two bonds which will expire in 2015 and 2018. This debt was raised to finance specific housing schemes in the 1980s. It represented exceptional value at the time and into the early 1990s. However, the structural fall in interest rates since the mid-1990s precipitated a substantial increase in loan redemptions. Together with the government granting a right to prepay fixed rate loans without penalty in 1989 (after the bonds were issued) the result for the Agency has been the development of a considerable mismatch in the loan book.

The *fixed rate mismatch* will continue until 2018, when the 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 €4.4 million in 2011 (2010: €4.9 million).

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. The local authorities hold 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. Individual borrowers are required to hold mortgage protection insurance on their property.

On post May 1986 loans, in the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, (b) their revenues or funds being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), (c) all loans advanced to local authorities are approved by the Minister for the Environment, Community and Local Government, and (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the Agency; the Board is of the opinion that, in substance, no credit risk arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans. During 2011, the credit risk relating to *balances on older pre-May 1986 income-related loans* necessitated a further collective provision of €0.04 million, increasing the total provision for this element of risk to €1.1 million. While the provision provided has not yet been utilised to date, it may crystallise in the future.

The bulk of the Agency's lending – consisting mostly of 30-year annuities – is funded by its Guaranteed Notes facility, guaranteed by the Minister for Finance of Ireland. Notes under this facility have tenors ranging from 1 day to 3 months, with the bulk of notes being in the latter maturity. The Department of Finance has requested the NTMA to continue to provide floating rate funding to the Agency through the GN programme. The Board considers that adequate resources are in place to cover any liquidity risk that may arise over the next 12 months.

Under section 17 of the Housing (Miscellaneous Provisions) Act, 2002, the Agency is empowered to lend directly to Approved Housing Bodies (voluntary housing bodies and co-operative housing societies). Direct lending to such bodies marks a fundamental shift away from the Agency's existing operations and risk profile. Up to now, the Agency's exposure has been to local authorities. Lending to other entities implies a greater

level of risk and this requires a different level of assessment and due diligence. To mitigate this risk the services of an independent financial assessment firm has been engaged, and a Credit Committee has been established to assess all applications. AHBs wishing to borrow from the Agency have to submit to a general financial assessment in order to receive Certified Body status. Only when that status has been confirmed can they apply for loan advances, which are subsequently assessed.

I am pleased to say that the Agency's *pension fund* is fully funded as at year end-2011, in compliance with the Funding Standard of the Irish Pensions Board.

QUALITY CUSTOMER SERVICE

Quality Customer Service ('QCS') is important to the Agency, and we use the following criteria to measure and monitor it:

In regard to timely disbursement of *loan advances to local authorities*, the Agency has as its target that 95% of loans are advanced within seven days of receipt of the application. The Agency met this target in 2011 with a 99% level of compliance.

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 on-going efficiency of the Agency. Our target of spending the equivalent of 4% of payroll costs on training was not met due to necessary administrative expenditure reductions, resulting in a 2.6% outturn for 2011 (2010: 2.6%).

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 policies 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 2011.

The Agency makes a point of maintaining close contact with its customers through discussions with and presentations to local authority officials' representative associations (county and city managers, heads of finance and 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. In the latter part of 2011, the Agency held a series of regional information seminars for local authority personnel who administer housing loans. The general consensus is that these are valuable exercises, and it is intended to continue them at periodic intervals

FREEDOM OF INFORMATION

The Agency has been 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 can be found at the Agency's website, www.hfa.ie. The Freedom of Information Officer is Mr Tom Conroy and the Agency's internal reviewer is Mr Barry O'Leary. No requests for information were received in 2011.

ENERGY CONSERVATION

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

- the Agency's offices have a BER rating of B1;
- the Agency recycles paper and cardboard, electronic equipment and mobile phones;
- it purchases and operates energy-rated servers, personal computers and printers; and
- 91% of staff use public transport for commuting, while 9% of staff cycle to and from work, encouraged by the availability of appropriate facilities in the Agency.

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 aims to keep its administration costs under careful control. Where the Agency has some discretion on expenditure, we keep operating costs as low as possible, while delivering the service level required of it. As a percentage of the end-year loan book, the Agency's administrative costs have dropped from 0.06% to 0.03% in the period from 2002 to 2011, and an administrative cost saving was made of 1.0% in 2011 over the actual outturn in 2010, excluding pension-related past service costs. The Agency does not pay bonuses, overtime or premium pay.

The Agency's staff consists of the equivalent of eleven whole-time persons. The Agency appreciates the qualities of flexibility and dedication that its staff exhibit, particularly in these difficult times, and it endeavours, where possible, to operate family-friendly and work-life balance structures.

ACKNOWLEDGEMENTS

The Agency, with its small core staff, could therefore not operate effectively without the assistance and co-operation of its stakeholders, including the NTMA, the Central Bank, its auditors, lawyers, IT contractors and bankers and all those who provide essential services. Thanks are offered for their support, and especially to the Ministers for the Environment, Community and Local Government, Public Expenditure and Reform, and Finance, and their staff. Our customers, the local authorities and the AHBs, are what the Agency focuses on, and their courtesy and efficiency is much appreciated.

BOARD CHANGES

A new Board was appointed in March 2012. I welcome my fellow Directors Colm Brophy, Padraic Cafferty, John Hogan, Jackie Maguire, Michael Murray, Philip Nugent and Dr Mary Lee Rhodes. I look forward to a productive Board and good working relationships.

The Agency's Chief Executive Officer, Ian d'Alton, retired at the end of February 2012. Ian was a founding Board member of the Agency from 1982 to 1985, and was heavily involved in its pioneering issue of index-linked bonds. He joined the Agency as Funding Manager in 1986, becoming Head of Treasury in 1992 and CEO in 2007. During his period as CEO the loan book expanded from €3.04 billion to €4.36 billion, the Agency's reserves increased from €30.7 million to €59.1 million, the process of direct lending to AHBs commenced, and governance strengthened with fundamental reviews of the Agency's risk management framework and its operational policies and procedures. On behalf of Agency Board members and staff, I would like to thank Ian for his work for the Agency over these thirty years, and wish him a healthy, happy and interest-filled life ahead.



Dr Michelle Norris

Chairman

30 April 2012



02



CHAPTER 02

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2011.

1. BACKGROUND

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

- to advance funds to local authorities and the voluntary housing sector to be used by them for any purpose authorised by the Housing Acts; and
- to borrow or raise funds for these purposes.

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

2. RESULTS AND DIVIDENDS

	2011	2010
	€'000	€'000
Total recognised surplus for the year	3,494	23,737
Shareholders funds at beginning of year	55,667	31,930
Shareholders funds at end of year	59,161	55,667

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 (2010: nil).

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. The Chairman's Report addresses the significant business risks to which the Agency is exposed and key performance indicators.

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 2011 such loans represented outstanding balances of €20.2 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. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, (b) their revenues or funds being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), (c) all loans advanced to local authorities being approved by the Minister for the Environment, Community and Local Government, and (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the Agency; the Board is of the opinion that, in substance, no credit risk arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans.

After advancing new loans of €292.6 million in the current year, at 31 December 2011 such loans represented outstanding balances of €4.34 billion (2010: €4.43 billion).

In 2009 an amount of €263.84 million of loans to local authorities due to mature in 2009 and 2010 were renegotiated to 2011. There were no further renegotiations in 2010 or in the current year; however, we note that amounts of €30.2 million of the previously renegotiated loans were repaid in full during the year (2010: €78.1 million). The amount of renegotiated loans outstanding at 31 December 2011 was €155.43 million (2010: €185.63 million). As and from 1 January 2012 all of these loans have been renegotiated for a further 6 months and will be converted to normal course annuity loans, repayable over a period of up to 25 years, as and from 1 July 2012.

In early 2012, the Agency agreed to a further tranche of local authority non housing-related loans to be renegotiated by extending the loan terms to 40 years. This tranche of loans, in the value of €34 million, at 31 December 2011, had an average loan term of 25 years.

(c) Loans to Approved Housing Bodies (AHBs)

Under section 17 of the Housing (Miscellaneous Provisions) Act 2002, the Agency is empowered to lend directly to approved housing bodies (voluntary housing bodies and co-operative housing societies).

Under this scheme, the Department of the Environment, Community and Local Government [DoECLG] proposes to lease houses from AHBs, which will be rented to social housing tenants nominated by local authorities. Houses would be either bought or built by AHBs, financed by loan finance raised by the AHB (from the Agency or the private sector), with a guaranteed [i.e. agreed] revenue stream via a lease taken out by the DoECLG for a period of up to 30 years.

Direct lending to such bodies marks a fundamental shift away from the Agency's existing operations and risk profile. Up to now, the Agency's exposure has been to local authorities. Lending to other entities implies a greater level of risk and this requires a different level of assessment and due diligence. To mitigate this risk the services of an independent financial assessment firm has been engaged, and a Credit Committee has been established to assess all applications. AHBs wishing to borrow from the Agency have to submit to a general financial assessment in order to receive Certified Body status. Only when that status has been confirmed can they apply for loan advances, which are subsequently assessed.

To date, eleven applications for Certified Body status have been received from AHBs. Three AHBs were successful and one application remained under review at the end of December 2011. Seven housing associations were unsuccessful in their initial applications.

To date, the Agency has received one individual loan application which was approved at a Credit Committee meeting in 2011; however, this has yet to be drawn down.

4. 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 11 and in the 'Access to Funding and Going Concern' section within the Basis of Preparation section of the Statement of accounting policies. 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 and market risks.

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

Section 17 of the Housing (Miscellaneous Provisions) Act, 2002 and Section 19 of the Planning and Development (Amendment) Act, 2002 give 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 eurocommercial paper [ECP] and Guaranteed Notes [GN] programmes. The NTMA had purchased €3.8bn in GNs at 31 December 2011 (2010: €3.6bn).

Ireland's access to sovereign debt markets remained restricted throughout the year and this had a significant impact on the Agency's access to funding through its market-oriented ECP programme during the year. At 31 December 2011 none of the Agency's funding was provided under this programme (2010: €300 million). The Department of Finance has considered the HFA's liquidity and funding position for the next 12 months and

has requested that the NTMA continues to provide GN funding to the Agency. It has been agreed that floating rate funding through the financial assistance programme will be made available in tranches, each with a 3-month maturity. The GNs are guaranteed by the Minister for Finance of Ireland.

The Directors' assessment of the appropriateness of preparing the financial statements on the going concern basis has involved reviewing the Agency's business and funding plans, taking into account the Agency's continued ability to access liquidity and funding via Ireland's participation in the EU/IMF Programme of Financial Support through the GN programme.

Ireland's access to funding via the EU/IMF Programme of Financial Support ('the Programme') is predicated on its compliance with the Programme conditions. The recent Letter of Intent from the Department of Finance notes that Ireland remains firmly committed to the Programme and has bettered or met all of the associated targets and milestones to date.

The Directors are satisfied that, in the light of the Department of Finance's request to the NTMA, the Agency will have access to sufficient funding for the next 12 months and that, for this reason, it continues to be appropriate to prepare the financial statements on a going concern basis, the Agency will continue in business for the foreseeable future.

