

**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 AT
TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 5 DECEMBER 2019**

Present:

Barbara Cotter, *Chairperson*
Nick Ashmore
Eilis Quinlan
AJ Noonan
Richard Pelly
Conor O'Kelly
Eoin Dorgan
Tom McAleese
Rosheen McGuckian

In Attendance:

Macken McNicholas	<i>Secretary</i>
Sean Farrell	<i>Head of Product Development (Items 4&5 only)</i>
Ray Mangan	<i>Head of Risk, Finance and Operations (Items 6a-6c only)</i>
Breda McNamara	<i>Head of Compliance (Items 9a-9c only)</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 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 meetings of 12 September and 5 November had been circulated to the Board in advance of the meeting. **IT WAS RESOLVED** that the minutes of the meetings be approved and that they be signed by the Chairperson.

4. BREXIT LOAN SCHEME PROPOSAL

The Head of Product Development presented and summarised the proposal as set out in the paper, in particular the request for board approval to extend the availability period of Brexit Loan Scheme (the “Scheme”) for a further 12 months up to 31 March 2021.

The Board discussed the proposal to extend the availability period noting the slow deployment of the Scheme due to a number of factors including the uncertainty and protracted nature of the Brexit negotiations; uncertainty among SMEs as to what they should be investing in to mitigate the risks; the relatively short-term nature of loans and associated impact of loan repayments on cashflow; perceived complicated application process to meet the innovation criteria and unawareness of companies of the full extent of their exposure to Brexit. The Board noted that a large portion of SMEs were undecided as to future investment in their businesses and that many were using internal company funds rather than increase borrowing.

The success of the Future Growth Loan Scheme (FGLS) was discussed, noting that some companies have opted to seek the longer term FGLS over the short-term Brexit Scheme. The Board discussed the effectiveness of the marketing of the Scheme. It was accepted that the Scheme was heavily marketed in conjunction with the government departments and that this was not the reason for slow take up. The Board agreed that if deployment remained low that the Scheme would be reviewed as to its future effectiveness.

The Board said it supported the proposal and accordingly:

IT WAS RESOLVED

1. that the availability of the Brexit Loan Scheme (the “Scheme”) be extended by 12 months to 31 March 2021
2. to delegate to the Chief Executive Officer the power to negotiate the extension of such Scheme and to approve any contract, document, agreement or other binding arrangement, together with any amendments thereto, conforming in substance to the terms as set out in the Board Paper, with such minor and non-substantive variations as he in his absolute discretion deems necessary or appropriate; and
3. to authorise the use of the SBCI’s seal where required for the proper execution of any documentation in relation to any of the matters outlined above.

5. THIS ITEM HAS BEEN REDACTED

6. COMMITTEE REPORTS

6.a AUDIT & RISK COMMITTEE REPORT

The Audit and Risk Committee Chairperson, Tom McAleese presented and summarised the report of the Committee meeting held on 27 November. He noted that the Committee had approved the Internal Audit Plan, the On-Lender Review Plan and the Risk Management Plan for 2020. Representatives from the Office of the C&AG had presented the Audit Planning Memorandum in

respect of the 2019 audit of the financial statements and discussed their main areas of focus with the Committee. The Committee had also reviewed the amendments to the risk register noting one new risk had been added as detailed in his report. It had also reviewed minor changes to its Terms of Reference which it was recommending to Board for approval.

The Committee Chairperson informed the Board that the Committee had reviewed KPMG's internal audit Financial Risk Management Review. He then briefed the Board on the outcome of that review and discussions by the Committee. He informed the Board that the Committee had discussed the recommendations particularly around a Credit Risk Policy and Stress Testing Framework that Management will implement in the coming months.

The Committee Chairperson briefed the Board on the Risk Appetite Statement (RAS) with proposed revisions, which was presented to the Committee for recommendation to the Board. He noted that the Committee discussed the RAS with proposed revisions, and it was agreed that it should be presented and reviewed in full by the Board as part of an overall discussion around strategy.

6.b AUDIT & RISK TERMS OF REFERENCE

The Secretary presented the updated Terms of Reference of the Audit and Risk Committee, noting it was 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.

6.c RISK APPETITE STATEMENT

The Head of Risk, Finance and Operations presented the annual review of the Risk Appetite Statement with proposed revisions to the Board for approval. He noted that there were a number of amendments being proposed, in particular new limits on lending to non-bank finance providers and also noting the recent KPMG recommendations around Credit Risk Policy and Stress Testing Framework.

