Maoiniú Teaghais–Tógála Éireann
Home Building Finance Ireland

Annual Report & Financial Statements 2021

Funding new homes in Ireland

Our Mission

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

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

Front cover: Redwood, Tullamore, Co Offaly.
This page: Barraduff, Co Kerry.

About HBFI

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

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

Key Business Highlights

Approvals

Number of homes
2021: **1,879**
From inception: **3,729**

Total funding
2021: **€440m**
From inception: **€835m**

Number of facilities
2021: **33**
From inception: **71**

18 Counties

6.9%
Average lending rate

€11.8m
Average loan size
Range: **€1m to €94m**

52
Average units per loan

23% social housing

77% private housing

Active Sites

€474m
Total funding approved which relates to active or completed sites

35
Total number of active sites since inception

2,228
Number of new homes delivered or under construction

Homes Completed

519
Number of units completed and sold

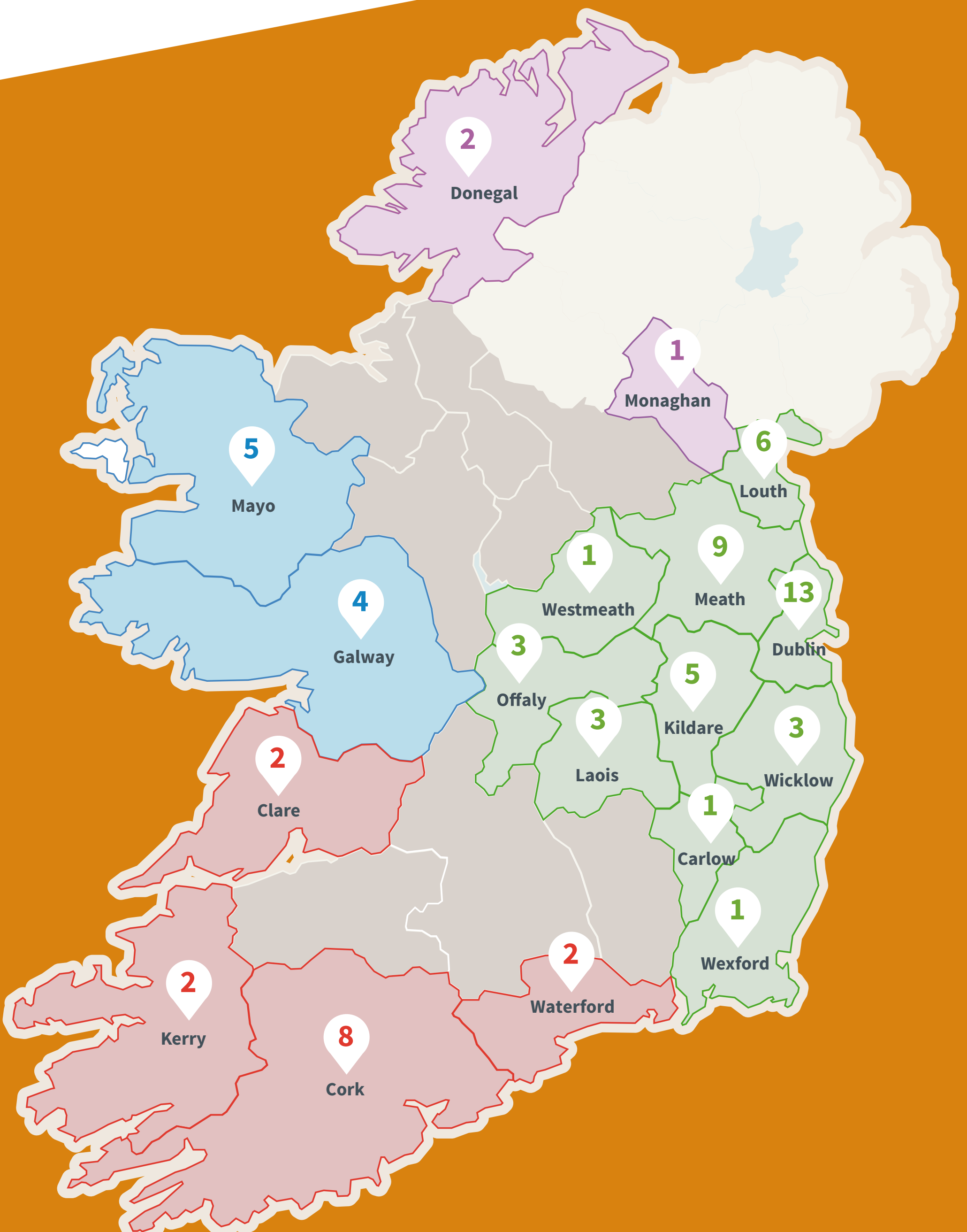
1,359
Number of units contracted for sale/ sale agreed

* From Inception figures reported are from 28 January 2019 to 31 December 2021. Not all schemes approved will drawdown funding from HBFI for various reasons including the project not progressing or alternative funding secured.

HBFI Facilities approved to Date

by County

From inception to 31 December 2021, HBFI approved 71 loan facilities. These facilities are located across 18 counties with an average of 52 new homes per facility. Further details are available below.



Timeline of Key Events

2019

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

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

First facility drawdown in June 2019.

First development completed in December 2019.

2020

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

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

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

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

2021

Launch of Green Funding product to support the delivery of new homes in a sustainable way.

Minister for Finance finalises first review of the performance of HBFI.

Momentum Fund closed to new business in December 2021 at which point the fund had been over 90% committed in support of over 1,000 new homes.

Total funding approved by HBFI in 2021 reaches €440m.

Chairperson's Statement

I am pleased to present the third Annual Report of HBFI.

The COVID-19 pandemic continued to dominate the economic and societal landscape in 2021. The management and staff of HBFI adapted to the changes in our working environment and the challenges it posed as we delivered funding for viable projects to support home building in an ever-changing funding landscape.

We put a particular focus on supporting home building in the regions through a series of localised campaigns and stakeholder events and I am pleased that we have approved funding for new homes in eighteen counties by the end of 2021.

Supporting the broader sustainability agenda is also an objective for HBFI and, in early 2021, we launched a Green Funding Product to support the sector in reaching sustainability certification for new homes built throughout Ireland.

As 2021 progressed, we saw the construction industry return to some semblance of normality, although with the added pressure of increasing material and staffing costs. Notwithstanding the challenges the sector faced during the year, we experienced strong demand for funding across all products with total loan approvals in 2021 doubling when compared to the previous two years. In 2021 we approved over €440m in new funding, bringing our total funding approved to €835m since inception.

