HBFI
Maoiniú Teaghais–Tógála Éireann
Home Building Finance Ireland

Opening doors for new home building in Ireland

Annual Report & Financial Statements
2019

Contents

About HBFI

On 10 October 2017, the Minister for Finance and Public Expenditure and Reform (“the Minister”) announced, as part of his Budget 2018 Statement, that the Government had decided to establish a new vehicle, Home Building Finance Ireland (“HBFI”).

The initiative was introduced as part of a wider response to Ireland’s major housing supply shortage which over recent years has seen supply falling short of the estimated demand. The shortfall in supply has a number of causes and requires a range of policy responses, one of which is to stimulate an increase in the availability of finance for commercially viable residential developments. This led to the creation of HBFI in December 2018.

An important aspect of HBFI is that it is designed to identify gaps in the market 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.

Explore online

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

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 developments.

Key Business Highlights
to 31 December 2019

Making a meaningful impact to the supply of homes in Ireland

17
Facilities approved

12
Number of counties

€108m
Total funding approved

10-76
Number of units per development

537
Total number of units

1 bed	12
2 bed	99
3 bed	240
4 bed	179
5 bed	7

72%
Private

28%
Social

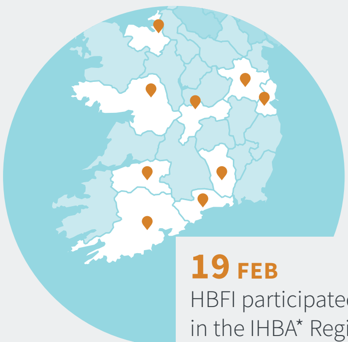
Total Units approved by location
to 31 December 2019

Timeline of Key Events 2019

January

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

February



19 FEB
HBFI participated in the IHBA* Regional Housing Workshops in Meath and Dublin

26 FEB
HBFI participated in the IHBA Regional Housing Workshops in Kilkenny and Offaly

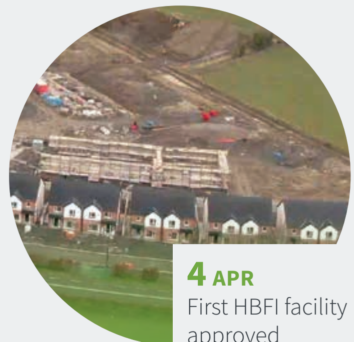
28 FEB
HBFI participated in the IHBA Regional Housing Workshops in Galway and Sligo

March

5 MAR
HBFI participated in the IHBA Regional Housing Workshop in Limerick

6 MAR
HBFI participated in the IHBA Regional Housing Workshops in Cork and Wexford

April



4 APR
First HBFI facility approved

May

17 MAY
First social housing funded project approved

Irish Home Builders Association

June

10 JUN
First Facility Drawdown

July

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

October

8 OCT
HBFI Stakeholder Engagement event Dublin

22 OCT
HBFI Stakeholder Engagement event Cork

24 OCT
HBFI Stakeholder Engagement event Galway

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

November

26 NOV
HBFI Stakeholder Engagement event Limerick

December

5 DEC
HBFI Stakeholder Engagement event Kilkenny

12 DEC
HBFI Stakeholder Engagement event Waterford

20 DEC
First HBFI funded development completed

Supporting
Home Bui

Acting as a partner to builders and developers nationwide by providing funding for more homes to be built

lding

Chairperson's Statement

We are working with our customers to support them during this challenging time

HBFI was established by Government as a targeted response to one of the underlying problems in the supply of new homes, that is the provision of funding to borrowers for viable residential developments. Over the year since its launch HBFI has established itself within the sector as a partner in getting developments off the ground and as the pipeline grows this will make a meaningful impact to the supply of homes in Ireland.

The HBFI Board was formed in December 2018 with three Directors who ensured that the core corporate governance matters and initial team and systems were in place for launch in January 2019. The Board was supplemented in June 2019 with three independent non-executive directors and I as Independent Chairperson. Dara Deering was appointed as HBFI Chief Executive Officer and joined the Board as an *ex-officio* member of the Board on 2 September 2019, Michael Broderick who was Project Lead for the launch of HBFI resigned from the Board at this time.

The Board launched a strategic review led by the CEO in September 2019 to ensure HBFI is meeting the needs of a dynamic market across the country, unlocking potential and accelerating housing supply. The strategic review and extensive stakeholder engagement have positioned HBFI to grow and be responsive and new lending products tailored to the needs of our customers were launched in recent weeks.

Covid-19 has brought significant uncertainty to all sectors including the residential construction sector. We are working with our customers to support them during this challenging time and with our stakeholders to position HBFI to be ready to play our part in supporting home building in Ireland as we move to recovery and growth.

The HBFI team brings a wealth of lending and business experience and importantly a culture of getting out there to meet current or potential customers on the ground to assist them through all stages of their projects, with a real sense of purpose that HBFI are here to lend to viable projects, and we will work with customers to make it happen.

I am delighted to present the first Annual Report of HBFI and to take this opportunity to thank the Board and the HBFI Team for their professionalism and commitment to funding the delivery of new homes across the country. The Board congratulates the CEO on her appointment and looks forward to working with her to build on the success of HBFI's first year.

