

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF THE
STRATEGIC BANKING CORPORATION OF IRELAND
(THE “COMPANY” OR “SBCI”)**

**DULY CONVENED, CONSTITUTED AND HELD BY VIDEO AND CONFERENCE CALL,
AND IN PERSON AT TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 23 FEBRUARY 2023**

Present:

Barbara Cotter	<i>Chairperson</i>
June Butler	
Ian Black	
Eilis Quinlan	
AJ Noonan	
Eoin Dorgan	
Marguerite McMahon	
Richard Pelly	
Tom McAleese	

In Attendance:

Seán Farrell	Head of Products, Marketing & Research
Margaret Concannon	Head of Risk & Governance
Suzanne Sweeney	Head of Strategy, Finance & Operations
Colin Moran	Head of Lending
Fiona Collier	Strategy Implementation Manager (Item 4 only)
Claire Young	Business Support Specialist
Deirbhile Brennan	Head of Compliance, NTMA (Item 12 only)
Sinead Flanagan	Senior Compliance Manager, NTMA (Item 12 only)
Eibhlin O’Donnell	Senior Legal Advisor, NTMA (Item 12 only)
Des O’Connor	Company Secretary

1. NOTICE AND QUORUM

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been circulated to all members entitled to attend the meeting and that a quorum was present. The meeting then proceeded to business.

2. DECLARATIONS OF INTEREST

For the purposes of Section 231 of the Companies Act 2014, Section 17 of the Ethics in Public Office Act 1995 and the Constitution of the Company, there were no material interests declared by members in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

3.1. Minutes

The Chairperson noted that draft minutes of the meeting of 1 December 2022, which had been circulated to the Board in advance of the meeting, were before the Board for approval.

IT WAS RESOLVED that the minutes of the meeting, as presented, be approved and that they be signed by the Chairperson when circumstances permitted.

3.2. Matters arising

The Company Secretary provided status updates on matters arising from previous Board meetings and noted the following:

Item 4 from the meeting of **8 September 2022** was now closed as an estimate of the costs to the SBCI arising from the KBC and Ulster Bank Loan Transfers had been shared with the Board and uploaded to the Reading Room. **Item 2** from the meeting of **25 October 2022** was now closed as the “Use Case Document for eligibility of Climate Action and Environmental Sustainability Support” had been uploaded to the Reading Room. **Item 1** from the meeting of **1 December 2022** was closed as the draft ESG policy was being presented as Agenda Item 4.2, while **Item 2** from that meeting was to be closed as the Board Work Programme 2023 had been uploaded per Agenda Item 9.1. **Item 6** “Board Effectiveness Review 2021 & Board self-evaluation 2022” from the meeting of **25 October 2022** was to be carried forward pending the presentation of a summary report to the 21 March 2023 Board meeting.

4. STRATEGY UPDATE

4.1. Strategy Review 2022 and Strategy Implementation Plan 2023

The CEO and members of the SBCI Senior Management team presented the following:

- (a) a review of the outturn in respect of the 2022 Strategy Implementation Plan - For noting
- (b) the 2023 Strategy Implementation Plan, with KPIs – For approval
- (c) the updated risks associated with our Strategy and the financial impact of the updated Plan – For noting, and
- (d) a proposal for additional resources to support the delivery of the 2023 Strategic Implementation Plan – For approval

Strategy Review 2022

The CEO introduced the 2022 Review and highlighted several key milestones achieved by SBCI during its lifetime, including cumulative delivery of €3.49bn in funding to 54,000 SMEs, representing 1 in 5 SMEs nationwide that have received SBCI support since inception. The CEO noted the significant increase in the number of On-Lenders working with SBCI, most of whom joined during 2021 when the Covid pandemic was at its peak, and acknowledged the support of the Department of Finance in delivering the EELS Scheme.