As we look to 2022 with the worst days of this pandemic appearing to be behind us, another crisis has arisen with the war in Ukraine. While the direct impact for Ukraine is the tragic loss of life and destruction of many towns and cities, Ireland like many other countries will be economically impacted. For the construction sector, this means continued pressure on supply chains and increases in the cost of building homes which could have a short-term impact on housing supply. Notwithstanding this, over the medium term, construction activity is expected to increase and we will continue to work with our clients and stakeholders and play our part to support the Housing for All Strategy.

I wish to thank the Board and the HBFI Team for their continued professionalism, commitment, and agility in what has been yet another demanding but rewarding year.

Marie Collins

Marie Collins
Chairperson

Notwithstanding the challenges the sector faced during the year, we experienced strong demand for funding across all products.

Redwood is a development of 2, 3 and 4 bedroom terraced, semi-detached and detached homes in Tullamore, Co Offaly.

Chief Executive Officer's Review

In 2021, HBFI continued to facilitate the supply of residential development funding across Ireland. Despite the continued challenges of COVID-19, we have played a key role in delivering new homes and offering a variety of funding products to residential developers. In 2021, we approved 33 new facilities providing €440m in new funding supporting 1,879 new homes. Since inception, we have approved €835m in new funding supporting just over 3,700 new homes.

There have been unprecedented changes in the industry since the onset of COVID-19 and many challenges to increasing new housing supply. HBFI responded by launching the Momentum fund in May 2020, to ensure availability of finance was not a barrier for new housing supply. This €300m fund was over 90% subscribed by the time it closed in December 2021, providing incremental funding for over 1,000 new units. In providing this temporary fund, HBFI also ensured that sufficient finance was available for smaller commercially viable schemes throughout Ireland. The Social Housing product which launched in late 2020 has also been very successful with social housing accounting for 23% of approvals across all products by December 2021.

In 2021, we also launched the Green Funding product. This product is designed to encourage the development of sustainable housing across all HBFI product offerings and those projects that qualify (subject to certification to the HPI (Home Performance Index) or equivalent standard) may avail of a discount on the margin charged.

While the sector was impacted with site closures in the first quarter and challenges remain with the price and availability of materials and labour, activity scaled up quickly as the year progressed. By year end, HBFI-funded schemes had completed 519 new homes with a further 1,359 at a sale agreed or contract stage.

In the last quarter of 2021, the Government launched its Housing for All Strategy which sets out targets for new housing delivery over the next ten years. These homes will be required throughout Ireland, for all tenures and with a specific focus on increasing the supply of social and affordable homes.

As we look to 2022, the construction industry is faced with further challenges of cost price inflation and supply uncertainties due to the war in Ukraine. This may impact the viability of some schemes and therefore slow down supply in the short term. However, with demand remaining strong and the need for housing even greater than before, the industry is expected to overcome these challenges over the medium term.

We will continue to work with our stakeholders across the public and private sector, and with our customers, to ensure adequate funding is available to deliver these homes. We remain agile and are fully committed to developing new products and enhancing our existing products to meet the future funding needs of the industry.

Dara Deering

Dara Deering
Chief Executive Officer

In 2021, we approved 33 new facilities providing €440m in new funding supporting 1,879 new homes.

Barraduff is a development of 3 bedroom detached & semi-detached 2-storey contemporary homes in Barraduff, Co Kerry.

Business Review

Our Market

HBFI continues to interact with existing and new customers and key stakeholders right across the construction sector to identify potential gaps in the residential development funding market and to assist the market in closing those gaps. This has led to the expansion of HBFI's product offering from a single product on launch (for developments of more than 10 units and with a funding cap of €35m) to six products in 2021 (providing funding for projects from five to more than 300 units).

HBFI's current product range includes a Green Funding product introduced in early 2021, the purpose of which is to encourage sustainable housing development by offering a discounted margin to those developments that meet or exceed the Home Performance Index ("HPI") standard overseen and certified by the Irish Green Building Council ("IGBC"). HBFI was one of the first funders to bring such a product to the residential construction sector and it demonstrates the organisation's commitment to its ESG responsibilities.

This followed the introduction in Q4 of 2020 of a Social Housing product which has seen strong demand throughout 2021 as Approved Housing Bodies ("AHBs") and Local Authorities continue to contract to purchase large numbers of new homes from builder/developers under the turn-key model and developers seek funding that recognises the reduced risk afforded by pre-sold turnkey.

The onset of COVID-19 in 2020 caused a fundamental change in the funding landscape, which impacted the risk appetite of many lenders in the market. As a result, HBFI introduced the Momentum Fund in May 2020 to address near-term funding gaps. The purpose of the fund was to bridge a gap and provide funding for projects which would traditionally have been financed by mainstream lenders and were in a position to start construction. This fund closed in December 2021 having been over 90% subscribed.

In the small to mid-tier segment of the market, HBFI saw a continued growth in interest in its product offering throughout 2021 as confidence rebounded following initial concerns about the potential impact of COVID-19 on new home sales. HBFI continues to engage with small and mid-tier developers with viable projects, particularly outside of the main urban areas and, where required, can assist those potential borrowers through the funding process.

HBFI remains engaged with key stakeholders across all areas of the construction sector and will attempt to address any developing gaps in the residential funding market as they arise.

Our Performance

HBFI continued its growth in 2021, with its most successful year to date, approving €440m of funding, which was more than the previous two years combined (€395m approved over 2019 and 2020).

As at 31 December 2021, HBFI had approved funding since inception of €835m, across 71 sites, which has the potential to support the delivery of up to 3,729 new homes. Due to the time required to allow for legal due diligence and the completion of facility agreements following approval and prior to first drawdown, 35 of these facilities had reached drawdown or had been completed by 31 December 2021. Total funding allocated to these 35 projects was €474m and these projects will support the delivery of 2,228 new homes.

By the end of December 2021, 519 homes had been completed in the three years since HBFI's launch, with 1,359 contracted for sale or sale agreed.

Some of the key metrics are detailed below.

Approvals

	2021	**Since Inception**
Total amount of funding approved	€440m	€835m
Total number of facilities approved	33	71

	Since Inception
Number of counties in which funding has been approved	18
Average loan facility size (range €1m to €94m)	€11.8m
Split of funding approved:	
Social Housing	23%
Private Housing	77%

Kilheale Manor, Kill, Co Kildare

Homes Completed

	Since Inception
Number of homes completed and sold	519
Number of homes contracted for sale/ sale agreed	1,359

Our Customers

Following its inception in January 2019, the primary focus of HBFI was to raise awareness of the funding products offered by HBFI to the residential development sector and to make a positive impact in the residential development funding market. Having added several new products in 2020 and 2021, HBFI has continued to engage with the market and educate potential clients on the products and their suitability based on individual project needs.

The Business Development team actively engages across the market with our customer base which has grown considerably since launch. The Business Development Managers engage with both new and existing customers and industry stakeholders within their regional areas of focus.

