

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 IN PERSON AND
BY VIDEO AND CONFERENCE CALL AT
TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 2 JUNE 2022

Present:

Barbara Cotter	<i>Chairperson</i>
June Butler	
Eilís Quinlan	<i>(via video and conference call)</i>
AJ Noonan	
Eoin Dorgan	
Tom McAleese	<i>(2:00PM – 3:15PM)</i>
Marguerite McMahan	
Richard Pelly	

In Attendance:

Margaret Concannon	<i>Head of Risk and Governance</i>
Suzanne Sweeney	<i>Head of Strategy, Finance and Operations</i>
Seán Farrell	<i>Head of Products, Research and Marketing</i>
Robert Quill	<i>Risk Manager</i>
Laura Kennedy	<i>Senior Lending Analyst (Item 5.2 only)</i>
Andrew Downey	<i>Lending Manager A (Item 5.2 only)</i>
James O’Dwyer	<i>Lending Manager B (Item 6 only)</i>
Shane McCullough	<i>Product Development Manager (Item 7 only)</i>
Sinead Gallagher	<i>Finance Manager (Item 8 only)</i>
Sinead Flanagan	<i>NTMA Compliance (Items 10.1 and 10.2 only)</i>
Des O’Connor	<i>Acting Company Secretary</i>
Emma Geelon	<i>Administrator</i>

NOTE: This meeting was preceded by a presentation by the IT Operations Specialist, SBCI, on progress towards the launch of SBCI’s “Customer Hub”, followed by a Q&A session.

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 28 April 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 be approved and that they be signed by the Chairperson when circumstances permitted.

3.2. Matters arising

The Acting Company Secretary noted that there were two open items listed as Matters Arising, both of which would be closed at this meeting per the agenda, as follows:

(i) the presentation of SBCI's implementation plan following the recommendations detailed in the Board Effectiveness Review presented to the Board in December 2021, which would be discussed per **Agenda Item 9.1**, and

(ii) the details of the impact review of project resources and timelines, in respect of the development of the Customer Hub, would be discussed during the CEO report per **Agenda item 7**.

The Board noted that the status of both matters arising would be updated to closed.

4. AUDIT AND RISK COMMITTEE ITEMS

4.1 Audit and Risk Committee Report

The Chairperson of the Audit and Risk Committee (ARC), Tom McAleese, provided an update to the Board following the Committee's meeting held on 26 May 2022, as outlined below:

Internal Audit Update – The Committee Chairperson noted that the Head of Internal Audit, NTMA (HolA) advised that their audit of *“On-Lender Monitoring and Collateral Management Processes”* was **THIS ITEM HAS BEEN PARTIALLY REDACTED**, a second planned audit, *“SBCI Financial Risk Management”*, is underway and a final planned audit, *“Corporate Governance and Compliance Management”*, is due to commence in Q3, 2022. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

Details of **fees** paid in 2021 and 2022 for both audit (Internal Audit) and non-audit activities (i.e. On Lender reviews and a KPMG secondment) were shared with the ARC for comparison purposes.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Committee Chairperson advised that **KPMG** provided an update on the following items:

- a) Progress against the 2022 Internal Audit Plan -
 - i. Review of On Lender Monitoring and Collateral Management - complete
 - ii. Review of Finance Risk Management (Liquidity, Market, Counterparty Credit and Concentration Risk) Processes – in progress.
 - iii. Review of Corporate Governance and Compliance Management – scheduled for Q3, 2022
- b) 2022 Internal Audit Reviews (summarised by the Head of Internal Audit above)
- c) New High and Medium Internal Audit Findings – none since the February 2022 ARC meeting
- d) Internal Audit Reviews Finding Tracking.

On-Lender Review Update – THIS ITEM HAS BEEN PARTIALLY REDACTED

Note: The Committee Chairperson requested that a brief update on the status of the sales of the Ulster Bank and KBCI books be shared with the Board – see CEO Report below.

KPMG also confirmed that 2022 On-Lender reviews were in progress as follows:

- i. **Metamo** – at draft report stage **THIS ITEM HAS BEEN PARTIALLY REDACTED**
- ii. **Finance Ireland** – at fieldwork stage
- iii. **Capital Flow*** – at fieldwork stage
- iv. **Invoice Fair** – yet to commence

THIS ITEM HAS BEEN PARTIALLY REDACTED

Risk Register Review - The Committee Chairperson advised that the Risk Register had been reviewed and updated to include changes to the format of the register to focus on areas of increasing risk and adding two new controls. He advised that the Risk Manager had summarised those risks whose trends were increasing, i.e. Concentration Risk, IT Change, People and Budget, and the ARC were satisfied to approve the updated Risk Register.