The CEO noted the growth in Risk-Sharing Schemes, with 7 schemes currently under management (including “closed” schemes which continue to require ongoing management and impact on resources), while demand for liquidity has been muted. The CEO advised that the breakdown of SBCI

facilities across both sectors and geographical regions confirmed that SBCI had a broad reach and diverse range of SMEs benefitting from supports.

The CEO was pleased to confirm that Phase 1 of the customer Hub has been delivered and that SBCI continued to focus on building relationships with SMEs via partnerships with Enterprise Nation and Digital Business Ireland, and brand development, e.g., hosting 2 events for European NBPIs. Finally, the CEO advised that the SBCI continued to invest in its people through formal training and upskilling across the team.

The Board noted the progress made on a cumulative basis and advised that year-on-year comparisons could also be helpful in telling the SBCI story, and acknowledged that the SBCI has been a pioneer in the Risk-Sharing space. The Board was interested to understand the process undertaken when SBCI enters into partnerships and of the CEO outlined the selection process (aligned with strategic goals), documentation and control over the use of the SBCI brand by other entities. The CEO mentioned that the SBCI also work with the SFA, Dublin Chamber of Commerce, BPFI and Enterprise Nation, with a particular focus on supporting financial literacy among Irish SMEs.

The Head of Strategy, Finance and Operations (HoSFO) presented a review of the status of the 2022 Deliverables, vis-à-vis SBCI's Impact Themes and Key Enablers, and provided updates in respect of those items that had yet to be delivered, as follows:

- **THIS ITEM HAS BEEN PARTIALLY REDACTED.**
- Credit Market Review – deferred pending the appointment of a new Head of Lending – now in place and report being presented at today's meeting
- **THIS ITEM HAS BEEN PARTIALLY REDACTED.**
- Expand Data Tools – deferred as a result of other parts of the strategic plan needing to be prioritised
- Communication Plan – subject to an independent review with outputs to follow in 2023

The HoSFO noted that both the Ukraine Scheme and KBC/Ulster Bank Loan Transfers were not on SBCI's radar at the start of 2022, but SBCI had been very responsive in its actions following requests for support and action on both of these key initiatives from stakeholders. The HoSFO then summarised the SBCI's performance against its KPIs during 2022 **THIS ITEM HAS BEEN PARTIALLY REDACTED.** and the repayment by Capitalflow of its liquidity facility as a result of its acquisition by Bunq. The HoSFO advised that discussions with potential new On-Lenders were ongoing **THIS ITEM HAS BEEN PARTIALLY REDACTED** and that digital supports continue to be developed in partnership with Enterprise Nation and Digital Business Ireland.

The Board noted the developments in the IT space and highlighted the risks around Cyber Security. The Chair of the Audit and Risk Committee advised that NTMA presented to that Committee on that topic and suggested that the Board also receive the same presentation, at the next opportunity.
[Matter Arising]

Strategy Implementation Plan 2023

The Head of Lending (HoL) presented the strategic priorities for 2023, including the delivery of 3 new schemes – Ukraine, Growth & Sustainability and Retrofit – providing support of over €2.2bn in 2023.

The HoL was pleased to report that Bank of Ireland had been the 1st to launch the Ukraine scheme and the Hub had already recorded 442 requests for eligibility codes. The HoL advised that the Open Call had been over-subscribed, and that SBCI internal Evaluation Committees had progressed the applications to the next stage whereby the Evaluation Group, including DETE representatives, were due to meet mid-March.

The HoL confirmed that discussions with new On-Lenders were ongoing and SBCI had attended a working group focussed on identifying gaps in the current market, particularly for those higher-risk cases that traditional banks are reluctant to support. The HoL referred to the Fixed Interest Rate offering (which is subject to a separate proposal per Agenda Item 5.1 below), the ongoing development of the Hub and planned brand review which are all key strategic initiatives in 2023. The HoL noted SBCI's increased use of social media which is planned to be expanded further.