5. DIRECTORS

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

6. 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.

7. 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.

8. ELECTORAL ACT, 1997

The Agency made no political donations during the year.

9. EUROPEAN COMMUNITY (LATE PAYMENT IN COMMERCIAL TRANSACTIONS) REGULATIONS

The Agency is required to comply with the requirements of the European Community (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 2011, shows no late payments were made during 2011 under the above Act.

10. 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.

11. CORPORATE GOVERNANCE

As requested by the UK Code of Corporate Governance, the Directors have prepared a 'Governance and Oversight – Corporate Governance Statement, which is set out on pages 18 to 27 and which, for the purpose of Statutory Instrument 450/2009 European Community (Directive 2006/46) Regulations 2009, forms part of the Directors' report.

12. AUDITORS

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

On behalf of the Board,



Michelle Norris
Director
4 April 2012



Philip Nugent
Director
4 April 2012





03



CHAPTER 03

GOVERNANCE AND OVERSIGHT – CORPORATE GOVERNANCE STATEMENT

The Directors are committed to maintaining the highest standards of corporate governance and support the Principles of Good Governance and Code of Best Practice (“UK Code of Corporate Governance”), formerly known as the Combined Code. The Code of Practice for the Governance of State Bodies, as published by the Department of Finance, was issued in June 2009 and the Agency also complies with this Code.

The Directors note that a review of the UK Code was undertaken by the Financial Reporting Council in 2009, following which a revised Code entitled the UK Corporate Governance Code (“the UK Code”) was published in June 2010. The Irish Corporate Governance Annex (the ‘Irish Annex’) is addressed to companies with a primary equity listing on the Main Securities Market of the Irish Stock Exchange (‘ISE’). The Board welcomes the additional provisions of the new Codes, which come into effect for the Company’s accounting period ending 31 December 2011.

APPLICATION OF THE PRINCIPLES AND PROVISIONS OF THE UK CODE OF CORPORATE GOVERNANCE

The following information explains how Housing Finance Agency plc. applies the principles and provisions of the UK Code, the Irish Annex, and the *Code of Practice for the Governance of State Bodies*.

BOARD OF DIRECTORS

Scheduled Board meetings for the year ended 31 December 2011:

Members	Occupation	Meetings Held	Attended
John Bolger	Chairman	7	7
Ian d’Alton	Chief Executive Officer	7	7
Julia Carmichael	Councillor	7	3
Fr. Patrick Cogan	CEO of Respond!	7	4
Patrick Doyle	Consultant	7	7
Michael Hayes	Civil engineer	7	7
Clodagh Henehan	Local authority official	7	6
Jackie Maguire	Local authority official	7	7
Philip Nugent	Civil servant	7	7
Áine Stapleton	Civil servant	7	5
Eddie Wade	Councillor	7	7

The Board met seven times in 2011 and is responsible for the proper management of the Agency.

The roles of the Chairman and Chief Executive are separate. At 31 December 2011 the Board of Directors comprised ten non-executive Directors and one executive Director. The non-executive Directors are appointed by the Minister for the Environment, Community and Local Government for a period not to exceed five years. All of the non-executive Directors are independent of management.

The Board of the Agency comprises individuals who bring a wide range and depth of experience to the Agency, drawn from such areas as the Departments of the Environment, Community and Local Government, and Finance; the Local Authority sector; Social Housing Policy; and, Banking and private enterprise, and will enable the Agency to address major future challenges.

Following are brief biographies of the Directors:

Mr Colm Brophy was appointed to the Board in 2012 and is a Councillor on South Dublin County Council since 2008. He is also a Board member of South Dublin County Enterprise Board and South Dublin Tourism. Colm is the Founder and General Manager of T. E. Corporate Promotions - a specialist provider of event management services.

Mr Padraic Cafferty was appointed to the Board in 2012. He is the Managing Director of Datascan, Executive Chairman at Northwood Technology Ltd, and proprietor at Westpoint Business Centre and Sigmund Business Centre, Glasnevin, Dublin. Padraic is currently a Fellow of the Security Institute of Ireland and Past President of the Irish Security Industry Association.

Mr John Hogan was appointed to the Board in 2012. He is a Principal Officer in the Banking Policy Division of the Department of Finance. John has previously worked in the Departments of Education, Environment and Foreign Affairs.

Ms Jackie Maguire was reappointed to the Board in 2012, having been first appointed in 2002. She has been County Manager of Leitrim County Council since June 2006; commencing her Local Government career with Meath County Council in 1981, and being promoted to Head of Finance in 2000 and Director of Services in 2003. Jackie

has a Diploma in Financial Management and a Masters in Project Finance/Venture Management.

Mr Michael Murray was appointed to the Board in 2012. He is an honours graduate in economics from Trinity College, Dublin and, from 1977 to 2002, he served in several senior roles in banking in both London and Dublin. In 2004, he joined the European Commission, where he remained until 2010, and had responsibility for advising the Internal Market Commissioner on banking and securities markets regulation. Michael currently works in a consultancy role on a range of financial services issues.

Dr Michelle Norris was appointed to the Board in 2012. She is a senior lecturer in Social Policy in UCD and her teaching and research interests focus on housing policy and urban regeneration. During her career she has led or participated in twenty research projects on these issues and has produced over 100 publications on the results. In 2011 Michelle was appointed by an Taoiseach as an independent member of the National Economic and Social Council.

Mr Philip Nugent was reappointed to the Board in 2012, having been first appointed in 2008. He is a Principal Officer in the Department of the Environment, Community and Local Government, with responsibility for Planning, and Housing Policy and Finance.

Dr Mary Lee Rhodes was appointed to the Board in 2012. She is an Assistant Professor of Public Management at Trinity College, Dublin, her research being focused on complex public service systems and the dynamics of performance. She is also involved in research and management in the non-profit sector and has experience in managing banking operations and technology with JP Morgan, and as an economic analyst with the US Department of Agriculture. Mary Lee is currently chair of Simon Communities Ireland.

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

framework. The Board has reserved to itself for decision a formal schedule of matters pertaining to the Agency and its future direction, such as major acquisitions and disposals, appointment and removal of the Company Secretary, expenditure budgets and risk management policies. Each non-executive Director brings 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 2011. 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.

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 2011:

Members	Meetings Held	Attended
Julia Carmichael	4	2
Fr. Patrick Cogan	4	2
Patrick Doyle	4	4
Michael Hayes	4	4
Jackie Maguire	4	4
Eddie Wade	4	4

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. The Audit Committee provides a link between the Board and the external auditors, and is independent of the Agency's management. It reviews the annual financial statements, internal audit reports, compliance with accounting standards and is responsible for making recommendations in respect of the appointment and fees of the external auditors, review rates, the approval of the internal audit plan, against which performance of the plan is measured, and to oversee the Agency's Risk Management Framework and Policy and report to the Board thereon. The external auditors meet with the Committee to review the results of the annual audit of the Agency's financial statements. The role of Chairman of the Audit Committee rotates between members of the Committee. The responsibilities of the Audit Committee are discharged through its meetings and receipt of reports from management, the Risk Management Committee (Senior Management), external consultants, and the external and internal auditors.

An independent external evaluation was commissioned to redevelop the Agency's Risk Management Policy and Framework during 2011. All recommendations made by the Board were incorporated into the final revised Risk Management Policy and Framework document, which was approved by the Board at its October 2011 meeting. Risk is overseen by the Risk Management Committee who reports to the Committee, and the Board, on a regular basis.

An independent external review of the Agency's Policies and Procedures Manual and Appendices was also commissioned in 2011 to ensure that the current policy fully documents all of our current and expected controls. As part of this process a full reassessment of the Manual was undertaken internally. The Committee recommended to the Board, the adoption of the revised Policies and Procedures Manual, which is operational since 1 January 2012.

FINANCE COMMITTEE

Scheduled Finance Committee meetings for the year ended 31 December 2011:

Members	Meetings Held	Attended
John Bolger (Chairman)	1	0
Ian d'Alton (CEO)	1	1
Julia Carmichael	1	0
Clodagh Henehan	1	1
Philip Nugent	1	1
Áine Stapleton	1	0

The Committee met once 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 following Directors were members of the Remuneration Committee for the year ended 31 December 2011: John Bolger (Chairman), Fr. Patrick Cogan and Philip Nugent.

The Remuneration Committee's Terms of Reference entitle it to make recommendations in relation to the remuneration of the Chief Executive Officer for consideration by the Board, subject to the approval of the Minister for the Environment, Community and Local Government. Details of emoluments are set out in note 6 to the financial statements in accordance with the requirements of the Companies Acts, 1963 to 2009. No circumstances arose during 2011 which necessitated the convening of a meeting of the Remuneration Committee.

BOARD PERFORMANCE REVIEW COMMITTEE

Scheduled Board Performance Review Committee meetings for the year ended 31 December 2011:

Members	Meetings Held	Attended
Fr. Patrick Cogan	2	2
Michael Hayes	2	2
Clodagh Henehan	2	1
Áine Stapleton	2	2

The Board Performance Review Committee met twice 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. The chair of the Board Performance Review Committee rotates between its members.

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

The Committee recommended, in 2011, that the Board considers the incorporation of a review of internal controls and approval of any changes in accounting policies into the Agency's Audit Committee Terms of Reference, as part of the annual review of the Agency's financial statements. The Committee also recommended that procedures be put in place to ensure Directors are given adequate training on the workings of the Agency, given the technical nature of its business.

CREDIT COMMITTEE

The Agency's Credit Committee comprises Board members and Management. The Committee was established in 2009, to maintain credit risk within Board limits and to report on the creditworthiness of Approved Housing Bodies (AHBs) who wish to apply for loan approval. In addition, the Committee ensures that all loans advanced to AHBs are within the Agency's approved Credit Policy, and that all the relevant documentation is in order before proceeding to advance such monies to AHBs. The Committee operates under formal terms of reference approved by the Board. The Credit Committee met 5 times during the year.

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

DIRECTORS' REMUNERATION

The Minister for the Environment, Community and Local Government determines the level of remuneration for the Board of Directors. Remuneration of non-executive Directors is not linked to performance. The following table provides details of all fees paid to Directors during the year.

Members	Fees 2011 €	Fees 2010 €
John Bolger (Chairman)	9,975	10,199
Ian d'Alton (CEO)	-	-
Julia Carmichael	7,695	7,695
Fr Pat Cogan	7,695	7,695
Patrick Doyle	7,695	7,695
Michael Hayes	7,695	7,695
Clodagh Henehan	-	-
Jackie Maguire	-	-
Philip Nugent	-	-
Áine Stapleton	-	-
Eddie Wade	7,695	7,695
Total	48,450	48,674

The remuneration of the Executive Director/Chief Executive Officer is detailed in note 6 to the Financial Statements. Total expenses reimbursed to Directors during 2011, for travel and subsistence, were €9,889 (2010:€5,696). The increase in expenses was due to the newly-formed Credit Committee meeting 5 times in 2011.

