HBFI
Maoiniú Teaghais–Tógála Éireann
Home Building Finance Ireland

Annual Report & Financial Statements 2020

Helping deliver new homes

Our Mission

HBFI's mission is to help increase the supply of new homes in the State through the provision of finance to commercially viable residential property development.

Visit our website to find out more at **www.hbfi.ie**

About HBFI

Home Building Finance Ireland ("**HBFI**") was incorporated in December 2018 to provide funding at market rates for commercially viable residential developments in the State. Its establishment was part of a wider response to Ireland's housing supply shortage that, over recent years, has seen supply falling short of the estimated demand.

An important aspect of HBFI is that it is designed to avoid distortion in the market but rather to identify gaps and help ensure that commercially viable developments throughout Ireland are not being impeded due to a lack of available finance. While HBFI's near term strategy is to engage with builder/developers with an active need for finance, it also has a key role in helping to stimulate competition and promote a more effectively functioning market in Ireland for residential development finance to ensure that funding is not an impediment in the drive to increase Ireland's housing supply.

Key Business Highlights

From Inception*

Approvals

€395m

Total funding approved to date

(2020: €285m)

1,850

Supporting 1,850 homes

(2020: 1,307)

38

Total number of facilities approved to date

17

Across 17 counties

€10m

Average loan facility size

6.98%

Rates for core products 5% to 9%, average 6.98%

€1m to €94m

Individual loan facilities range from €1m to €94m

32%

32% social housing

68%

68% private housing across all products

Active Sites

€263m

Total funding approved on active and completed sites to date

1,162

Number of new homes delivered or under construction

16

Total number of active sites to date across 12 counties

Homes Completed

107

Number of units completed and sold

476

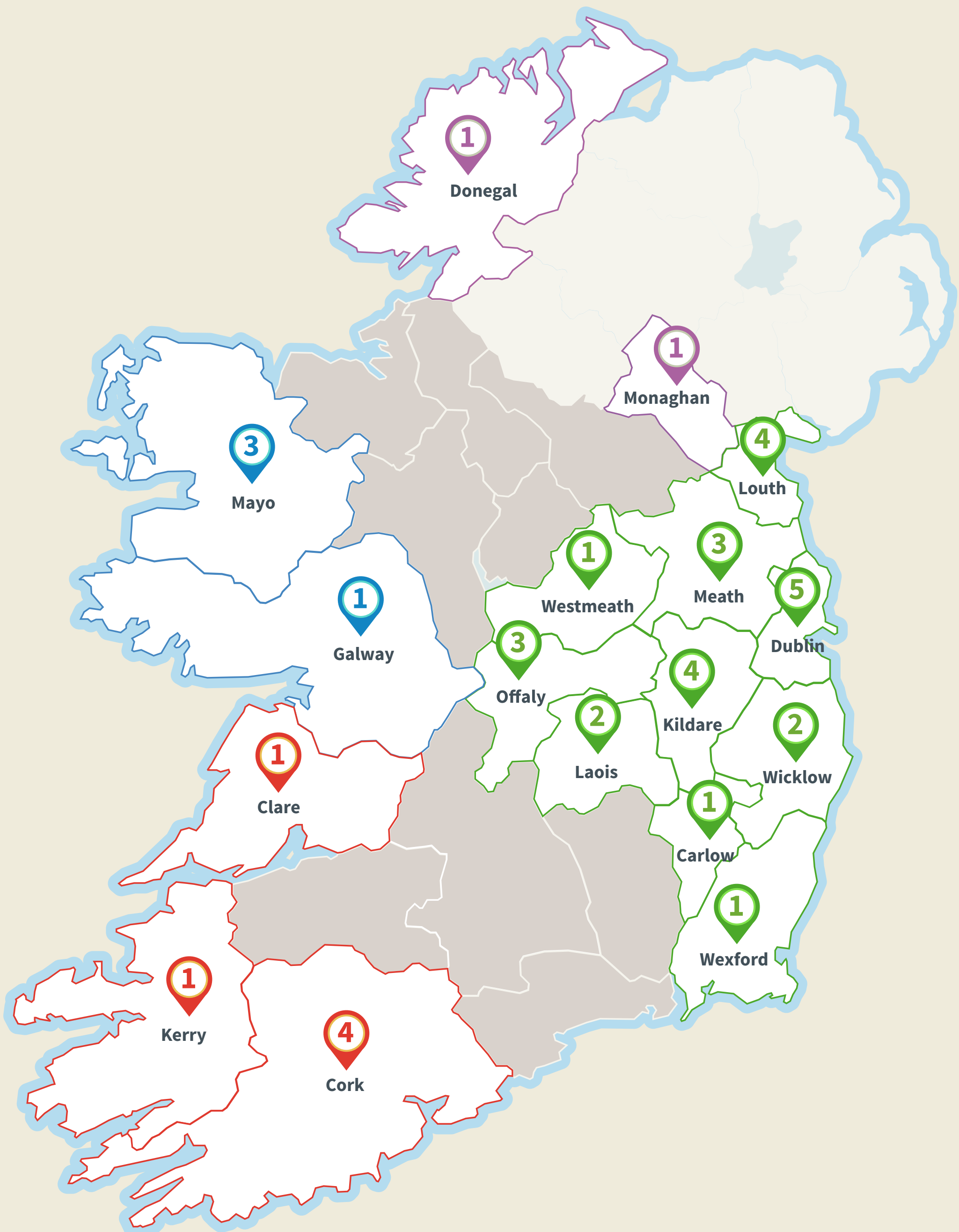
Contracted for sale/sale agreed

* figures reported are from 28 January 2019 to 31 December 2020. Not all schemes approved will drawdown funding from HBFI for various reasons including the project not progressing or alternative funding secured.

HBFI Facilities approved to Date

by County

HBFI has approved 38 facilities as of the end of 2020. These facilities are in various locations across 17 counties with an average of 48 new homes per facility. Further details are available below.



Timeline of Key Events

2019

28 January 2019
HBFI opens for business with an initial €750m to fund home building and site acquisition.

FEBRUARY

APRIL

4 April 2019
First HBFI facility approved – 10 Units or Above product.

17 May 2019
First social housing funded project approved.

JUNE

10 June 2019
First facility drawdown.

16 July 2019
HBFI mid-year update released, showing that over €41m in funding was approved in the first five months of operations.

SEPTEMBER

OCTOBER

31 October 2019
Significant HBFI milestone and announcement that over €100m in facilities have been approved to end October 2019.

DECEMBER

20 December 2019
First development completed.

2020

JANUARY

19 February 2020
HBFI Year-End update released, showing that over €114m in funding was approved in the 12 months to end January 2020.

MAY

11 May 2020
HBFI launched a series of new products to extend its presence throughout the housebuilding finance market including an Apartment Product, an Under 10 Units product and a Momentum Fund product.

JULY

10 July 2020
First project approved under the Momentum Fund product.

31 July 2020
First project approved under the Under 10 Units product.

15 September 2020
HBFI released its Mid-Year results to end July 2020. HBFI has approved funding for 1,477 new homes in 29 developments in 16 counties. Social housing projects account for 34% of the new homes approved for funding. Loan approvals to date of €340m.

NOVEMBER

22 November 2020
HBFI launched a Social Housing product as further support to the housebuilding sector and enhanced the Under 10 Units product with the support of the COSME guarantee to make it more accessible for smaller builders and developers.

Chairperson's Statement

I am pleased to present the second Annual Report of HBFI. The COVID-19 pandemic evolved in 2020 as a major global challenge and impacted all aspects of our society and economy. HBFI responded with speed to the changing funding constraints for homebuilders in Ireland to ensure that viable projects could progress in line with Government restrictions. We also continued to implement our strategy, launching products to meet funding gaps in the homebuilding market.

Like most businesses, we have learned to adapt to a new working environment during the past year and the management and staff of HBFI have demonstrated great agility in meeting the challenges faced by COVID-19. We recognised very quickly that HBFI was uniquely positioned to respond to funding shocks to support the residential sector and launched a range of new products during 2020, in part as a direct response to COVID-19 and also more generally to extend our presence throughout the residential construction sector. This included launching a range of products from the Momentum Fund for larger prime developments, to our Small Development product for under ten units. We have responded to the need for a specific Apartment Funding product and recently launched a Social Housing funding offering and introduced a European Investment Fund guarantee element for Small Development funding.

Uncertainty and restrictions continue to have a real impact on the residential construction sector and our focus is to continue to support viable residential developments that will deliver much needed new homes right across the country. Despite the market uncertainty and restrictions faced during the year, HBFI has grown total loan approvals to €395m by the end of 2020.

More will be required as we progress through the challenges of 2021 and we will continue to engage with our stakeholders to fully understand the changing landscape and how we can meet their requirements. I want to thank the Board and the HBFI Team for their continued professionalism, resilience and commitment in what has been a very demanding but successful year.

Marie Collins

Marie Collins
Chairperson

Supporting home builders throughout Ireland

Chief Executive Officer's Review

Throughout 2020, HBFI has facilitated the continued supply of residential development funding. Despite the challenges of COVID-19, we have played a very strong role in delivering new homes and providing a wide selection of innovative funding products for housebuilders. By December 2020, HBFI has approved €395m in funding supporting 1,850 new homes in 17 counties across Ireland.

Housebuilders have experienced unprecedented challenges since the onset of COVID-19 and we moved quickly to establish a range of effective supports to ensure continuity in the supply of new homes and launched a range of products throughout 2020.

Difficulty in raising finance continues to act as a constraint for the delivery of new homes. HBFI's initial product offering, the Senior Debt product, met the requirements of a large cohort of builders/developers. Following, a strategic review towards the end of 2019, we identified that up to 12% of all new housing supply across the country, including Dublin, consisted of schemes with fewer than 10 units. These smaller schemes are an integral part of the market. We also identified that while the volume of planning applications indicated that developers were keen to pursue new apartment schemes, this was not being translated into adequate numbers of new developments. To meet this gap in the market we announced two new measures in May 2020 to address funding for Apartment developments and the Small Development product. Both have been well received and we have seen keen interest as the products have been rolled out.

COVID-19 gave rise to concerns of a further paralysis in construction activity and threatened the ongoing recovery of the residential construction sector. The COVID-19 response launched by HBFI was designed to facilitate a quick resumption of homebuilding throughout Ireland as COVID-19 restrictions were lifted. Launched in May 2020, the Momentum Fund was designed specifically for large developments in prime locations as a direct response to consequent funding challenges faced at the time. A total fund of €300m was made available during 2020. We have more recently launched the Social Housing scheme and also a product for smaller developers of between 5 and 10 units, supported by the European Investment Fund (EIF).

When HBFI was established, it was anticipated that we could support up to 7,500 new homes over a five-year period and we are well on track to achieving this. We are fully committed to continuously evolving our proposition and have the capability to bring forward additional solutions to support funding for housebuilding as the market needs arise.

Dara Deering

Dara Deering
Chief Executive Officer

Responding to the evolving needs of the market

Business Review

Our Market

When HBFI launched at the end of January 2019, it had a single senior debt product which provided funding for developments of more than 10 units and with a funding cap of €35m. In Q4 of 2019, HBFI engaged with key stakeholders across the construction sector to identify areas where funding for residential development was restricted or difficult to access.

