

**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 CALL AT
TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 24 FEBRUARY 2022**

Present:

Barbara Cotter, *Chairperson*

June Butler

Eilis Quinlan

AJ Noonan

Richard Pelly

Conor O’Kelly

Eoin Dorgan

Via Zoom

Tom McAleese

Via Zoom

Marguerite McMahan

In Attendance:

Emma Geelon

Administrator (Acting Secretary)

Suzanne Sweeney

Head of Strategy, Finance and Operations

Seán Farrell

Head of Products, Research and Marketing (Items 1 - 7 only) (Via Zoom)

Rob Quill

Risk Manager

Sinead Gallagher

Finance Manager (Items 1 to 6 only)

Deirbhile Brennan

NTMA Head of Compliance (Item 9 only) (Via Zoom)

Sinead Flanagan

NTMA Senior Compliance Manager (Item 9 only) (Via Zoom)

Eibhlin O’Donnell

NTMA Senior Legal Advisor (Item 9 only) (Via Zoom)

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

The Chairperson noted that draft minutes of the meeting of 12 November 2021 and meeting of 2 December 2021 and the private session of 2 December 2021 were before the Board for approval,

which had been circulated to the Board in advance of the meeting. **IT WAS RESOLVED** that the minutes of these meetings be approved and that they be signed by the Chairperson.

The Acting Secretary noted there was one matter arising, relating to creation of an action plan to implement the recommendations arising from the external review of the Board's Effectiveness in December 2021. She noted work was already underway in relation to creation of this action plan and a further update would be provided to the Board once a comprehensive work plan had been agreed upon with the Chairperson.

4. AUDIT AND RISK COMMITTEE REPORT

The Chair of the Audit and Risk Committee, Tom McAleese, presented his Report summarising the Committee's meeting held on 17 February 2022. He updated the Board on key topics of discussion such as staff turnover and the review carried out by the Committee to prevent any backlog of audits in 2022. He noted the number of open items on the Risk Actions Tracker had reduced from 18 to 12.

He noted that the Committee had reviewed the On-Lender Due Diligence Processes Review **THIS ITEM HAS BEEN PARTIALLY REDACTED**. Furthermore, he noted that the Committee had also reviewed the On-Lender Reviews for Linked Finance and PTSB **THIS ITEM HAS BEEN PARTIALLY REDACTED**. He briefed the Board on the outcome of those reports. The Board requested that On-Lender Reviews henceforth be shared with them for information purposes.

He noted that the Committee had reviewed the draft financial statements for the year ending 31 December 2021 which were presented by the Finance Manager. He noted that management had concluded that there was no objective evidence of impairment in respect of the SBCI's loan and guarantee portfolios as at 31 December 2021.

He noted that the Committee had reviewed reports on the Effectiveness of the Internal Audit Function and the Effectiveness of the Risk Function and that it had concluded that both functions had completed the work programmes set out for 2021.

He noted the Committee had approved the Risk Management Plan 2022 and updates to the Internal Audit Charter. He noted the Committee had also reviewed the Risk Actions Tracker, the Operational Event Report, the Portfolio Risk Review, and the Business Continuity Plan. He noted the Committee had also reviewed the new format of the Risk Register Review which the Committee is recommending to the Board for noting.

The Board noted the situation of international unrest and its implications on the Irish Economy and SMEs which will be closely monitored.

5. COST RECOVERY ANALYSIS UPDATE

The Risk Manager presented the Cost Recovery Analysis Update to the Board for discussion, the purpose of which is to provide a more structured approach for the SBCI to ensure it recovers scheme set up and operating costs as much as possible. He noted the SBCI has three clear revenue streams: 1) Interest Income, 2) Risk Sharing Income and 3) Servicing (i.e. CGS, CCGS). The review primarily assessed how the SBCI charge for the staff time allocated on a Full Time Equivalent (FTE) basis across Risk Sharing and Servicing.

The Board noted the paper provided a good foundation for a structured and transparent approach and discussed the frequency of the review period of the costs and whether this was sufficient. The

Board asked the Risk Manager if the costings were clear from an audit perspective with the Risk Manager providing a summary of the detailed and documented work undertaken by the team that underpinned the details in the paper. The Head of Strategy, Finance and Operations noted there was significant data available which the team used to create the various costings. The Board noted the FTE allocation methodology used to calculate costs and noted this would be reviewed on at least an annual basis.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Board requested to see the details behind the costs paper e.g. the Profit and Loss analysis of a relevant schemes. It was agreed that these would be shared with the Chair of the Audit and Risk Committee.

6. BUDGET 2022

The Finance Manager presented the draft budget 2022 for approval. The Board reviewed the 2022 budget and the scenarios prepared by management and underlying assumptions and stress testing.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The Board also noted the budget for capital expenditure in respect of the Customer Hub Project.

IT WAS RESOLVED that the Budget 2022, as presented to the Board be approved.

7. CEO REPORT

The CEO, the Risk Manager, the Head of Products, Research and Marketing and the Head of Strategy, Finance and Operations presented the Report. The Risk Manager provided an update on SBCI's key priorities and current workstreams.

THIS ITEM HAS BEEN PARTIALLY REDACTED they also noted the recent pay down of the Capitalflow AF 2 DAC ("Capitalflow") facility following the Bunq B.V acquisition of Capitalflow.