RELATIONS WITH SHAREHOLDERS

The Directors and Management maintain an on-going dialogue with the Agency's shareholder on strategic issues. Certain specified matters require the approval of the Minister for the Environment, Community and Local Government, and/or the Minister for Public Expenditure and Reform, in respect of which on-going 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 2010 UK Code of Corporate Governance, the Board confirms that there is an on-going 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. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, (b) their revenues or funds being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), (c) all loans advanced to local authorities being approved by the Minister for the Environment, Community and Local Government, and (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the Agency, the Board is of the opinion that, in substance, no credit risk arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans.

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 Agency's access to and cost of borrowing is influenced by, among other things, its credit ratings. Ratings downgrades create the risk that external investors may seek to reduce credit exposures to the debt-guaranteeing entity – Ireland – and thus to the Agency. Ireland, and consequently the Agency, suffered ratings downgrades during 2010 and 2011 which have limited the Agency's access to capital markets in terms of both quantum of and duration of ECP funding. Alternative funding arrangements from the NTMA have been utilised under the Guaranteed Note programme.

The Chief Executive Officer also reports to the Board on behalf of Management on significant changes in the business and external environment, which affect risks. The Board is provided with quarterly information. Where areas for improvements in the system are identified, the Board considers the recommendations made by 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 and operational 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, management of the Agency endeavours to amend internal control systems in line with changes in the underlying business in a timely manner.

During 2010 the Agency increased its Guaranteed Notes programme to €4,500 million (from €3,750 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 during 2010. 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 clearly defined organisation structure with appropriate segregation of duties and limits of authority;
- internal financial controls documented in a Policies and Procedures Manual which has been approved by the Board;
- clearly defined limits and procedures for financial expenditure including procurement and capital expenditure;
- annual budgets (and means of comparing actual results with budgets during the year) and long term plans for the Agency identifying key risks and opportunities;
- monthly management accounts prepared and presented to the Board;
- an internal auditor reviewing key financial systems and controls;
- an Audit Committee dealing with significant control issues raised by internal or external audit; and
- the preparation and issue of financial reports, including the Annual Report, managed by the Finance Section with oversight from the Audit Committee. The financial reporting process is controlled using documented accounting policies. The process is supported by Management and professional advisors, such as an actuary, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion and reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of the financial reports. The financial information for each year is subject to review by Management. The Annual Report is also reviewed by the Audit Committee in advance of being presented to the Board for its approval.

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.

ACCOUNTABILITY AND AUDIT

Accounts and Directors' responsibilities

The Accounts and other information presented in the 2011 Annual Financial Report are consistent with the UK Code Principles requiring the presentation of 'a balanced and understandable assessment of the Company's position and prospects'. The Statement concerning the responsibilities of the Directors, in relation to the Accounts, appears on page 28.

COMPLIANCE STATEMENT

The Directors are pleased to report that the Agency has chosen to comply with, so far as is possible given Agency's particular circumstances, the UK Corporate Governance Code 2010 (issued by the Financial Reporting Council), the Irish Corporate Governance Annex and the Code of Practice for the Governance of State Bodies, during the year ended 31 December 2011, except for the following matters:

Current Board size and structure

Non-executive Directors are appointed by the Minister for the Environment, Community and Local Government for a period not to exceed five years. The Minister, after consultation with the Minister for Public Expenditure and Reform, may appoint a Chief Executive Officer, and as a result, these provisions of the Code are not applicable to the Agency. This appointment process also addresses the Agency's requirement for determination of how a Director is regarded as independent/non independent. Ordinarily, the Board comprises twelve Directors. There are no planned or anticipated changes to the Board's size or structure.

The Government has brought in new arrangements for making appointments to State boards and bodies. In appointing the new Board of the Agency, the Department of Environment, Community and Local Government has allowed persons interested, to apply on their website for vacancies on the boards of bodies under its aegis. Ministers are not necessarily confined to those who make expressions of interest, but will ensure all appointees have the relevant qualifications.

The Government also decided that those who are being proposed for appointment as chairpersons of State boards are required to make themselves available to the appropriate Oireachtas committee to discuss the approach they will take as chairperson and their views about the future contribution of the body or board in question. Following that discussion, decisions will be taken by the Minister or the Government, as appropriate, to confirm the nominee as chairperson.

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.

Committee and procedures for election and re-election

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

Directors' remuneration

The Minister for the Environment, Community 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 individually 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.

Defined benefit scheme disclosure for Directors

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

On behalf of the Board,



Michelle Norris
Director
4 April 2012



Philip Nugent
Director
4 April 2012



04



CHAPTER 04

**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.

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,



Michelle Norris

Director

4 April 2012



Philip Nugent

Director

4 April 2012



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CHAPTER 05

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING FINANCE AGENCY PLC.

We have audited the financial statements of Housing Finance Agency plc. (the 'Agency') for the year ended 31 December 2011 which comprise the income and expenditure account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual 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 28. 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 in accordance with Generally Accepted Accounting Practice in Ireland, and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you, in

our opinion whether 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 will review whether the statement regarding the system of internal financial control required by the Code of Practice for the Governance of State Bodies made on pages 23 to 26 of the Governance and Oversight – Corporate Governance Statement reflects the Agency's compliance with paragraph 13.1 (iii) of the Code and is consistent with the information of which we are aware from our audit work on the financial statements, and we report if it does not. We also review, as requested by the Board, whether the Governance and Oversight – Corporate Governance Statement on page 25 reflects the Agency's compliance with the nine provisions of the UK Corporate Governance Code and two provisions of the Irish Corporate Governance Annex 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 Chairman's Report, the Directors' Report and the Governance and Oversight - Corporate Governance Statement. 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 Agency's circumstances, consistently applied and adequately disclosed.

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 2011 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

OTHER MATTERS

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 balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' 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 2011 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.



Jonathan Lew
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place,
IFSC,
Dublin 1,
Ireland

4 April 2012



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CHAPTER 06

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 and 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.

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

Section 17 of the Housing (Miscellaneous Provisions) Act, 2002 and Section 19 of the Planning and Development (Amendment) Act, 2002, give 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 eurocommercial paper [ECP] and

Guaranteed Notes [GN] programmes. The NTMA had purchased €3.8 billion in GNs at 31 December 2011 (2010: €3.6 billion).

Ireland's access to sovereign debt markets remained restricted throughout the year and this had a significant impact on the Agency's access to funding through its market-oriented ECP programme. At 31 December 2011 none of the Agency's funding was provided under this programme (2010: €300 million). The Department of Finance has considered the HFA's liquidity and funding position for the next 12 months and has requested that the NTMA continue to provide GN funding to the HFA. It has been agreed that floating rate funding through the financial assistance programme will be made available in tranches, the majority of which have a 3-month maturity. The GNs are guaranteed by the Minister for Finance of Ireland.

The Directors' assessment of the appropriateness of preparing the financial statements on the going concern basis has involved reviewing the Agency's business and funding plans taking into account the Agency's continued ability to access liquidity and funding via Ireland's participation in the EU/IMF Programme of financial support through the GN programme.

Ireland's access to funding via the EU/IMF Programme of Financial Support ('the Programme') is predicated on its compliance with the Programme conditions. The recent Letter of Intent from the Department of Finance notes that Ireland remains firmly committed to the Programme and has bettered or met all of the associated targets and milestones to date.

The Directors are satisfied that, in the light of the Department of Finance's request to the NTMA, the Agency will have access to sufficient funding for the next 12 months; and that it continues to be appropriate to prepare the financial statements on a going concern basis, the Agency will continue in business for the foreseeable future.

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.

USE OF ESTIMATES AND JUDGEMENTS

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

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

The estimates that have a significant effect on the financial statements and those with a risk of material adjustment in the next year are in the areas of impairment losses that may arise on loans and advances, employee benefits and determination of fair value of derivative financial instruments.

IMPAIRMENT LOSS ON LOANS AND ADVANCES

The Agency primarily 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. A more detailed explanation regarding this can be found in Note 15(a).

The Agency lends to local authorities. In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, (b) their revenues or funds being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), (c) all loans advanced to local authorities are approved by the Minister for the Environment, Community and Local Government, and (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the Agency; the Board is of the opinion that, in substance, no credit risk arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans.

EMPLOYEE BENEFITS

The Agency operates a defined benefit pension scheme covering all permanent employees whereby the market value of the assets and actuarial value of the liabilities of the scheme are calculated. This involves Management, with the advice of an external actuary, making assumptions regarding the future as to price inflation, salary and pension increases, return on investments and employee mortality. There are acceptable ranges in which these estimates validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. Further details are disclosed in Note 23.

Determination of fair value instruments - Derivatives

The financial instruments on the balance sheet are carried at fair value. The best evidence of fair value is an observable market price in an active market. The absence of quoted prices increases reliance on estimation 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, at fair value, 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 may enter 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 to set off the amounts.

Amortised cost measurement

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

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Quoted market value 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 of 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 on-going 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 125% either for the period since effectiveness was last tested or cumulatively since inception.

The Agency may use 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 match 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 when the foreign currency exchange difference on the hedged item is recognised in the income and expenditure account. If the hedged cashflows 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 rate 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.

INTEREST RECEIVABLE AND PAYABLE

Interest receivable and payable on financial instruments classified as loans and advances, and financial liabilities at amortised cost, is recognised on an effective interest rate basis. This calculation takes into account interest 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.

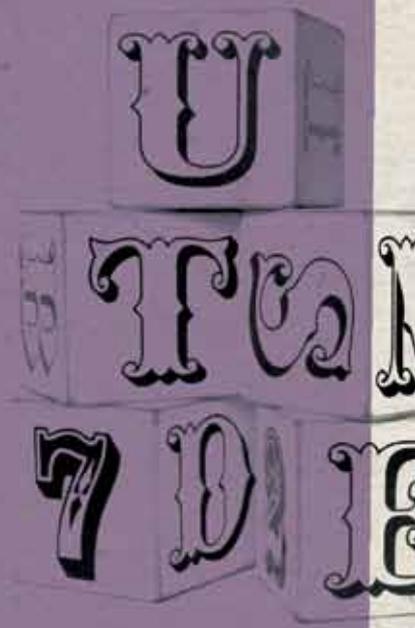
FINANCE INCOME

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 recognised gains and losses in the period in which they are incurred.