While the COVID-19 related restrictions continued to limit in-person activity in 2021, HBFI continued to use webinars, online conferences and virtual meetings as an alternative enabling ongoing targeted promotion of HBFI in counties where there have been limited applications to date.

With the lifting of restrictions in early 2022, a full programme of face-to-face activities and events is planned for 2022.

Our Products

Throughout 2021, HBFI had six products available for the finance of residential development. The finance available via these products facilitated funding for residential developments ranging from five units to over 300 units, with the price range for each product being proportionate to the relevant risk parameters and the type of development.

The product for Under 10 Units continues to benefit from the Competitiveness of Enterprises and Small and Medium-sized Enterprises ("COSME") guarantee scheme which is operated by the European Investment Fund. This allows small developments, that might otherwise fall outside the HBFI risk appetite and would most likely not be financed in the market, to get funding. This product is of particular relevance to small developments in regional Ireland, that can have a positive and significant impact on the surrounding community relative to their size.

The products on offer during 2021 are set out in the table overleaf – noting that the Green Funding product was launched on 29 January 2021, while the Momentum Fund closed to new applications on 31 December 2021:

Under 10 Units (to include COSME)

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

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

10 Units or Above

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

- Gearing of up to 80% (includes site purchase and development funding)
- Margin of between 5% and 8% (over 3-month Euribor), with an entry fee and exit fee of up to 1%
- The maximum funding provided under this product type is €35m

Apartment Development

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

- Gearing of up to 80% (includes site purchase and development funding)
- This product can be used to fund developments with pre-sales/ private sales or a mix
- The maximum funding provided under this product type is €75m
- Margin and fees will be reflective of risk pertaining to each development

Momentum Fund

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

- Facility size of up to €75m (for larger amounts contact HBFI directly to discuss)
- Gearing of up to 65% (includes site purchase and development funding)
- Margin and fees will be assessed on a case by case basis and have been set to mirror the terms and conditions of the mainstream banks

This product is closed to new applications as of 31 December 2021.

Social Housing

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

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

Green Funding

The Green Funding Product is designed to encourage the development of sustainable housing across all HBFI products

- To qualify for the product, the project must be certified to the HPI (Home Performance Index) or equivalent standard
- Those projects that qualify can avail of a discount of up to 0.5% on the margin that they could normally expect to be charged
- The product/discount is available across all HBFI products (some products are subject to certain minimum margins)
- Early engagement with HBFI is essential to ensure that the criteria for HPI certification is planned from the outset
- Further information regarding the qualification criteria can be found on the Irish Green Building Council Website at **www.IGBC.ie**

Our Stakeholders

HBFI continues to engage with both the public sector and the residential development sector on a regular basis. The primary stakeholders continue to be the builders and developers that HBFI seeks to support. However, the residential development sector is both complex and broad, with many stakeholders involved in the delivery of new homes, including:

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

Although most HBFI events, seminars and conferences were postponed in 2021 because of COVID-19, HBFI continued to engage with key professional bodies in the industry, including:

- Society of Chartered Surveyors of Ireland
- Quantity Surveyor Firms and Legal Firms
- The Irish Green Building Council
- Institute of Professional Auctioneers and Valuers
- Construction Industry Federation
- Irish Home Builders Association

HBFI continuously works to develop and maintain relationships across these stakeholder groups to both assist the market in understanding the role of HBFI and to enable HBFI to better understand the market.

As HBFI is an agency of the state, we also continue to work with relevant government departments, the Housing Agency, Approved Housing Bodies and Local Authorities. We value the importance of continued engagement and an extensive stakeholder engagement plan will continue throughout 2022, to enhance and further develop existing relationships. In addition, a comprehensive marketing plan is in place for 2022 as HBFI builds on the work undertaken in 2021 to increase awareness of HBFI's product offering.

Our Policy Considerations

Under Section 24 of the HBFI Act, the Minister for Finance must regularly review HBFI to ensure that we are delivering on our mandate and making an impact in the market.

The Minister for Finance finalised his first review of HBFI in 2021, which included the preparation of a report to assess the extent to which HBFI has performed its functions and complied with its obligations under the legislation and whether it should continue in operation. This review process, which commenced in Q4 2020, and included seeking feedback from key stakeholders across the construction sector, was completed and published in May 2021.

The review concluded that HBFI should continue in operation with the Minister stating:

> *"It is clear from this review that access to development finance remains an issue for homebuilders to fully support the continued delivery of housing required to meet expected demand at this time. Therefore this review concludes that HBFI should continue in operation at this time with a further review to take place in 2023."*

HBFI is cognisant of Government policy relating to housing, in particular the *Housing for All* strategy published in September 2021. 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 2021, HBFI maintained its focus on ensuring that all activities were aligned with Government policy as well as ensuring that HBFI funding was reaching the residential development market, especially taking account of the impact of COVID-19 on the sector. These policy considerations were captured through:

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

Our ESG Priority

HBFI is committed to embedding Environmental, Social and Governance ("ESG") principles in its business practices in acknowledgement of the importance of ESG to the Irish economy and society.

Environmental

Lending Activities

The construction sector has seen meaningful improvements in regulation in recent years. This will ultimately result in a considerable decrease in energy consumption over the lifecycle of new homes. For example, the *Nearly Zero Energy Buildings*[1] (NZEB) regulations introduced a very high energy performance in building standards requiring that all new homes are NZEB compliant.

HBFI endeavours to ensure that all funded projects are compliant with the latest building standards, with compliance being confirmed by Monitoring Surveyors appointed to each project, helping to ensure that highest standards in building regulation are met on all HBFI funded developments and that the impact on the environment is minimised.

In addition, HBFI launched a new Green Funding product in January 2021. The objective of this product is to encourage sustainable development and incentivise builders/developers to complete new homes to a standard which is higher than that set by regulation. As an incentive, HBFI offers a discount of up to 0.5% on the margin charged. To qualify for this margin reduction, the scheme must be certified to Home Performance Index ("HPI") or an equivalent standard. The HPI standard is monitored and certified by the Irish Green Building Council.

Energy Efficiency Report

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

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

The NTMA's Green Team encourages environmentally sustainable behaviours among all employees.

Social

Lending Activities

HBFI has a social housing product, which was introduced in 2020, to promote the delivery of social housing.

HBFI's stakeholder engagement programme includes engagement with a range of bodies supporting the delivery of social housing across Ireland, including the Housing Agency, Approved Housing Bodies and Local Authorities.

General

HBFI staff, as employees of the NTMA, benefit from a wide range of progressive social initiatives aimed at fostering an inclusive and diverse workforce, including gender, disability and LGBT+ focused initiatives.