The Head of Products, Marketing and Research (HoPMR) presented the KPIs to be applied to the strategic objectives for 2023 based on planned schemes and liquidity deployment, introduction of ESG Strategy & Policy, planned SME-based market research and Phase 2 of the Hub, which will complete the transition from the legacy portal. The HoPMR summarised plans to bring market awareness of SBCI up to 40% - 45% following a brand strategy review, and SBCI's continued support of its people through Learning & Development, volunteering, noting that a NTMA Staff Survey would be undertaken in 2023 to measure level of satisfaction. Finally, the HoPMR noted plans to maintain financial results within 20% of budget to manage taxpayers' money efficiently.

The Head of Risk and Governance (HoR&G) presented the commentary on the risk assessment applied to the 2022 strategy and confirmed that, following review, the same risks and mitigants remained relevant to the 2023 strategy, as set out against the themes and enablers. The HoR&G highlighted the planned Risk Culture survey, the results of which will feed into L&D plans, and the implementation of recommendations from the Risk Management Framework external review currently being completed by KPMG.

THIS ITEM HAS BEEN PARTIALLY REDACTED.

The CEO noted that the **THIS ITEM HAS BEEN PARTIALLY REDACTED** in relation to the budget was set in November 2022 based on the best estimates available as to the financial outturn for 2023. **THIS ITEM HAS BEEN PARTIALLY REDACTED.** The team also outlined that the KPI in relation to risk sharing was based on the timing of each scheme being launched into the market, and the corresponding expected customer drawdowns. **THIS ITEM HAS BEEN PARTIALLY REDACTED. [Matter Arising]** The CEO acknowledged the feedback and noted that the delivery of 3 new schemes within 2023 where historically 1 new scheme was delivered per year, represented a significant level of ambition for the business. She also noted that the team would review the wording of the KPIs discussed. **[Matter Arising]**

The HoR&G advised that a risk assessment had been completed in relation to the delivery of the strategic plan and against the KPIs, specifically in terms of credit, product, people (capacity and skillset v volume and complexity), IT (reliance on Hub v growth in volumes) and ESG (Green Washing) risks. The HoR&G noted plans to manage the new products and associated higher risks via additional headcount and process reviews. Further, the HoR&G advised that investment was being made in process re-design with support from Fexco. Generally, the HoR&G noted that the focus on risk culture

and review of the Risk Management Framework would support the risk function moving from a reactive to a proactive stance.

The Chair of the Audit and Risk Committee agreed and noted that business was moving from a financial risk to an operational risk focus, due to increasing volumes of transactions and, while the development of the Hub was welcome, that the management of reputational risk continued to be of paramount importance. The Board suggested adjusting the text for the Risk Mitigant applicable to the pipeline of potential new On-Lenders, noting the on-boarding challenges in the current market, e.g. NBFIs encountering difficulties raising liquidity. **[Matter Arising]**

The CEO presented, for approval, the review of the capacity plan and resources which sought 5 additional FTEs and the extension of existing temporary contracts for a further term, based on an estimated additional cost to the budget of €300k. The CEO advised that SBCI will have 7 schemes under management and this required specialist skillsets in project and credit management.

The Board noted that the impact of these additional resources would be reported in the reforecast financial statements due to be presented to the Board in April. The Board acknowledged the mix of FTE v contract resources being recommended and that this would allow the business sufficient flexibility to manage the delivery of the new schemes while continuing to operate the existing schemes. The Chair of the ARC also noted to the board the importance of having the appropriate resources to ensure the delivery of key schemes in support of public policy.

The Board noted the strategy communication process that will apply with the Minister whereby feedback/amendments requested by the Minister would be shared back with the Board. The CEO noted that an updated Shareholders Letter of Expectation was planned for 2023.

IT WAS RESOLVED that the Strategy Implementation Plan 2023, including the proposal for additional resources to support delivery, be approved by the Board, and presented to the Minister for Finance for his approval, subject to an update being provided to the Board if the Minister requests any changes.