Risk Management Plan – The Committee Chairperson advised that the quarterly update against the Risk Management Plan 2022 was presented by the Risk Manager for noting and confirmed it is on track with no issues to report and no overdue activities. Policies and procedures have been presented to the ARC and Board in accordance with their annual review schedule. The procurement process for On-Lender Reviews has commenced and is due to be completed by the end of 2022.

THIS ITEM HAS BEEN PARTIALLY REDACTED

Risk Dashboard incl. Portfolio Risk Review – The Committee Chairperson advised that the risk dashboard, which had been updated to incorporate feedback from the ARC in April, was presented by the Risk Manager for noting. The dashboard updates risks and highlights emerging trends and confirmed that there had been no net change in the number of open issues per the Audit and Ops Risk Tracker.

A combined view of SBCI’s schemes is now included in the dashboard, showing individual sectoral exposures. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

Anti-Fraud Policy – The Committee Chairperson advised that the annual review of the Anti-Fraud Policy had been approved as it contained minimal changes, mostly minor wording updates, e.g. section 7.6 removed wording in relation to training provided by NTMA Risk as this has not been included in the SLA.

Fexco Third Party Service Review - The Committee Chairperson advised that the Head of Strategy, Finance and Operations (SFO) presented a review of the Third-Party services provided to the SBCI by Fexco, confirming that their performance has been very satisfactory and, as a result, Fexco had also been engaged for additional work including SME surveys and bulk communications. In summary, the Head of SFO confirmed that Fexco had proven to be a good partner for SBCI, being both responsive and flexible when needed, and the ARC approved their Third-Party Service Review.

Compliance/AML Update – The Committee Chairperson advised that the Head of Compliance, NTMA, presented a Compliance Report for noting, including completion of the SBCI Board’s annual review of Statutory and Governance Obligations (February) and related Code of Practice (April). Meetings had been held in Q1 and Q2 with the SBCI team and refresher training would be rolled out in Q2/Q3. The Head of Compliance advised that SBCI’s Data Protection Statement would require a substantial update considering the recent WhatsApp fine (€225m), and that access to social media platforms via NTMA/affiliate agency websites is currently under review.

The Head of Compliance confirmed that a revised **Personal Account Transactions Policy** had been approved by the NTMA ARC and further details, including the future implementation date, would follow. She advised that the NTMA “**Clean Desk**” and “**Telephone Call Recording**” policies had been updated and these include references to SBCI. Finally, the **SBCI Protected Disclosures Policy** is due to be updated in Q2/Q3.

MLRO Report - The Committee Chairperson advised that the Senior Compliance Manager, NTMA, presented the MLRO Report for noting and confirmed that all actions arising from the “Dear CEO” letter are now closed. The Senior Compliance Manager confirmed that SBCI’s AML Policy and Business Risk Assessment had been reviewed (see **Agenda Item 10.2** below) and that AML/CFT procedures had also been reviewed – in particular, first line activity will transition from NTMA Compliance to SBCI, as recommended to NTMA Compliance in 2021.

Cyber Posture Assessment Presentation – The Committee Chairperson advised that the Head of ICT Cyber Security & Networks, NTMA presented the Cyber Posture Assessment for noting. **THIS ITEM HAS BEEN PARTIALLY REDACTED** Finally, she stressed the importance of daily vigilance by end users to identify risks in emails in particular.

4.2 Risk Appetite Statement

THIS ITEM HAS BEEN PARTIALLY REDACTED

IT WAS RESOLVED that the Risk Appetite Statement as presented to the Board, be approved.

4.3 Credit Risk Policy

The Risk Manager presented the updated Credit Risk Policy following annual review and recommendation by the Credit Risk Committee at its meeting on 24 May 2022. The CEO advised that this was the first opportunity both she and the Head of Risk and Governance had to review this policy and it had been agreed to split out the pure “policy” elements from the “procedure” elements (with the latter now forming an appendix to the policy). The Chairperson of the Credit Committee also confirmed that the procedures set out with the policy were satisfactory. Additional documents and definitions had been included for clarity and concentration thresholds were updated to align with the Risk Appetite Statement (per **Agenda Item 4.2** above)

IT WAS RESOLVED that the Credit Risk Policy, as presented to the Board, be approved.