The impact on 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 07

INCOME AND EXPENDITURE ACCOUNT

	<i>Note</i>	Year ended 31 December 2011	Year ended 31 December 2010
		€'000	€'000
Income – continuing activities	3	116,790	78,417
Direct expenditure	4	(111,709)	(53,704)
Surplus of income over direct expenditure		5,081	24,713
Indirect expenditure	5	(1,603)	(1,614)
Operating surplus for the financial year – continuing activities		3,478	23,099
Finance income (net)	7	149	233
Surplus for the financial year	20	3,627	23,332

On behalf of the Board,



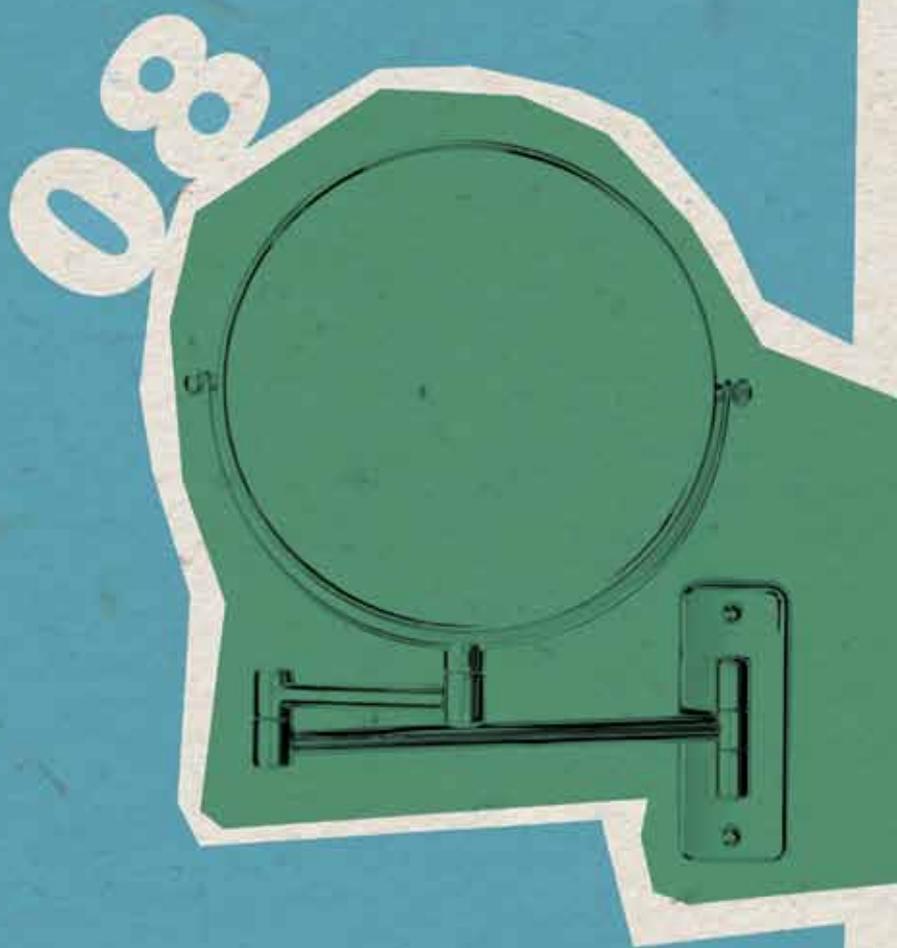
Michelle Norris
Director

4 April 2012



Philip Nugent
Director

4 April 2012



CHAPTER 08

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Note</i>	Year ended 31 December 2011	Year ended 31 December 2010
		€'000	€'000
Surplus for the financial year		3,627	23,332
Actuarial (loss)/gain	23	(152)	109
Net change in cash flow hedge reserve		19	296
Total recognised gains and losses for the financial year		3,494	23,737



09



CHAPTER 09

BALANCE SHEET

	Note	31 December 2011	31 December 2010
		€'000	€'000
Assets employed			
Tangible fixed assets	9	39	51
Current assets			
Debtors (advances due after more than one year: (€3,776,651 [2010: €3,606,203]))	8	4,471,575	4,542,122
Derivative financial instruments	16	-	8,469
Cash and cash equivalents	10	493	17,195
		4,472,068	4,567,786
Current liabilities			
Creditors (amounts falling due within one year)	11	(4,046,957)	(4,141,754)
Derivative financial instruments	16	-	(1,385)
Net current assets		425,111	424,647
Total assets less current liabilities		425,150	424,698
Creditors (amounts falling due after more than one year)	12	(79,966)	(88,108)
Debt securities in issue index-linked bonds	13	(193,674)	(189,022)
8.75% Housing Finance Agency stock 2018	14	(92,998)	(92,638)
Net asset before pension surplus		58,512	54,930
Pension surplus	23	649	737
Net assets		59,161	55,667
Capital and reserves			
Called up share capital	19	39	39
Retained surplus	20	59,122	55,647
Cashflow hedge reserve	17	-	(19)
Shareholder's funds	21	59,161	55,667

On behalf of the Board,



Michelle Norris
Director
 4 April 2012



Philip Nugent
Director
 4 April 2012



CHAPTER 10

CASH FLOW STATEMENT

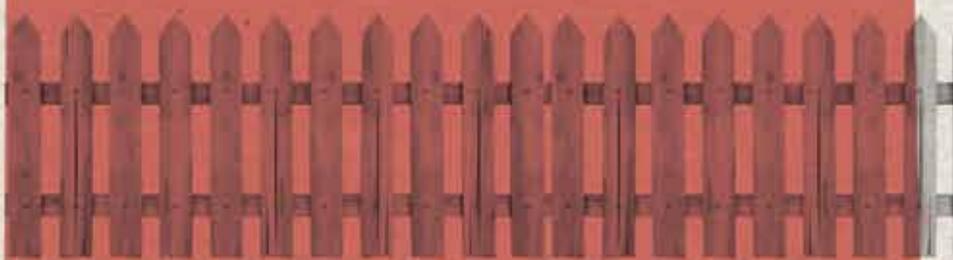
	<i>Note</i>	Year ended 31 December 2011	Year ended 31 December 2010
		€'000	€'000
Cash inflow from operating activities	<i>18(a)</i>	92,866	179,635
Returns on investments and servicing of finance	<i>18(b)</i>	-	-
Capital expenditure	<i>18(b)</i>	(17)	(35)
Financing Activities			
Decrease in bank loans and notes payable	<i>18(b)</i>	(109,551)	(421,714)
Decrease in cash during the year		(16,702)	(242,114)



CHAPTER 11

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Note</i>	Year ended 31 December 2011	Year ended 31 December 2010
		€'000	€'000
Decrease in cash during the year		(16,702)	(242,114)
Cash outflow from decrease in debt financing	<i>18(b)</i>	109,551	421,714
Non-cash movements	<i>18(c)</i>	(5,012)	1,921
Movement in net debt during the year		87,837	181,521
Net debt at beginning of year	<i>18(c)</i>	(4,486,208)	(4,667,729)
Net debt at end of year	<i>18(c)</i>	(4,398,371)	(4,486,208)



CHAPTER 12

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

In the normal course of business the Agency is funded by the National Treasury Management Agency ('NTMA'), which is also a Government body and is as such considered to be a related party. Details of amounts outstanding under the Guaranteed Note programme, which is provided by the NTMA, at 31 December 2011, can be found in Note 15(b). The interest expense relating to these facilities including the NTMA and local authorities totalled €86.7m for the financial year (2010: €12.6m).

In the normal course of business the Agency would loan funds to Local Authorities and the National Building Agency, which are also Government bodies and are as such considered to be related parties. Interest earned on these advances is detailed in Note 3 to the financial statements, and amounts outstanding at 31 December 2011 comprise 'Balances due on advances', 'Balances due from Local Authorities and Balances due from the National Building Agency' as disclosed in Note 8. The management/underwriting of the Housing Finance Agency's Pension scheme (see Note 23), will transfer to Irish Life Corporate Business, effective from 1 January 2012.

In the normal course of business, the Agency deposits funds with Allied Irish Bank plc. Interest earned on these deposits was €0.1 million and amounts on deposit at 31 December were €0.49 million.

Transactions with key management personnel

Key management personnel include those personnel that have authority or responsibility for controlling the activities of the Agency, and would include the Board of Directors and certain levels of executive management. In addition to their salaries, the Agency also contributes to a post-employment defined benefit plan on behalf of key management personnel. Total key management personnel compensation comprised:

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Salaries *	294	300
Director's fees	48	49
Pension contributions	108	126
	450	475

* Salaries include Executive Director/Chief Executive Officer's remuneration which is detailed in Note 6, in addition to other salaried key management personnel.

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.

3. INCOME – CONTINUING ACTIVITIES

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Interest on advances to local authorities which were approved:		
Post 27 May 1986	115,274	77,064
Pre 27 May 1986	1,486	1,259
Interest on advances to National Building Agency	30	94
	116,790	78,417

Total interest income on financial assets not carried at fair value through the income and expenditure account amounted to €116.9 million which includes €0.1 million of investment income, (see note 7), for the year ended 31 December 2011 (2010: €78.6 million which includes investment income of €0.2 million).

4. DIRECT EXPENDITURE

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Index – linked bonds – effective interest		
Bond interest	7,624	7,495
Premium on redemption of bonds (Note 13)	4,804	(2,131)
	12,428	5,364
Stock and loan costs		
Interest payable on bank borrowings, commercial paper, guaranteed notes and stock	99,012	47,964
ECP fees	229	251
Foreign exchange (gain)/loss from borrowings	-	125
	99,241	48,340
Incurred but not reported losses		
Pre May 1986 loans*	40	-
	111,709	53,704

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

5. INDIRECT EXPENDITURE

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Other expenditure		
Administration expenditure (Note 6)	1,499	1,505
Administration fees to local authorities	104	109
	1,603	1,614

6. ADMINISTRATION EXPENDITURE

Administration expenditure has been arrived at after charging:

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Auditor's remuneration		
Audit of financial statements	33	33
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-
Depreciation (Note 9)	29	31
Rental payments under operating lease	150	150
Directors' emoluments		
Fees – Chairman	10	10
Fees – other Directors	39	39
Executive Director/Chief Executive Officer's remuneration	119	124
Pension contributions	48	57
	216	230
Employee costs (excluding Directors)		
Salaries	523	538
Social welfare costs	42	43
Service costs-pension-present	97	79
Service costs-pension-past	59	-
Total included in income and expenditure account	721	660
Actuarial loss/(gain) on defined benefit scheme included in the statement of recognised gains and losses	152	(109)

The average number of employees, including the executive Director, during the year was 11 (2010: 11).

7. FINANCE INCOME (NET)

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Investment income on short-term deposits	17	178
Interest received on cash balances	100	41
Expected return on pension assets	134	108
Interest cost on pension liabilities	(102)	(94)
Net finance income	149	233

8. DEBTORS

	31 December 2011	31 December 2010
	€'000	€'000
Loans and Receivables		
<i>Due from Local Authorities</i>	4,359,128	4,445,639
<i>Due from National Building Agency</i>	-	3,298
Total balances due on advances	4,359,128	4,448,937
Due from Local Authorities *	113,504	94,088
Other debtors and prepayments	28	142
	4,472,660	4,543,167
Less: Incurred but not reported losses	(1,085)	(1,045)
	4,471,575	4,542,122

* Represents amounts currently due from local authorities and the National Building Agency in relation to loans and receivables which have been billed at 31 December 2011, (see further maturity analysis of these amounts in Note 15(c)).