Marie Collins
Chairperson

Chief Executive Officer's Review

A strong pipeline of activity in place

The commencement of lending operations in January 2019 marked the end of HBFI's rapid set-up phase and the beginning of its direct impact on the residential development market. Throughout 2019, HBFI received a steady stream of interest with over €108m in funding approved by year-end. Looking to 2020, we have built on the progress to date and we have a strong pipeline of activity in place.

This is a good start, but we have much more to do and ultimately, we want to support commercially viable projects in all counties of Ireland. We have a national remit and the **17** schemes approved to end 2019 will support home building across **12** counties. More specifically, activity has commenced in **5** out of **17** schemes and that means foundations are being set, construction workers are on site and activity is progressing towards completed units. In fact, the first homes supported by HBFI completed before Christmas.

HBFI is an intervention recognising that funding is a barrier to the supply of new homes in Ireland. A key priority for HBFI has been to remain agile and to ensure that we are offering the appropriate products to meet the market needs of residential developers. To this end, we carried out a strategic review in the final quarter of 2019 and into early 2020. As mentioned by our Chairperson, Marie Collins, we have recently launched a suite of new products. It is intended that the new products will ensure that we are more closely supporting new home delivery right across the country.

Another area of focus throughout 2019 has been the development of key relationships with stakeholders in the residential development sector. It is through a co-ordinated effort and a combination of measures, by both the private sector and public sector, that we will increase the supply of new homes. The marketplace response to HBFI has been very positive, both in terms of the take up of HBFI funding and the engagement with market participants. I would like to take this opportunity to thank participants in the residential sector for their invaluable insights and constructive feedback regarding the issues being faced in the delivery of new homes.

I would like to finish by saying that the solution for the housing market remains one of increasing supply and HBFI will do what we can to ensure that funding is available for commercially viable projects. I acknowledge that Covid-19 will have a significant impact on the residential construction sector and we will play our part to support activity during this challenging time. We remain open for business with our team working from home supporting existing and new projects. Working with our customers, we will continue to deploy funding where we can make a difference to increasing supply. If you are involved in residential development, talk to us, whether you are seeking funding or wish to keep us informed of the market issues that are faced by the industry – our doors are open, and we would be delighted to hear from you.

Dara Deering
Chief Executive Officer

Business Review

Our Market

HBFI is accountable to the Minister for Finance and was formally launched on 28 January 2019 with an initial loan fund of up to €730m, capable of delivering 7,500 new homes over five years. HBFI's mandate is to provide funding, on commercial terms, for the delivery of residential developments across the State. The focus is on segments of the market that are not currently well served by existing funders, which includes smaller developments and those outside the main urban centres.

In the period to December 2019, HBFI approved funding of €108m across 17 facilities. HBFI has a national remit and 15 of the facilities approved to year end are located outside the Greater Dublin Area. Counties Louth, Meath, Kildare, Wicklow, Laois and Carlow account for 65% of the funding approved. This is reflective of the high demand throughout the commuter belt of Dublin. Overall, there is a broad geographical spread, with funding approved across 12 counties.

HBFI has engaged extensively with the public and private sector to understand the market requirements and to create solutions in a co-ordinated manner. In 2019, 28% of total funding approved by HBFI was earmarked for turnkey social housing units which will be purchased by Approved Housing Bodies ("AHB") and Local Authorities upon completion. These units are in addition to units delivered under the normal Part V, which is a planning requirement for all developments over ten units.

Our Performance

To December 2019, HBFI approved funding of €108m which will allow for the delivery of 537 new homes. In terms of projects approved for funding, the key metrics are outlined below:

- Projects range in size from €1.3m to €18m;
- Projects have an average size of €6.4m;
- Projects range in size from 10 to 76 units;
- Projects have an average size of 32 units.

The first HBFI funded project, a site in Kildare Town for the development of ten units, completed construction in December 2019. Six of these units have been sold to the Local Authority for social housing with the remaining four units for the private market. The facility was repaid in full prior to the end of the year.

It is noteworthy that the majority of project proposals received by HBFI have sites with full planning permission in place whereby funding is the main barrier to getting the project delivered. The objective of HBFI is to provide additional capital in the housing market and to supplement the market with additional funding options.

Our Products

To date, HBFI has one product offering, namely, a Senior Debt product with an ability to fund up to 80% Loan to Cost ("LTC") of a project. In considering the project's cost, this may consist of development costs only or a combination of development costs plus land purchase (with planning permission in place).

When considering a project proposal, HBFI looks at three main areas, namely:

- the commercial viability of the project;
- the demand for the homes; and
- the competence of the builder/developer delivering the project.

Under the Senior Debt product, borrowers are required to provide a minimum of 20% equity, which can include the site value on which the development is proposed. Further details of the indicative lending criteria[1] are outlined below:

10	**Planning Permission**	**Commercially Viable**	**Corporate Entities**	**€35m**	**5 years**	**20% Equity**	**Funding**
Minimum of 10 units	Planning permission or submitted application for planning	Development is commercially viable	Funding will only be provided to corporate entities	Maximum funding to a single entity is €35m	Maximum term of facility is 5 years	Minimum of 20% equity to be provided by borrower which can include the site value	Funding will be provided throughout the State once there is verifiable demand and the project is commercially viable

In the final quarter of 2019, HBFI carried out a strategic review, which incorporated market research from a combination of statistical sources and stakeholder feedback. The market research ensured that HBFI better understood the market and, in particular, the market gaps where funding remained a barrier. As a result, a number of additional products were identified which should meet the needs of residential developers and contribute to delivering additional new homes across the country. These products were launched in the second quarter of 2020.