4.4 Stress Testing 2022

With a background of ongoing market uncertainty caused by macro-economic and geopolitical conditions, the Risk Manger presented, for noting, three stress test scenarios setting out the potential financial impacts on SBCI’s income and financial position out to 2024, and possible mitigating actions required by way of response. Each scenario was aligned to the three-year forecast included in the 2021/2022 Strategic Plan refresh and included a “Base Case”, “Stress Case” and “Worst Case”. The conclusions from this exercise were that SBCI has adequate capital reserves to cope with all scenarios, up to and including the “Worst Case”. The Board acknowledged the contents of the paper and discussed the Balance Sheet cost of maintaining a high level of capital reserves.

5. CREDIT COMMITTEE ITEMS

5.1 Credit Committee Report

The Chairperson of the Credit Committee delivered a verbal update on its meeting of 24 May 2022. He confirmed that annual reviews had been completed for Permanent TSB plc, KBC Bank Ireland PLC and the Metamo Group of Credit Unions. He advised that the Committee were satisfied to recommend the credit proposal presented for Bibby Financial Services (**Agenda Item 5.2** below), the Credit Risk Policy (**Agenda Item 4.3** above) and Credit Committee Terms of Reference (**Agenda Item 11.2** below). He noted the **THIS ITEM HAS BEEN PARTIALLY REDACTED** would be discussed later in the meeting by the Board as this request was not finalised until after the recent Credit Committee meeting (**Agenda Item 6** below).

5.2 Credit Proposal – Bibby Financial Services

The Senior Lending Analyst and Lending Manager A presented a credit proposal for Bibby Financial Services (Bibby), following recommendation by the Credit Committee (**Agenda Item 5.1** above) to seek the amendments listed below:

- 1) An extension to the expiry date of the existing €70m SBCI facility by four years from July 2023 to July 2027, and
- 2) (a) **THIS ITEM HAS BEEN REDACTED**
(b) **THIS ITEM HAS BEEN REDACTED**

- 3) Approval of the 2022 annual review and an extension of the annual review date by 12 months to June 2023.

The Chairperson of the Credit Committee added that the SBCI continued to work closely with Bibby, had maintained a prudent position and the revision of the facility to a Revolving line had been successful. The Board acknowledged the strength of the parent in the UK market and that the request to align the facility expiry date with Bibby's HSBC funding lines was a positive development.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Head of Strategy Finance and Operations noted that early data issues that had been identified with Bibby had been addressed and the profile of their audit reports has improved. The Board agreed that the reduction in the volume of Watchlist cases was positive, however, the exposures on a per case basis were significant so it drew comfort from SBCI retaining the option to re-introduce more frequent reporting in the future should the position deteriorate.

IT WAS RESOLVED that the Credit Proposal for Bibby Financial Services as presented to the Board, be approved.

6. THIS ITEM HAS BEEN REDACTED

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Board discussed the proposal and agreed that the return to the State via ISIF was a positive development. They stressed the importance of ensuring that Finance Ireland maintain their focus on the SME sector in the wake of these changes in control. The Head of Strategy, Finance and Operations added that Finance Ireland enjoyed a strong, local profile nationwide via a relationship management model.

IT WAS RESOLVED that the **THIS ITEM HAS BEEN PARTIALLY REDACTED** as presented to the Board, be approved.

7. CEO REPORT

The Product Development Manager delivered an update on developments towards the launch off SBCI's **Retrofit** Scheme with good interest evidenced during the first phase of the two-stage open call process, due to close on 3 June. The second stage of the open call process will run up to mid-July, following which we will revert to the Board for approval in early September. He noted that there were milestone dependencies as (i) portfolio data/consumer data is required by the EIB for scheme modelling purposes as this will influence the structure of the scheme before moving to the next stage, and (ii) the scheme was subject to EIB's internal approval process, however, SBCI were working to front-load guarantee/legal agreements where possible. He expected that, the eventual launch of the scheme may be staggered among providers due to operational constraints, with smaller operators being ready in Q4, 2022 and others targeting completion of their IT development in Q1, 2023.