Balance due on advances is analysed as follows:

	31 December 2011	31 December 2010
	€'000	€'000
(i) Loans approved post 27 May 1986		
Balance at beginning of year	4,428,123	4,560,954
Loans advanced	292,580	395,652
Less: loans repaid	(397,970)	(542,725)
Interest charged	115,305	75,900
Interest received	(99,156)	(61,658)
Balance at end of year	4,338,882	4,428,123
(ii) Loans approved pre 27 May 1986		
Balance at beginning of year	20,814	21,662
Less: loans repaid	(590)	(848)
Interest charged	1,486	1,259
Interest received	(1,464)	(1,259)
Balance at end of year	20,246	20,814
Balance at end of year	4,359,128	4,448,937
Collective Provision		
Balance at beginning of year	1,045	1,045
Provision in year	40	-
Balance at end of year	1,085	1,045

Loans to local authorities have been segregated into those approved pre and post 27 May 1986 (detailed in (i) and (ii) on the previous page), as a different credit risk is applied to each. As at 31 December, there are no longer any outstanding amounts advanced to the National Building Agency included in the post 27 May 1986 loans (2010: €3.3 million). There was no lending to Approved Housing Bodies at 31 December 2011.

The Agency is liable for any credit losses that may arise on pre-May 1986 mortgages which are secured by the underlying mortgage property. A collective provision of €1.09 million has been recognised in respect of these accounts, refer to Note 15 (a) for further details. This provision is based on the Agency's best estimate, and subject to changes in the underlying assumptions and may increase or decrease going forward.

In the context of (a) local authorities being statutory bodies under the Local Government Act, 2001 and other enactments, (b) their revenues or funds being security for the due payment to the Agency of all amounts due by local authorities (as set out in the agreement between each local authority and the Agency), (c) all loans advanced to local authorities are approved by the Minister for the Environment, Community and Local Government, and (d) the Board's understanding that central Government supports local authorities in meeting their obligations to the Agency; the Board is of the opinion that, in substance, no credit risk arises on loans advanced to local authorities on or after 27 May 1986 and no loan loss provisions are recorded in respect of these loans. Please refer to Note 15 (a) for further details.

10. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
	€'000	€'000
Cash at bank and in hand	493	17,195
Amounts held on short term deposits	-	-
	493	17,195

Short term deposits consist primarily of bank deposits.

9. TANGIBLE FIXED ASSETS – COMPUTER AND OTHER EQUIPMENT

31 December 2011	
€'000	
Cost	
At beginning of year	181
Additions	17
Disposals	(25)
At end of year	173
Depreciation	
At beginning of year	130
Charged for year	29
Disposals	(25)
At end of year	134
Net book value	
31 December 2011	39
31 December 2010	51

Tangible fixed assets totalling €24,866 were disposed of during the year, of which assets totalling €24,866 with a nil written down value were written off during 2011. They are no longer used in the business.

11. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	31 December 2011	31 December 2010
	€'000	€'000
Commercial paper	-	300,237
Note issuance facilities	2,794	1,265
Guaranteed notes		
<i>National Treasury Management Agency</i>	3,847,950	3,584,868
<i>Local Authorities</i>	178,654	220,476
<i>Environment Fund</i>	2,828	26,789
	4,029,432	3,832,133
Bank loans	-	-
Interest payable on commercial paper, note issuance facilities and guaranteed notes	9,237	2,608
Interest due on stock and bonds	5,096	5,056
Accruals	398	455
	4,046,957	4,141,754
Tax creditors (included in accruals)		
PAYE	32	31
VAT	2	8

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 2011	31 December 2010
	€'000	€'000
Bank loans and notes issuance facilities		
Between one and two years	-	2,495
Between two and five years	1,797	-
After more than five years	78,169	85,613
	79,966	88,108

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. The maturity of the amounts falling due after more than one year is further split out in Note 15 (c).

13. DEBT SECURITIES IN ISSUE – INDEX LINKED BONDS

	31 December 2011	31 December 2010
	€'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	570	722
	95,800	95,952
Provision for premium on redemption of bonds	97,874	93,070
	193,674	189,022

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

Provision for premium on redemption of index linked bonds

	Total	Deferred	Provided
	€'000	€'000	€'000
31 December 2011			
At beginning of year	96,261	(3,192)	93,069
Arising during the year	3,984	821	4,805
At end of year	100,245	(2,371)	97,874
31 December 2010			
At beginning of year	99,203	(4,003)	95,201
Arising during the year	(2,942)	811	(2,131)
At end of year	96,261	(3,192)	93,070

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.

14. 8.75% HOUSING FINANCE AGENCY STOCK 2018

	31 December 2011	31 December 2010
	€'000	€'000
At par value	95,230	95,230
Less: Unamortised discount on issue	(2,232)	(2,592)
	92,998	92,638

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 (c).

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; and
- 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 2012), which follows a policy approved by the Board, allows for contracts covering interest rate swaps (€400 million), foreign exchange forwards (€6.0 billion), forward rate agreements (€80 million) and interest rate caps (€300 million). The 'Specification and Requirements' set out details of the types of counterparties and Board responsibilities in relation to the management of derivatives.

Transactions can only be carried out with the approval of the Agency's Chief Executive Officer or Financial Controller (in the case of those involving the National Treasury Management Agency as agent/counterparty, the National Treasury Management Agency has been granted authority to act on behalf of the Agency, any transaction undertaken, while not requiring formal approval must be 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 eurocommercial paper (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. The Agency had no foreign currency forwards outstanding at the year end. Further details in respect of currency risk are included in note (c) below.

(a) Credit risk

	31 December 2011	31 December 2010
Financial assets	€'000	€'000
Loans and Receivables to local authorities	4,359,128	4,445,639
National Building Agency	-	3,298
Less collective provision	(1,085)	(1,045)
	4,358,043	4,447,892
Cash at bank and in hand	493	17,195
Amounts held on short term deposits	-	-
Due from Local Authorities	113,504	94,088
Derivative financial instruments	-	8,469
	4,472,040	4,567,644

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's maximum exposure to credit risk is set out in the table above.

The Agency is currently permitted to advance money to:

- Local authorities and the voluntary housing sector to be used by them for any purpose authorised under the Housing Acts 1966 to 2009. No loans have been drawn down by Voluntary Housing Bodies as at 31 December 2011;
- the National Building Agency, formerly the National Building Agency Ltd. (now merged into the Housing and Sustainable Community Agency and 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. There were no outstanding amounts advanced to the National Building Agency at 31 December 2011; and
- Local authorities for capital projects authorised under section 17 of the Housing (Miscellaneous Provisions) Act, 2002.

Balances due from Local Authorities are categorised as follows:

Balance due on advances	31 December 2011	31 December 2010
	€'000	€'000
<i>Advances due from Local Authorities</i>		
Mortgage Housing related loans	1,425,213	1,511,521
Capital Subsidy and Rental	1,200,259	1,195,166
Bridging Finance	485,055	533,372
Land Acquisition	499,581	562,528
Other Non Mortgage Housing Related Loans	422,274	364,935
Water, Waste and Environment Projects	326,746	278,117
	4,359,128	4,445,639
National Building Agency Loans	-	3,298
Approved Housing Bodies (AHB's)	-	-
Overall total balances due on advances	4,359,128	4,448,937

While the above table sets out the purpose for which lending has been provided to local authorities, the Agency considers it primarily 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.

Collateral

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. The local authorities hold collateral in the form of mortgage interests over the property and individual borrowers hold mortgage protection insurance. Only in the event of collateral not being sufficient to discharge the debt is the Agency liable for any impairment losses which may arise.

On post May 1986 loans the Agency has security, following the discharging of priority charges and payments, over the local authority's revenues or funds for the payment to the Agency of all amounts due. In the maximum exposure to credit risk table above, a value has not been attributed to this charge given its low ranking nature.

Impaired and Past due loans

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 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.

Loans where contractual interest or principal payments are past due

The Agency had no loans and advances which are past due at 31 December 2011 (2010: €nil). Details of loans that were subject to renegotiation in the year are in the renegotiated loans section of this note.

	31 December 2011	31 December 2010
Analysis of loans to local authorities	€'000	€'000
Pre 1986 loans	20,246	20,814
Post 1986 loans	4,338,882	4,428,123
	4,359,128	4,448,937
Collective provisions		
Pre 1986 loans	1,085	1,045
Post 1986 loans	-	-
	1,085	1,045

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

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 thereto;
- reviewing compliance with internal policies and procedures;
- monitoring of Loans Policy disclosure;
- approve any loans advanced to AHBs under the terms of section 17 of the Housing (Miscellaneous Provisions) Act, 2002 and to ensure that all loans advanced are in accordance with the Agency's Credit Policy;
- consider and approve the creditworthiness of each AHB prior to a Master Loan Agreement being executed by the Agency;
- ensure that it has obtained all relevant documentation pertaining to the credit application; and
- maintain credit risk within Board approved limits.

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.

In 2009 an amount of €263.84 million of loans to local authorities due to mature in 2009 and 2010 were renegotiated to 2011. There were no further renegotiations in 2010 or the current year, however we note that amounts of €30.2 million of the previously renegotiated loans were repaid in full during the year (2010: €78.1 million). The amount of renegotiated loans outstanding at 31 December 2011 is €155.43 million (2010: €185.63 million). As and from 1 January 2012 all of these loans have been renegotiated for a further six months and will be converted to normal course annuity loans, repayable over a period of up to 25 years, as and from 1 July 2012. In early 2012, the Agency agreed to a further tranche of local authority non housing-related loans to be renegotiated by extending the loan terms to 40 years. This tranche of loans, in the value of €34 million, at 31 December 2011 had an average loan term of 25 years.

Concentrations

All loans and advances are to local authorities and the National Building Agency, now merged with the Housing and Sustainable Community Agency, (all of which are approved by the Minister for the Environment, Community 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 nil invested (2010: €nil) in Exchequer Notes with the National Treasury Management Agency.

Allied Irish Bank is currently the counterparty for cash, with €493,000 held at 31 December 2011 (2010: €17,192,000). At 31 December 2011, the S&P rating for Allied Irish Bank was CCC.

(b) Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations from its financial liabilities. The bulk of the Agency's lending – consisting mostly of 30-year annuities – is funded by its Guaranteed Notes facility, guaranteed by the Minister for Finance of Ireland. Notes under this facility have tenors ranging from 1 day to 3 months, with the bulk of Notes being in the latter maturity. In contrast, loans and receivables have an average original loan term of 22 years (2010: 21 years). In the context of the assurances received from the NTMA concerning the continuity and quantum of floating-rate funding, the Board considers that adequate resources are in place to cover any liquidity risk that may arise over the next 12 months. The Agency also holds Guaranteed Notes with local authorities and a small amount with the Environment Fund (see page 51).