Our Customers

As detailed above, HBFI has a Senior Debt product which provides funding for residential construction of ten or more units. From a customer standpoint, HBFI has focused its awareness campaigns and marketing on potential borrowers within this category. In early 2019, HBFI participated in the Irish Home Builders Association's ("IHBA") roadshow and presented at nine locations across the country. Through these events, HBFI had the opportunity to meet with over 250 builder/developers which greatly assisted in raising awareness of HBFI.

During 2019, HBFI attended all major construction industry events such as the annual Construction Industry Federation ("CIF") conferences in Dublin and Cork, thereby further broadening the customer base. While these events are valuable opportunities to promote HBFI and its product offering, standalone HBFI events were also held to reach a wider cohort of potential customers, particularly in regional locations. Further details are available in the Stakeholder section.

1 *These criteria are indicative only and HBFI assesses each application on a case-by-case basis. Indicative criteria may also change from time to time. Please contact HBFI.*

Business Review (continued)

In establishing HBFI, particular emphasis was placed on making the application process as efficient as possible and accordingly a simplified application process can be initiated on our website at www.hbfi.ie. As with any newly established entity there are many learnings from the initial phase of operations, and we will endeavour to streamline our processes to increase efficiency. Details of the current process are outlined in the chart below.

Our Stakeholders

HBFI seeks to actively engage with both the residential development sector and the public sector. Following its launch, a key priority was to ensure that the HBFI mandate was understood by all market participants and that a co-ordinated approach could be achieved in the delivery of new homes.

HBFI's primary stakeholders are the builder/developers we seek to support. We have engaged with them directly through HBFI events and through events organised by the CIF and IHBA.

The sector is complex with many components and, by default, there are many additional stakeholders directly involved in the delivery of new homes, including:

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

In Q4 2019, HBFI held events in Dublin, Cork, Galway, Limerick, Waterford and Kilkenny to ensure that we reached as many of our stakeholders as possible. These events assisted in promoting HBFI and provided invaluable industry insights.

Throughout 2019, we have successfully engaged with representative bodies and we are building working relationships with many of the primary industry representatives, including:

- Society of Chartered Surveyors of Ireland
- Quantity Surveyor Firms and Legal Firms
- Senior officials from Local Authorities
- Institute of Professional Auctioneers and Valuers
- CIF and IHBA
- Local Government Management Agency
- Housing Finance Agency
- Housing Agency

During 2019, HBFI sought data and research information from both the Economic and Social Research Institute and the Central Statistics Office, which provided independent analysis that has been invaluable in shaping HBFI's strategy. HBFI has also engaged with a number of accountancy firms and advisory firms who are directly involved in the construction sector.

Initial Contact

Initial customer contact via website.

www.hbfi.ie

Expression of Interest

Applicant completes Expression of Interest once indicative criteria are met.

HBFI Contacts Applicant

HBFI will contact applicant to discuss and if necessary assist in completing next stage.

Applicant Submits Request

Applicant will then submit a detailed request which will allow early indication from HBFI of likelihood of funding being provided.

We recognise the value of ongoing engagement and an extensive stakeholder engagement plan is underway for 2020, to enhance and build upon existing relationships and, where relevant, to build new contacts. In addition, a detailed marketing plan has been put in place for 2020, to create greater awareness of HBFI and its 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 to ensure that we are delivering on our mandate and providing additional funding in the market. Furthermore, HBFI publishes figures on its lending activities on a biannual basis.

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 2019, 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. These policy considerations were captured through:

- Increasing the availability of development funding for the delivery of new homes;
- 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*[2] (NZEB) regulations introduce a very high energy performance in building standards and require that all new homes are NZEB compliant by 31 December 2020.

Energy Efficiency Report

HBFI staff are employees of the National Treasury Management Agency ("NTMA") and are assigned to HBFI. HBFI, together with the NTMA, relocated from Treasury Building on Grand Canal Street, Dublin 2 to Treasury Dock, North Wall Quay, Dublin 1 during July and 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 across these premises and is published with the NTMA's Annual Report.

2 '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.

Case Studies

Portlaoise, Co. Laois

Exhibitside Limited

DEVELOPMENT NAME
Árd Branagh

NUMBER OF UNITS
59

STATUS
Project under construction

LINK TO THE DEVELOPMENT WEBSITE
https://ardbranagh.ie/

HBFI LENDING MANAGER
Shane Hartney

QUOTE FROM DEVELOPER
"The team at HBFI were most helpful and instrumental in the successful launch of the Árd Branagh housing development at Dublin Road, Portlaoise. Their application and subsequent processes are straightforward, thorough and logical. We are really looking forward to furthering our relationship with HBFI on other new and exciting development projects in 2020".

- Noah Walsh

Kells, Co. Meath

Kenny Timmons Family Investments Limited

DEVELOPMENT NAME
Wilmount

NUMBER OF UNITS
20

STATUS
Project under construction

LINK TO THE DEVELOPMENT WEBSITE
http://www.wilmountview.ie/HBFI

HBFI LENDING MANAGER
Richard Tynan

QUOTE FROM DEVELOPER
"I secured my HBFI loan in December 2019 and since drawdown things have really progressed well. As a small developer, and with HBFI funding, I am confident that I can deliver houses within a set time schedule, which is great news for me as I can compete and deliver houses like all other competitors".