Following this engagement, two areas were identified:

1. Funding for developments of less than 10 units; and
2. Funding for large scale apartment developments, requiring finance in excess of €35m

As a result of this engagement and supported by market analysis, HBFI launched two new products: a product for smaller developments of between five and nine units and an apartment product.

With the onset of COVID-19, the funding landscape changed fundamentally. It became clear that funding for residential construction projects could be temporarily constrained. HBFI responded to this potential funding gap by launching a Momentum Fund in May 2020. The purpose of the fund was to 'step-in' and provide funding for projects that were ready to commence construction, and which would ordinarily have been funded by the mainstream financial institutions. The initial fund of €200m (from the existing ISIF facility of €730m) was increased by a further €100m later in the year due to the high levels of demand.

There was an immediate market demand for the products, especially the Momentum Fund. Promoters behind these developments had the confidence to progress with these projects on the basis that the COVID-19 pandemic impact would be resolved by the time the units were delivered to the market.

In relation to small and mid-tier developments, confidence was not as high during the first lockdown as there was concern around the possible impact of COVID-19 on new home sales, including the availability of mortgages and sales values. However, once the initial lockdown was lifted and new home sales remained strong with no impact on pricing, confidence in the sector recovered quickly and this was demonstrated by the high level of interest for all of HBFI's products in Q3 and Q4 of 2020.

Another sector of the housing market which grew strongly in 2020 was social housing, with Approved Housing Bodies ("AHBs") and Local Authorities purchasing or contracting to purchase large numbers of new homes from builder/developers under the turn-key model. As a response to the growing market demand for funding in this sector, HBFI introduced a Social Housing product in Q4 of 2020. Due to the reduced risk afforded by pre-sold turn-key, HBFI was able to offer a lower cost of finance for these schemes.

HBFI continues to engage with key stakeholders across the construction sector and will evolve our proposition further in line with changes in market demand.

Our Performance

By the end of 2020, HBFI had cumulative approved funding of €395m across 38 sites which could support the delivery of up to 1,850 new homes. As it takes a period of time between approval and first drawdown to allow for the signing of facility agreements and other legal due diligence, 16 of these facilities had reached drawdown by 31 December 2020. Total funding approved for these 16 facilities was €263m to deliver 1,162 new homes. Some of the key metrics are outlined below.

Approvals:

	Since Inception	2020
Total amount of funding approved	€395m	€285m
Total number of facilities approved to date	38	21
Number of counties in which funding has been approved	17	11
Average loan facility size (range €1m to €94m)	€10m	€14m
Split of funding approved:		
Social Housing	32%	26%
Private Housing	68%	74%

Homes Completed:

Number of homes completed and sold	107
Number of homes contracted for sale/ sale agreed	476

Our Products

At the end of 2020, HBFI had five products available for the finance of residential development. These products allow the funding of housing developments from five units to over 300 units with each product having a price range commensurate with the nature of the development type and the related risk parameters.

The Under 10 Units product benefits from the Competitiveness of Enterprises and Small and Medium-sized Enterprises ("COSME") guarantee scheme operated by the European Investment Fund. This guarantee allows for the funding of small developments that might otherwise fall outside the HBFI risk appetite and would most likely not be funded in the market. This is particularly relevant to small developments in the regions, that can have a positive and disproportionate impact on the local community relative to their size.

The products on offer as at 31 December 2020 were as follows:

Under 10 Units (to include COSME)

The Small Development Funding Product (under 10 units) is designed to provide funding for projects of between five and nine residential units.

#BelieveInSmall

- Facility size from €1m (to include land purchase (up to 50%) and development funding)
- Gearing of up to 80% (includes site purchase and development funding)
- Margin of between 6% and 9% (over 3-month Euribor)
- A 1% entry and exit fee will be applied subject to a minimum entry fee of €15K and minimum exit fee of €15K
- Ideally, the site should have planning permission or be in the process of achieving planning permission
- Loan Guarantee Scheme provided by the EIF (European Investment Fund).

10 Units or Above

HBFI's original product offering, the Standard Development Funding Product, is designed to fund residential projects of 10 units or more.

- The minimum number of units (houses/apartments or a mix) for which funding will be provided under this product type is 10
- Gearing of up to 80% (includes site purchase and development funding)
- Margin of between 5% and 8% (over 3-month Euribor), with an entry fee and exit fee of up to 1%
- Ideally, the site should have planning permission or be in the process of achieving planning permission
- The maximum funding provided under this product type is €35m.

Apartment Development

The HBFI Apartment Funding Product is primarily geared towards apartment development as opposed to site purchase but may incorporate funding for site as part of overall facility.

- This product is for developments consisting of predominantly apartments
- Gearing of up to 80% (includes site purchase and development funding)
- This product can be used to fund developments with pre-sales/private sales or a mix
- Ideally, the site should have planning permission or be in the process of achieving planning permission
- The maximum funding provided under this product type is €75m
- Margin and fees will be reflective of risk pertaining to each development. Please contact HBFI to discuss your project.

Momentum Fund

The Momentum Fund is a direct response to the COVID-19 crisis and is designed to temporarily provide funding to established developers for large-scale developments in prime locations, which might have previously been funded by the mainstream banks.

- Facility size of up to €75m (for larger amounts contact HBFI directly to discuss)
- Gearing of up to 65% (includes site purchase and development funding)
- Margin and fees will be assessed on a case by case basis.

Social Housing

The Social Housing Product is designed to provide funding for social housing projects that are contracted for sale pre construction to a Local Authority or an AHB (Approved Housing Body).

- The minimum number of units (houses/apartments or a mix) for which funding will be provided under this product type is 10
- The project must be contracted to a Local Authority or an AHB prior to the first drawdown from the facility provided by HBFI
- Gearing of up to 80% (includes site purchase and development funding)
- Margin of between 5% and 7% (over 3-month Euribor), with an entry fee of 1% and no exit fee.

Our Customers

Since commencing operations in January 2019, HBFI has focused on creating market awareness to maximise the immediate impact on the residential development funding landscape. With the addition of several new products during 2020, there was a need to further engage with the market to explain the parameters of each product and to assist customers in selecting the product best suited to their needs.

Accordingly, two new Business Development Managers were hired whose role is to actively engage across the market with our customer base which has grown considerably over the last year. Each of the Business Development Managers focuses on a particular segment of the market and engages with both customers and other industry stakeholders.

While the COVID-19 related restrictions on movement curtailed in-person activity in 2020, web conferencing and webinars were used as an alternative. It is planned to further build on this communication and engagement in 2021. In addition, there will be targeted promotion of HBFI in counties where there has been limited applications to date.

Our Stakeholders

The residential development sector is both complex and broad in its make-up, with many stakeholders involved in new home delivery, including:

- Engineers
- Architects
- Planners
- Quantity Surveyors
- Estate Agents
- Legal Firms
- Local Authorities

Although many planned HBFI events and conferences were postponed, HBFI continued to engage with key professional bodies in the industry such as:

- Society of Chartered Surveyors of Ireland
- Quantity Surveyor Firms and Legal Firms
- Senior officials from Local Authorities
- Institute of Professional Auctioneers and Valuers
- Construction Industry Federation
- Irish Home Builders Association

Since inception HBFI has sought to engage widely across these stakeholder groups to both assist the market in understanding the role of HBFI and to enable HBFI to better understand the market. Furthermore, as HBFI is an agency of the state, we continue to engage with various government departments, the Housing Agency, Approved Housing Bodies and Local Authorities. We recognise the value of ongoing engagement and an extensive stakeholder engagement plan is underway for 2021, to enhance and build upon existing relationships. In addition, a detailed marketing plan has been put in place for 2021 to create greater awareness of HBFI's product offering.

Our Policy Considerations

Under the HBFI Act, the Minister for Finance may at any time require HBFI to report on the performance of its functions. HBFI will therefore be regularly monitored and audited to ensure that we are delivering on our mandate and providing additional funding in the market.

As provided for in HBFI Act, the Minister commenced a review of HBFI including the preparation of a report to assess the extent to which HBFI has performed its functions and complied with its obligations under the legislation. This process, which commenced in Q4 2020, included seeking feedback from key stakeholders across the construction sector and is due to complete in the early part of 2021.

HBFI is cognisant of Government policy relating to housing, in particular the National Planning Framework and Project Ireland 2040. HBFI meets with the Department of Finance on a regular basis and also, given the synergies in mandate, with the Department of Housing. In addition, HBFI has established a specific email address for members of the Oireachtas to submit any queries that may arise.

During 2020, HBFI had a dual focus of ensuring that all activities were aligned with Government policy and that HBFI funding was reaching the residential development market, especially taking account of the impact of COVID-19 on the sector. These policy considerations were captured through:

- Increasing the availability of development funding for the delivery of new homes;
- The introduction of new products and a broadening of the customer base; and
- Regular engagement and collaboration with government agencies, departments and construction industry representatives.

Our Climate Change Priority

Lending Activities

The construction sector has seen significant advancements in regulation in recent years. This will result in a considerable reduction in energy consumption over the lifecycle of new dwellings.

HBFI undertakes to ensure that all projects funded are compliant with the latest building standards and this will be verified by Monitoring Surveyors appointed to each project. This requirement will help to ensure that HBFI funded developments meet the highest standard in building regulation whilst also minimising the impact on the environment.

The *Nearly Zero Energy Buildings*[1] *(NZEB)* regulations introduce a very high energy performance in building standards and require that all new homes are NZEB compliant.

In addition, HBFI commenced planning for a new Green Funding product in the second half of 2020 with a view to launching to the market in early 2021. The objective of this new product is to further encourage sustainable development by incentivising builders/developers to deliver to a standard which is higher than that set by regulation.

1 'Nearly Zero Energy Buildings' means a building that has a very high energy performance. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby.

Energy Efficiency Report

HBFI is co-located with the National Treasury Management Agency ("NTMA") in offices at Treasury Dock, North Wall Quay, since August 2019. Treasury Dock has achieved LEED 2009 Platinum rating and BER A3 energy rating standards.

The NTMA's Energy Efficiency Report details energy usage by the building and is published with the NTMA's Annual Report.

Case Studies

10 Units and Above

Company Name:
Tullamore Vita Stilo Limited

Site Location:
Tullamore, Co. Offaly

Number of Units:
Funding approved for **28** units (the development has planning for 98 units)

Project Status:
Under construction

10 Units and Above

Company Name:
McConway Homes Ltd

Site Name:
Carrabeag

Site Location:
Castlebar, Co. Mayo

Number of Units:
Funding approved for **17** units (the development has planning for 68 units)

Project Status:
Under construction

Social Housing Project

Company Name:
Silzury Ltd

Site Name:
Loughlion

Site Location:
Kildare Town, Co. Kildare

Number of Units:
79

Project Status:
Nearing completion

Governance and Corporate Information

Directors

Marie Collins
Chairperson

(Appointed 1 June 2019 for a five-year term)

(Member of the Remuneration Committee, Member of the Credit Committee)

Marie Collins is an experienced non-executive director in both the private and public sectors. The former General Manager of the ESB Pension Fund, she currently serves on the boards of Irish Property Unit Trust Plc. (IPUT), Bank of Ireland: General Investment Trust DAC, the Trinity College Dublin Foundation and Eco-UNESCO. She previously chaired the Irish Association of Pensions Funds (IAPF), as well as currently chairing the Audit & Risk Committees of several organisations. Marie is a Chartered Director, holds an MBA from TCD and Post Graduate Dip in Corporate Governance from UCD.