The Head of Products, Research and Marketing shared an update on the **EELS** scheme where 5 On-Lenders have declared an interest and a June launch was planned by BOI. The CEO noted that this was an opportunity to increase SBCI's brand awareness and the purpose and timing of this scheme was good, and that the launch of the scheme should also present further promotional opportunities.

At the request of the Chairperson of the Audit and Risk Committee the Head of Strategy, Finance and Operations provided an update on the proposed **transfer of KBC portfolios to Bank of Ireland and Ulster Bank portfolios to AIB & PTSB**. She confirmed that it is intended to bring a recommendation back to the Board in September and advised that the EIF has been kept updated on progress and the Lending Team were in regular contact with both banks. She added that the Competition Consumer Protection Commission have now approved the transactions, and this will allow for improved sharing of loan scheme data between the banks.

As well as providing scheme values/volumes and claims data for each bank on a pre- and post-transfer basis, the Head of Strategy, Finance and Operations set out the key risks and challenges arising from the loan transfers, including “live” schemes, concentration risk, PTSB taking on loans from a scheme that they have not participated in, tranche transfers of loans, impact on credit grades, data and the monitoring of loan pricing.

The CEO stressed that the delivery of multiple schemes would require additional temporary resources to be obtained, particularly when noting the recent call to move towards the execution of a new scheme in response to the impacts arising from the situation in **Ukraine**. It was understood that similar schemes are in development across Europe and Ireland needed to respond accordingly. The Head of Strategy, Finance and Operations added that it may involve re-purposing and future-proofing the CCGS framework and an **additional 5-6 temporary staff** may be needed for 6-9 months to deliver the project. The Board noted that such additional costs should be recouped in as far as possible by passing them on to the various participants in the schemes. The CEO sought approval from the Board to proceed with the recruitment of these additional temporary resources and the Board were in agreement.

IT WAS RESOLVED that the request for the recruitment of additional temporary resources to support the delivery of schemes, as presented to the Board, be approved.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Head of Strategy, Finance and Operations shared details of SBCI’s partnership with Enterprise Nation (a UK-based operator whose presence in ROI is increasing) that will deliver a 12-month events and e-learning “**Access to Finance**” programme targeted at SMEs to show which funding options are available and how to gain access to them. The programme is also backed by the BPF, Sage, BOI and ptsb and is due to be launched on 9 June.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The CEO discussed planning for the **ELTI event** scheduled for Farmleigh on 9 June and spoke through the itinerary, attendees and briefing for those Board members who were due to represent SBCI. The Head of Products, Research and Marketing added that this was an ideal opportunity to promote the success stories from the guarantee-based support models that SBCI was now delivering to the SME market.

8. FINANCE REPORT

The Finance Manager presented, for noting, the Finance Report for the four month period up to 30 April 2022 **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Board noted that IT costs were fully capitalised and then amortised over 5 years. The level of cash balances held were again discussed and options to take steps in an environment where ECB rates are expected to increase. In response, the CEO's own view was that SBCI's repayment strategy needed to be balanced against demand for liquidity in the short term. The CEO undertook to revert to the Board members with some scenario-based calculations by the Finance Manager on the cost implications of carrying surplus funds compared to making repayments to SBCI's funders.

9. GOVERNANCE ITEMS

9.1 Board Effectiveness Review – Implementation Plan

The Acting Company Secretary presented an update on the implementation of the recommendations set out in the Board Effectiveness Review draft report provided by Board Excellence in December 2021. The report focussed on 5 key areas (i) Governance Infrastructure, (ii) Performance and Oversight, (iii) Board Protocols & Committee Effectiveness, (iv) Dynamics & Culture, and (v) Stakeholder Engagement & ESG. A total of 36 recommendations were put forward for consideration and these have been progressed to various stages, with the priorities being applied to those areas that were identified as most in need of improvement. Some of the recommendations would already be familiar to the Board through the increased focus on strategy at meetings, revised Board packs, use of the Consent Agenda and actions taken in the ESG space.