4.2. ESG Strategy

The Strategy Implementation Manager (SIM) presented the draft ESG Strategy underpinned by the draft ESG Policy, for discussion and approval. The SIM advised that the draft strategy sets out current reporting obligations under the Public Sector Climate Action Mandate, and how the SBCI, in collaboration with the NTMA through initiatives such as the “Green Team” membership, intends to fulfil those obligations and the roles and responsibilities of the SBCI team outlined in the Policy.

The SIM outlined the rationale for developing this strategy and the feedback taken from a wide range of stakeholders in its formulation. The SIM noted that the strategy sets out 8 key impact themes under the 3 ESG Pillars and the policy commitments that underpin these impact themes. The SIM also described the key implementation building blocks that will drive delivery of this strategy and the KPIs that will track and measure progress.

The SIM outlined that this is the SBCI’s first ESG Strategy and it is intended to evolve the strategy further as the SBCI learns through implementation and feedback. The SIM noted that the Head of SFO had been appointed as ESG Champion to ensure representation at SMT level and confirmed that the SBCI is fully engaged with on-lenders, both Pillar Banks and smaller entities, to bring them on this journey with us.

The Board feedback was very positive overall, and they described the Strategy as comprehensive and altruistic. In relation to the policy commitment under the external financing impact theme, where the Strategy proposes 30% of all new Schemes developed to be allocated to Green/Sustainable investment, discussions centred around the impact of setting hard targets on new scheme allocation, and whether this might prevent some Schemes from being fully deployed due to lack of demand for green/sustainable investment finance amongst SMEs. The Board noted that Pillar Banks offered “Green Mortgages” but corresponding “Green” products were not currently offered to SMEs for commercial loans. This could have the effect of reducing access to finance to SMEs and work against our core mandate. The Board stated that this likelihood was increased as commercial lenders move towards greening their lending book leaving a gap in the market for non green investment.

IT WAS RESOLVED that the draft ESG Strategy and draft ESG Policy be approved by the Board as presented, with consideration to be given by the SMT to amending the hard target on the percentage of new Schemes developed to be allocated to Green/Sustainable finance to a guideline target.

5. CREDIT ITEMS

5.1. THIS ITEM HAS BEEN REDACTED IN FULL.

5.2. Credit Risk Outlook

The HoL presented, for noting, the Credit Risk Outlook to update the Board on the current challenging economic climate for Irish businesses and the potential impacts on the loan book, claims experience, arrears levels and First Loss Provisions. He outlined the key headwinds for Irish SMEs including inflation, interest-rate environment, level of tax debt warehoused and job cuts in the Irish tech sector.

The HoL advised that the Irish economy has been performing ahead of expectations, despite the cost-of-living crisis and slowdown in the global economy, with 2023 forecast GDP growth of 3.8% and MDD still positive at 0.9%. He noted PwC’s report that the Irish business failure rates have been increasing but are still below peak levels and are well behind the UK experience which has a nearly three times higher rate of liquidations, although this gap is narrowing.

The HoL discussed SBCI’s focus on trends in claims, which have been historically low, and, while claims are expected to increase, there is significant headroom in First Loss Provision available. Finally, he noted that Arrears profiles across a range of financial institutions had remained relatively stable during 2022 for most.

6. CEO REPORT

The HoPMR highlighted the Retrofit Scheme, which is currently subject to negotiation with a proposed new guarantee structure and revised delivery timelines. He advised that interest in the Ukraine Credit Guarantee Scheme had been strong with appetite shown by banks, NBFIs (including 1 first-time applicant) and Credit Unions, and that AIB were due to launch their pre-allocation on 27 March. Regarding the Growth and Sustainability Loan Scheme, he confirmed that the open call was to close on 6 March and focus is on those eligible green measures to meet the 30% portfolio requirement.

THIS ITEM HAS BEEN PARTIALLY REDACTED.

At the request of the Board, the HoR&G provided an update in respect of the appointment of a service provider to undertake the On-Lender Reviews. She confirmed that the procurement process was now

complete, and the preferred and unsuccessful tenderers had been advised of the outcome this week and provided with relevant feedback. She acknowledged the importance of managing relationships with those whose tenders had been unsuccessful on this occasion and looked forward to introducing the new service providers to the ARC at the April meeting.