Dara Deering
Board member

(Appointed 2 September 2019 for a five-year term)

(Chief Executive Officer and ex officio member)

Dara Deering is CEO of HBFI having joined the organisation on 2 September 2019. Dara has extensive experience in Financial Services having previously served as Executive Director and Head of Retail Banking at KBC Bank Ireland plc since February 2012. During that time Dara led the launch and implementation of a new Retail Bank, broadening the range of products and services available, and offering a new banking alternative for Irish consumers. Prior to her time in KBC Dara held a number of leadership positions in the retail financial services industry. She holds an MBA from Smurfit Business School and a Bachelor of Science Management from Trinity College Dublin.

Des Carville
Board member

(Appointed 7 December 2018 for a five-year term)

(Member of the Audit and Risk Committee, Member of the Credit Committee)

Des Carville is head of the Shareholding and Financial Advisory Division (SFAD) of the Department of Finance, which is responsible for the completion of the restructuring of the banking system and managing the State's shareholdings and investments in the banking sector, the National Asset Management Agency (NAMA) and IBRC (in Special Liquidation). It has policy oversight for the Credit Union sector. The Division also provides financial advisory services to the Department. He previously worked with Davy Corporate Finance for 15 years. He is a member of Chartered Accountants Ireland (FCA), having trained with KPMG from 1994 to 1998, and is a Certified Bank Director with the Institute of Banking. He is a director of the European Investment Bank.

Grainne Hennessy
Board member

(Appointed 1 June 2019 for a five-year term)

(Chair of the Remuneration Committee, Member of the Audit and Risk Committee)

Grainne Hennessy is a senior partner at Arthur Cox with over 27 years' experience in advising lenders and borrowers on the funding of real estate investments, including some of the largest construction finance projects in the country. She was Head of the Finance Department and a member of the management committee of Arthur Cox for six years.

Andrew O'Flanagan
Board member

(Appointed 7 December 2018 for a five-year term)

(Member of the Remuneration Committee, Member of the Credit Committee)

Andrew O'Flanagan is Director of the National Development Finance Agency and NewERA at the National Treasury Management Agency (NTMA). Prior to joining the NTMA in 2011, he was Group Head of Legal at ESB and Chief Legal Officer of Ervia and worked in New York and London for seven years as a corporate lawyer with the Wall Street law firm Davis Polk & Wardwell, which included a secondment to the international investment bank Morgan Stanley. Andrew is a graduate of NUI Galway and Yale Law School (where he was a John F. Kennedy Scholar).

Ken Slattery
Board member

(Appointed 1 June 2019 for a four-year term)

(Chair of the Audit and Risk Committee)

Ken Slattery has extensive board room experience in the financial services sector, currently on the board of Permanent TSB where he sits on the Audit and Remuneration Committees. He is also on the board of the National Shared Services Office where he chairs the Audit and Risk Committee. Previously he held a number of senior leadership positions with Bank of Ireland including Corporate Banking Director (15 years) and Credit & Operations Director with Social Finance Foundation (nine years). He is a Fellow of the Institute of Bankers and a Certified Bank Director.

Claire Solon
Board member

(Appointed 1 June 2019 for a four-year term)

(Member of the Credit Committee)

Claire Solon is Managing Director at Greystar Ireland managing multi-family investment and development in Ireland. Previous roles include Head of Property at Aviva, managing in excess of €600m of property funds in Ireland and UK and Head of Estates Management at ESB, responsible for the management of the ESB property portfolio in Ireland. She served as President of the Society of Chartered Surveyors in 2016 and also served on the Board of the Irish Green Building Council.

Governance Statement and Board Members' Report

Governance

HBFI was incorporated as a designated activity company pursuant to the *Home Building Finance Ireland Act 2018* (the "HBFI Act 2018") on 7 December 2018. A group entity, Home Building Finance Ireland (Lending) DAC ("HBFIL") was subsequently incorporated on 4 January 2019. The Board is accountable to the Minister for Finance. The Board is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and making strategic decisions on all key business issues. The regular day-to-day management, control and direction of HBFI, within defined authority levels, are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and management of HBFI.

Board Responsibilities

The functions of HBFI are prescribed in Section 7 of the HBFI Act 2018. There is a formal schedule of matters reserved for decision by the Board. This includes:

- Annual Reports and Financial Statements;
- Risk Management Policy;
- Risk Appetite Statement, including eligibility criteria;
- Strategic Plan;
- Annual Budgets and Corporate Plans;
- Financing facilities;
- Appointment and terms and conditions of the Chief Executive Officer (after consultation with the Minister); and
- Overall remuneration policy and staffing plan.

HBFI is required by the HBFI Act 2018 to prepare financial statements in respect of its operations for each financial year. The financial statements are prepared in accordance with FRS 102 (March 2018), the Financial Reporting Standard applicable in the UK and Ireland and in accordance with the Companies Act 2014.

In preparing these financial statements, the HBFI Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on a going concern basis unless it is inappropriate to do so; and
- Disclose and explain any material departure from applicable accounting standards.

The Board is responsible for ensuring that HBFI keeps, or causes to be kept, adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited.

The Board is responsible for approving the HBFI income and expenditure budget and corporate strategy. Forecasts against budget and goals are reviewed by the Board during the year and variations are reviewed at year end.

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of HBFI give a true and fair view of the financial performance during the period under review and the financial position of HBFI at 31 December 2020.

Board Structure

HBFI's Constitution provides that there shall be a minimum of three and a maximum of seven directors, one of whom will be the Chief Executive Officer as an ex-officio member of the Board. The first three directors were appointed by the Minister on the formation and registration of HBFI with the additional four directors appointed on 1 June 2019 following a Public Appointments Service process. The CEO was appointed to the Board in September 2019 replacing one of the original Board members.

The Chairperson is appointed by the Minister.

A director's term of office shall not exceed five years. Details of the current directors and their appointment periods are set out on pages 16 to 17.

The Board has established three committees to assist it in discharging its responsibilities, each with formal terms of reference:

- Audit and Risk Committee
- Credit Committee
- Remuneration Committee

For further information on the Board's committees, see Committee Reports on pages 23 to 24.

In addition, the Board has delegated certain credit decisions to an Executive Management Team Credit Committee through the Delegated Authority Policy, which is subject to regular review by the Board.

The Board plan includes a requirement for the Board to conduct an annual evaluation of its own performance and that of its Committees.

The Board is supported in its functions by the Board Secretary who also coordinates the activities for the various Board committees.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2020 is set out below including the fees and expenses received by each member in their capacity as a Board or Committee member:

	Board	Audit and Risk Committee	Credit Committee	Remuneration Committee	Fees 2020 €	Expenses 2020 €
Number of Meetings	**15**	**6**	**3**	**2**		
Board members						
Dara Deering	15		3			
Marie Collins	15		3	2	€31,500	
Des Carville	15	6	2			
Grainne Hennessy	14		2	2	€15,750	
Andrew O'Flanagan	15		3	2		
Ken Slattery	15	6	2		€15,750	
Claire Solon	15	6	2		€15,750	
Staff Members						
Sean Alger			3			
Michael Broderick			0			

The Chief Executive Officer (ex officio member), Andrew O'Flanagan (NTMA) and Des Carville (Department of Finance) do not receive any remuneration in respect of their membership of the Board. Members of staff do not receive any additional remuneration in respect of membership of committees.

Gender Balance in the Board membership

As at 31 December 2020, the Board had four female (57%) and three male (43%) members, with no positions vacant.

The following measures are in place to maintain and support gender balance on this Board:

- The term of office of appointed members does not exceed five years; and
- Board vacancies are filled through the Public Appointments Service process which takes into account the requirements set out in Section 4.4 of the Code of Practice for the Governance of State Bodies regarding diversity.

Key Personnel Changes

There were no changes to the members of the Board or the senior management team during 2020.

Remuneration

The HBFI Act 2018 provides that the NTMA shall assign staff to HBFI as HBFI determines to be necessary for the performance of its functions. Thus, all HBFI staff are employees of the NTMA.

The NTMA's remuneration model is based on confidential, individually negotiated employment contracts, with competitive, market-aligned remuneration. The typical remuneration package comprises a fixed-base salary, pension entitlement and provision for discretionary performance-related pay.

Discretionary performance-related payments are intended to reward exceptional performance having regard to the employee's own performance, the performance of the employee's area of responsibility, and the overall performance of HBFI. Performance related payments are made in accordance with parameters approved by the Board on the recommendation of the Remuneration Committee. The overall amount of performance-related payments made in respect of any year is also subject to the approval of the Board.

HBFI did not make any performance-related payments to staff in 2021 in respect of 2020.

Employee Short-Term Benefits Breakdown

Employee short-term benefits in excess of €50,000 in 2020 are categorised into the following bands:

Range	No. of Employees
€50,001 to €75,000	1
€75,001 to €100,000	10
€100,001 to €125,000	3
€125,001 to €150,000	3
€150,001 to €175,000	1
€175,001 to €200,000	1
€200,001 to €225,000	0
€225,001 to €250,000	0
€250,001 to €275,000	1
€275,001 to €300,000	0
Total	20

Note: For the purposes of this disclosure, short-term employee benefits rendered during 2020 include salary, other taxable benefits paid to employees (including performance-related payments), and other payments mode on behalf of employees, but exclude employer's PRSI and employer pension contributions.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that HBFI has complied with the requirements of the Code of Practice for the Governance of State Bodies (“the Code”), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced ‘business-as-usual’ functions.

	2020 €’000	2019 €’000
Legal advice	55	298
Financial advice	52	30
Marketing/Design/ Public Relations	33	27
Human Resources	18	14
Other	42	28
Total consultancy costs	**200**	**397**
Consultancy costs capitalised	0	0
Consultancy costs charged to the Statement of Comprehensive Income	200	397
Total consultancy costs	**200**	**397**

Legal Costs and Settlements

No expenditure was incurred in 2020 in relation to legal costs and settlement.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2020 €’000	2019 €’000
Domestic		
– Board	0	0
– Employees	13	11
International		
– Board	0	0
– Employees	0	0
Total	**13**	**11**

Hospitality Expenditure

The Statement of Comprehensive Income includes €1k in respect of staff hospitality expenditure in 2020 (2019: €2.8k).

Statement of Compliance

HBFI has complied in all material respects with the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform with a limited number of adaptions/variations which have been agreed with the Department of Finance as summarised below:

Matters Reserved for Decision by the Board

The Code sets out a formal schedule of matters specifically reserved for decision by the Board. Other than “significant amendments to the pension benefits of the Chief Executive and staff” which is a matter for the NTMA Board as all HBFI staff are employees of the NTMA and are members of the NTMA superannuation scheme, the Schedule of Reserved Matters includes the items set out in the Code.

Non-Compliance with Statutory Obligations

In view of the wide range of relevant statutory obligations to which HBFI is subject, it is proposed to address this requirement with regard to the most significant obligations to which HBFI is subject and to apply a materiality filter to the notification of any incidence of non-compliance to the Minister.

Audit and Risk Committee

The Code recommends that the Audit and Risk Committee has members drawn from outside the Board. Although the Committee consists wholly of non-executive Board members, the Board is satisfied that the members have the requisite skills and experience to perform the role required.