- Kenny Timmons

Ennis, Co. Clare

Gildoc Limited

DEVELOPMENT NAME
Curate's Court

NUMBER OF UNITS
12

STATUS
Project under construction

LINK TO THE PROPERTY WEBSITE
https://www.daft.ie/clare/new-homes-for-sale/curates-court-ennis-clare-103701/

HBFI LENDING MANAGER
David McCarrick

QUOTE FROM DEVELOPER
"We were delighted to get funding in a scenario where it was difficult to get traction from other financial institutions, we are pleased to see that HBFI has a regional focus and are funding various projects across the country".

- Liam O'Doherty

Kildare Town, Co. Kildare

Derrin Homes – Silzury Ltd

DEVELOPMENT NAME
Derrin Homes

NUMBER OF UNITS
73

STATUS
Project under construction

HBFI LENDING MANAGER
Shane Hartney

QUOTE FROM DEVELOPER
"Derrin Homes is proud to partner with HBFI in the development of our Kildare site where we will be providing energy efficient homes of high quality completed to an exacting standard. Our engagement with HBFI was positive throughout and we are grateful to their lending team for their professional and efficient approach. We look forward to working with them in the future."

- Alan Byrne

Deliveri new homes

Increasing the supply of new homes in the State through the provision of finance to commercially viable residential property developments

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Governance and Corporate Information

Directors



	Marie Collins	Dara Deering	Des Carville
	Chairperson Member of the Remuneration Committee	**Board member** Chief Executive Officer and ex officio member	**Board member** Member of the Audit and Risk Committee
DATE OF APPOINTMENT	1 June 2019 for a five-year term	2 September 2019 for a five-year term	7 December 2018 for a five-year term
BACKGROUND AND CAREER	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 Pension 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 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 TCD.	Des Carville is head of the Shareholding & 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 SFAD is also responsible for the management of the Minister's shareholding in the National Asset Management Agency (NAMA) and the Division represents the Minister's interests in relation to the oversight of NAMA. This Division is also responsible for representing the Minister's interests in relation to the liquidation of IBRC and 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
Chair of the Remuneration Committee

1 June 2019
for a five-year term

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 6 years.

Andrew O'Flanagan

Board member
Member of the Remuneration Committee

7 December 2018
for a five-year term

Andrew O'Flanagan is Director of the National Development Finance Agency and NewERA at the National Treasury Management Agency (NTMA). He joined the NTMA in 2011 and as Chief Legal Officer worked across all of the NTMA's mandates. Prior to joining the NTMA, 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
Chair of the Audit and Risk Committee

1 June 2019
for a five-year term

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 & 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 (9 years). He is a Fellow of the Institute of Bankers and a Certified Bank Director.

Claire Solon

Board member
Member of the Audit and Risk Committee

1 June 2019
for a five-year term

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 2019.

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. 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 18 to 19.

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 24 to 25.

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 2019 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 2019 €	Expenses 2019 €
Number of Meetings	**13**	**2**	**2**	**0**		
Board members						
Dara Deering	4/4(p)		1/1(p)			
Marie Collins	6/6(p)		2		€18,375	
Michael Broderick	9/9(p)					
Des Carville	13	2	2			
Grainne Hennessy	5/6(p)		1		€9,188	€34
Andrew O'Flanagan	13		2			
Ken Slattery	6/6(p)	2	2		€9,188	
Claire Solon	6/6(p)	2	1		€9,188	
Staff Members						
Sean Alger			2			
Michael Broderick (1)			2			

(p) refers to the number of meetings it was possible to attend relative to the dates of appointment

(1) As Chief Commercial Officer

The CEO (Dara Deering) and the NTMA staff members (Andrew O'Flanagan, Des Carville and Michael Broderick) 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.

Key Personnel Changes

On incorporation, Des Carville, Andrew O'Flanagan and Michael Broderick were appointed to the Board, with Des Carville serving as the interim Chairperson. Marie Collins, Grainne Hennessy, Ken Slattery and Claire Solon were subsequently appointed to the Board by the Minister for Finance effective 1 June 2019, on which date Marie Collins succeeded Des Carville as Chairperson. Dara Deering was appointed to the Board on 2 September following her appointment as Chief Executive Officer, filling the vacancy arising from the resignation of Michael Broderick on 30 August 2019.

Michael Broderick served as Project Lead from incorporation and following the appointment of Dara Deering as Chief Executive Officer he took up a role as Chief Commercial Officer. Each of the other Heads of Function (Sean Alger – Head of Credit and Risk, Paula Flinter – Head of Legal and Denise Donovan – Head of Operations and Finance) were appointed between the date of incorporation and March 2019.

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 2020 in respect of 2019.

Employee Short-Term Benefits Breakdown

Employee short-term benefits in excess of €50,000 in 2019 are categorised into the following bands:

Range	No. of Employees
€50,001 to €75,000	1
€75,001 to €100,000	11
€100,001 to €125,000	3
€125,001 to €150,000	1
€150,001 to €175,000	1
€175,001 to €200,000	0
€200,001 to €225,000	1
€225,001 to €250,000	0
€250,001 to €275,000	0
€275,001 to €300,000	0
Total	**18**

Note: For the purposes of this disclosure, short-term employee benefits rendered during 2019 include salary, other taxable benefits paid to employees (including performance-related payments), and other payments made 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.

