

**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 25 OCTOBER 2022**

**Present:**

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

**In Attendance:**

Seán Farrell	<i>Head of Products, Marketing &amp; Research</i>
Margaret Concannon	<i>Head of Risk &amp; Governance</i>
Colin Moran	<i>Head of Lending</i>
Paul Christie	<i>Senior Lending Manager</i>
Robert Quill	<i>Risk Manager</i>
Suzanne Leamy	<i>Product Development Manager (Item 4 only)</i>
Laura Kennedy	<i>Assistant Lending Manager (Item 5 only)</i>
Sinead Gallagher	<i>Finance Manager (Item 7 only)</i>
Des O'Connor	<i>Interim Company Secretary</i>

**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 Chairperson took the opportunity to welcome the Head of Lending who was attending his first Board meeting since his appointment and 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 8 September 2022, which had been circulated to the Board in advance of the meeting, were before the Board for approval.

The Board discussed the level of detail contained within the minutes currently and debated whether more “summary” style minutes should be produced going forward, noting that full details are outlined in the Board packs and there was a certain amount of duplication, e.g., packs included draft ARC minutes, much of which is reproduced in the ARC Chair’s update to the Board in the subsequent minutes.

Many Board members appreciated the increased detail and asked whether the draft minutes could be circulated to all Board members within, say, 10 days of that Board meeting, rather than 7 days prior to the next Board meeting, as some time will have elapsed, and the discussions held will not be as fresh in Board members’ minds. **[Matter Arising]**

The CEO noted that the minutes should reflect the items discussed during the Board meeting including records of Board challenge and debate, in accordance with best practice. The Board acknowledged the importance of maintaining a balanced level of detail in the meeting minutes, to ensure all pertinent points in the discussion were recorded. The Board agreed that for future board meeting minutes, where a committee report was presented, that the board minutes would refer to the committee meeting minutes rather than replicating them.

**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 Interim Company Secretary noted that the following items were listed as Matters Arising:

1. a final update with respect to the actions arising from the Board Effectiveness Review undertaken in December 2021, per **Agenda Item 8.1**,
2. **THIS ITEM HAS BEEN REDACTED**
3. responses to Board requests with respect to the SBCI Hub, namely an analysis of the applicable daily rates, which is to follow, and the link to the SBCI Hub, which was circulated to the Board members on 10 October 2022,
4. an estimate of the costs to SBCI arising from the KBC & Ulster Bank Loan portfolio transfers, which is to follow, and
5. refresher training on the Board Governance File, per **Agenda Item 8.3**, re the “Code of Practice for the Governance of State Bodies” to be followed by training on the area of “Conflicts of Interest/Disclosure of Interest” planned for the December Board meeting.

It was agreed that items 1 and 2 may be closed, while items 3, 4 and 5 will remain open.

## 4. SBCI LOAN & GUARANTEE SCHEMES

### 4.1 Ukraine Credit Guarantee Scheme

The Head of Products, Marketing and Research, and the Product Development Manager presented the proposal for the Ukraine Credit Guarantee Scheme and sought approval from the Board for SBCI to enter into a cooperation agreement with the Minister for the Department of Enterprise, Trade and Employment (DETE) in conjunction with the operation of a €1.2 billion scheme.

The Product Development Manager outlined the background to the scheme, the market failure identification, alignment with SBCI strategy, as well as eligibility criteria, the role of the SBCI and State Aid implications, risks, and dependencies. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Board asked whether there was a risk arising from pre-assessment, whereby “eligible” SMEs are not guaranteed credit approval, and enquired into sample data/quality checks undertaken. The Board challenged the expiry date of the scheme and also the ability to accurately assess the financial impact of the situation in Ukraine on Irish SMEs.

The Head of Products, Marketing and Research advised that the legislation for the scheme would facilitate lending out to the end of 2024, and that if the Temporary Crisis Framework for State Aid expired before this date, then the De Minimis State Aid option could be used. He clarified that the differential in pricing was driven by higher guarantee fees applying to small mid-cap enterprises within the terms of the Temporary Crisis Framework. He advised that the 15% impact eligibility test versus annual turnover, or 50% of energy bills should capture most SMEs and that this impact could be self-declared by SME’s applying to the scheme.