Public Spending Code

The Public Spending Code is likely to be limited in its application to HBFI as its principal activities are the sourcing of funding, and the provision of finance to borrowers. In the event that HBFI engages in capital projects, a further review of the applicability of the Public Spending Code will be undertaken.

Remuneration and Superannuation

The HBFI Act 2018 provides that the NTMA shall assign such staff to HBFI as HBFI determines to be necessary for the performance of its functions. Thus, all HBFI staff are employees of the NTMA.

Remuneration matters in respect of NTMA employees assigned to HBFI are approved by the NTMA Chief Executive Officer, representing the NTMA as employer, in accordance with criteria and oversight arrangements agreed from time to time with HBFI. With regard to these criteria and oversight arrangements, the HBFI Board has established a Remuneration Committee and has put in place a formal remuneration policy. In complying with the Code's provisions in respect of remuneration, HBFI has adopted the provisions applying to commercial State bodies, adapted in light of its particular governance and reporting structures and remuneration model.

Committee Reports

Audit and Risk Committee Report

The Audit and Risk Committee's role is to assist the Board in the oversight of:

- the quality and integrity of the financial statements; the review and monitoring of the effectiveness of the systems of internal control; the internal audit process and the compliance function; and the review of the outputs from the external auditor, the Comptroller and Auditor General (C&AG); and
- HBFI's risk management framework including setting risk appetite; the monitoring of adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

The Committee comprises of three non-executive members appointed by the Board. The current members of the Committee are:

- Ken Slattery, Chairperson
- Des Carville
- Grainne Hennessy

Grainne Hennessy was appointed to the Audit and Risk Committee with effect from 1 January 2021, replacing Claire Solon who had been a member throughout 2020. This followed a decision by HBFI in late 2020 to review the membership of its committees.

The Committee met on six occasions in 2020.

Financial Reporting

The Committee reviewed the draft financial statements and recommended them to the Board. The review focused on the accounting methods, the Companies Act 2014 and the clarity and completeness of disclosures in line with applicable accounting standards, and relevant provisions of the Code of Practice for the Governance of State Bodies. The Committee also reviewed the Governance Statement and Board Members' Report, and statements on risk management for inclusion in the HBFI Annual Report.

Internal Controls

The Committee reviewed the effectiveness of the system of internal control. It also reviewed the Statement on Internal Control to be included in the 2020 financial statements and recommended it to the Board. The review was informed by a report from management in relation to the assertions contained in the Statement and also the Committee's detailed work programme, including regular internal audit and risk reports.

Internal Audit

HBFI's internal audit process is managed by the NTMA Internal Audit function. The Committee received regular reports from internal audit. It reviewed the key findings from the outcome of individual audit reviews completed under the 2020 risk-based internal audit plan and monitored the implementation of audit recommendations. The Committee approved the 2021 internal audit plan. It also approved the adoption of the NTMA Internal Audit Charter which now includes specific reference to HBFI. The Committee meets privately with the NTMA Head of Internal Audit without management present at least annually.

External Audit

HBFI's external auditor is the Comptroller and Auditor General. The Committee reviewed the external audit plan, the key areas of focus and the audit terms of engagement. It also monitored management's response to the auditor's findings arising from the audit of the 2019 financial statements. The Committee meets with the external auditor without management present at least annually.

Risk

The Committee reviewed HBFI's Risk Management Policy and Framework and Risk Appetite Statement and received regular reports on HBFI's risks and the controls in place to mitigate risks. The Committee meets privately with the Head of Risk without management present at least annually.

Compliance

The Committee reviewed the annual compliance report and the services provided by NTMA Compliance. The Committee meets with the NTMA Head of Compliance at least annually without management present.

Other

The Committee reviewed its terms of reference and recommended amendments to the Board. The Committee's priorities in respect of 2021 were approved as part of its Work Programme 2021.

Credit Committee Report

The Committee operates under delegated authority from the Board of HBFI which has ultimate responsibility for the credit risk of HBFI. Commensurate with the risk appetite approved by the Board, and subject to agreed credit policies, the Credit Committee is responsible for the approval of credit applications in line with the credit approval authority as set out in the Delegated Authority Policy approved by the Board.

The Committee comprises of four non-executive members of the Board, the Chief Executive Officer and two members of the HBFI Executive Management Team. The current members of the Committee are:

- Marie Collins Chairperson (Board Chairperson)
- Des Carville
- Andrew O'Flanagan
- Claire Solon
- Dara Deering
- Michael Broderick (HBFI Chief Commercial Officer)
- Sean Alger (HBFI Head of Credit & Risk)

Grainne Hennessy and Ken Slattery were also members of the Committee throughout 2020 but ceased to be members on 31 December 2020 as part of a review by HBFI of the composition of its committees.

The Credit Committee met on three occasions during the year. Its main activity involved the review of detailed credit proposals from management.

The terms of reference for the Credit Committee were reviewed by the Board during 2020.

Remuneration Committee Report

The Remuneration Committee assists the Board on remuneration matters in respect of the NTMA employees assigned to HBFI in accordance with the criteria and oversight arrangements agreed with the NTMA. The Board is responsible for HBFI's overall Remuneration Policy and is guided in its responsibilities by the advice and recommendations of the Remuneration Committee.

The Committee comprises of three non-executive members appointed by the Board. Its current members are:

- Grainne Hennessy, Chairperson
- Andrew O'Flanagan
- Marie Collins

The Remuneration Committee met twice during 2020. The Remuneration Policy was recommended to the Board. The Committee also reviewed its terms of reference and recommended them to the Board.

Risk Management

HBFI aims to manage risk in an informed and proactive manner, in accordance with its Risk Management Policy and Framework and its Risk Appetite Statement, such that the level of accepted risk is consistent with its underlying business activity, and that HBFI understands and is able to manage or absorb the impact of any risks that may materialise. HBFI complies with the risk management provisions of the Code of Practice for the Governance of State Bodies (2016).

Throughout 2020, the Audit and Risk Committee and the Board reviewed the Risk Register on a regular basis, and the Board received regular updates in respect of risk management and high and emerging risks.

Roles and Responsibilities

Board

The Board is responsible for setting the risk appetite and overseeing and guiding risk management activity across HBFI. The Board has mandated that risk management be integrated and embedded into the tone and culture of HBFI and this has been adopted across HBFI with all members of the HBFI team responsible for identification and management of risk. Management is responsible for regularly reviewing the risk register and individually confirming that the stated controls are in place.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the implementation of the HBFI Risk Management Policy and Framework and ensuring that HBFI's risk management governance model provides appropriate levels of independence and challenge. The Audit and Risk Committee reports to the Board.

Three Lines of Defence

First Line of Defence

HBFI's Risk Management Policy and Framework is predicated on the three lines of defence model. Within this model, the HBFI team and senior management (first line of defence) incur and own the risks.

Second Line of Defence

The HBFI Risk function (the second line of defence) provide independent oversight and objective challenge to the first line of defence. They also provide risk monitoring and reporting.

Third Line of Defence

The Internal Audit function acts as part of a third line of defence by providing independent, reasonable, risk-based assurance to key stakeholders on the robustness of the HBFI risk management system, its governance and the design and operating effectiveness of the internal control environment.

Audit

In accordance with statutory requirements, HBFI is audited by the Comptroller and Auditor General. HBFI's internal audit process is managed by the NTMA Internal Audit function and includes an external firm, currently KPMG, appointed to carry out internal audit work reporting to the NTMA Head of Internal Audit.

Principal Risks

HBFI is exposed to a wide variety of risks which have the potential to affect its financial and operational performance. The Risk Management Policy and Framework establishes the processes to identify, assess, report and mitigate risk. HBFI has identified the following principal risks which may adversely affect the achievement of its objectives. In addition, HBFI maintains a comprehensive Risk Register which identifies all of the risks facing HBFI, including credit risk, market risk, liquidity risk and interest rate risk among others. In addition, reputational risk may also occur as a consequence of these risks.

COVID-19 has raised additional challenges and has the potential to increase HBFI's exposure to some of these risks – specific controls and processes have been put in place where appropriate to mitigate this increased risk. A wide-ranging review of the impact of COVID-19 on the risk profile of the organization was carried out during the year by Management and reviewed by the Audit and Risk Committee.

	Description of the Risk	Risk Mitigation Measure
Credit Risk	Credit Risk is defined as the risk of financial loss resulting from a counterparty being unable to meet its contractual obligations to HBFI in respect of loans or other financial transactions. This risk comprises default risk, recovery risk, exposure risk, concentration risk and settlement risk.	Risk mitigants include HBFI's robust credit review and sanctioning process, adherence to relevant lending and credit policies and procedures, ongoing monitoring and review of facilities.
Demand Risk	The risk that the demand for HBFI's product offering is insufficient to generate a return to cover operating costs.	This risk is mitigated by ongoing product and strategic reviews to ensure that strategy is aligned to market needs.
Operational Risk	HBFI is exposed to operational risk arising from its internal processes, people and systems or from external events, including weather events or pandemics. Key operational risks include system failures, reporting errors, data protection breaches, failure to follow procedures which could potentially result in HBFI failing to meet its objective and/or reputational damage.	This risk is mitigated by an appropriate management and monitoring structure and the ability to leverage the existing systems, processes and controls of the NTMA and external service providers.
Regulatory Risk	The risk that HBFI could be subject to a legal challenge under State Aid rules or the failure by HBFI to meet new or existing regulatory and/or legislative requirements and deadlines or to embed requirements into processes. HBFI must comply with a number of regulatory requirements including data protection law, anti-money laundering legislation and State Aid rules.	This risk is mitigated by the procurement of a Market Economy Operator Principle report annually and adherence to relevant policies and procedures together with operational support and services provided by NTMA under a Service Level Agreement, including appointment of a Data Protection Officer and a Money Laundering Reporting Officer.
COVID-19 Risk	The risk that HBFI's performance could be negatively impacted by the COVID-19 pandemic across all risk areas.	This risk is mitigated by initiatives introduced to support the development of business combined with specific controls introduced to mitigate the risks arising from the pandemic. An organization-wide review of the impact of COVID-19 and the controls in place was carried out by Management and reviewed by the Audit and Risk Committee.

Management Team

Dara Deering
Chief Executive Officer

Michael Broderick
Chief Commercial Officer

Sean Alger
Head of Credit and Risk

Denise Donovan
Head of Operations and Finance

Paula Flinter
Head of Legal

Fergus Mangan
Divisional Manager - Lending

Financial Statements

Company and Other Information

Directors

Andrew O'Flanagan
Claire Solon
Dara Deering
Desmond Carville
Grainne Hennessey
Marie Collins
Timothy Ken Slattery

Company Secretary

Caroline Ensor

Registered Office

Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Bankers

Allied Irish Banks Plc
Molesworth Street
Dublin 2
D02 W260

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

Directors' Report

The Directors of Home Building Finance Ireland DAC present their report and audited consolidated financial statements for the year ended 31 December 2020 ("the financial year").

Home Building Finance Ireland DAC ("HBFI" or the "Company"), the holding company, was incorporated on 7 December 2018 (company reg. 639272) pursuant to the Home Building Finance Ireland Act 2018 ("HBFI Act 2018") which was enacted on 3 December 2018.

On incorporation, HBFI allotted and issued, to the Minister for Finance, shares with a total nominal value of €20 million. HBFI established and is a 100% shareholder of Home Building Finance Ireland (Lending) DAC ("HBFIL" or the "Subsidiary") which was incorporated on 4 January 2019 (company reg. 640801).