The CEO discussed the progress on the Customer Hub project and noted a meeting she had recently with the CEO of ERGO, the contractors supporting the project. She noted there had been some delays with the project, but good progress had been made following their meeting. The CEO and Chairperson also provided an update on their meeting with the Tánaiste which was very positive.

The Head of Products, Research and Marketing noted a recent "Employee Engagement Survey" which had been issued to staff and noted the workshops underway to address the areas the produced reduced scores. He updated the Board on the upcoming external NPI association events the SBCI would be hosting and participating in.

THIS ITEM HAS BEEN PARTIALLY REDACTED

8. RISK REGISTER REVIEW

The Risk Manager noted at the November 2021 meeting of the Audit and Risk Committee, that the Committee had requested a summary report highlighting key risk areas for the SBCI. This new risk register reporting method was presented and approved at the 17 February 2022 Audit and Risk Committee meeting and was now being presented to the Board for noting. The Board discussed the number of risks, acknowledging the good work done on the revised risk register, and it was noted that at the recent Audit and Risk Committee meeting the Chair of the Audit and Risk Committee had

requested a “dashboard” be included to provide a summary of the key/high risks affecting the business. The Board were satisfied with the revised Risk Register Review.

9. COMPLIANCE ITEMS

9.1. ANNUAL REVIEW OF THE SCHEDULE OF STATUTORY OBLIGATIONS

The NTMA Head of Compliance, NTMA Senior Compliance Manager and NTMA Senior Legal Advisor presented the annual review of statutory obligations applicable to Board members of State Bodies. They provided the Board with a summary of the requirements under the Code of Practice for Governance of State Bodies and highlighted the key changes to the Schedule of Statutory Obligations since the last update provided to the Board in February 2021.

9.2. COMPLIANCE REFRESHER TRAINING

The NTMA Head of Compliance and NTMA Senior Compliance Manager presented to the Board on their personal compliance obligations. The material included, inter alia, confidentiality and the disclosure of interests, obligations arising from Data Protection Law, AML legislation, Market Abuse Legislation, the Personal Account Transactions Policy and Code of Conduct for members of the SBCI Board.

The Board was reminded that SBCI is a Schedule 2 entity so falls under the supervision of the Central Bank of Ireland for AML purposes only. The Board discussed the heightened risk of AML in the wake of the Covid-19 pandemic.

The Board noted Section 14 of the Code of Conduct & Criminal Justice (Corruption Offences) Act 2018, whereby the “public office holder is deemed to have acted corruptly unless the contrary is proved”. They noted this was to hold Irish officials to a high standard of conduct.

9.3. PERSONAL ACCOUNT TRANSACTIONS POLICY

The NTMA Head of Compliance presented the updated Personal Account Transactions Policy, noting there were no material revisions being recommended with only some minor wording updates being proposed.

The Board requested the inclusion of clarificatory text to confirm that transactions in unlisted on-lenders were also subject to pre-approval by the Chairperson. The Head undertook to agree wording with the Chairperson to reflect this point for inclusion in the Policy. The Board noted it was happy to approve the Policy based on the inclusion of this added detail.

IT WAS RESOLVED that the updated Personal Account Transactions Policy for the SBCI Board and Committees, be approved.

10. CONSENT AGENDA

The CEO and Acting Secretary noted as per a suggestion in the December 2021 SBCI Board Effectiveness review; that more standard items (for example minor policy updates etc) should be left to the later part of the meeting and where possible, agreed on the basis of a “Consent Agenda” where such matters are taken as read and approved unless a Board member specifically wished to raise a concern.

The Acting Secretary noted at this meeting they were presenting one item for the Board's approval; the Audit and Risk Committee Terms Of Reference update, which had minor updates and was reviewed by the Audit and Risk Committee and is being recommended by the Audit and Risk Committee to the Board for approval.

IT WAS RESOLVED that the updated Terms of Reference for the SBCI Audit and Risk Committee, as presented to the Board, be approved.

11. AOB

The CEO noted the recruitment process had commenced for a new Head of Lending for the SBCI.

The Chairperson noted that Conor O'Kelly's term of office as NTMA Chief Executive will come to an end at the end of June and Frank O'Connor will take up the role of NTMA Chief Executive from 1 July 2022. As part of the process of transition, Mr. O'Kelly will resign from the SBCI Board, and so the Board will give consideration to the appointment of a new director in Mr. O'Kelly's place. The Chairperson noted that this was Mr. O'Kelly's last meeting as a member of the SBCI board of directors and thanked him for his commitment and invaluable service as first chairperson and then director of the SBCI.

THIS ITEM HAS BEEN PARTIALLY REDACTED

She noted that the process for appointing a new director is set out in SBCI's Constitution and that the appointment process involves the Minister for Finance nominating a new director and the SBCI Board then approving and appointing the Minister's nominee. She also highlighted that SBCI Board appointments are subject to the DPER Guidelines on appointments to State boards and as such are typically subject to a PAS process. However, the guidelines do envisage certain exceptions to the application of the PAS process, which the Minister may invoke where appropriate.

The Board noted the next step will be for SBCI and NTMA to discuss the proposal with the Department of Finance and the Chairperson will update the Board on progress in due course.

The Board discussed the relationship between the SBCI, the NTMA and the Department of Finance and the lines of reporting.

The Board noted they would be using a different Board paper distribution software at subsequent meetings and the Acting Secretary gave further detail on this.

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

Barbara Cotter, Chairperson

28 April 2022