

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 21 MARCH 2023

Present:

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

In Attendance:

Seán Farrell	Head of Products, Marketing & Research
Margaret Concannon	Head of Risk & Governance
Colin Moran	Head of Lending
Fiona Collier	Strategy Implementation Manager (Item 6 only)
Robert Quill	Risk Manager
James O’Dwyer	Lending Manager A (Item 5 only)
Paul Christie	Lending Manager B (Item 5 only)
Niamh Boyle	M.D. The Reputations Agency (Item 4 only)
Arianna Taroni	Marketing Manager (Item 4 only)
Karen Akindolie	Marketing Analyst (Item 4 only)
Claire Young	Business Support Specialist
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. Eoin Dorgan, Board Member, was not available to attend and submitted feedback to the agenda items in writing in advance. 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 23 February 2023, which had been circulated to the Board in advance of the meeting, were before the Board for approval. The Board noted that one amendment was to be applied to Item 4. **STRATEGY UPDATE** in respect of the “**Strategy Review 2022**” to clarify that the “*cumulative delivery of €3.49bn in funding to 54,000 SMEs*” was based on SBCI’s performance over its lifetime, and not to 2022 alone.

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

3.2. Matters arising

The Chair provided an update in respect of “**Item 2 Board Succession Planning**” from the meeting of 23 February 2023 and confirmed that, following discussions with the Department of Finance, the Vacancy Notice and Information Booklet had been finalised and forwarded to PAS for the advertisement of 3 Board director roles. She confirmed that the intention is to create a panel of potential directors for 2024, from which a Chair may be selected. On this basis it was agreed that this item would be updated to “Closed” while the Chair would continue to provide updates to the Board as the recruitment process develops.

The CEO advised that there would also be a change to the Board representative from the Department of Finance in the short term as Eoin Dorgan would be taking up a new role and she would share the details of the replacement Board member in due course.

The Company Secretary noted that the other items listed as Matters Arising would be discussed under Agenda Item 7 “Strategy Implementation Plan 2023 – update on Lending KPIs” and Agenda Items 9.1/9.2 “Board Self Evaluation” so would be updated to “Closed”.

4. THIS ITEM HAS BEEN REDACTED IN FULL.

5. LENDING ITEMS

5.1. Credit Committee Report

The Chair of the Credit Committee summarised the Committee’s meeting held on 6 March 2023, the draft minutes for which had been circulated with this meeting’s papers **THIS ITEM HAS BEEN PARTIALLY REDACTED**. He confirmed that the annual review of facilities extended to Fexco Asset Finance Ltd. had been approved while the annual reviews for both AIB and Bank of Ireland had been postponed until end-June 2023 to coincide with their applications for allocations under the Growth and Sustainability Loan Scheme.

The Chair of the Credit Committee noted that the Committee requested that the CEO/Head of Lending progress a mechanism whereby discretion to defer annual reviews could be assigned to them so they would not need to revert to the Committee for approval to short-term extensions. Finally, he advised that the Committee had discussed the feedback from its annual self-evaluation exercise and had agreed that training in specialist areas such as guarantee risk, portfolio assessment and provisioning would be welcomed.

5.2. THIS ITEM HAS BEEN REDACTED IN FULL

6. CEO REPORT

The CEO presented the CEO Report for noting. The HoL updated the Board on progress on the Ukraine Credit Guarantee Scheme (UCGS) which had been launched by Bank of Ireland and was reporting a strong pipeline of drawdowns, but that the AIB launch has been delayed and subject to further discussion with the Department of Enterprise, Trade and Employment (DETE), **THIS ITEM HAS BEEN PARTIALLY REDACTED**. He confirmed that both Banks' allocations had been discussed by the UCGS Evaluation Group and recommended to DETE, along with allocations for groups of Credit Unions, and that further meetings would follow to discuss recommendations for 5 NBFIs and PTSB.

The HoL confirmed that the open call for the Growth and Sustainability Loan Scheme (GSLs) closed on 20 March 2023 and had been over-subscribed with requests for allocations totalling €600m v scheme total €500m.

The HoPMR advised that the Retrofit Loan Scheme would follow the same structure as FGLS and has passed through EIF's Committee stage and was progressing to EIF Board for approval. He noted the range of stakeholder events attended recently by SBCI including events hosted by Digital Business Ireland, Dublin Docklands Association, the Small Firms Association, SEAI and DETE. He also advised that the radio campaign to promote UCGS is ongoing, with further advertising planned as other On Lenders are on-boarded for that scheme.

7. STRATEGY IMPLEMENTATION PLAN 2023

The Strategy Implementation Manager (SIM) presented, for noting, an update on the Strategy Implementation Plan 2023 following feedback to the paper presented to the Board meeting on 23 February 2023, specifically in relation to the Lending KPIs.