	2019 €000
Legal advice	298
Financial advice	30
Public relations/marketing	27
Human Resources	14
Other	28
Total consultancy costs	**397**

Consultancy costs capitalised	0
Consultancy costs charged to the Statement of Comprehensive Income	397
Total consultancy costs	**397**

Legal Costs and Settlements

No expenditure was incurred in 2019 in relation to legal costs and settlement.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2019 €000
Domestic	
- Board	0
- Employees	11
International	
- Board	0
- Employees	0
Total	**11**

Hospitality Expenditure

The Statement of Comprehensive Income includes €2.8k in respect of staff hospitality expenditure in 2019.

Statement of Compliance

HBFI has complied 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 Officer 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
- Claire Solon

The Committee was formed and all three members were appointed to the Committee during 2019.

The Committee met on two occasions in 2019.

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. As part of its review of the financial statements, the Committee met with representatives of the Office of the Comptroller and Auditor General to discuss its Audit Findings 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 2019 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

The Committee received updates from the internal auditor in relation to the 2020 internal audit plan which was approved by the Committee. The Committee is scheduled to meet 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. The Committee is scheduled to meet with the external auditor without management present at least annually.

Risk

The Committee reviewed the 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 Credit and Risk without management present at least annually.

Compliance

The Committee workplan includes the requirement for the Committee to meet with the NTMA Head of Compliance without management present.

Other

The Committee's priorities in respect of 2020 were approved as part of its Work Programme 2020.

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 all non-executive members of the Board, and three members of the HBFI Executive Management Team.

The members of the Committee are:

- Marie Collins, Chairperson (Board Chairperson)
- All other Board members including the CEO
- Michael Broderick (HBFI Chief Commercial Officer)
- Sean Alger (HBFI Head of Credit & Risk)

The Credit Committee was set up during 2019 and met on two occasions during the year. Its main activity involved the review of detailed credit proposals from management.

The terms of reference for the Credit Committee was approved by the Board.

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 was established and the members appointed during 2019 but the first meeting did not occur until February 2020.

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 2019, 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 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, interest rate risk and reputational risk among others. Covid-19 has raised additional challenges and had 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.

	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 financing is not sufficient to deliver the expected number of units.	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, 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.
Reputational Risk	HBFI could be vulnerable to reputational risk arising from any adverse perception of HBFI's image on the part of customers, counterparties, shareholders or other stakeholders resulting in a loss of business.	This risk is mitigated by adherence to policies and procedures which are tested through both internal and external audits.

Management Team

Dara Deering
Chief Executive Officer

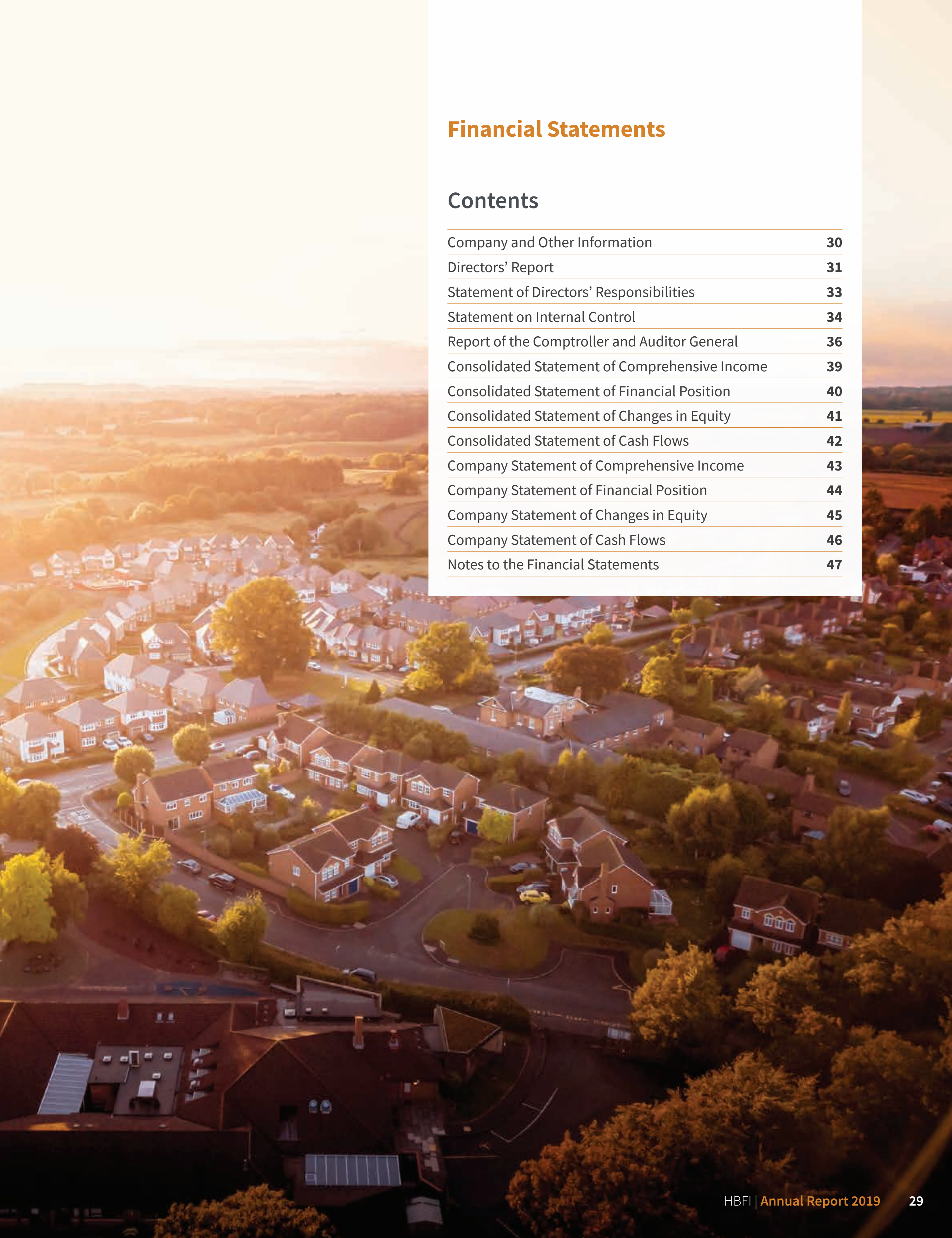
Michael Broderick
Chief Commercial Officer