Principal activities

The principal activities of the Group are to provide debt funding for residential development in the State. HBFIL provides financing to builders and developers seeking to build viable residential development projects in Ireland on commercial, market equivalent terms and conditions.

Business review

The 2020 Annual Report ("the Report") forms part of the Directors' Report. The Chairperson's Statement and Chief Executive Officer's Review in the Report outline the development and performance of HBFI during the financial year and significant events that occurred during that period. Further information on HBFI's strategy, business model and operations is provided in the Business Review section of the Report.

During the financial year, HBFI focused on expanding its product offering to address gaps which were identified following a strategic review of the residential development market in Q1 2020. It also launched a product as a direct response to COVID-19 to ensure continuity of finance for the sector at a time of increased uncertainty. During the financial year, the following represent the key outcomes:

- €285m of loans approved for borrowers[2];
- €49m of funds advanced to borrowers under approved loans;
- €20m of capital loans repaid by borrowers;
- A €200m Momentum Fund was launched in response to COVID-19, which was subsequently increased to €300m due to challenges with the availability of funding in the market;
- COSME Loan Guarantee Facility executed with the European Investment Fund which will provide a loan guarantee of up to 50% of certain eligible HBFI loan facilities.[3]

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are detailed below.

Credit Risk

- The Group is exposed to the risk that a borrowing counterparty defaults on its obligations and fails to repay its debt in full, resulting in losses to the Group.

Demand Risk

- There is a risk that there may not be sufficient demand for funding for viable residential developments to generate an adequate return for HBFI.

Operational Risk

- The Group is exposed to a broad range of operational risks arising from the people, systems and processes involved in meeting its objectives and from external events such as weather events or pandemics. Key operational risks include and are not limited to systems failures, process errors, over reliance on key individuals, failure to follow procedures and reporting errors which could ultimately result in the Group failing to meet its objectives and significant reputational damage.

Regulatory Risk

- The Group may be subject to a legal challenge under State aid rules. Such a challenge could inhibit the Group's activities pending a resolution.

2 Not all loans approved will proceed to draw down funding from HBFI for various reasons including the project not progressing or alternative funding secured

3 Subject to certain terms and conditions including a maximum guarantee amount of €25m and eligible HBFI loans shall relate to developments of no more than 10 units

COVID-19 Risk

- The Group is currently exposed to additional risk from the challenges arising from the COVID-19 pandemic across most of its key risk areas.

Financial risk management

The Group is exposed to credit risk, market risk, liquidity risk, capital risk and concentration risk in the normal course of its business. Further details on how the Group manages these risks are given in Note 12 to the financial statements.

Directors

The following are the names of the persons who, at any time during the financial period, were Directors of the Company:

Marie Collins (Chairperson)

Andrew O'Flanagan

Claire Solon

Dara Deering

Desmond Carville

Grainne Hennessey

Timothy Ken Slattery

Company Secretary

Caroline Ensor

Directors' interests

The Directors had no beneficial interest in the Group at the beginning of the financial year or at the year end. The issued share capital of the Group is owned solely by the Minister for Finance.

Adequate accounting records

The Directors ensure compliance with the Group's obligations with regards to keeping accounting records required under sections 281 to 285 of the Companies Act 2014, through the use of qualified accounting personnel and appropriate systems and procedures, as set out in the Statement on Internal Control on page 33. The accounting records are kept at the Company's registered office at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

Results and dividends

The results for the financial year and assets, liabilities and financial position of the Group are set out in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position on pages 38 and 39 respectively. The Company results and financial position are set out on pages 42 and 43.

The Group did not pay any dividends during the financial year to its sole shareholder, the Minister for Finance, and does not propose to pay any dividends for this financial year.

Events after the reporting period

Refer to Note 25 of the consolidated financial statements.

Auditor

The Comptroller and Auditor General ("C&AG") is the Group's statutory auditor by virtue of section 15 (2) of the HBFI Act 2018 which permits the C&AG to be HBFI's statutory auditor notwithstanding HBFI is a for profit entity.

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Group's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Statement of Directors' Responsibilities

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the Group and Company financial statements ("the financial statements") in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council ("relevant financial reporting framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company as at the financial year end date and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and the director's report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Statement on Internal Control

The consolidated and Company financial statements for HBFI are prepared within an internal control framework established by HBFI. The HBFI Board and the committees established by the Board are responsible for the monitoring and oversight of HBFI and its subsidiary, HBFIL.

Scope of Responsibility

On behalf of HBFI, we acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, was developed during 2019 and was in place in HBFI for the year ended 31 December 2020 and up to the date of approval of the financial statements.

Capacity to Handle Risk

HBFI has a formal risk management and governance framework in place, designed to support the proactive management of risk. HBFI's Risk Management Policy and Framework and Risk Appetite Framework together set out its risk appetite and risk management processes.

HBFI has an Audit and Risk Committee ("ARC") comprising of three non-executive members of the Board with financial and audit experience, one of whom acts as the Chairperson. The ARC met on six occasions during 2020.

The ARC oversees the internal audit activities of HBFI, which are based on a programme of work agreed with the ARC and performed by the National Treasury Management Agency's ("NTMA") internal audit function.

The NTMA provides certain finance, human resources, internal audit, compliance and procurement services to HBFI, as provided for under section 9 of the HBFI Act 2018, and as agreed in the Service Level Agreement between the NTMA and HBFI. HBFI therefore depends to a significant degree on the controls operated by the NTMA. The NTMA has developed a thorough system of internal control and any services provided to HBFI under the Service Level Agreement are provided in accordance with the NTMA's system of internal control. HBFI has received an assurance from the NTMA that its system of internal control in relation to services provided to HBFI has operated effectively.

Risk and Control Framework

HBFI has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A Risk Register is in place, which identifies key risks facing HBFI and these have been identified, evaluated and graded according to their significance. Where risks have been identified, controls are implemented to manage and mitigate these risks. The Risk Register is reviewed by the ARC on a quarterly basis and by the Board of Directors annually at a minimum, with the key risks reviewed by the Board on a regular basis during 2020. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level. The management team is required to attest on a quarterly basis that the controls noted in the Risk Register are in place and effective, to the best of their knowledge.

The Risk Register (i) details the controls and actions needed to mitigate risks and (ii) assigns responsibility for operation of controls to specific staff. We confirm that the control environment contains the following elements:

- Documented procedures for key business processes;
- Systems ensuring the security of the information and communication technology systems;
- Regular review and assessment of financial assets;
- A comprehensive budgeting system including an annual budget which is reviewed and approved by the Board of Directors;

Statement on Internal Control (continued)

- Regular reviews of periodic financial reports which detail financial performance against forecasts; and
- Adherence to a Reporting of 'Relevant Wrongdoing' and Protected Disclosures Policy and Anti-Fraud Policy.

COVID-19

The onset of the COVID-19 pandemic in early 2020 did result in some changes to the working and control environment with remote and virtual working becoming the norm in HBFI. As a result, HBFI introduced a number of procedural and control changes. Under HBFI's risk and control framework, management carried out a full risk assessment of the COVID-19 impact on the control environment. We confirm that the controls both existing and those introduced as a result of COVID-19 continue to be effective.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes. Any control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of those controls and report any identified deficiencies;
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and
- There are regular reviews by senior management of periodic/annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

As and from 1 November 2020 HBFI's procurement support is provided by the NTMA and HBFI adheres to the NTMA Procurement Policy (published on its website) and associated procedures, which are consistent with the current Office of Government Procurement guidelines. Prior to that date HBFI operated under its own procurement policy and procedures to ensure compliance with relevant procurement rules and guidelines.

In certain circumstances, it is deemed appropriate to obtain duly authorised exceptions from the Policy and Procedure (i.e. not run a competitive tender process) in respect of services, supplies or works valued below the EU thresholds. Such exceptions are approved by the Executive Management team and do not amount to non-compliant procurement. During 2020, HBFI engaged an insurance broker through a legacy arrangement to procure certain professional and commercial insurance policies with a total cost of €0.105m (including amounts paid to the broker and three insurance companies).

Review of Effectiveness

We confirm that HBFI has procedures to monitor the effectiveness of its risk management and control procedures. HBFI's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the ARC which oversees their work, and the senior management within HBFI responsible for the development and maintenance of the internal control framework.

We confirm that the Board conducted a review of the system of internal control for the year ended 31 December 2020.

Internal Control Issues

No weaknesses in the system of internal control were identified in relation to the year ended 31 December 2020 that require disclosure in the financial statements.

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Report of the Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Opinion on the financial statements

I have audited the group and company financial statements of Home Building Finance Ireland for the year ended 31 December 2020 as required under the provisions of the Home Building Finance Ireland Act 2018. The financial statements comprise the consolidated and company statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the group and of the company at 31 December 2020 and of the group's loss for the year
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland, and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

The directors have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use of the going concern basis of accounting by the directors and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

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

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the annual report including the governance statement and board members' report, the directors' report, the statement of directors' responsibilities and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Colette Drinan
For and on behalf of the
Comptroller and Auditor General

26 April 2021

Report of the Comptroller and Auditor General (continued)

Appendix to the Report

Responsibilities of the Directors

As detailed in the governance statement and board members' report the board members' are responsibilities for

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 15 of the Home Building Finance Ireland Act 2018 to audit the financial statements of the group and company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Note	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Interest income	5	1,248	135
Interest expense	6	(704)	(76)
Net interest income		544	59
Other income	7	320	115
Operating expenses	8	(5,650)	(6,050)
Operating loss before tax		(4,786)	(5,876)
Tax expense	10	–	–
Loss for the year/period after tax		(4,786)	(5,876)
Other comprehensive income		–	–
Total comprehensive income for the year/period		(4,786)	(5,876)

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	31 December 2020 €000	31 December 2019 €000
Non-current assets			
Financial assets – loans and receivables	11	28,533	5,768
Other receivables	14	309	37
		28,842	5,805
Current assets			
Financial assets – loans and receivables	11	8,150	–
Other receivables	14	373	47
Cash and cash equivalents		14,158	16,869
		22,681	16,916
Creditors; amounts falling due within 1 year			
Other liabilities	15	(3,234)	(1,480)
Net current assets		**19,447**	**15,436**
Total assets less current liabilities		48,289	21,241
Creditors; amounts falling due after 1 year			
Funding	16	(37,262)	(7,010)
Other liabilities	15	(1,689)	(107)
Net assets		**9,338**	**14,124**
Capital and reserves			
Called up share capital presented as equity	19	20,000	20,000
Retained losses		(10,662)	(5,876)
Total equity		**9,338**	**14,124**

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering　　Marie Collins

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital €000	Retained losses €000	Total equity €000
Issue of share capital	20,000	–	20,000
Total comprehensive income for the period	–	(5,876)	(5,876)
Balance at 31 December 2019	20,000	(5,876)	14,124
Total comprehensive income for the year	–	(4,786)	(4,786)
Balance at 31 December 2020	**20,000**	**(10,662)**	**9,338**

Approved and authorised for issue by the Board of Directors and signed on its behalf:

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Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Cash flows from operating activities		
Loss for year/period	(4,786)	(5,876)
Increase in financial assets – loans and advances to borrowers	(49,346)	(6,909)
Increase in loan repayments	20,500	1,276
Interest receivable	(1,224)	(135)
Increase in receivables	(599)	(84)
Interest payable	605	76
Increase in liabilities	2,492	1,587
Net cash from operating activities	**(32,358)**	**(10,065)**
Cash flows from financing activities		
Funding loans received	39,547	6,934
Funding loans repaid	(9,900)	–
Issuance of share capital	–	20,000
Net cash inflow from financing activities	**29,647**	**26,934**
Net (decrease)/increase in cash and cash equivalents	(2,711)	16,869
Cash and cash equivalents at 1 January	16,869	–
Cash and cash equivalents at 31 December	**14,158**	**16,869**

Company Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Interest income		–	–
Interest expense		–	–
Net interest income		–	–
Other income		–	–
Operating expenses	8	(136)	(90)
Operating loss before tax		(136)	(90)
Tax expense	10	–	–
Loss for the year/period after tax		(136)	(90)
Other comprehensive income		–	–
Total comprehensive income for the year/period		(136)	(90)

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Company Statement of Financial Position
as at 31 December 2020

	Note	31 December 2020 €000	31 December 2019 €000
Non-current assets			
Financial assets – loans and receivables		–	–
Investment in subsidiary	22	15,000	15,000
Other receivables		–	–
		15,000	15,000
Current assets			
Cash and cash equivalents		4,899	4,956
Other receivables		–	–
		4,899	4,956
Creditors; amounts falling due within 1 year			
Other liabilities	15	(125)	(46)
Net current assets		**4,774**	**4,910**
Total assets less current liabilities		19,774	19,910
Creditors; amounts falling due after 1 year			
Funding		–	–
Other liabilities		–	–
Net assets		**19,774**	**19,910**
Capital and reserves			
Called up share capital presented as equity	19	20,000	20,000
Retained losses		(226)	(90)
Total equity		**19,774**	**19,910**

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering   Marie Collins

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Company Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital €000	Retained losses €000	Total equity €000
Issue of share capital	20,000	–	20,000
Total comprehensive income for the period	–	(90)	(90)
Balance at 31 December 2019	20,000	(90)	19,910
Total comprehensive income for the year	–	(136)	(136)
Balance at 31 December 2020	**20,000**	**(226)**	**19,774**

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering

Marie Collins

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

21 April 2021

Company Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Cash flows from operating activities		
Loss for year/period	(136)	(90)
Increase in other liabilities	79	46
Net cash outflow from operating activities	**(57)**	**(44)**
Cash flows from investing activities		
Investment in subsidiary	–	(15,000)
Net cash outflow from investing activities	**–**	**(15,000)**
Cash flows from financing activities		
Issuance of share capital	–	20,000
Net cash inflow from financing activities	**–**	**20,000**
Net (decrease)/increase in cash and cash equivalents	(57)	4,956
Cash and cash equivalents at 1 January	4,956	–
Cash and cash equivalents at 31 December	**4,899**	**4,956**

Notes to the financial statements

1. Reporting entity

The HBFI Group comprises of HBFI, as holding company, and its subsidiary HBFIL. HBFI is a Designated Activity Company limited by shares incorporated under the Companies Act 2014 (Registered Number 639272). HBFIL is a Designated Activity Company limited by shares incorporated under the Companies Act 2014 (Registration Number 640801). The principal activities of the Group are to provide debt funding for residential development in the State.

The registered office of both companies is at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

The financial statements consolidate the financial statements of HBFI and HBFIL for the financial year ended 31 December 2020. The financial statements of the holding company, HBFI, are shown separately within this report.

2. Statement of Compliance

These financial statements for the financial year ended 31 December 2020 have been prepared in accordance with the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council in the UK ("FRS 102") having elected, as permitted by FRS 102, to account for all of the Group's and Company's financial instruments by applying the recognition and measurement rules of IAS 39 Financial Instruments: Recognition and Measurement.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on a number of factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the underlying assumptions used are appropriate and that the financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described as below:

3.1 Key sources of estimates and judgements

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1.1 Loan impairment assessment

In line with the requirements of IAS 39 as permitted by FRS 102, the Group reviews its portfolio of loans for indication of impairment at the statement of financial position date. In determining whether an impairment loss should be recorded in the Consolidated Statement of Comprehensive Income at the reporting date, the Group uses internal and external sources of information to assess whether there is any indication that an asset may be impaired (in line with IAS 39.59). Indications may include the following:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default in interest or principal payments;
- the granting of a concession to the developer for economic or legal reasons relating to the borrower's financial difficulty that wouldn't otherwise be considered; or
- where it is probable that the borrowers will enter bankruptcy or other financial reorganisation.

3. Critical accounting estimates and judgements (continued)

3.1 Key sources of estimates and judgements (continued)

3.1.1 Loan impairment assessment (continued)

If any objective evidence of impairment exists, the Group performs a detailed impairment calculation on each loan individually to determine whether an impairment loss should be recognised. An asset is impaired, and an impairment loss is recognised, if the loss is incurred at the reporting date as a result of one or more events that occurred after initial recognition of the asset.

3.1.2 Income recognition on loans and receivables

The accounting policy for the recognition of interest income on loans and receivables is set out in Note 4.5.

4. Significant accounting policies

4.1 Basis of preparation

The financial statements are prepared on a going concern basis and the Board of Directors of the Company ("the Board") is satisfied that the Group and Company will continue as a going concern for the foreseeable future.

In its consideration of whether accounting on a going concern basis is appropriate, the Board has had regard to the functions of the Group and Company as set out in the HBFI Act 2018 and believes it is reasonable to assume that, given the purpose of the legislation, the State will take appropriate steps to ensure that the Group and Company is put in a position to discharge their mandate.

The function of the Group and Company is to provide debt funding in a prudent manner to borrowers and other persons in the State, for the development of residential units in the State.

The Group's and Company's activities are subject to risk factors including credit, liquidity, market, concentration and capital risk. The Board has reviewed these risk factors and all relevant information to assess the Group's and Company's ability to continue as a going concern. The Board and Audit and Risk Committee review key aspects of the Group's and Company's activities on an on-going basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

The financial statements are presented in euro (€), which is the Group's and Company's functional and presentational currency. The figures shown in the financial statements are stated in € thousands.

4.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The results of subsidiaries acquired or disposed of during the financial period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of HBFI.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4.3 Investment in subsidiaries

In the Company financial statements, the investment in the subsidiary, HBFIL, is accounted for at cost less impairment.

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.4 Basis of measurement

The financial statements have been prepared under the historic cost convention.

4.5 Interest income and expense

Interest income and expense for all financial instruments is recognised in the Consolidated Statement of Comprehensive Income using the Effective Interest Rate ("EIR") method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant financial period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income receivable on loans to borrowers and interest expense payable on loans from funders are presented within operating activities in the Consolidated Statement of Cash Flows.

4.6 Other income

Fee income relates mainly to arrangement fees and commitment fees charged to the borrower. Fee expenditure relates to due diligence and legal fees incurred on facilities. Fee income and fee expenditure are deferred initially and then released to the Statement of Comprehensive Income over the term of the relevant facility in line with FRS 102 Section 23 Revenue.

4.7 Costs reimbursable to the NTMA

In accordance with section 9 (2) of the HBFI Act 2018, the NTMA provides business and support services and systems in addition to assigning staff to the Group. Costs reimbursable to the NTMA are recognised on an accruals basis. These expenses are recovered from the Group by the NTMA at cost. Further information on costs reimbursable to the NTMA is included in Note 8.1.

4.8 Financial assets

The Group classes its financial assets in accordance with IAS 39 classifications. The Group determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, the loans are measured at fair value plus incremental direct transaction costs that are directly attributable to the issue of the loan. They are then subsequently measured at amortised cost using the EIR method as described in Note 4.5.

4.9 Financial liabilities

Funding are those readily accessible loans drawn down by the Group from the ISIF in order to support its lending activities. The Group recognises these loans in its Consolidated Statement of Financial Position on the date the loan is drawn down. These loans are measured initially at fair value plus incremental direct transaction costs that are directly attributable to the issue of the financial liability. They are subsequently measured at amortised cost using the EIR method as described in Note 4.5.

4. Significant accounting policies (continued)

4.10 De-recognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

4.11 Impairment of financial assets

The Group assesses at the end of each financial period whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The amount of the impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

The loans to each borrower deemed to be individually significant are objectively assessed for evidence of impairment at the end of the financial period. A collective assessment approach, grouped on the basis of similar credit risk characteristics is adopted for all other loans without individual specific impairments.

Objective evidence that a financial asset is impaired includes:

- significant financial difficulty of the borrower;
- granting a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty which would not otherwise have been considered;
- breaches of contract, such as default or delinquency in interest or principal payments;
- signs that the borrower will enter bankruptcy or other financial reorganisation.

The Group recognises interest income following impairment using the rate of interest used to discount the future cash flows in measuring that impairment. If, in a subsequent financial period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Consolidated Statement of Comprehensive Income.

Where there is no further prospect of recovering the carrying value of a loan, or a portion of a loan, the Group writes the amount that is not recoverable off against the related impairment loss (i.e. in this circumstance, there is no additional charge to the Consolidated Statement of Comprehensive Income). Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the Consolidated Statement of Comprehensive Income.

4.12 Cash and cash equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

The Statement of Cash Flows shows the changes in cash and cash equivalents arising during the financial year from operating activities, investing activities and financing activities. The cash flows from operating activities are reported using the indirect method, whereby major classes of gross cash receipts and gross payments are disclosed.

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.14 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by the occurrence of uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably estimated. Contingent liabilities are not recognised but disclosed in the notes to the financial statements unless the probability of the transfer of economic benefit is remote.

4.15 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

4.16 Leasing

Rentals under operating leases are charged on a straight line basis over the term of the lease to the Consolidated Statement of Comprehensive Income in line with FRS 102 Section 20 Leases.

4.17 Key management personnel

Key management personnel in the Group consist of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer. See Note 8.

5. Interest income

	Year ended 31 December 2020	7 December 2018 to 31 December 2019
	€000	€000
Interest on loans and receivables	1,248	135

Interest on loans and receivables relates to interest income from loans provided to borrowers. The EIR method is applied as per note 4.5.

6. Interest expense

	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Interest on funding	704	76

Interest on funding relates to the interest charge on the ISIF funding facility.

7. Other income

	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
Fee income	493	153
Fee expenditure	(173)	(38)
	320	**115**

Fee income relates mainly to arrangement fees and commitment fees charged to the borrower and recognised over the term of the relevant facility. Commitment fees are fees charged to the borrower on certain facilities based on the committed but undrawn balance of the approved facility. Fee expenditure relates to due diligence and legal fees incurred on facilities. The amounts are recognised in line with note 4.6.

8. Operating expenses

	Note	Group Year ended 31 December 2020 €000	Group 7 December 2018 to 31 December 2019 €000
Costs reimbursable to the NTMA	8.1	5,044	5,321
Board fees	9	79	46
Other expenses		527	683
		5,650	**6,050**

Notes to the financial statements (continued)

8. Operating expenses (continued)

	Note	Company Year ended 31 December 2020 €000	Company 7 December 2018 to 31 December 2019 €000
Costs reimbursable to the NTMA		–	–
Board fees	9	79	46
Other expenses		57	44
		136	**90**

Other expenses consist mainly of loan administration costs, professional fees and bank interest and charges.