As an example, the Acting Company Secretary discussed the recommendation that a thoughtful succession plan be established for the Board with the support of a skills and diversity matrix. The Board composition was reviewed and the future expiry dates for Directors' terms noted, e.g. one Director's term is due to expire in September 2023 while three Directors' terms are due to expire in March 2024. It was agreed that this should enable adequate planning to be made in advance and, to further enhance the process, the Board membership should be surveyed to establish the current mix of skills and experience, as this would both assist planning for ongoing training/additional professional education to upskill the Board on relevant and emerging topics, and also identify those skills gaps that may arise when individual Directors resign/retire. The Board agreed that this would be a positive initiative and noted that the PAS process to appoint new Directors can take up to 6 months, so early planning is appropriate. The Board also suggested that some Directors may opt to resign from the Board earlier than scheduled in order to stagger the incoming Directors' appointment dates.

IT WAS RESOLVED that the Board Effectiveness Review - Implementation Plan as presented to the Board, be approved.

10. COMPLIANCE ITEMS

10.1 AML Policy and Business Wide Risk Assessment

The Senior Compliance Manager, NTMA, presented the annual review of the AML Policy for approval following recommendation by the ARC. The proposed revisions to the AML Policy were summarised and the key changes were:

- (i) revisions to reflect that enhanced due diligence ("EDD") is required where the customer or beneficial owner is a Politically Exposed Person ("PEP"). Where a director of an entity

is a PEP, then SBCI must consider this as part of the overall risk assessment for a customer, however it is not obliged to apply EDD.

- (ii) text added to refer to the Beneficial Ownership Register
- (iii) updated wording to align with the NTMA/SBCI SLA more closely
- (iv) additional text was added to clarify that the Head of Risk and Governance is the nominated member of the SBCI SMT with responsibility for first line AML/CFT oversight.

The Risk Manager presented the Business Wide Risk Assessment (AML) following recommendation by the ARC and confirmed that there were no material changes proposed at this time. He advised that the purpose of the assessment being represented was to bring the review cycle back in line with the review of the AML Policy above.

IT WAS RESOLVED that the annual review of the AML Policy and Business Wide Risk Assessment (AML) as presented to the Board, be approved.

10.2 MLRO Report

The Senior Compliance Manager, NTMA, presented, for noting, the **MLRO Report**. She confirmed that all actions arising from the “Dear CEO” letter are now closed. She advised that legislation to update and strengthen the EU’s AML and CFT regimes had been published but proposals were at an early stage so no immediate impact. She noted the updated AML/CFT procedures, in particular the transfer of first line activity from NTMA Compliance to SBCI, as recommended by NTMA Compliance in 2021, and advised that focused AML training was to be provided as part of the handover process.

She highlighted that the launch of new schemes by SBCI is a trigger point for AML checks, as fresh documentation may be obtained and instances where there has been a change to the Beneficial Ownership may be identified.

11. CONSENT AGENDA

11.1 Committee member reappointment

The Acting Company Secretary advised that AJ Noonan’s membership of the Audit and Risk Committee was due for renewal for a second term of up to three years, subject to that period not exceeding the term of the member’s appointment to the Board.

IT WAS RESOLVED that the reappointment of the member of the Audit and Risk Committee as presented to the Board, be approved with effect from 11 April 2022.

11.2 Credit Committee Terms of Reference

The Acting Company Secretary advised that the annual review of the Credit Committee Terms of Reference had been completed and was recommended by the Credit Committee at its meeting on 24 May 2022. The key amendment to the existing version is the removal of the Head of Risk and Governance from the membership of the Credit Committee in line with a recommendation per the Board Effectiveness Review (**Agenda 9.1** above) such that the Head of Risk and Governance would now become an attendee at meetings. Other amendments were minor in nature.

IT WAS RESOLVED that the annual review of the Credit Committee Terms of Reference as presented to the Board, be approved.

11.3 Annual General Meeting

The Acting Company Secretary advised, for noting, that planning had commenced towards the scheduling of SBCI's Annual General Meeting. Contact had been made with the Department of Finance and dates in July suggested. While historically the requirement to host a formal AGM had been waived by the Minister for Finance, an AGM for 2021 was held in November 2021, and it is preferred to hold 2022's AGM earlier in the year and annually going forward. The Acting Company Secretary confirmed that the meeting would likely be attended only by the Chairperson, CEO, Company Secretary, and a proxy representative on behalf of the Minister for Finance.

12. AOB

There being no further business the Chairperson brought the meeting to an end.

Barbara Cotter, Chairperson