The Head of Products, Marketing and Research advised that there was no centralised State Aid register in place, **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Board’s query on the level of discount expected was addressed by both the CEO and the Head of Products, Marketing and Research, who confirmed that the level of discount was difficult to predict at this point, given the rising interest rate environment and its impact on bank margins. Both considered it unlikely that discounts would be comparable to those under the Covid-19 Credit Guarantee Scheme, but that the scoring of the open call for the €1bn of scheme capacity would reward lenders who provided the greatest discount on their applications.

The Board advised that, unlike Covid-19, the current circumstances constituted a “trade shock” impacting on the cost base and as a result it was difficult to have confidence in any “viable business” testing, while acknowledging that responsibility for such testing rests with the On Lenders who have expertise in this area.

The Board asked about the scheme’s cost recovery rate and the CEO advised that 100% recovery would apply to legal fees, IT, marketing, Fexco services and audit costs, and flex only applied in respect of management costs.

In terms of the dependency on the SBCI Hub, the CEO pointed out that we were in a better position from both a risk and support perspective using the Hub, compared to relying on the legacy Portal platform. The Board noted that this risk was recorded on the Risk Register and a full Risk assessment had been undertaken, with input from ERGO.

**IT WAS RESOLVED** that the proposal for the Ukraine Credit Guarantee Scheme, as presented to the Board, be approved as outlined in the paper.

#### **4.2 Growth & Sustainability Loan Guarantee Scheme**

The Product Development Manager presented, for approval, and subject to (i) legal review, and (ii) receipt of a positive opinion on State Aid matters, details of a new €500m risk-sharing scheme – the “Growth & Sustainability Loan Guarantee Scheme” (GSL) – using a bespoke counter guarantee from the European Investment Fund, in conjunction with the Department of Enterprise, Trade and Employment (DETE), and the Department of Agriculture, Food and the Marine (DAFM).

The Product Development Manager summarised the SBCI’s background experience with the Future Growth Loan Scheme (FGL) which has almost 3,500 loans drawn to a value just under €750m, the market failure identification, i.e., the need for long-term, unsecured lending, and the proposed scheme’s alignment with SBCI strategy.

She highlighted the “new” features of GSL compared with FGL, including the requirement for min. 30% of the portfolio to be used for Green/Sustainable measures and/or by SMEs classified as Green/Sustainable. **THIS ITEM HAS BEEN PARTIALLY REDACTED.** Finally, she stepped through the projected timeline for scheme delivery, with an Open Call to be issued in January/February 2023 and launch target of April 2023.

The Board enquired about the projected pace at which the scheme may be taken up. The Head of Products, Marketing and Research advised that deployment would be dependent on the extent of funding which the DETE and DAFM would be able to make available on an annual basis to cover losses for the EIF and the SBCI under the scheme, but noted that deployment of this scheme may not be as rapid as experienced with the FGL, given the fact that the Ukraine CGS would be in the marketplace at the same time as the GSL.

#### **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Board enquired into the SME experience for this scheme and the Head of Products, Marketing and Research advised that the customer journey will be straightforward and inclusive. The Board noted that the FGL had been subject to external review in Q2 this year and feedback had been exceptionally positive.

The Board enquired into the pricing structure to be applied to GSL and the Product Development Manager advised that it would be subject to an external review via Oxera Consultants who would undertake a benchmarking exercise.

The Board expressed an interest in the details of the EIB Green Side letter and annexes and requested that a copy be uploaded to Diligent for Board reference when finalised. **[Matter Arising]**

The Board discussed the size of the scheme (€500m) compared with FGL (€800m) and whether the applicable pricing should be lower. The Head of Products, Marketing and Research advised that the risk modelling was based on EIB/EIF analysis, which had considered FGL and maintained FLP level albeit with a right reserved to amend FLP.