The Board discussed the amendments, in particular the proposed limits to non-bank on-lenders. The Board noted that this was a key change and needed to be considered in the overall context of the SBCI strategy and how much lending exposure it was comfortable with in respect of small financial providers compared to the larger bank institutions. The Board noted that the limits should be set over the medium term and should reflect the Strategic Plan 2020-2025. It noted that the SBCI was drafting a Credit Risk Policy which would provide more granularity with regard to limits, counterparty risk, credit grades, sector and concentration risk.

After much discussion, the Board agreed that it would defer the approval of the Risk Appetite Statement, pending the Board's review of the proposed Credit Risk Policy, and requested that both papers be brought to the Board at its April meeting.

6.d REMUNERATION COMMITTEE REPORT

The Remuneration Committee Chairperson, Rosheen McGuckian, provided a verbal report of the Committee meeting held earlier that day on 5 December. She noted that the Committee had reviewed its Terms of Reference and was not proposing any changes.

THIS ITEM HAS BEEN PARTIALLY REDACTED

7. CEO REPORT

The CEO presented his Report. He provided an update on the key highlights of the report in respect of the on-lending pipeline, the Brexit Loan Scheme, the Future Growth Loan Scheme, other strategic initiatives, HR and marketing. He noted the application process for SBCI to become an implementing partner under InvestEU was underway with the pillar assessment remaining a key focus in Q1 2020. He noted that significant progress had been made in preparation for the Customer Hub Digital platform tender process with a proposal being brought to Board in 2020.

He provided an update on the 2019 Income Statement budget against forecast. He noted that the SBCI is expected to make a small loss for 2019, however a positive variance on the loss budgeted at the beginning of the year. With regard to staffing, he noted the addition of a Product Development Senior Analyst and Lending Operations Manager since the last board meeting which now takes staffing up to 23.

The Board reviewed the CEO Report. It discussed the risk share schemes and on-lender pipeline. It discussed the potential need to rebrand the Brexit Scheme if deployment remained low in 2020. It discussed the key performance indicators targets for 2019 as set out in the Report. The Board noted the SME Advisor Market Health Index research is underway with a Report to issue in Q1 2020 and welcomed the findings of this survey in due course.

8. STRATEGIC PLAN

8.a and 8.b STRATEGIC PLAN 2020-2025 AND EY EXTERNAL REVIEW

Items 8.a and 8.b were taken together for discussion by the Board. The Chairperson provided an update of her and the CEO's meeting with the Minister for Finance in November. She noted that the Minister had approved the updated Strategic Plan 2020-2025 which had been submitted to the Minister prior to the meeting and reflected the input of the Board following the September Board meeting. She noted that they also discussed the external review which had fed into the Strategy document.

The board discussed the Strategic Plan which it had previously reviewed at its September meeting. It discussed the publication of the Strategic Plan and the EY Report and it was noted that a summary version of the Strategic Plan along with the full EY Report would be published by the SBCI in Q1 2020.

IT WAS RESOLVED that the updated Strategic Plan 2020-2025, as presented to the Board, be approved.

9. GOVERNANCE AND COMPLIANCE ITEMS

9.a PERSONAL ACCOUNT TRANSACTIONS POLICY

The Head of Compliance presented the updated PA Transactions Policy, noting that the only change was to take account of adding KBC to the list of entities requiring pre-approval to deal in certain securities.

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

9.b SBCI BOARD OF CONDUCT

The Head of Compliance presented the updated Code of Conduct for Members of Boards and Committees, noting that the only substantive change was to take account of the implementation of the Criminal Justice (Corruption Offences) Act 2018.

IT WAS RESOLVED that the updated Code of Conduct for the SBCI Board and Committees, as presented to the Board, be approved.

9.c AML TRAINING

The Head of Compliance advised the Board of its requirement to undertake AML training and noted that training would be circulated for completion online in the coming days.

9.d REAPPOINTMENT OF BOARD MEMBERS

The Chairperson noted that the term of three board members Richard Pelly, Eilis Quinlan, and Rosheen McGuckian will expire in March 2020. She noted that Richard Pelly and Eilis Quinlan have agreed to seek re-appointment for a further term and that following her discussion with the Minister, the Minister had nominated both members for reappointment to the Board for a further five-year fixed term. Rosheen McGuckian will not seek a further term due to other commitments. The Chairperson and the Board noted the significant contribution made by her throughout her term as Director. The Board noted that a process was now underway with the Department of Finance to find a suitable replacement through the Public Appointments Service.

IT WAS RESOLVED that Richard Pelly and Eilis Quinlan be reappointed members of the SBCI Board, each for a period of 5 years with effect from 12 March 2020, or until they are no longer a member of the Board (whichever is the earlier).

10. AOB

There being no items under AOB, the Chairperson brought the meeting to a close.

Barbara Cotter

Chairperson

27 February 2020