8.1 Costs reimbursable to the NTMA (see note 23)

	Year ended 31 December 2020 €000	7 December 2018 to 31 December 2019 €000
NTMA staff costs	3,312	2,461
Occupancy costs	224	282
Business services	66	84
Professional fees	284	133
Technology	257	359
Other operating costs	901	2,002
	5,044	**5,321**

Other operating costs consists mainly of the corporate function recharges, depreciation costs and other staff costs such as recruitment, staff training and temporary staff costs.

8. Operating expenses (continued)

8.1 Costs reimbursable to the NTMA (see note 23) (continued)

8.1.1 NTMA staff costs

The Group has no employees. All personnel are employed by the NTMA and the remuneration cost of staff who are engaged full time in the Group business is recharged to the Group by the NTMA. The number of NTMA employees directly engaged in the Group at the reporting date was 27 (2019: 21).

	Year ended 31 December 2020 €000	**7 December 2018 to 31 December 2019 €000**
Aggregate Employee Benefits		
Staff short term benefits	2,606	2,034
Pay related social insurance	262	202
	2,868	**2,236**
Staff Short-term Benefits		
Basic Pay	2,569	2,014
Allowances	37	20
	2,606	**2,034**

The NTMA contributed €363,000 (2019: €280,000) in pension contributions for the year ended 31 December 2020 to those engaged full time in the Group business.

NTMA staff costs include the CEO's salary which is as detailed below.

8.1.2 Key management personnel

	Year ended 31 December 2020 €000	**7 December 2018 to 31 December 2019 €000**
Salary	883	742
Allowances	23	12
Performance related pay	–	–
Health insurance	1	–
	907	**754**

Key management personnel in HBFI consists of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer. The total value of employee benefits for key management personnel is set out above (excluding employer's contribution to social insurance costs).

Notes to the financial statements (continued)

8. Operating expenses (continued)

8.1 Costs reimbursable to the NTMA (see note 23) (continued)

8.1.2 Key management personnel (continued)

This does not include the value of retirement benefits earned in the period. The key management personnel (excluding the Chief Executive Officer and the Board) are members of the NTMA pension scheme.

8.1.3 Chief Executive Officer salary and benefits – Dara Deering

	Year ended 31 December 2020	**7 December 2018 to 31 December 2019**
	€000	**€000**
Salary	250	83
Taxable benefits	19	6
Contributions to retirement schemes	45	15
	314	**104**

Dara Deering was appointed as CEO on 2 September 2019. No performance related payment was paid or is payable to the CEO during the period. The amounts paid to the CEO are included in the costs reimbursable to the NTMA.

9. Board fees and expenses

An annual fee is paid to the chairperson of €31,500 and to certain Directors at a rate of €15,750 as specified by the Minister for Finance. The fee paid to each Director is as below. The fee paid to each Director in the prior period is from the date of their appointment.

	Year ended 31 December 2020	**7 December 2018 to 31 December 2019**
Board member	**€**	**€**
Marie Collins	31,500	18,375
Claire Solon	15,750	9,188
Grainne Hennessy	15,750	9,188
Timothy Ken Slattery	15,750	9,188
	78,750	**45,939**

The Chief Executive Officer (ex officio member), Andrew O'Flanagan (NTMA) and Des Carville (Department of Finance) did not receive any remuneration in respect of their membership of the Board.

Directors are reimbursed approved expenses on a vouched basis. Expenses relate to travel to attend meetings in HBFI's offices in Dublin. No expenses were incurred during the financial year.

9. Board fees and expenses (continued)

Board member	Year ended 31 December 2020 €	7 December 2018 to 31 December 2019 €
Grainne Hennessy	–	34

10. Taxation

	Group Year ended 31 December 2020 €000	Group 7 December 2018 to 31 December 2019 €000
Operating loss before tax	(4,786)	(5,876)
Corporation tax	–	–

	Company Year ended 31 December 2020 €000	Company 7 December 2018 to 31 December 2019 €000
Operating loss before tax	(136)	(90)
Corporation tax	–	–

The tax on profits is charged at the standard rate of corporation tax in Ireland (12.5%). Deferred tax is only recognised to the extent that it would be recovered from future taxable profits. Notwithstanding that the Group's intention is to be profitable, the Group is in start-up phase and there is no history to support recoverability on a sufficiently robust basis for financial reporting purposes.

Group	2020 €000	2019 €000
Operating loss before tax	(4,786)	(5,876)
Non-deductible expenses	131	93
Adjusted loss	(4,655)	(5,783)
Corporation tax charge @ 12.5%	582	723
Unrecognised tax loss	(582)	(723)
Tax Charge	–	–

Notes to the financial statements (continued)

10. Taxation (continued)

Company	2020 €000	2019 €000
Operating loss before tax	(136)	(90)
Non-deductible expenses	–	–
Adjusted loss	(136)	(90)
Corporation tax charge @ 12.5%	17	11
Unrecognised tax loss	(17)	(11)
Tax Charge	–	–

11. Loans and receivables

Non-current	2020 €000	2019 €000
Loans to borrowers	28,533	5,768
Current		
Loans to borrowers	8,150	–
	36,683	**5,768**

The Group had loans in issue to fifteen borrowers (2019: four) at the end of the year. The remaining term of the loans being due range from less than one year to three years.

The Group assesses at the end of each financial period, whether there is objective evidence that the loans are impaired (see Note 4.11). Following the impairment assessment of the loans as at 31 December 2020, the Group concluded that no evidence of impairment existed at the reporting date.

12. Risk management

The Group aims to be risk aware and to actively manage its risks. The critical activities carried out by the organisation and the reliance on its good reputation mean that there is a strong emphasis on an appropriate range of controls.

The Group aims to manage risks in an informed and proactive manner, in accordance with its risk appetite, such that the level of risk is consistent with the underlying business activity and the Group understands and is able to manage or absorb the impact of the risk in the event that it materialises.

The principal risk categories identified and managed by the Group in its day-to-day business and which potentially have the greatest impact on the financial statements of the Group are credit risk, liquidity risk and market risk.

12. Risk management (continued)

Risk management framework

The Board is responsible for setting the risk appetite and overseeing and guiding risk management activity across the Group. The Board has mandated that risk management be integrated and embedded into the tone and culture of the Group.

The Audit and Risk Committee is responsible for overseeing the implementation of the Group's Risk Management Framework. The Audit and Risk Committee will seek to ensure that the Group's risk management governance model provides appropriate levels of independence and challenge. The Audit and Risk Committee reports to the Board independently.

The Group's Risk Management Framework is in accordance with the principles of the Code of Practice for the Governance of State Bodies.

The Group relies on the services provided by the NTMA for certain elements of risk management, namely:

- business continuity services;
- compliance services;
- counterparty credit risk services for cash management purposes; and
- internal audit services.

First line of defence:

The Group's management is responsible for the day-to-day management of risk and for ensuring that adequate controls are in place and operating effectively. Management report on risk management to the Audit and Risk Committee. The following are the key steps used in the risk management process:

- Identify all risks that may affect/prevent the Group from achieving the objectives established by the Group's Board and management (taking into consideration any historical events/near misses which may have threatened the achievement of such objectives);
- For each risk, determine its initial impact and its probability of occurrence;
- For each risk, determine whether the risk can be accepted or will need to be transferred, reduced or avoided;
- For each risk, regardless of its impact or probability of occurrence, consider actions to reduce risk;
- Review residual impact/probability of occurrence and criticality status of the risk in light of the implemented actions/controls/mitigants;
- Review and monitor mitigating actions on an on-going basis.

Second line of defence:

The Group Risk function (and the NTMA Compliance function with regard to Compliance Risk) provide independent challenge and oversight to ensure implementation of the Group's Risk Management Policy and Framework.

Third line of defence:

Internal Audit is the third line of defence and provides independent, reasonable, risk based assurance on the robustness of the Group's risk management system, governance and the design and operating effectiveness of the internal control environment.

Notes to the financial statements (continued)

12. Risk management (continued)

12.1 Credit risk

Credit risk is the risk of incurring financial loss as a result of default of a counterparty to a particular transaction. In order to achieve its key objectives and fulfil its mandate, the Group must assume a certain level of credit risk. As a fundamental principle, the Group will seek to do so in a prudent manner that assumes the minimum level of credit risk required to achieve its objectives, which is in line with the Group's Risk Appetite Statement. The Group's main credit risk arises from the potential failure of a borrower to fulfil its contractual obligations to the Group.

Credit risk is the most important risk for the Group's business. The Group, therefore, carefully manages its exposure to credit risk. Credit risk is measured, assessed and controlled for all transactions entered into by the Group.

The Group endeavours to minimise its credit risk exposure by undertaking an extensive due diligence process in advance of any lending decisions. The Group's credit risk management process includes the following:

Underwriting approval

- thorough assessment of each prospective borrower and development, its management, operational capability, development experience, financial performance and repayment capacity;
- on-site visits and face to face meetings with management;
- assessment of the financial performance of the prospective borrower by reference to available information, including financial accounts, management accounts and financial projections;
- analysis of the borrower's repayment capacity, including clear and reasonable demonstration of the borrower's ability to meet its obligations and discharge the Group's debt in full;
- independent risk review and sign off by the Group's Head of Credit and Risk (or appointed delegate) of each potential transaction;
- obtaining adequate security for each transaction;
- credit decisions reserved to the HBFIL Board, HBFIL Credit Committee or Executive Management Team Credit Committee depending on size of facility;
- on-going monitoring and review of credit facilities, including monitoring surveyor reviews of each development on an ongoing basis;
- regular review of compliance with the respective covenants and undertakings and any terms and conditions imposed by the Group.

The maximum exposure to credit risk for financial assets with credit risk at 31 December 2020 is €51m. This maximum exposure to credit risk is presented by class of financial instrument below. The credit quality of HBFI's loans and receivables are non-rated. Cash and cash equivalents are held with the Central Bank of Ireland (Standard & Poor's rating: A2) and Allied Irish Bank Plc (Standard & Poor's rating: BBB-).

	2020 €000	2019 €000
Cash and cash equivalents	14,158	16,869
Loans and receivables	36,683	5,768
	50,841	**22,637**
Undrawn commitments at 31 December	**206,000**	**26,000**

12. Risk management (continued)

12.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet all of its financial obligations as and when they fall due. It is the risk of loss arising from a situation where there will not be enough cash to fund day-to-day operations.

The Group's liquidity risk management process includes:

- Management of day-to-day funding including the monitoring of future expected cash flows, e.g. future lending commitments, to ensure that requirements can be met as they fall due.
- Asset and liability management by monitoring the maturity profile within the Group's Statement of Financial Position to ensure that sufficient cash resources are retailed and or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.
- Managing its liquidity risk by aligning, to the greatest extent possible, the maturity profile of its assets and liabilities so eliminating refinancing risk where possible. The Group has sourced long-term funding from its funder, and where possible it structures the tenor and repayment schedule of its loans to reflect that funding maturity profile.
- Maintaining a cash liquidity buffer to address any short-term liquidity needs that may arise.

The dates of the contractual amounts that commit the Group to make repayments on loans it has borrowed are summarised in the below table. The amounts presented are undiscounted.

	No later than 1 year	1-5 years	Over 5 years	Total
	€000	€000	€000	€000
2020				
Repayments due	–	37,262	–	**37,262**
2019				
Repayments due	–	7,010	–	**7,010**

12.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Market risks arise from open positions in interest rate products which are exposed to general and specific market movements, and changes in the level of volatility of interest rates.