Finally, the Board noted the success of FGL which had favourable terms that led to rapid take-up of the scheme and were satisfied that GSL would also encourage longer-term lending.

**IT WAS RESOLVED** that the proposal for the Growth and Sustainability Loan Scheme, as presented to the Board, be approved subject to the pre-conditions outlined in the paper.

#### **4.3 Retrofit Loan Guarantee Scheme**

The Head of Products, Marketing and Research presented, for approval, a proposal to establish a €500m risk-sharing scheme to support homeowners and small landlords in retrofitting their properties, i.e., the Retrofit Loan Guarantee Scheme (RLGS), subject to (i) legal review and (ii) receipt of a positive opinion on State Aid matters from Baker McKenzie.

He outlined the background to the government's National Retrofit Plan and the ambitious targets that have been set, e.g., an average of 75,000 B2 home upgrades per year from 2026 to 2030.

He summarised the scheme's plan and guarantee structure, noting that legal details are currently being developed. He noted that this is SBCI's first activity in the personal lending space, having been solely SME-focussed to date. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Head of Products, Marketing and Research outlined the scheme's pricing discount approach, cost allocation and recovery, risks and relationships between consumers, the SEAI and the One-Stop-Shops (OSS) who are available to manage individual retrofit projects.

The Board discussed the key role of the OSS in managing the end-to-end retrofit process, including providing support by processing SEAI grant applications, on behalf of consumers. **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Board enquired into SBCI's operational capacity, noting that 9 FTEs were required during set-up, then just 2 FTEs thereafter. The CEO advised that no temporary resources would be dedicated to this scheme (the additional temporary resources in SBCI will be solely focussed on the Ukraine scheme). The Board requested that a high-level overview/graphic be presented to the December Board meeting outlining the delivery of the various projects/schemes during 2023 and their impact on resources. **[Matter Arising]**

The Board enquired how the SEAI, and OSS might assist the banks, and the Head of Products, Marketing and Research advised that the SEAI's BER reports would be required on a pre-retrofit and post-retrofit basis, and these would be issued per individual property using that property's unique MPRN reference.

The Board discussed the features of the scheme including the data collection process, use of the OSS, market testing and pricing (which could be linked to Euribor and allow for market adjustments). The Head of Products, Marketing and Research provided clarification on each of these points and advised that the anticipated pricing would be close to, but not competing with, mortgage interest rates, e.g., 1% - 2% differential. The Head of Products, Marketing and Research also advised that checks for consumer eligibility are not part of the SBCI process, while EIB reporting required data re "energy efficiency" uplifts.

**IT WAS RESOLVED** that the proposal for the Retrofit Loan Guarantee Scheme, as presented to the Board, be approved subject to the pre-conditions outlined in the paper.

## 5. CREDIT COMMITTEE

### 5.1 Credit Committee Report

The Chair of the Credit Committee summarised the outcomes from the meeting of the Credit Committee meeting held on 5 October 2022, at which annual reviews were approved for Microfinance Ireland DAC and Close Brothers, and credit proposals were recommended to be brought forward to the Board in respect of SME Finance & Leasing (per Agenda Item 5.2 below) and the Metamo Credit Union Group (per Agenda Item 5.3 below).

The Chair of the Credit Committee also noted that the Credit Committee were advised of a change to SBCI's approach to liquidity facility agreements with On-Lenders to provide consent to treasury activities to manage/hedge against interest-rate exposure, which had been triggered by a recent request from two of SBCI's Non-Bank On-Lenders.

### 5.2 SME Finance & Leasing

**THIS ITEM HAS BEEN REDACTED IN FULL.**

### 5.3 Savvi Credit Union

The Senior Lending Manager presented, for Board approval, the Credit Proposal to the re-allocation of amounts under the BILS/CLS among selected credit unions within the Metamo Credit Union Group at the discretion of the SBCI CEO. (Originally this proposal was focussed on a single member of the Metamo Group, Savvi Credit Union, however, this request was subsequently amended to apply across all members of that group)

This Credit Proposal was recommended by the Credit Committee following their meeting on 5 October 2022.