7. AUDIT & RISK COMMITTEE REPORT

The Chairperson of the Audit and Risk Committee (ARC) provided an update to the Board following the Committee's ad hoc meeting of 3 February 2023 - which closed out the outstanding On-Lender Reviews for 2022 comprising Finance Ireland (CCGS), Microfinance Ireland, Capitalflow (CCGS) and Invoicefair, while noting that the On-Lender Review for AIB was at draft stage - and the scheduled meeting of 16 February 2023. **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Chairperson of the ARC noted the improved levels of reporting to the ARC by the HoR&G and Risk Manager and confirmed that this provided a much better view from a risk management perspective.

8. COMPLIANCE ITEMS

8.1. Annual Review of Statutory & Governance Obligations

The Head of Compliance, NTMA (HoC) presented the annual review of Statutory Obligations, details of which, including mark-ups highlighting the relevant changes, had been shared with the Board via upload to the Resource Center on Diligent. She summarised the review process and output and noted the new/expanded obligations, including the supporting legislation passed in 2022 linked to the Ukraine Credit Guarantee Scheme. She also drew attention to the new Financial and Trade Sanctions packages against Russia and Belarus.

The Senior Legal Advisor, NTMA, noted the new requirements, effective since 16 December 2022, in respect of data sharing between public bodies per the Data Sharing and Governance Act 2019, with significant notice and public consultation periods applying, e.g., total process may extend to 7-8 months. She noted that, given the need for SBCI to be responsive to market conditions, it may need to apply for an exemption in future and this point has been discussed with the Department of Finance, given the potential impact on scheme development.

The Senior Legal Advisor, NTMA also drew attention to the Official Languages Act which placed obligations on public bodies to place a min.20% of advertising in the Irish language and spend a min. 5% on advertising in the Irish language through Irish language media.

8.2. Personal Account Transactions Policy

The Senior Compliance Manager, NTMA, presented the Personal Account Transactions Policy, for approval, noting that there were no material revisions and only some minor wording updates were proposed, e.g., inclusion of additional on-lenders and removal of KBC.

IT WAS RESOLVED that the Personal Account Transactions Policy be approved as presented.

9. CONSENT AGENDA

9.1. Board Work Programme

The Company Secretary confirmed that the Board Work Programme for 2023 had been shared, for noting, having been drafted with input from the various internal and external (NTMA) stakeholders.

9.2. Reappointment of members to Credit Committee

The Company Secretary presented, for approval, details of the reappointments to the Credit Committee of both Richard Pelly, as member for a third term and Chairperson, and Eoin Dorgan, as member for a second term.

IT WAS RESOLVED that the Board approve the reappointments of both members of the Credit Committee for a further term, subject to that Committee's Terms of Reference.

9.3. Risk Management Policy & Framework

The HoR&G presented the Risk Management Policy & Framework (RMF), for approval, following recommendation by the ARC on 16 February 2023, to a short extension of the review date to 30 June 2023 to allow for completion of the review of the RMF by KPMG. No changes apart from the new review date were proposed to the RMF.

IT WAS RESOLVED that the Board approve the Risk Management Policy and Framework 2023, as presented, pending review by 30 June 2023.

10. AOB

The Chairperson updated the Board on the progress made to date with regard to succession planning for the 3 Director members whose terms are due to expire in 2024, in light of plans to stagger their departure dates over a longer period, commencing in 2023. She noted that the Vacancy Notice and Information Booklet for PAS had been drafted and next steps included a meeting with Department of Finance officials, which would be scheduled in the coming weeks. The Chairperson undertook to keep the Board apprised of progress in this matter. **[Matter Arising]**

The Chairperson then brought the meeting to an end and the Board (excl the CEO) held a private session to consider the update from the Chair of the Remuneration Committee in relation to the recent meeting of the committee.

Barbara Cotter, Chairperson

Date