Governance

HBFI complies with the Code of Practice for the Governance of State Bodies, subject to certain exceptions agreed with the Department of Finance. HBFI has a strong governance structure around decision making with certain approvals Reserved for Decision by the Board and robust Terms of Reference for the Committees established to support the Board.

In respect of the Board of Directors, these are chosen through an open and transparent Public Appointments Service Process (PAS System).

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

Case Studies

10 Units and Above

Company Name:
Manley Developments (Avourwen)

Site Location:
Drogheda

Number of Units:
Funding approved for **203 units** in 3 phases

Project Status:
Under construction

Under 10 Units

Company Name:
Hanney Properties Ltd (Mucklagh)

Site Location:
Tullamore, Co Offaly

Number of Units:
Funding approved for 8 units

Project Status:
Under construction

Social Housing Project

Company Name:
Viaduct Developments Ltd (An Tobar)

Site Location:
Drogheda, Co Louth

Number of Units:
Funding approved for 94 units

Project Status:
Under construction

Governance and Corporate Information

Directors

Marie Collins
Chairperson

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

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

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

Dara Deering
Board member

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

(Chief Executive Officer and ex officio member)

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

Des Carville
Board member

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

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

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

Grainne Hennessy
Board member

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

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

Grainne Hennessy is a senior partner at Arthur Cox with over 30 years' experience in advising lenders and borrowers on the funding of real estate investments, including some of the largest construction finance projects in the country. She was Head of the Finance Department and a member of the management committee of Arthur Cox for six years.

Andrew O'Flanagan
Board member

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

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

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

Ken Slattery
Board member

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

(Chair of the Audit and Risk Committee)

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

Claire Solon
Board member

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

(Member of the Credit Committee)

Claire Solon is Managing Director at Greystar Ireland managing multi-family investment and development in Ireland. Previous roles include Head of Property at Aviva, managing in excess of €600m of property funds in Ireland and UK and Head of Estates Management at ESB, responsible for the management of the ESB property portfolio in Ireland. She is a Fellow of the SCSI and RICS and has lectured extensively in valuations and feasibility analyses. 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, 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 2021.

Board Structure

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

The Chairperson is appointed by the Minister.

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

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

- Audit and Risk Committee
- Credit Committee
- Remuneration Committee

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

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

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

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

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2021 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 2021 €	Expenses 2021 €
	Scheduled	Unscheduled					
Number of Meetings	**8**	**2**	**6**	**2**	**2**		
Board Members							
Dara Deering	8	2		2			
Marie Collins	8	2		2	2	€31,500	
Des Carville	6	2	6	2			
Grainne Hennessy	7	1	4		2	€15,750	
Andrew O'Flanagan	8	2		2	2		
Ken Slattery	7	2	6			€15,750	
Claire Solon	8	2		1		€15,750	
Staff Members							
Sean Alger				2			
Michael Broderick				1			

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

Gender Balance in the Board membership

As at 31 December 2021, the Board had four female (57%) and three male (43%) members, with no positions vacant.

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

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

Key Personnel Changes

There were no changes to the members of the Board or the senior management team during 2021.

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 made performance-related payments to 5 staff in 2022 in respect of 2021. These payments totalled €54,500 in aggregate.

Employee Short-Term Benefits Breakdown

Employee short-term benefits in excess of €50,000 in 2021 are categorised into the following bands:

Range	No. of Employees
€50,001 to €75,000	6
€75,001 to €100,000	9
€100,001 to €125,000	4
€125,001 to €150,000	4
€150,001 to €175,000	2
€175,001 to €200,000	0
€200,001 to €225,000	1
€225,001 to €250,000	0
€250,001 to €275,000	1
€275,001 to €300,000	0
Total	27

Note: For the purposes of this disclosure, short-term employee benefits rendered during 2021 include salary, other taxable benefits paid to employees (including performance-related payments), and other payments mode on behalf of employees, but exclude employer's PRSI and employer pension contributions.

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

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

Consultancy Costs

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

	2021 €'000	2020 €'000
Legal advice	50	55
Financial advice	49	52
Marketing/Design/Public Relations	30	33
Human Resources	15	18
Other	30	42
Total consultancy costs	**174**	**200**

Consultancy costs capitalised	0	0
Consultancy costs charged to the Statement of Comprehensive Income	174	200
Total consultancy costs	**174**	**200**

Legal Costs and Settlements

No expenditure was incurred in 2021 in relation to legal costs and settlement.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2021 €'000	2020 €'000
Domestic		
– Board	0	0
– Employees	19	13
International		
– Board	0	0
– Employees	0	0
Total	**19**	**13**

Hospitality Expenditure

The Statement of Comprehensive Income includes €2.9k in respect of staff hospitality expenditure in 2021 (2020: €1k). This related primarily to the NTMA's corporate health and wellbeing programme.

Statement of Compliance

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

Matters Reserved for Decision by the Board

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

Customer Service

The Code sets out a requirement to have a four-step cycle in respect of a customer charter. In relation to the fourth step which deals with the reporting of results, as the Code does not specify whether this reporting should be external or internal, HBFI reported the results internally to the Board.

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. Should HBFI engage 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.

Travel Circulars

The NTMA's travel policy which applies to all HBFI staff is based on the Framework for a Travel Policy for State Bodies contained in the Code. Revenue approved civil service mileage rates (reflecting Circular 07/2017) are applied. In accordance with the NTMA travel policy, HBFI does not pay subsistence rates in respect of travel but operates a vouched expense process for the reimbursement of travel expenses and Department of Public Expenditure and Reform circulars and office notices regarding subsistence are, therefore, not applied.

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 risk appetite; the monitoring of adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

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

- Ken Slattery, Chairperson
- Des Carville
- Grainne Hennessy

Grainne Hennessy was appointed to the Audit and Risk Committee with effect from 1 January 2021. This followed a decision by HBFI in late 2020 to review the membership of its committees.

The Committee met on six occasions in 2021.

Financial Reporting

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

Internal Controls

The Committee reviewed the effectiveness of the system of internal control. It also reviewed the Statement on Internal Control to be included in the 2021 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 by the Committee's detailed work programme, including regular internal audit and risk reports.

Internal Audit

HBFI's internal audit process is managed by the NTMA Internal Audit function. The Committee received regular reports from internal audit. It reviewed the key findings from the outcome of individual audit reviews completed under the 2021 risk-based internal audit plan and monitored the implementation of audit recommendations. The Committee approved the 2022 internal audit plan. It also approved the adoption of an updated NTMA Internal Audit Charter. The Committee reviewed the effectiveness of the internal auditor. The Committee meets privately with the NTMA Head of Internal Audit without management present at least annually.

External Audit

HBFI's external auditor is the Comptroller and Auditor General. The Committee reviewed the external audit plan, the key areas of focus and the audit terms of engagement. The Committee meets with the external auditor without management present at least annually.