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

Contents

Company and Other Information

Directors

Andrew O'Flanagan *(appointed 7 December 2018)*

Claire Solon *(appointed 1 June 2019)*

Dara Deering *(appointed 2 September 2019)*

Desmond Carville *(appointed 7 December 2018)*

Grainne Hennessey *(appointed 1 June 2019)*

Marie Collins *(appointed 1 June 2019)*

Timothy Ken Slattery *(appointed 1 June 2019)*

Company Secretary

Caroline Ensor *(appointed 28 January 2019)*

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 first annual report and audited consolidated financial statements for the financial period from the date of incorporation of 7 December 2018 up to and including 31 December 2019 ("the financial period").

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 developers seeking to build viable residential development projects in Ireland on commercial, market equivalent terms and conditions.

Business Review

The 2019 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 period since incorporation 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 period, HBFI focused on finalising its initial funding from the Ireland Strategic Investment Fund ("ISIF") and the approval of facilities for borrowers. During the financial period, the following represents the key outcomes:

- €730m long-term funding agreement finalised;
- €108m of loans approved for borrowers;
- €6.9m of funds advanced to borrowers under approved loans;
- €1.2m of capital loans repaid by borrowers.

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 in the development funding market for the Group financing to deliver the expected number of residential units.

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.

Reputational Risk

- The Group may be vulnerable to reputational risk if it fails to carry out its mandate, is perceived to be inaccessible or if it is perceived that the loan application process is overly difficult or the terms and conditions of approvals too onerous.

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:

Andrew O'Flanagan (appointed 7 December 2018)

Claire Solon (appointed 1 June 2019)

Dara Deering (appointed 2 September 2019)

Desmond Carville (appointed 7 December 2018)

Grainne Hennessey (appointed 1 June 2019)

Marie Collins (appointed 1 June 2019)

Michael Broderick (appointed 7 December 2018, resigned 30 August 2019)

Timothy Ken Slattery (appointed 1 June 2019)

Company Secretary

Caroline Ensor (appointed 28 January 2019)

Joseph Colgan (appointed 7 December 2018, resigned 28 January 2019)

Directors' Interests

The Directors had no beneficial interest in the Group during the period or at the period 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 34. 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 period 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 39 and 40 respectively. The Company results and financial position are set out on pages 43 and 44.

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

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
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

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 period. 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 in March 2018 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 period end date and of the profit or loss of the Group for the financial period 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

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

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 as at 31 December 2019 and up to the date of approval of the financial statements.

Capacity to Handle Risk

HBFI has an Audit and Risk Committee ("ARC") comprising of three non-executive members of the Board, one of whom acts as the Chairperson of the ARC. The ARC was established following the appointment of the full Board in June 2019 and met twice in 2019. At the date of these financial statements there are no vacancies on the ARC.

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. No internal audit reviews were completed in 2019 but an audit plan for 2020 was approved.

The NTMA provides certain finance, human resources, internal audit, risk and compliance 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 it has reviewed its system of internal control in relation to services provided to HBFI.

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. On the basis of risks 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. 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;
- Regular reviews of periodic financial reports which detail financial performance against forecasts; and
- Adoption of a Reporting of 'Relevant Wrongdoing' and Protected Disclosures Policy and Anti-Fraud Policy.

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

We confirm that HBFI has procedures in place to ensure compliance with relevant procurement rules and guidelines and that during the period ended 31 December 2019 HBFI complied with those procedures.

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 period ended 31 December 2019.

Internal Control Issues

No weaknesses in the system of internal control were identified in relation to the period ended 31 December 2019 that require disclosure in the financial statements.