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

	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month	1-3 Months	3 Months to 1 year	1-5 years	More than 5 years
31 Dec 2011	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative liabilities							
ECP programme	-	-	-	-	-	-	-
Guaranteed notes facility	4,029,432	(4,052,364)	(1,529,970)	(2,522,087)	(306)	-	-
Fixed rate medium term note	2,294	(2,335)	(2,335)	-	-	-	-
Note Issuance Facility	500	(500)	(500)	-	-	-	-
20-year variable loan	79,966	(93,366)	-	(235)	(6,961)	(27,708)	(58,462)
Index linked bonds	193,674	(227,581)	-	-	(10,418)	(217,163)	-
Fixed Rate Stock 8.75%	92,998	(146,278)	-	(4,167)	(4,167)	(33,332)	(104,613)
	4,398,864	(4,522,424)	(1,532,805)	(2,526,489)	(21,852)	(278,203)	(163,075)
Derivative liabilities							
Trading: outflow	(216,390)	(217,447)	(119,011)	(82,074)	(16,361)	-	-
Trading: inflow	216,390	217,447	119,011	82,074	16,361	-	-
	-	-	-	-	-	-	-

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 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 5% of the Agency's available borrowing facilities at 31 December 2011. The Agency's committed facilities, bond issues and €6 billion ECP programme (signed on 22 October 2002, with issues in various currencies 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 (€50 million available at 31 December 2011) are subject to annual review by the Agency's

bankers. The Agency's ECP programme was increased in March 2010 from €4.4 billion to €6.0 billion. However, as previously noted, Ireland's and hence the Agency's access to the market relation to ECP funding was restricted throughout the year. The average cost of the Agency's debt in 2011 was an annualised 2.20% compared with 0.92% in 2010. The Agency also increased its Guaranteed Notes programme from €3.75 billion to €4.50 billion during 2010.

The Agency's access to and cost of borrowing is influenced by, among other things, its credit ratings. Ratings downgrades create the risk that external investors may seek to reduce credit exposures to the debt-guaranteeing entity – Ireland – and thus to the Agency. Ireland, and consequently the Agency, suffered ratings downgrades during 2011 which has limited the Agency's access to capital markets in terms of both quantum of and duration of ECP funding. Alternative funding arrangements from the NTMA have been utilised under the Guaranteed Note programme and the Programme limit increased appropriately. The NTMA had purchased €3.85 billion in Guaranteed Notes at 31 December 2011 (2010: €3.58 billion). The local authorities and the Environment Fund had purchased €0.18bn (2010: €0.25 billion) at 31 December 2011. There was no funding received through the ECP programme at 31 December 2011 (2010: €300 million).

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 Guaranteed Notes facility (see Note 15(b)). The majority of maturities for currently outstanding Guaranteed Notes at year end 31 December 2011 are of a 90 day duration.

The prior year downgrading of the sovereign and, consequently, the Agency credit ratings and the withdrawal of Ireland from the funding markets have significantly affected the Agency's access to funding through its market-oriented ECP programme during the year. Following the IMF/EU financial assistance programme, the Department of Finance has considered the HFA's liquidity and funding position for the next 12 months and has requested that the NTMA continue to provide GN funding to the HFA. It has been agreed that floating rate funding through the financial assistance programme will be made available in tranches, the majority of which have a 3-month maturity. The GNs are guaranteed by the Minister for Finance of Ireland.

(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.

The financial assets are analysed below:

	31 December 2011	31 December 2010
	€'000	€'000
Fixed rate	129,235	138,264
Floating Rate:		
EURIBOR®	4,208,814	4,265,532
Index linked	135,042	156,424
	4,473,091	4,560,220
Derivatives	-	8,469
	4,473,091	4,568,689

The Agency made new fixed and floating rate advances during the financial year. (Fixed rate €0.55 million: Floating rate €292.03 million. 2010: Fixed rate €0.46 million: Floating rate €395.19 million). The Agency's index linked advances are classified as floating rate assets.

Interest rate risk profile of financial assets:

	31 December 2010	31 December 2011
Weighted average fixed interest rate	5.76%	5.48%
Weighted average floating interest rate	2.40%	1.51%
Weighted average period for which fixed interest assets are fixed	19.6 years	19.8 years

A large proportion of the Agency's fixed rate loans consists of 30-year loans issued in 1986. Post 27 May 1986 advances are fixed for much shorter periods, averaging from five to ten year loan periods. Floating rate loans consist of loans to local authorities of terms between one and fifty years.

Based on original loan balances advanced, the weighted average original loan term is 22 years (2010: 21 years).

The financial liabilities are analysed below:

	31 December 2011	31 December 2010
	€'000	€'000
Fixed rate	95,293	96,398
Floating Rate:		
EURIBOR®	4,109,897	4,217,983
Prime	-	-
Index linked	193,674	189,022
	4,398,864	4,503,403
Derivatives	-	1,385
	4,398,864	4,504,788

These are analysed as follows:

Floating rate liabilities include the Agency's Guaranteed Notes, Bank of Ireland, European Investment Bank and Council of European Development Bank debt. This debt consists of short-term debt priced off a variable index

(EURIBOR®). Index linked borrowings, which are priced off the Consumer Price Index, are also classified as floating rate liabilities. The Directors believe the debt is appropriately classified as floating rate. Interest rate risk profile of financial liabilities as at:

	31 December 2010	31 December 2010
	€'000	€'000
Weighted average fixed interest rate	8.83%	8.78%
Weighted average floating interest rate	2.38%	1.48%
Weighted average period for which fixed interest liabilities are fixed	6.0 years	6.9 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.

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

	Maturity 31 December 2011	Repricing 31 December 2011
	€'000	€'000
Maturity and interest rate repricing of financial assets		
Amounts falling due in one month or less	349,499	4,167,887
Amounts falling due between one and three months	-	152,383
Amounts falling due between three and twelve months	346,973	-
Amounts falling due between one and two years	64,422	-
Amounts falling due between two and three years	92,196	-
Amounts falling due between three and four years	80,547	1,051
Amounts falling due between four and five years	37,207	3,634
Amounts falling due after more than five years	3,502,280	148,169
	4,473,124	4,473,124

	Maturity 31 December 2010	Repricing 31 December 2010
	€'000	€'000
Maturity and interest rate repricing of financial assets		
Amounts falling due in one month or less	626,265	4,229,844
Amounts falling due between one and three months	-	159,626
Amounts falling due between three and twelve months	327,752	-
Amounts falling due between one and two years	79,399	-
Amounts falling due between two and three years	65,751	-
Amounts falling due between three and four years	96,593	1,234
Amounts falling due between four and five years	88,140	5,517
Amounts falling due after more than five years	3,276,320	163,999
	4,560,220	4,560,220

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

	Maturity	Repricing	Undrawn Committed Facilities
	€'000	€'000	€'000
Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2011			
Maturing in one month or less	1,525,764	1,525,764	-
Maturing between one and three months	2,506,158	2,551,158	97,206
Maturing between three and twelve months	304	228,943	-
Maturing greater than 1 year and less than 2 years	-	-	-
Maturing greater than 2 years and less than 3 years	-	-	-
Maturing greater than 3 years and less than 4 years	193,673	-	-
Maturing greater than 4 years and less than 5 years	1,797	-	8,027
Maturing greater than 5 years	171,168	92,999	62,007
	4,398,864	4,398,864	167,240

Maturity, liquidity measures and interest rate repricing of financial liabilities as at 31 December 2010	Maturity	Repricing	Undrawn Committed Facilities
	€'000	€'000	€'000
Maturing in one month or less	3,951,659	3,951,659	-
Maturing between one and three months	85,025	132,525	-
Maturing between three and twelve months	95,687	135,064	-
Maturing greater than 1 year and less than 2 years	3,760	2,495	96,239
Maturing greater than 2 years and less than 3 years	-	-	-
Maturing greater than 3 years and less than 4 years	-	-	-
Maturing greater than 4 years and less than 5 years	189,022	189,022	-
Maturing greater than 5 years	178,250	92,638	64,388
	4,503,403	4,503,403	160,627

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 Gain	€'000 (Loss)	€'000 Gain	€'000 (Loss)
At 31 December 2011	11,267	(11,267)	5,633	(5,633)
At 31 December 2010	17,692	(17,692)	8,846	(8,846)

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

Exposure to Foreign Exchange Rate Risk

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

The Agency may issue zero coupon commercial paper debt in currencies other than the functional currency. The National Treasury Management Agency, acting as agent, may hedge 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 2011, given that the Agency had no commercial paper debt in currencies other than the euro, no currency exposures existed.

Exposure to Other Market Risks – non-trading portfolios

Equity price risk is subject to regular monitoring by Agency Market Risk, but is not currently significant in relation to the overall results and financial position of the Agency.

The Agency may issue ECP notes in currencies other than Euro. However, the Agency may hedge this currency exposure by entering into forward contracts to negate any currency risk. As 31 December 2011 there were no currency exposures and no outstanding foreign currency or eurocommercial paper programme (ECP) deals outstanding.

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.

As at 31 December 2011, the inflation mismatch was €62.14 million (2010: €36.24 million). 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 were higher 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. 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.

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:

	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 2011	(317)	317	(159)	159
At 31 December 2010	(186)	186	(93)	93

Fair value

The following tables outline the fair values of the financial assets and liabilities as at 31 December 2011 and 31 December 2010:

	Carrying Value	Fair Value
<i>31 Dec 2011</i>	€'000	€'000
Financial assets		
<i>Loans and Receivables:</i>		
Fixed rate	129,235	164,929
Floating rate	4,208,847	4,208,847
Index linked	135,042	207,030
	4,473,124	4,580,806
Financial liabilities		
Fixed rate	95,293	130,988
Floating rate	4,109,897	4,109,897
Index linked	193,674	223,995
	4,398,864	4,464,880

The carrying amount of all other assets and liabilities not carried at fair value is considered to be a reasonable approximation of fair value.

	Carrying Value	Fair Value
31 Dec 2010	€'000	€'000
Financial assets		
Fixed rate	138,264	180,692
Floating rate	4,265,532	4,265,532
Index linked	156,424	211,517
Derivative assets	8,469	8,469
	4,568,689	4,666,210
Financial liabilities		
Fixed rate	96,398	135,175
Floating rate	4,217,983	4,217,983
Index linked	189,022	204,613
Derivative liabilities	1,385	1,385
	4,504,788	4,559,156

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 €4.6 billion (2010: €4.7 billion). This is based on EURIBOR® at the year end rate (2010: EURIBOR®) on a 365 day basis.

Similarly, the Agency's liabilities are valued by reference to one month EURIBOR® (1.024% [360 day basis]) at 31 December 2011 (2010: EURIBOR®), with the cost of funding index linked stock compared to the cost of funding a conventional variable rate stock. €4.5 billion (2010: €4.6 billion) has been estimated as the fair value of the Agency's liabilities.

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 considered that the value by reference to variable rates gave a more accurate

reflection of the situation and allowed both assets and liabilities to be assessed on a similar basis.

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 2011.

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) inactive markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are based on observable market data (unobservable inputs).

31 Dec 2011	Quoted market prices (Level 1)	Valuation techniques using observable market date (Level 2)	Valuation techniques using non-observable market date (Level 3)	Total
	€'000	€'000	€'000	€'000
<i>Fair Value Hierarchy</i>				
Financial assets held at fair value				
Derivative financial instruments	-	-	-	-
Financial liabilities held at fair value				
Derivative financial instruments	-	-	-	-

During the year, there were no transfers between levels and no level one to three financial instruments.