Risk

The Committee approved updates to certain risk policies and recommended updates to the Board, in accordance with the Risk Management Policy and Framework. The Committee reviewed HBFI's Risk Management Policy and Framework and Risk Appetite Statement and received regular reports on HBFI's risks and the controls in place to mitigate risks. The Committee also approved the Risk Management Plan for 2022 and monitored progress against the 2021 plan. The Committee meets privately with the Head of Risk without management present at least annually.

Compliance

The Committee reviewed the annual compliance report and the services provided by NTMA Compliance. The Committee approved updates to the Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy. The Committee also reviewed and recommended to the Board the Business Risk Assessment and the Anti-Money Laundering Policy. The Committee meets with the NTMA Head of Compliance without management present at least annually.

Other

The Committee undertook a review of its own effectiveness and reported to the Board on its review. The Committee's priorities in respect of 2022 were approved as part of its Work Programme 2022.

Credit Committee Report

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

The Committee comprises of four non-executive members of the Board, the Chief Executive Officer and two members of the HBFI Executive Management Team. The members of the Committee during 2021 were:

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

The Credit Committee 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 were reviewed by the Board during 2021.

Remuneration Committee Report

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

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

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

The Remuneration Committee met twice during 2021. The Remuneration Policy was recommended to the Board.

The terms of reference for the Remuneration Committee were reviewed by the Board during 2021.

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 2021, the Audit and Risk Committee and the Board reviewed the Risk Register on a regular basis, and the Board received regular updates in respect of risk management and high and emerging risks.

Roles and Responsibilities

Board

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

Audit and Risk Committee

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

Three Lines of Defence

First Line of Defence

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

Second Line of Defence

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

Third Line of Defence

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

Audit

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

Principal Risks

HBFI is exposed to a wide variety of risks which have the potential to affect its financial and operational performance. The Risk Management Policy and Framework establishes the processes to identify, assess, report and mitigate risk. HBFI has identified the following principal risks which may adversely affect the achievement of its objectives. In addition, HBFI maintains a comprehensive Risk Register which identifies all of the risks facing HBFI, including credit risk, demand risk, operational risk and regulatory risk among others. Reputational risk may also occur as a consequence of these risks. The risks arising from the impact of Covid-19 have now diminished and the controls and processes introduced to mitigate against those risks have been subsumed into standard controls.

	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 credit review and sanctioning process, adherence to relevant lending and credit policies and procedures, ongoing monitoring and review of facilities.
Demand Risk	The risk that the demand for HBFI's product offering is insufficient to generate a return to cover operating costs.	This risk is mitigated by ongoing product and strategic reviews to ensure that strategy is aligned to market needs.
Operational Risk	HBFI is exposed to operational risk arising from its internal processes, people and systems or from external events, including weather events or pandemics. Key operational risks include system failures, reporting errors, data protection breaches and failure to follow procedures which could potentially result in HBFI failing to meet its objective and/or reputational damage.	This risk is mitigated by an appropriate management and monitoring structure and the ability to leverage the existing systems, processes and controls of the NTMA and external service providers.
Regulatory Risk	The risk that HBFI could be subject to a legal challenge under State Aid rules or the failure by HBFI to meet new or existing regulatory and/or legislative requirements and deadlines or to embed requirements into processes. HBFI must comply with a number of regulatory requirements including data protection law, anti-money laundering legislation and State Aid rules.	This risk is mitigated by the procurement of a Market Economy Operator Principle report annually and adherence to relevant policies and procedures together with operational support and services provided by NTMA under a Service Level Agreement, including appointment of a Data Protection Officer and a Money Laundering Reporting Officer.

Management Team

Dara Deering
Chief Executive Officer

Denise Donovan
Head of Operations and Finance

Paula Flinter
Head of Legal

Sean Alger
Head of Credit and Risk

Fergus Mangan
Divisional Manager – Lending

Note: With effect from 1 February 2022, the Chief Commercial Officer was assigned to another role outside of HBFI.

Financial Statements

for the year ended 31 December 2021

Company and Other Information

Directors

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

Company Secretary

Caroline Ensor

Registered Office

Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Bankers

Allied Irish Banks Plc
Molesworth Street
Dublin 2
D02 W260

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

Auditor

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

Directors' Report

The Directors of Home Building Finance Ireland DAC present their report and audited consolidated financial statements for the year ended 31 December 2021 ("the financial year").

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

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

Principal activities

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

Business review

The 2021 Annual Report ("the Report") forms part of the Directors' Report. The Chairperson's Statement and Chief Executive Officer's Review in the Report outline the development and performance of HBFI during the financial year and significant events that occurred during that period. Further information on HBFI's strategy, business model and operations is provided in the Business Review section of the Report.

During the financial year, HBFI focused on achieving its key objectives by continuing to assess loan applications and advance loan amounts to existing and new developments. During the financial year, the following represent the key outcomes:

- €440m of loans approved for borrowers[2];
- €125m of funds advanced to borrowers under approved loans;
- €47m of capital loans repaid by borrowers;
- A Green Loan Product was introduced to promote the delivery of more sustainable developments.

Principal risks and uncertainties

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

Credit Risk

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

Demand Risk

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

Operational Risk

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

Regulatory Risk

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

COVID-19 Risk

- The risks arising from the impact of Covid-19 have now diminished and the controls and processes introduced to mitigate against those risks have been subsumed into standard controls.

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

Financial risk management

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

Directors

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

Marie Collins (Chairperson)

Andrew O'Flanagan

Claire Solon

Dara Deering

Desmond Carville

Grainne Hennessey

Timothy Ken Slattery

Company Secretary

Caroline Ensor

Directors' interests

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

Adequate accounting records

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

Results and dividends

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

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

Events after the reporting period

Refer to Note 26 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

13 April 2022

Statement of Directors' Responsibilities

Directors' responsibilities statement

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

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

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

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

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

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

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland DAC

Marie Collins

Marie Collins
Chairperson
Home Building Finance Ireland DAC

13 April 2022

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, has been in place in HBFI for the year ended 31 December 2021 and up to the date of approval of the financial statements.

Capacity to Handle Risk

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

HBFI has an Audit and Risk Committee ("ARC") comprising of three non-executive members of the Board with financial and audit experience, one of whom acts as the Chairperson. The ARC met on six occasions during 2021.

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

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

HBFI has also relied on controls operated by its third-party Loan Services provider. These loan services are provided in accordance with a Service Level Agreement and HBFI has established procedures with the Loan Services provider for the reporting of incidents, including control failures. HBFI has received an assurance from its Loan Services provider, Fexco Asset Finance Limited, 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;

Statement on Internal Control (continued)

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

COVID-19

The onset of the COVID-19 pandemic in early 2020 did result in some changes to the working and control environment with remote and virtual working becoming the norm in HBFI. As a result, HBFI introduced a number of procedural and control changes. Under HBFI's risk and control framework, management carried out a full risk assessment of the COVID-19 impact on the control environment. As the impact of COVID-19 diminishes, these controls have been subsumed into standard controls.