Interest rate risk

The Group has limited exposure to market risk on its loans and receivables and cash and cash equivalents. The Group has limited interest rate risk based on the current maturity profile of its loans and receivables and the structure of the funding facilities. Any residual risk will be identified, monitored and managed by the Group.

Notes to the financial statements (continued)

12. Risk management (continued)

12.3 Market risk (continued)

Interest rate risk (continued)

The carrying amounts exposed to interest rate risk at 31 December are detailed below:

	2020	2019
Financial Assets	**€000**	**€000**
Cash and cash equivalents	14,158	16,869
Loans and receivables	36,683	5,768
	50,841	22,637

Financial liabilities		
Funding	37,262	7,010

Currency risk

The Group is not directly exposed to currency risk, as all of its funding and lending activities are denominated in euro.

Interest rate risk sensitivity

Information provided by the sensitivity analysis below does not necessarily represent the actual change in fair value that the Group would incur under normal market conditions because, due to practical limitations, all variables other than the specific market risk factor are held constant.

The following table represents the interest rate sensitivity arising from a 50 basis point (bp) increase or decrease in interest, subject to a minimum interest rate of 0 per cent. This risk is measured as the net present value (NPV) impact, on the Consolidated Statement of Financial Position, of that change in interest rates. The analysis shifts all interest rates for each loan simultaneously by the same amount. The interest rates are set as at 31 December 2020. The figures take account of the effect on both loans receivable and payable.

Interest Rate Sensitivity Analysis – a 50bp move

	+50bp	-50bp
	€000	**€000**
Interest receivable	0	0

	+50bp	-50bp
	€000	**€000**
Interest payable	0	0

The interest rate on loans receivable is floating rate but with a 0% Euribor floor, therefore any reduction in current Euribor would have a nil impact on the accounts. Based on current Euribor rates, an increase of 50bps would have no impact as it would remain below the 0% floor. The interest rate on loans payable is fixed, therefore any movement in market rates has no impact.

12. Risk management (continued)

12.4 Capital management

The Group is not subject to externally imposed capital requirements. The Group is committed to ensuring it is adequately capitalised as there is a risk that inappropriate management of the Group's capital will result in it being unable to absorb any potential credit losses. The holding company's current paid-up share capital is €20m, which was provided by its sole shareholder, the Minister for Finance.

The Board reviews the capital structure frequently to determine the appropriate level of capital to safeguard against these risks.

12.5 Concentration risk

Concentration risk is the risk that the Group is exposed to any single exposure or group of exposures that has the potential to produce losses large enough to threaten the ability of the Group to continue operating as a going concern.

The Group manages this risk by adhering to the limits set out in the Risk Appetite Statement which has been approved by the HBFI Board and which is subject to regular review by the Board. The Risk Appetite Statement defines the maximum amounts of credit facilities to be committed to borrowers. The measures are intended to ensure that the risk profile of the overall portfolio is appropriately diversified, and not unduly exposed to excessive concentration of risk.

The Group's key geographic concentration of risk assets is in Ireland, and the key sectoral concentration of risk is to residential development, arising from its statutory mandate to make funding available for residential development in the State, as set out in the HBFI Act 2018.

13. Fair value of financial assets and liabilities

13.1 Comparison of carrying value to fair value

The table below summarises the carrying amounts and fair values of the financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair value. None of the assets and liabilities in the Statement of Financial Position of the Group are measured at fair value.

The fair values of these financial instruments are measured according to the following fair value hierarchy:

Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).

Level 2 – financial assets and liabilities measured using valuation techniques which use observable market data.

Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

Notes to the financial statements (continued)

13. Fair value of financial assets and liabilities (continued)

13.1 Comparison of carrying value to fair value (continued)

Group 2020	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	14,158	14,158	–	–	14,158
Loan and receivables	36,683	–	–	36,683	36,683
Financial liabilities					
Funding	37,262	–	–	37,262	37,262
Other liabilities	1,576	–	–	1,576	1,576

Group 2019	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	16,869	16,869	–	–	16,869
Loan and receivables	5,768	–	–	5,768	5,768
Financial liabilities					
Funding	7,010	–	–	7,010	7,010
Other liabilities	763	–	–	763	763

Company 2020	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	4,899	4,899	–	–	4,899
Financial liabilities					
Other liabilities	125	–	–	125	125

13. Fair value of financial assets and liabilities (continued)

13.1 Comparison of carrying value to fair value (continued)

Company 2019	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	4,956	4,956	–	–	4,956
Financial liabilities					
Other liabilities	46	–	–	46	46

13.2 Fair value measurement principles

Cash and cash equivalents

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature.

Loans and receivables and Funding

The fair value of these financial instruments is equal to their carrying value due to the defined nature/purpose of these facilities.

14. Other receivables

	2020 €000	2019 €000
Non-current:		
Deferred expenditure	196	37
Other receivables	113	–
	309	**37**
Current:		
Deferred expenditure	295	47
Other receivables	78	–
	373	**47**

Deferred expenditure relates to external expenses incurred and paid in carrying out due diligence reviews and finalising legal agreements on facilities which are recognised over the term of the relevant facility. Other receivables consist of commitment fees receivable from borrowers.

Notes to the financial statements (continued)

15. Other liabilities

	Group 2020 €000	Group 2019 €000
Current:		
Amounts due to the NTMA (see note 23)	732	763
Amounts owed to borrowers	844	–
Deferred income	1,509	138
Accrued expenses	149	579
	3,234	**1,480**
Non-current:		
Deferred income	1,689	107

Deferred income relates to the facility arrangement fees received from the borrower. Each arrangement fee is recognised in the Consolidated Statement of Comprehensive Income over the term of the relevant facility. Amounts owed to borrowers relates to funds repaid to the Company relating to the phased sale of units which exceeded the loan balance at the time of repayment. The excess funds are released as the borrower moves to the next phase of the development.

Current	Company 2020 €000	Company 2019 €000
Other liabilities	125	46

Other liabilities relates to board fees payable to HBFIL.

16. Funding

	2020 €000	2019 €000
Funding loans	37,262	7,010

The Group had loans of €37m outstanding as at 31 December 2020 with a maturity date of 16 May 2029. At the end of the period the Group had €693m in undrawn funding facilities.

17. Maturity analysis of assets and liabilities

The below table presents the breakdown of those assets and liabilities which contain a non-current element which has a contractual right to be recovered or settled more than 12 months after the reporting date. Current amounts represent those amounts expected to be recovered or settled within 12 months for each asset and liability.

	Current	Non-current	Total
2020	**€000**	**€000**	**€000**
Financial assets			
Loans and receivables	8,150	28,533	**36,683**
Financial liabilities			
Funding	–	(37,262)	**(37,262)**

	Current	Non-current	Total
2019	**€000**	**€000**	**€000**
Financial assets			
Loans and receivables	–	5,768	**5,768**
Financial liabilities			
Funding	–	(7,010)	**(7,010)**

18. Auditor's remuneration

	Year ended 31 December 2020	7 December 2018 to 31 December 2019
	€000	**€000**
Audit of financial statements	31	28

There are no non-audit services included above.

19. Equity

The ultimate beneficial ownership of the Group is held by the Minister for Finance by means of 20,000,000 nominal shares of €1.00 each in the holding company, HBFI.

In accordance with section 10 (4) of the HBFI Act 2018, HBFI's authorised share capital may be increased to such other amount as may be determined by the Minister for Finance from time to time.

Notes to the financial statements (continued)

20. Commitments

In January 2019 HBFI entered into an agreement for office accommodation at 1 Treasury Dock, North Wall Quay, Dublin 1. The lease term runs from 1 January 2019 to 24 May 2033. HBFI may break the lease term only on foot of a Ministerial Direction that HBFI cease operations and subject to providing a minimum twelve month notice period to the lessor to exercise this break. Lease expenditure of €0.16m was incurred in 2020. The nominal future minimum rentals payable to 24 May 2033 are as follows:

	2020 €000	2019 €000
Within one year	159	162
In two to five years	636	646
Over five years	1,175	1,316
	1,970	**2,124**

21. Contingent liabilities

The Group had no contingent liabilities at the reporting date which would require disclosure in the financial statements.

22. Investment in subsidiary undertakings

The subsidiary of the Company as at 31 December 2020, HBFIL, is incorporated and operating in Ireland, with registered office at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

	Proportion Held	Issued Share Capital	Activity
Home Building Finance Ireland (Lending) DAC	100%	1 Ordinary Share of €1	Lending

HBFIL is a 100% subsidiary of HBFI by means of 1 ordinary share (€1 nominal value) issued. The authorised share capital consists of 200,000,000 ordinary shares of €1.00.

HBFI made a capital contribution to HBFIL in 2019. The capital contribution of €15m is non-refundable and gives no rights to HBFI to shares in the capital or assets of HBFIL.

23. Related parties disclosures

23.1 Related parties

Home Building Finance Ireland (Lending) DAC

Home Building Finance Ireland (Lending) DAC is a 100% subsidiary of Home Building Finance Ireland DAC.

Minister for Finance

The issued share capital of HBFI is owned solely by the Minister for Finance. The authorised share capital may be determined by the Minister for Finance from time to time by virtue of section 10 (4) of the HBFI Act 2018.

NTMA

The NTMA provides staff and business support services to the Group. The costs incurred by the NTMA are charged to the Group, in accordance with the terms of the Service Level Agreement between HBFI and the NTMA.

Other Government controlled entities

The Ireland Strategic Investment Fund and Allied Irish Banks Plc. are related parties of the Group in accordance with FRS 102 Section 33 as each are under the control of the Minister for Finance.

Key management personnel

Key management personnel in HBFI consists of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer.

23.2 Transactions and balances with related parties

The following are the transactions that took place during the financial period with related parties:

NTMA recharge

The NTMA incurs costs for the running of the Group, which it recharges to the Group. The total of these costs for the financial period was €5m (2019: €5.3m). Further details in respect of these costs are disclosed in Note 8. There is an amount of €0.7m (2019: €0.8m) payable to the NTMA at the end of the financial period.

ISIF Loan Facility

The ISIF provided a loan facility of €730 million to the Group, under direction from the Minister for Finance. The ISIF loan operates as a revolving loan facility with a facility maturity date of 16 May 2029.

Allied Irish Banks Plc

At the end of the financial year, the Group held €4.3m of cash at Allied Irish Banks Plc.

Key Management Personnel

Transactions with key management personnel are disclosed in Note 8.

Notes to the financial statements (continued)

24. Disclosures of interest

There are disclosure of interest requirements on Directors under the Companies Act 2014, the Company's Articles of Association and the Code of Practice for the Governance of State Bodies. HBFI has put in place procedures to assist Directors in meeting their disclosure of interest obligations during the period under review.

25. Events after the end of the reporting period

The closure of construction sites (with very limited exceptions) effective 8 January 2021 due to COVID-19 Level 5 restrictions will have an impact on the short-term completion of residential developments in 2021, including for HBFI's existing customers. However, with the reopening of all residential construction activities from 12 April 2021, the financial impact on HBFI is not expected to be material.

26. Approval of the financial statements

The financial statements were approved by the Directors on 21 April 2021.

Maoiniú Teaghais-Tógála Éireann
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