The SIM noted the historical SME New Lending Market data, dating back to 2019, including an estimate for Q4, 2022, with SBCI's share increasing from 4.58% in 2019 to 20.32% in 2021 before reducing to an estimated 15.59% in 2022. She advised that base and upside forecasts for 2023 are 10.70% and 14.09% respectively and represent normalised levels of market penetration.

The SIM provided additional data in respect of 4 key KPIs, as follows:

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Board noted the contents and discussed SBCI's ability to "smooth" out its level of market share, while acknowledging that it is above the levels achieved by European peers (who would achieve closer to 5%). The CEO questioned what an appropriate market share would be for a promotional bank whose purpose is to fill gaps in the market in response to external events and not become a "core" bank. The Board suggested that a minimum level of 10% of market share may be deemed successful.

8. RISK ITEMS

8.1 Risk Register

The Risk Manager presented the Risk Register, for noting and drew attention to the ongoing enhancement of SBCI's controls and the identification of "New and Emerging" risks. He noted the monitoring of default rates and trends in terms of Credit Risk, and that Key Risk Indicators are reviewed on an ongoing basis. **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Head of Risk and Compliance (HoRG) confirmed that, while the Risk Register is being presented for noting, it is reviewed regularly and shared with the Audit and Risk Committee both at scheduled meetings and on an ad hoc basis. She advised that new items, such as SBCI's ESG Policy, are reviewed to identify risks to be added to the Risk Register, along with associated actions to mitigate such risks. Finally, she noted that the Risk Management Framework review had been completed and produced some good suggestions for best practice in this area.

The Board acknowledged the work to date on the Risk Register and noted that reporting had improved significantly in terms of clarity under the current Risk team's management.

9. GOVERNANCE ITEMS

9.1. Board Self Evaluation – Survey results

The Chair opened the discussion around the results of the Board's Self Evaluation survey and noted that the recent introduction of SBCI's ESG Strategy and the developments in terms of Board Succession Planning addressed some of the points raised, e.g., need for greater diversity among the Board members.

The Company Secretary (CS) confirmed that 8 of a possible 9 responses had been received but, while reminders were sent to all members of the Board, as the survey is undertaken on an anonymous basis, it was not possible to identify the missing response. The CS advised that a summary of the responses had been shared and focussed on those "Disagree/Strongly Disagree" responses and the commentary added by respondents at the end of each section of the survey, some of which were statements of opinion, rather than calls for action. The CS reminded the Board that the questions regarding gender balance and diversity were mandatory under the Code of Practice, and this explained why the wording/tone was different to the rest of the survey.

9.2. Board Self Evaluation – Actions from survey results

The Chair agreed that the Board generally worked well but acknowledged that it was facing a period of significant change with 4 new members to join over the coming year, including key positions of Chairs to the Board and its committees. **THIS ITEM HAS BEEN PARTIALLY REDACTED**. The Board also discussed the timelines that may apply to the on-boarding of new directors, ideally on a staggered basis, and that interim Board/committee arrangements may assist with the process while the new directors get up to speed.

10. AOB

The CS advised that Danske Bank, who provide a service to SBCI to process direct debit payments in respect of the Covid 19 Credit Guarantee Scheme, had submitted details of changes to the Terms and

Conditions of their Direct Debit Indemnity agreement and had sought a Board resolution to confirm acceptance.

The CS advised that this request had been reviewed by NTMA Legal who confirmed that a Board resolution was appropriate, while the SBCI Operations Team had reviewed the changes and were satisfied that they were minor in terms of impact on the SBCI. The Board agreed and passed the following resolution:

IT WAS RESOLVED, that the Company participates (or as applicable continues to participate) as a Creditor in (as appropriate) the European Payment Council's Single Euro Payments Area ("SEPA") Direct Debit Business to Business Scheme and/or the European Payment Council's SEPA Core Direct Debit Scheme (each a "Scheme") and shall comply (or as applicable continues to comply) with the terms, conditions and rules of (as applicable) the relevant or each Scheme in force from time to time; that the Company do enter into the Indemnity in the form required by Danske Bank A/S (the "Bank") for the purposes of a Creditor's participation in the Scheme (a copy of which Indemnity was table at the meeting); and that the persons named below be and hereby are authorised to execute the Indemnity for and on behalf of the Company and to deliver the said Indemnity to the Bank.

1. June Butler, Chief Executive Officer
2. Desmond O'Connor, Company Secretary

The Chairperson then brought the meeting to an end.

Barbara Cotter, Chairperson

Date