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

HBFI's procurement support is provided by the NTMA and HBFI adheres to the NTMA Procurement Policy (published on its website) and associated procedures, which are consistent with the current Office of Government Procurement guidelines.

In certain circumstances, it is deemed appropriate to obtain duly authorised exceptions from the Policy and Procedure (i.e. not run a competitive tender process) in respect of services, supplies or works valued below the EU thresholds. Such exceptions are approved by the Executive Management team and do not amount to non-compliant procurement. During 2021, HBFI engaged an insurance broker through a legacy arrangement to procure certain professional and commercial insurance policies with a total cost of €0.13m (including amounts paid to the broker and three insurance companies). A competitive process was undertaken in late 2021 in relation to the engagement of an insurance broker for 2022.

Review of Effectiveness

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

We confirm that the Board conducted a review of the system of internal control for the year ended 31 December 2021.

Internal Control Issues

No weaknesses in the system of internal control were identified in relation to the year ended 31 December 2021 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

13 April 2022

Report of the 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 year ended 31 December 2021 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 2021 and of the group's loss for the year
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*, and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

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

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

Conclusions related to going concern

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

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

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

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

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

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

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

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

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

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

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

25 April 2022

Report of the Comptroller and Auditor General (continued)

Appendix to the report

Responsibilities of the directors

As detailed in the governance statement and board members' report, the directors are responsible for

- the preparation of annual 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 Home Building Finance Ireland'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 Home Building Finance Ireland to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Information other than the financial statements

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

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

Reporting on other matters

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

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

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2021

	Note	2021 €000	2020 €000
Interest income	5	3,349	1,248
Interest expense	6	(2,020)	(704)
Net interest income		1,329	544
Other income	7	2,538	320
Operating expenses	8	(6,890)	(5,650)
Operating loss before tax		(3,023)	(4,786)
Tax expense	10	–	–
Loss for the year after tax		(3,023)	(4,786)
Other comprehensive income		–	–
Total comprehensive income for the year		(3,023)	(4,786)

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

13 April 2022

Consolidated Statement of Financial Position

as at 31 December 2021

	Note	31 December 2021 €000	31 December 2020 €000
Non-current assets			
Financial assets – loans and receivables	11	102,017	28,533
Other receivables	14	307	309
		102,324	28,842
Current assets			
Financial assets – loans and receivables	11	18,501	8,150
Other receivables	14	669	373
Cash and cash equivalents		16,066	14,158
		35,236	22,681
Creditors; amounts falling due within 1 year			
Other liabilities	15	(4,034)	(3,234)
Net current assets		**31,202**	**19,447**
Total assets less current liabilities		133,526	48,289
Creditors; amounts falling due after 1 year			
Funding	16	(125,504)	(37,262)
Other liabilities	15	(1,707)	(1,689)
Net assets		**6,315**	**9,338**
Capital and reserves			
Called up share capital presented as equity	19	20,000	20,000
Retained losses		(13,685)	(10,662)
Total equity		**6,315**	**9,338**

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

13 April 2022

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital	Retained losses	Total equity
	€000	€000	€000
Balance as at 1 January 2020	20,000	(5,876)	14,124
Total comprehensive income for the year	–	(4,786)	(4,786)
Balance at 31 December 2020	20,000	(10,662)	9,338
Total comprehensive income for the year	–	(3,023)	(3,023)
Balance at 31 December 2021	**20,000**	**(13,685)**	**6,315**

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

13 April 2022

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	2021	2020
	€000	€000
Cash flows from operating activities		
Loss for year	(3,023)	(4,786)
Advances to borrowers	(127,430)	(49,346)
Repayments from borrowers	46,891	20,500
Interest receivable	(3,296)	(1,224)
Increase in other receivables	(294)	(599)
Interest payable	1,947	605
Increase in other liabilities	818	2,492
Net cash from operating activities	**(84,387)**	**(32,358)**
Cash flows from financing activities		
Funding loans received	97,220	39,547
Funding loans repaid	(10,925)	(9,900)
Net cash inflow from financing activities	**86,295**	**29,647**
Net increase/(decrease) in cash and cash equivalents	1,908	(2,711)
Cash and cash equivalents at 1 January	14,158	16,869
Cash and cash equivalents at 31 December	**16,066**	**14,158**

Company Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	2021 €000	2020 €000
Interest income		–	–
Interest expense		–	–
Net interest income		–	–
Other income		–	–
Operating expenses	8	(114)	(136)
Operating loss before tax		(114)	(136)
Tax expense	10	–	–
Loss for the year after tax		(114)	(136)
Other comprehensive income		–	–
Total comprehensive income for the year		(114)	(136)

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

13 April 2022

Company Statement of Financial Position
as at 31 December 2021

	Note	31 December 2021 €000	31 December 2020 €000
Non-current assets			
Investment in subsidiary	22	15,000	15,000
		15,000	15,000
Current assets			
Cash and cash equivalents		4,863	4,899
		4,863	4,899
Creditors; amounts falling due within 1 year			
Other liabilities	15	(203)	(125)
Net current assets		**4,660**	**4,774**
Total assets less current liabilities		19,660	19,774
Net assets		**19,660**	**19,774**
Capital and reserves			
Called up share capital presented as equity	19	20,000	20,000
Retained losses		(340)	(226)
Total equity		**19,660**	**19,774**

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

13 April 2022

Company Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital €000	Retained losses €000	Total equity €000
Balance as at 1 January 2020	20,000	(90)	19,910
Total comprehensive income for the year	–	(136)	(136)
Balance at 31 December 2020	20,000	(226)	19,774
Total comprehensive income for the year	–	(114)	(114)
Balance at 31 December 2021	**20,000**	**(340)**	**19,660**

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

13 April 2022

Company Statement of Cash Flows
for the year ended 31 December 2021

	2021	2020
	€000	**€000**
Cash flows from operating activities		
Loss for year	(114)	(136)
Increase in other liabilities	78	79
Net cash outflow from operating activities	**(36)**	**(57)**
Net decrease in cash and cash equivalents	(36)	(57)
Cash and cash equivalents at 1 January	4,899	4,956
Cash and cash equivalents at 31 December	**4,863**	**4,899**

Notes to the Financial Statements

1. Reporting entity

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

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

The financial statements consolidate the financial statements of HBFI and HBFIL for the financial year ended 31 December 2021. The financial statements of the holding company, HBFI, are shown separately within this report.