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Home Building Finance Ireland

Opinion on the financial statements

I have audited the group and company financial statements of Home Building Finance Ireland for the period ended 31 December 2019 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 2019 and of the group's loss for the period
- 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 director's responsibilities statement 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.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

5 June 2020

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 period from 7 December 2018 (date of incorporation) to 31 December 2019

	Note	7 December 2018 to 31 December 2019 €000
Interest income	*5*	135
Interest expense	*6*	(76)
Net interest income		59
Other income	*7*	115
Operating expenses	*8*	(6,050)
Operating loss before tax		(5,876)
Tax expense	*10*	-
Loss for the period after tax		(5,876)
Other comprehensive income		-
Total comprehensive income for the period		(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　　　　Marie Collins

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	31 December 2019 €000
Non-current assets		
Financial Assets – Loans and receivables	*11*	5,768
Other receivables	*14*	37
		5,805
Current assets		
Cash and cash equivalents		16,869
Other receivables	*14*	47
		16,916
Creditors: Amounts falling due within 1 year		
Other liabilities	*15*	(1,480)
Net current assets		**15,436**
Total assets less current liabilities		21,241
Creditors: Amounts falling due after 1 year		
Funding	*16*	(7,010)
Other liabilities	*15*	(107)
Net assets		**14,124**
Capital and reserves		
Called up share capital presented as equity	*19*	20,000
Retained losses	*19*	(5,876)
Total equity		**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
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

Consolidated Statement of Changes in Equity

For the financial period from 7 December 2018 (date of incorporation) to 31 December 2019

	Share capital €000	Retained losses €000	Total equity €000
Issue of share capital	20,000	-	20,000
Loss for the period	-	(5,876)	(5,876)
Balance at 31 December 2019	**20,000**	**(5,876)**	**14,124**

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

4 June 2020

Consolidated Statement of Cash Flows

For the financial period from 7 December 2018 (date of incorporation) to 31 December 2019

	7 December 2018 to 31 December 2019 €000
Cash flows from operating activities	
Loss for the period	(5,876)
Loans and advances to borrowers	(6,909)
Loan repayments	1,276
Interest receivable	(135)
Increase in receivables	(84)
Interest payable	76
Increase in payables	1,587
Net cash outflow from operating activities	**(10,065)**
Cash flows from financing activities	
Funding loans received	6,934
Issuance of share capital	20,000
Net cash inflow from financing activities	**26,934**
Cash and cash equivalents at 31 December	**16,869**

Company Statement of Comprehensive Income

For the financial period from 7 December 2018 (date of incorporation) to 31 December 2019

	Note	7 December 2018 to 31 December 2019 €000
Interest income		-
Interest expense		-
Net interest income		-
Other income		-
Operating expenses	*8*	(90)
Operating loss before tax		(90)
Tax expense	*10*	-
Loss for the period after tax		(90)
Other comprehensive income		-
Total comprehensive income for the period		(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 Marie Collins

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

Company Statement of Financial Position

as at 31 December 2019

	Note	31 December 2019 €000
Non-current assets		
Financial Assets – Loans and receivables		-
Investment in subsidiary	22	15,000
Other receivables		-
		15,000
Current assets		
Cash and cash equivalents		4,956
Other receivables		-
		4,956
Creditors: Amounts falling due within 1 year		
Other liabilities		(46)
Net current assets		**4,910**
Total assets less current liabilities		19,910
Creditors: Amounts falling due after 1 year		
Funding		-
Other liabilities		-
Net assets		**19,910**
Capital and reserves		
Called up share capital presented as equity	19	20,000
Retained losses	19	(90)
Total equity		**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
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins
Chairperson
Home Building Finance Ireland DAC

4 June 2020

Company Statement of Changes in Equity

For the financial period from 7 December 2018 (date of incorporation) to 31 December 2019

	Share capital €000	Retained losses €000	Total equity €000
Issue of share capital	20,000	-	20,000
Loss for the period	-	(90)	(90)
Balance at 31 December 2019	**20,000**	**(90)**	**19,910**

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

4 June 2020

Company Statement of Cash Flows

For the financial period from 7 December 2018 (date of incorporation) to 31 December 2019

	7 December 2018 to 31 December 2019 €000
Cash flows from operating activities	
Loss for the period	(90)
Increase in payables	46
Net cash outflow from operating activities	**(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**
Cash and cash equivalents at 31 December	**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 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 period ended 31 December 2019. The financial statements of the holding company, HBFI, are shown separately within this report.

2. Statement of Compliance

These financial statements for the financial period ended 31 December 2019 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 (March 2018), issued by the Financial Reporting Council in the UK as promulgated by Chartered Accountants Ireland ("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 Company and Group 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 Company and Group 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 Company and Group is put in a position to discharge their mandate.

The function of the Company and Group 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 Company's and Group'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 Company's and Group's ability to continue as a going concern. The Board and Audit and Risk Committee review key aspects of the Company's and Group'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 Company's and Group'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.

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 expense payable on loans from funders is presented within operating activities in the Consolidated Statement of Cash Flows.

4.6. Other income

Fee income relates mainly to arrangement 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 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.

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

	7 December 2018 to 31 December 2019 €000
Interest on loans and receivables	**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

	7 December 2018 to 31 December 2019 €000
Interest on funding	**76**

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

7. Other income

	7 December 2018 to 31 December 2019 €000
Fee income	153
Fee expenditure	(38)
	115

Fee income relates mainly to arrangement fees charged to the borrower and recognised over the term of the relevant 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 7 December 2018 to 31 December 2019 €000	Company 7 December 2018 to 31 December 2019 €000
Costs reimbursable to the NTMA	*8.1*	5,321	-
Board fees	*9*	46	46
Other expenses		683	44
		6,050	**90**

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

8.1 Costs reimbursable to the NTMA

	7 December 2018 to 31 December 2019 €000
NTMA staff costs	2,461
Occupancy costs	282
Business services	84
Professional fees	133
Technology	359
Other operating costs	2,002
	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)

8.1.1 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 are recharged to the Group by the NTMA. The number of NTMA employees directly engaged in the Group at the reporting date was 21.