**IT WAS RESOLVED** that the Credit Proposal for the Metamo Credit Union Group, as presented to the Board, be approved.

## 6. CEO REPORT

The CEO presented, for noting, the CEO Report and acknowledged that most of the SBCI schemes referred to in the report had already been discussed in detail earlier in the meeting, however, she did highlight the following item:

- **Hybrid working** – feedback had been collated by the employment engagement committee in SBCI via survey and, in general, staff appreciated the flexibility that the current model afforded them along with the benefits of being in the office with colleagues, while some improvements were suggested to enhance the in-person experience within each team and to increase discipline around meetings.

## 7. FINANCE REPORT

The Finance Manager presented, for noting, the Finance Report for the eight-month period ended 31 August 2022 compared to Budget for the same period. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

## 8. GOVERNANCE ITEMS

### 8.1 Board Effectiveness Review 2021

The Interim Company Secretary presented, for noting, an update on those actions that had been identified during the external 2021 Board Effectiveness review and had been advanced since the previous update to the Board in June 2022. He outlined the progress made in the following areas:

- “Board Composition & Succession”, noting that Board members will be surveyed to develop a “Skills and Diversity Matrix” [**Matter Arising**]
- “Board Focus: Strategic v Operational” whereby strategy is a key area that is continuously reviewed, implementation monitored, and performance reported on regularly
- “Oversight of CEO & Exec Team, Succession Planning” which will be progressed via the Remuneration Committee and the development of a “Culture Dashboard” in 2023 [**Matter Arising**]
- “ESG” which will be a new SBCI policy item [**Matter Arising**]
- “Engagement with outsourced services” which will be reviewed further in 2023 and reported to ARC and Board, as appropriate [**Matter Arising**]

### 8.2 Board self-evaluation 2022

The Interim Company Secretary noted that the Board was due to undertake its annual self-evaluation exercise before the end of 2022 and drew attention to the content of the 2020 questionnaire that was included with the pack and the additional questions that were now required to be included by the Code of Practice for the Governance of State Bodies (Appendix 3 to the Annex on Gender Balance, Diversity and Inclusion). He advised that he would be open to any feedback or suggestions from the Board members to further improve the content/focus of the questionnaire.

The Interim Company Secretary confirmed that an updated questionnaire would be circulated to Board members in November, with a view to results being collated in time for presentation to the December Board meeting. [**Matter Arising**]

### 8.3 Board refresher training - presentation on the “Code of Practice for the Governance of State Bodies”

The Interim Company Secretary shared a presentation on the “Code of Practice for the Governance of State Bodies” which had been previously delivered to the SBCI team. He drew attention to some of those areas of the Code that are most relevant to the Board generally as well as to individual Board members. He highlighted the impact of the Code on the preparation of SBCI’s Annual Report and

Financial Statements, as well as relations with the Minister for Finance, as Shareholder, and noted the current internal audit exercise underway which is focussed on SBCI’s compliance with the Code.

Finally, he confirmed that a further training presentation was planned for the December Board meeting that will focus on “Conflicts of Interest/Disclosure of Interest”. **[Matter Arising]**

## **9. AOB**

The Chairperson advised that Board Succession planning had commenced as they were aware that there are several members whose terms are due to finish in early 2024. She confirmed that the preference is to stagger the appointments of new members to the Board in the months leading up to early 2024 to support a smoother transition period. She acknowledged that the Board Member appointment process is lengthy so early engagement with stakeholders, e.g., the Department of Finance and PAS, is appropriate. Finally, she noted that it was important not only to replace exiting skillsets but to seek to capture new, relevant skillsets to support SBCI into the future.

The Chairperson undertook to update the Board further at the December meeting. **[Matter Arising]**

The Chairperson then brought the meeting to an end.

## **PRIVATE SESSION**

A private session was held following the meeting, with only non-executive Board members present, to discuss Board succession planning and AOB. Any issues/actions arising are minuted separately.

---

**Barbara Cotter, Chairperson**

---

**Date**