2. Statement of Compliance

These financial statements for the financial year ended 31 December 2021 have been prepared in accordance with the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council in the UK ("FRS 102") having elected, as permitted by FRS 102, to account for all of the Group's and Company's financial instruments by applying the recognition and measurement rules of IAS 39 Financial Instruments: Recognition and Measurement.

3. Critical accounting estimates and judgements

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

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

3.1 Key sources of estimates and judgements

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

3.1.1 Loan impairment assessment

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

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

3. Critical accounting estimates and judgements (continued)

3.1 Key sources of estimates and judgements (continued)

3.1.1 Loan impairment assessment (continued)

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

3.1.2 Income recognition on loans and receivables

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

4. Significant accounting policies

4.1 Basis of preparation

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

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

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

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

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

4.2 Basis of consolidation

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

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

4.3 Investment in subsidiaries

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

Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

4.4 Basis of measurement

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

4.5 Interest income and expense

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

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

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

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

4.6 Other income

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

4.7 Costs reimbursable to the NTMA

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

4.8 Financial assets

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

Loans and receivables

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

4.9 Financial liabilities

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

4. Significant accounting policies (continued)

4.10 De-recognition of financial assets and liabilities

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

4.11 Impairment of financial assets

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

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

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

Objective evidence that a financial asset is impaired includes:

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

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

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

4.12 Cash and cash equivalents

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

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

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

Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

4.13 Provisions

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

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

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.

4.14 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.

4.15 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.

4.16 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

	2021	2020
	€000	€000
Interest on loans and receivables	3,349	1,248

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

	2021	2020
	€000	€000
Interest on funding	2,020	704

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

7. Other income

	2021	2020
	€000	€000
Fee income	3,196	493
Fee expenditure	(658)	(173)
	2,538	**320**

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

8. Operating expenses

		Group	Group
		2021	2020
	Note	€000	€000
Costs reimbursable to the NTMA	8.1	6,038	5,044
Board fees	9	79	79
Other expenses		773	527
		6,890	**5,650**

Notes to the Financial Statements (continued)

8. Operating expenses (continued)

	Note	Company 2021 €000	Company 2020 €000
Board fees	9	79	79
Other expenses		35	57
		114	**136**

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

8.1 Costs reimbursable to the NTMA (see note 23)

	2021 €000	2020 €000
NTMA staff costs	4,151	3,312
Loan Administration services	384	300
Occupancy costs	213	224
Business services	29	66
Professional fees	122	284
Technology	289	257
Other operating costs	850	601
	6,038	**5,044**

Other operating costs consists mainly of the corporate function recharges and depreciation costs.

8. Operating expenses (continued)

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

8.1.1 NTMA staff costs

The Group has no employees. All personnel are employed by the NTMA and the remuneration cost of staff who are engaged full time in the Group business is recharged to the Group by the NTMA. The number of NTMA employees directly engaged in the Group at the reporting date was 31 (2020: 27).

	2021	2020
	€000	€000
Aggregate Employee Benefits		
Staff short term benefits	3,187	2,606
Pay related social insurance	333	262
	3,520	**2,868**
Staff Short-term Benefits		
Basic Pay	3,077	2,569
Performance related pay	55	–
Allowances	55	37
	3,187	**2,606**

The NTMA contributed €447,262 (2020: €363,000) in pension contributions for the year ended 31 December 2021 to those engaged full time in the Group business.

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

8.1.2 Key management personnel

	2021	2020
	€000	€000
Salary	892	883
Allowances	24	23
Performance related pay	14	–
Health insurance	1	1
	931	**907**

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.

Notes to the Financial Statements (continued)

8. Operating expenses (continued)

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

8.1.3 Chief Executive Officer salary and benefits – Dara Deering

	2021	2020
	€000	€000
Salary	250	250
Taxable benefits	19	19
Contributions to retirement schemes	45	45
	314	**314**

No performance related payment was paid or is payable to the CEO during the year. The amounts paid to the CEO are included in the costs reimbursable to the NTMA.

9. Board fees and expenses

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

	2021	2020
Board member	€	€
Marie Collins	31,500	31,500
Claire Solon	15,750	15,750
Grainne Hennessy	15,750	15,750
Timothy Ken Slattery	15,750	15,750
	78,750	**78,750**

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

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

10. Taxation

	Group 2021 €000	Group 2020 €000
Operating loss before tax	(3,023)	(4,786)
Corporation tax	–	–

	Company 2021 €000	Company 2020 €000
Operating loss before tax	(114)	(136)
Corporation tax	–	–

The tax on profits is charged at the standard rate of corporation tax in Ireland (12.5%). A deferred tax asset 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.

	2021	2020
Group	**€000**	**€000**
Operating loss before tax	(3,023)	(4,786)
Non-deductible expenses	93	131
Adjusted loss	(2,930)	(4,655)
Corporation tax charge @ 12.5%	366	582
Unrecognised tax loss	(366)	(582)
Tax Charge	–	–

Notes to the Financial Statements (continued)

10. Taxation (continued)

	2021	2020
Company	**€000**	**€000**
Operating loss before tax	(114)	(136)
Non-deductible expenses	–	–
Adjusted loss	(114)	(136)
Corporation tax charge @ 12.5%	14	17
Unrecognised tax loss	(14)	(17)
Tax Charge	–	–

11. Loans and receivables

	2021	2020
Non-current	**€000**	**€000**
Loans to borrowers	102,017	28,533
Current		
Loans to borrowers	18,501	8,150
	120,518	**36,683**

The Group had loans in issue to 25 borrowers (2020: 15) at the end of the year. The remaining term of the loans being due range from less than one year to three years.

The Group assesses at the end of each financial period, whether there is objective evidence that the loans are impaired (see Note 4.11). Following the impairment assessment of the loans as at 31 December 2021, the Group concluded that no evidence of impairment existed at the reporting date.

12. Risk management

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

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

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

12. Risk management (continued)

Risk management framework

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

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

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

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

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

First line of defence:

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

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

Second line of defence:

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

Third line of defence:

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

Notes to the Financial Statements (continued)

12. Risk management (continued)

12.1 Credit risk

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

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

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

Underwriting approval

- thorough assessment of each prospective borrower and development, its management, operational capability, development experience, financial performance and repayment capacity. This assessment includes factors such as construction cost inflation and supply chain disruptions;
- on-site visits and face to face meetings with management;
- assessment of the financial performance of the prospective borrower by reference to available information, including financial accounts, management accounts and financial projections;
- analysis of the borrower's repayment capacity, including clear and reasonable demonstration of the borrower's ability to meet its obligations and discharge the Group's debt in full;
- independent risk review and sign off by the Group's Head of Credit and Risk (or appointed delegate) of each potential transaction;
- obtaining adequate security for each transaction;
- credit decisions reserved to the HBFIL Board, HBFIL Credit Committee or Executive Management Team Credit Committee depending on size of facility or risk characteristics of transaction;
- 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 2021 is €137m. 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) (2020: A2) and Allied Irish Bank Plc (Standard & Poor's rating: BBB+) (2020: BBB-).