31 Dec 2010	Quoted market prices (Level 1)	Valuation techniques using observable market date (Level 2)	Valuation techniques using non-observable market date (Level 3)	Total
	€'000	€'000	€'000	€'000
<i>Fair Value Hierarchy</i>				
Financial assets held at fair value				
Derivative financial instruments	-	8,469	-	8,469
Financial liabilities held at fair value				
Derivative financial instruments	-	1,385	-	1,385

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair value assets	Fair value liabilities
	€'000	€'000	€'000
<i>At 31 Dec 2011</i>			
Derivatives designated as cash flow hedges			
Forward exchange rate agreements	-	-	-
Total recognised derivative assets/(liabilities)	-	-	-

<i>At 31 Dec 2010</i>			
Derivatives designated as cash flow hedges			
Forward exchange rate agreements	217,447	8,469	(1,385)
Total recognised derivative assets/(liabilities)	217,447	8,469	(1,385)

At 31 December 2011, the Agency had not entered into any forward exchange rate agreements. The cash-flows and related income and expenditure movements in relation to the derivatives above all occurred within one year.

17. HEDGING RESERVE/CASH FLOW HEDGES

	2011	2010
	€'000	€'000
Balance at beginning of year	(19)	(315)
Effective portion of changes in fair value of cash flow hedges	-	(143)
Net changes in fair value of cash flow hedges recharged to profit and loss	19	439
Balance at end of year	-	(19)

18. CASH FLOW STATEMENT

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
(a) Reconciliation of operating surplus/(deficit) to cash outflow from operating activities		
Operating surplus for the financial year	3,478	23,099
Direct expenditure (Note 4)	111,709	53,704
Finance Fees	(229)	(252)
Depreciation (Note 9)	29	31
Amortisation of eurocommercial paper issue expenses	(115)	(115)
Actuarial loss	-	109
Hedge effectiveness reserve	19	171
Pre May 1986 provision	(40)	-
Interest received	117	496
Interest paid	(99,643)	(59,213)
Movements in working capital:		
Decrease in amounts due from local authorities (Note 8)	89,848	133,679
Increase in other debtors and prepayments	(19,300)	(3,553)
(Decrease)/increase in creditors	(57)	3,352
Increase in pension surplus	(32)	(258)
Decrease in derivatives	7,082	28,385
Cash inflow/from operating activities	92,866	179,635

(b) Gross cash flows		
Returns on investments and servicing of finance		
Capital expenditure		
Payments to acquire tangible fixed assets	(17)	(41)
Gain on disposal of tangible fixed assets	-	6
Net cash outflow from capital expenditure and disposals	(17)	(35)
Debt financing		
Decrease in bank loans and notes payable	(109,551)*	(421,714)
Net cash inflow from change in debt	(109,551)	(421,714)

* Proceeds from the issue of borrowings during 2011 amounted to €126.20 billion and the repayment of borrowings during 2011 amounted to € 126.31 billion.

	At 31 December 2011	Cash flows	Non-cash movements	At 31 December 2010
	€'000	€'000	€'000	€'000
(c) Analysis of changes in net debt				
Cash and cash equivalents	493	(16,702)	-	17,195
Overdraft	-	-	-	-
	493	(16,702)	-	17,195
Bank loans and notes repayable within one year	(4,032,226)	103,904	-	(4,133,635)
Bank loans and notes repayable after one year	(79,966)	5,647	-	(88,108)
Index linked bonds	(95,800)	-	152	(95,952)
Provision for premium on redemption of bonds	(97,874)	-	(4,804)	(93,070)
8.75% Housing Finance Agency Stock 2018	(92,998)	-	(360)	(92,638)
	(4,398,371)	92,849	(5,012)	(4,486,208)

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 2011 and 2010.

20. RECONCILIATION OF RETAINED SURPLUS

	31 December 2011	31 December 2010
	€'000	€'000
Retained surplus at beginning of year	55,647	32,206
Surplus for the financial year	3,627	23,332
Actuarial gains	(152)	109
Retained surplus at end of year	59,122	55,647

21. RECONCILIATION OF SHAREHOLDER'S FUNDS

	31 December 2011	31 December 2010
	€'000	€'000
Opening shareholder's funds	55,667	31,930
Recognised surplus for year	3,494	23,737
Closing shareholder's funds	59,161	55,667

22. COMMITMENTS**Loan Commitments**

With regard to proposed lending by the Agency, loan applications of €8.47 million were approved but undrawn at 31 December 2011.

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	-
After one year less than five years	150
After five years	-

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 2010 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 2011 the market value of the fund's

assets was €2.77 million (2010: €2.63 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 2011 by a qualified independent actuary using the projected unit cost method. The principal actuarial assumptions used were as follows:

	2011	2010	2009
	%	%	%
Rate of increase in salaries	3.75	3.75	3.75
Rate of increase in pensions payments	2.00	2.00	2.00
Discount rate	5.10	5.10	5.10
Inflation assumption	2.00	2.00	2.00

Mortality rate	2011	2010	2009
Post retirement – male age 62.5	23.5 years	23.5 years	23.5 years
Post retirement – female age 62.5	25.3 years	25.3 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:

	Long-term rate of return expected at 31 Dec 2011	Value at 31 Dec 2011	Long-term rate of return excepted at 31 Dec 2010	Value at 31 Dec 2010	Long-term rate of return excepted at 31 Dec 2009	Value at 31 Dec 2009
	%	€'000	%	€'000	%	€'000
Equities	7.00	1,335	7.00	1,279	7.00	915
Bonds	4.00	1,258	4.00	1,189	4.00	1,775
Property	6.50	83	6.50	71	6.50	65
Cash and other assets	2.00	97	2.00	92	2.00	68
Total market value of pension scheme assets		2,773		2,631		2,823
Present value of pension scheme liabilities		(2,124)		(1,894)		(2,344)
Total net retirement surplus/ (deficit) in scheme		649		737		479
Total net pension surplus/(deficit) recognised in the balance sheet		649		737		479

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. The impact of the pension

levy has also been reflected in the expected return. For equities the expected return has been taken as price inflation plus 5.0% p.a., for property inflation plus 4.5%, for bonds 4% and 2% for other assets. 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 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	€'000	€'000	€'000	€'000	€'000
Included in statement of total recognised gains and losses:					
Difference between expected and actual return on assets	(190)	75	152	(661)	(188)
Experience gains and losses on scheme liabilities	38	34	54	(129)	(184)
Effect of changes in actuarial assumptions	-	-	(143)	(30)	246
Net amount in statement of total recognised gains and losses	(152)	109	63	(820)	(126)

This expense is recognised in the administration expense line of the income and expenditure account.

History of actuarial gains and losses

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	€'000	€'000	€'000	€'000	€'000
Difference between expected and actual return on assets	(190)	75	152	(661)	(188)
Expressed as a percentage of scheme assets	6.86%	2.85%	5.38%	(33.9%)	(11.6%)
Experience gains and losses on scheme liabilities	38	34	54	(129)	(184)
Expressed as a percentage of scheme liabilities	1.4%	1.8%	2.30%	(6.37%)	(10.9%)
Total actuarial gains and losses	(152)	109	63	(820)	(126)
Expressed as a percentage of scheme liabilities	7.16%	5.76%	2.69%	(40.5%)	(7.5%)

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2011	2010
	€'000	€'000
Cumulative amount at 1 January	(967)	(1,076)
Recognised during the period	(152)	109
Cumulative amount at 31 December	(1,119)	(967)

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

	2011	2010
	€'000	€'000
Deficit at 1 January	(1,895)	(2,344)
Current and past service cost	(97)	(79)
Interest Cost	(102)	(94)
Contributions by employees	(24)	(24)
Actuarial (Gain/losses)	38	34
Past service costs	(59)	-
Benefits paid	15	612
Deficit at 31 December	(2,124)	(1,895)

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

	2011	2010
	€'000	€'000
Fair value of plan assets at 1 January	2,631	2,823
Expected return on plan assets	134	108
Contributions by employer	189	213
Contributions by employees	24	24
Actuarial losses	(190)	75
Benefits paid	(15)	(612)
Other adjustments (if any)	-	-
Fair value of plan assets at 31 December	2,773	2,631

Additional information

	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Expected Employer contributions	167	212

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, Community and Local Government, with the consent of the Minister for Public Expenditure and Reform, were approved by the Directors on 4 April 2012.

APPENDIX 1



BALANCE OUTSTANDING, BY LOCAL AUTHORITY AND NATIONAL BUILDING AGENCY (UNAUDITED)

Local Authority	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Athlone Town Council	2,320	2,333
Athy Town Council	4,161	4,160
Bray Town Council	7,444	7,405
Bundoran Town Council	1,977	1,931
Carlow County Council	46,475	39,306
Carlow Town Council	2,750	2,750
Carrick-on-Suir Town Council	413	403
Castlebar Town Council	6,001	6,001
Castleblaney Town Council	61	68
Cavan County Council	22,863	20,010
Clare County Council	51,583	55,428
Clonakilty Town Council	-	853
Clones Town Council	173	179
Clonmel Borough Council	4,837	5,011
Cork City Council	144,796	145,414
Cork County Council	391,454	416,041
Donegal County Council	124,291	96,938
Drogheda Borough Council	67,206	72,190
Dublin City Council	898,917	936,513
Dundalk Town Council	51,780	51,009
Dungarvan Town Council	2,124	2,075
Dun Laoghaire/Rathdown County Council	155,037	146,871
Ennis Town Council	2,125	1,000
Fermoy Town Council	345	337
Fingal County Council	387,838	400,021

Local Authority	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Galway City Council	103,120	112,730
Galway County Council	97,485	90,462
Kerry County Council	85,962	85,387
Kildare County Council	127,009	140,528
Kilkenny Borough Council	606	662
Kilkenny County Council	51,039	51,809
Laois County Council	132,079	138,537
Leitrim County Council	13,429	14,296
Letterkenny Town Council	3,838	4,000
Limerick City Council	15,247	16,482
Limerick County Council	43,640	46,145
Listowel Town Council	831	816
Longford County Council	43,113	43,095
Longford Town Council	845	953
Louth County Council	28,714	28,685
Mallow Town Council	-	3,815
Mayo County Council	85,889	78,412
Meath County Council	84,343	88,537
Monaghan County Council	33,642	35,486
Naas Town Council	620	11,457
Navan Town Council	5,902	2,500
Nenagh Town Council	2,750	1,750
New Ross Town Council	1,057	1,100
North Tipperary County Council	49,087	52,778
Offaly County Council	38,697	40,565
Roscommon County Council	9,707	7,271
Skibbereen Town Council	1,424	1,391
Sligo Borough Council	43,057	43,166
Sligo County Council	65,816	69,355
South Dublin County Council	247,455	257,263
South Tipperary County Council	60,041	57,458