	7 December 2018 to 31 December 2019 €000
Aggregate Employee Benefits	
Staff short term benefits	2,034
Pay related social insurance	202
	2,236
Staff Short-Term Benefits	
Basic pay	2,014
Allowances	20
	2,034

The NTMA contributed €280,000 in pension contributions for the period ended 31 December 2019.

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

8.1.2 Key management personnel

	7 December 2018 to 31 December 2019 €000
Salary	742
Allowances	12
Performance related pay	-
Health insurance	-
	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).

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 and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

8. Operating expenses (continued)

8.1.3 Chief Executive Officer salary and benefits – Dara Deering

	7 December 2018 to 31 December 2019 €000
Salary	83
Taxable benefits	6
Contributions to retirement scheme	15
	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 from the date of their appointment to the reporting date is as below:

	7 December 2018 to 31 December 2019 €
Board fees	
Marie Collins (appointed 1 June 2019)	18,375
Claire Solon (appointed 1 June 2019)	9,188
Grainne Hennessy (appointed 1 June 2019)	9,188
Timothy Ken Slattery (appointed 1 June 2019)	9,188
	45,939

The Chief Executive Officer and NTMA staff members (Andrew O'Flanagan, Des Carville (on secondment to the Department of Finance) and Michael Broderick) 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. During the financial period, a total of €34 in expenses were incurred in respect of certain Directors.

Board member	7 December 2018 to 31 December 2019 €
Grainne Hennessy	34

10. Taxation

	Group 2019 €000	Company 2019 €000
Operating loss before tax	(5,876)	(90)
Corporation tax	-	-

The tax on profits are 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.

11. Loans and receivables

	2019 €000
Loans to borrowers	5,768

The Group had loans in issue to four borrowers at the end of the period. The remaining term of the loans range from 2 to 3 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 2019, 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.

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.

12. Risk management (continued)

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 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.

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.

12. Risk management (continued)

12.1 Credit risk (continued)

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 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 2019 is €23m. 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-).

	2019 **€000**
Cash and cash equivalents	16,869
Loans and receivables	5,768
	22,637
Undrawn commitments at 31 December 2019	**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 €000	1-5 years €000	Over 5 years €000	Total €000
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.

12. Risk management (continued)

12.3. Market risk (continued)

The carrying amounts exposed to interest rate risk at 31 December 2019 are detailed below:

	2019 €000
Financial assets	
Cash and cash equivalents	16,869
Loans and receivables	5,768
	22,637
Financial liabilities	
Funding	**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 2019. The figures take account of the effect on both loans receivable and payable.

Interest Rate Sensitivity Analysis - a 50bp move

	+50bp €000	-50bp €000
Interest receivable	14	0

	+50bp €000	-50bp €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. 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.

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

13.1. Comparison of carrying value to fair value (continued)

Group	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	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

	2019 €000
Current:	
Deferred expenditure	47
Non-current:	
Deferred expenditure	37
	84

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.

15. Other liabilities

	2019 €000
Current:	
Amounts due to the NTMA	763
Other liabilities	717
	1,480
Non-current:	
Other liabilities	107
	107

Other liabilities include deferred income relating 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. Other liabilities which are non-current represent deferred income greater than 1 year.

16. Funding

	2019 €000
Funding loans	7,010

The Group had loans of €7m outstanding with ISIF as at 31 December 2019. At the end of the period the Group had €723m 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 €000	Non-current €000	Total €000
Group			
Financial assets			
Loans and receivables	-	5,768	5,768
Group			
Financial liabilities			
Funding	-	(7,010)	(7,010)

18. Auditor's remuneration

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

There are no non-audit services included above.

19. Equity

	Share capital €000	Retained losses €000	Total €000
Group			
Share capital issued during the period	20,000	-	20,000
Loss for the period	-	(5,876)	(5,876)
Balance at 31 December 2019	**20,000**	**(5,876)**	**14,124**
Company			
Share capital issued during the period	20,000	-	20,000
Loss for the period	-	(90)	(90)
Balance at 31 December 2019	**20,000**	**(90)**	**19,910**

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.

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 2019. The nominal future minimum rentals payable to 24 May 2033 are as follows:

	2019 €000
Within one year	**162**
In two to five years	**646**
Over five years	**1,316**
	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 2019, 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 are disclosed in Note 8.

23. Related parties disclosures (continued)

23.2. Transactions and balances with related parties

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

Minister for Finance share capital

The Minister for Finance (through the ISIF) provided €20m to HBFI by way of a subscription for shares in the capital of the Company.

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 €5.3m. Further details in respect of these costs are disclosed in Note 8. There is an amount of €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 period, the Group held €1.9m of cash at Allied Irish Banks Plc.

24. Disclosures of interest

HBFI and HBFIL are prescribed public bodies for the purposes of the Ethics in Public Office Acts 1995 and 2001. There are also disclosures 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 outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets and may adversely affect consumer spending and confidence levels in Ireland. This in turn may have a negative impact on house prices and reduce demand for residential development funding in the short term. Additionally, there may be adverse impacts on HBFI's existing customers including supply chain delays, labour shortages or restrictions. As neither the duration nor the scope of the impact can be predicted, HBFI is unable to estimate the financial impact at this time.

26. Approval of the financial statements

The financial statements were approved by the Directors on 4 June 2020.

HBFI Maoiniú Teaghais–Tógála Éireann
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