	2021	2020
	€000	€000
Cash and cash equivalents	16,066	14,158
Loans and receivables	120,518	36,683
	136,584	**50,841**
Undrawn commitments to borrowers at 31 December 2021	**255,000**	**206,000**

12. Risk management (continued)

12.1 Credit risk (continued)

HBFI has entered into a COSME Loan Guarantee Facility with the European Investment Fund which provides a loan guarantee of up to 50% of certain eligible HBFI loan facilities. The guarantee is subject to certain terms and conditions including a maximum guarantee amount of €25m and that eligible HBFI loans must relate to developments of no more than 10 units. There is no fee payable for this guarantee. As at 31 December 2021, the capital balance on HBFI loan facilities subject to the COSME Loan Guarantee was €1.45m.

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 available or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.
- Managing its liquidity risk by aligning, to the greatest extent possible, the maturity profile of its assets and liabilities so eliminating refinancing risk where possible. The Group has sourced long-term funding from its funder, and where possible it structures the tenor and repayment schedule of its loans to reflect that funding maturity profile.
- Maintaining a cash liquidity buffer to address any short-term liquidity needs that may arise.

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

	No later than 1 year	1-5 years	Over 5 years	Total
	€000	€000	€000	€000
2021				
Repayments due	–	–	125,504	**125,504**
2020				
Repayments due	–	–	37,262	**37,262**

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. HBFI's market risk comprises interest rate 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 interest rate risk based on the current maturity profile of its loans and receivables and the structure of the funding facilities. Any residual risk will be identified, monitored and managed by the Group.

Notes to the Financial Statements (continued)

12. Risk management (continued)

12.3 Market risk (continued)

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

	2021	2020
Financial Assets	**€000**	**€000**
Cash and cash equivalents	16,066	14,158
Loans and receivables	120,518	36,683
	136,584	50,841
Financial liabilities		
Funding	125,504	37,262

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 2021. The figures take account of the effect on both loans receivable and payable.

Interest Rate Sensitivity Analysis – a 50bp move

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

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

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

12. Risk management (continued)

12.4 Capital management

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

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

12.5 Concentration risk

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

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

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

13. Fair value of financial assets and liabilities

13.1 Comparison of carrying value to fair value

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

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

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

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

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

Notes to the Financial Statements (continued)

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

13.1 Comparison of carrying value to fair value (continued)

Group 2021	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	16,066	16,066	–	–	16,066
Loans and receivables	120,518	–	–	120,518	120,518
Financial liabilities					
Funding	125,504	–	–	125,504	125,504
Other liabilities	950	–	–	950	950

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

Company 2021	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial Assets					
Cash and cash equivalents	4,863	4,863	–	–	4,863
Financial liabilities					
Other liabilities	203	–	–	203	203

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

13.1 Comparison of carrying value to fair value (continued)

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

13.2 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

	2021 €000	2020 €000
Non-current:		
Deferred expenditure	235	196
Other receivables	72	113
	307	**309**
Current:		
Deferred expenditure	535	295
Other receivables	134	78
	669	**373**

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

Notes to the Financial Statements (continued)

15. Other liabilities

	Group 2021	Group 2020
Current:	**€000**	**€000**
Amounts due to the NTMA (see note 23)	950	732
Amounts owed to borrowers	–	844
Revenue – Payroll Taxes	8	8
Deferred income	2,902	1,509
Accrued expenses	174	141
	4,034	**3,234**
Non-current:		
Deferred income	1,707	1,689

Deferred income relates to the facility arrangement fees received from the borrower. Each arrangement fee is recognised in the Consolidated Statement of Comprehensive Income over the term of the relevant facility.

Amounts owed to borrowers relates to funds repaid to the Group relating to the phased sale of units which exceeded the loan balance at the time of repayment. The excess funds are released as the borrower moves to the next phase of the development.

	Company 2021	Company 2020
Current	**€000**	**€000**
Other liabilities	203	125

Other liabilities relate to board fees payable to HBFIL.

16. Funding

	2021	2020
	€000	**€000**
Funding loans	125,504	37,262

The Group had loans of €125m outstanding as at 31 December 2021 with a maturity date of 16 May 2029. At the end of the period the Group had €605m in undrawn funding facilities.

17. Maturity analysis of assets and liabilities

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

	Current	Non-current	Total
2021	**€000**	**€000**	**€000**
Financial assets			
Loans and receivables	18,501	102,017	**120,518**
Financial liabilities			
Funding	–	(125,504)	**(125,504)**

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

18. Auditor's remuneration

	2021	2020
	€000	**€000**
Audit of financial statements	33	31

There are no non-audit services included above.

19. Equity

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

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

Notes to the Financial Statements (continued)

20. Commitments

In January 2019 HBFI entered into an agreement for office accommodation at 1 Treasury Dock, North Wall Quay, Dublin 1. The lease term runs from 1 January 2019 to 24 May 2033. HBFI may break the lease term only on foot of a Ministerial Direction that HBFI cease operations and subject to providing a minimum twelve-month notice period to the lessor to exercise this break. Lease expenditure of €0.16m was incurred in 2021 (2020: €0.16m). The nominal future minimum rentals payable to 24 May 2033 are as follows:

	2021	**2020**
	€000	**€000**
Within one year	159	159
In two to five years	636	636
Over five years	1,016	1,175
	1,811	**1,970**

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 2021, 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.

23. Related parties disclosures (continued)

23.1 Related parties (continued)

NTMA

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

Other Government controlled entities

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

Key management personnel

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

23.2. Transactions and balances with related parties

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

NTMA recharge

The NTMA incurs costs for the running of the Group, which it recharges to the Group. The total of these costs for the financial period was €5.9m (2020: €5m). Further details in respect of these costs are disclosed in Note 8. There is an amount of €0.85m (2020: €0.7m) payable to the NTMA at the end of the financial period.

ISIF Loan Facility

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

Allied Irish Banks Plc

At the end of the financial year, the Group held €11.1m of cash at Allied Irish Banks Plc (2020: €4.3m).

Key management personnel

Transactions with key management personnel are disclosed in Note 8.

24. Disclosures of interest

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

25. Comparative Information

Certain comparative information has been reclassified for consistency with the current year disclosures.

Notes to the Financial Statements (continued)

26. Events after the end of the reporting period

No events requiring adjusting or disclosure in the financial statements occurred after the end of the reporting period.

27. Approval of the financial statements

The financial statements were approved by the Directors on 13 April 2022.

Maoiniú Teaghais–Tógála Éireann
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