Local Authority	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Tralee Town Council	14,273	13,943
Tullamore Town Council	4,727	4,618
Waterford City Council	98,453	101,958
Waterford County Council	42,202	40,524
Westmeath County Council	101,515	103,595
Westport Town Council	3,895	4,504
Wexford Borough Council	4,646	4,826
Wexford County Council	149,322	153,025
Wicklow County Council	80,623	71,591
Wicklow Town Council	6,056	5,916
SUB TOTAL	4,359,128	4,445,638
National Building Agency	-	3,299
TOTAL	4,359,128	4,448,937



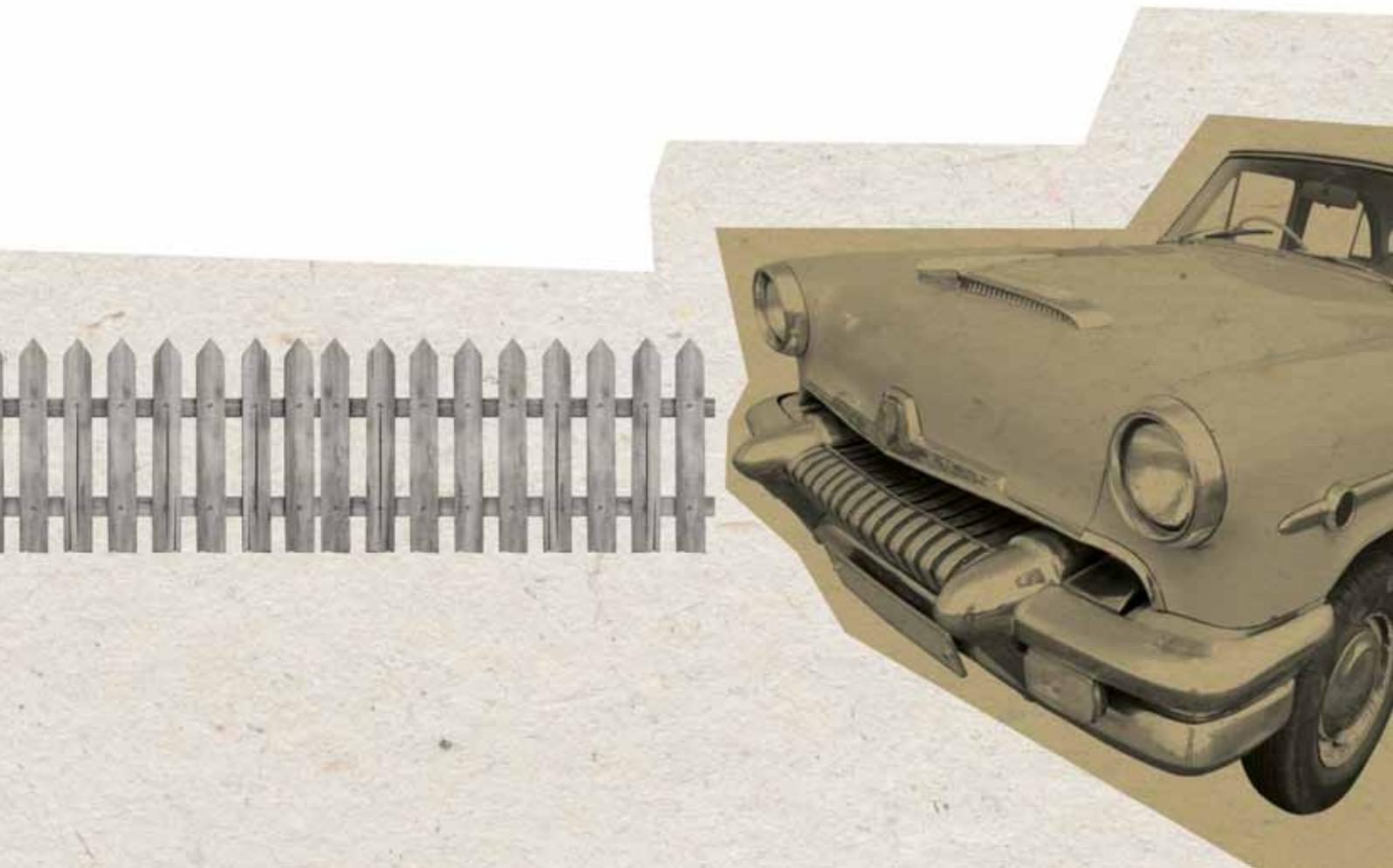
APPENDIX 2



LOANS ADVANCED DURING THE YEAR, BY LOCAL AUTHORITY (UNAUDITED)

Local Authority	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Athy Town Council	-	2,173
Carlow County Council	9,500	1,471
Carlow Town Council	-	2,750
Castlebar Town Council	-	6,000
Cavan County Council	4,335	1,807
Clare County Council	509	5,751
Cork City Council	3,376	2,701
Cork County Council	49,441	54,038
Donegal County Council	33,679	283
Drogheda Borough Council	702	202
Dublin City Council	63,637	115,122
Dundalk Town Council	1,701	64
Dun Laoghaire/Rathdown County Council	13,310	986
Ennis Town Council	2,125	-
Fingal County Council	13,835	19,125
Galway City Council	1,000	3,000
Galway County Council	12,712	9,454
Kerry County Council	3,264	5,908
Kildare County Council	725	11,526
Kilkenny County Council	2,309	2,342
Laois County Council	1,458	5,216
Leitrim County Council	-	5,063
Lettekeny Town Council	-	4,000
Limerick City Council	-	2,450
Limerick County Council	1,255	7,550

Local Authority	Year ended 31 December 2011	Year ended 31 December 2010
	€'000	€'000
Longford County Council	1,697	547
Louth County Council	446	2,353
Mayo County Council	10,800	21,594
Monaghan County Council	75	2,038
Navan Town Council	3,500	2,500
Nenagh Town Council	1,000	1,000
New Ross Town Council	-	1,100
North Tipperary County Council	670	4,968
Offaly County Council	-	541
Roscommon County Council	2,710	-
Sligo County Council	3,626	16,956
South Dublin County Council	13,691	27,685
South Tipperary County Council	4,151	1,418
Waterford City Council	6,200	7,646
Waterford County Council	4,137	5,127
Westmeath County Council	504	11,657
Westport Town Council	-	920
Wexford County Council	10,000	18,502
Wicklow County Council	10,500	118
TOTAL	292,580	395,652



APPENDIX 3



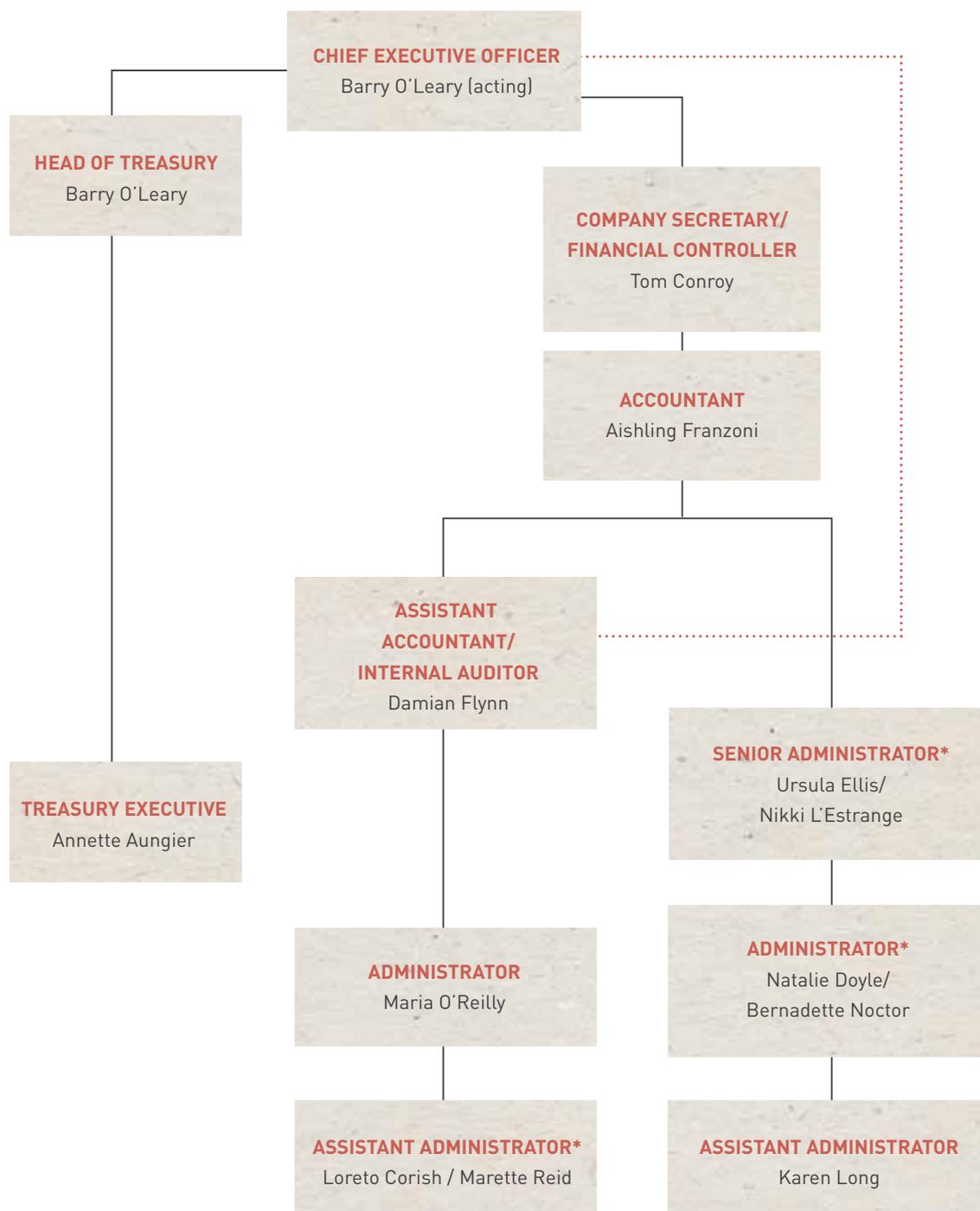
BALANCE OUTSTANDING ON LOAN BOOK, BY RATE TYPE AND DURATION OF LOAN (UNAUDITED)

	Fixed Rate	Variable Rate	Index Linked		Total
	€'000	€'000	Post May 1986 €'000	Pre May 1986 €'000	€'000
0 to 5 years	5,624	1,002,741	3,948	(41)	1,012,272
6 to 10 years	18,844	140,781	20,730	-	180,355
11 to 15 years	6,328	337,179	59,062	-	402,569
16 to 20 years	20,412	975,489	27,571	-	1,023,472
21 to 25 years	38,239	747,655	-	-	785,894
26 to 30 years	33,161	774,681	-	-	807,842
31 to 40 years	-	126,459	-	20,265	146,724
TOTAL	122,608	4,104,985	111,311	20,224	4,359,128

APPENDIX 4



AGENCY STAFF STRUCTURE



* Work Sharing
 For internal audit purposes only



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