

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS  
OF THE  
STRATEGIC BANKING CORPORATION OF IRELAND  
(THE "COMPANY" OR "SBCI")  
DULY CONVENEED, CONSTITUTED AND HELD BY VIDEO AND CONFERENCE CALL AT  
TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1  
AT 2.00 PM ON 4 June 2020**

**Present:**

Barbara Cotter, *Chairperson*

Nick Ashmore, *CEO*

Eilis Quinlan

AJ Noonan

Richard Pelly *(Items 1-5 only)*

Conor O'Kelly

Eoin Dorgan

Tom McAleese

**In Attendance:**

Ray Mangan *Head of Risk, Finance and Operations (Acting Secretary)*

Robert Quill *Risk and Finance Manager*

Sinead Flanagan *Senior Compliance Manager (Items 6 & 7 only)*

Breda Macnamara *NTMA Head of Compliance (Items 6 & 7 only)*

**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 19 March 2020 and 15 April 2020 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 when circumstances permitted.

**4. AUDIT AND RISK COMMITTEE REPORT**

The Chair of the Audit and Risk Committee presented the Audit and Risk Committee Report summarising the Audit and Risk Committee meeting held on 25 May 2020. He advised the Board of the outcome of the On-Lender Review in respect of Bibby Financial Services and noted the actions requested by the Committee to address the findings therein.

He noted that the Risk Register had been reviewed in detail in light of the elevated risks as a result of Covid-19, and that the Committee had requested that the Risk Register be presented to the Board, and that it was scheduled for discussion under Item 5.1 on the Board's agenda.

He further advised that the Anti-Money Laundering/Counter-Terrorist Financing Policy and Business Risk Assessment had been reviewed and recommended by the Committee to the Board for approval, to be discussed under Item 6 on the Board's agenda. The Anti-Fraud Policy was also reviewed and approved by the Audit and Risk Committee.

## **5. RISK ITEMS**

### **5.1 RISK REGISTER**

The Head of Risk, Finance and Operations presented the Risk Register noting that two new risks had been added in respect of Covid-19 to reflect the macro-economic risk and the operational risks of remote working. He also noted that all risks had been reviewed and that some risk ratings had been amended, including the credit risk of non-bank on-lenders which had been elevated to a "Red Risk" to account for the increased likelihood of default.

The Board noted that risk levels had generally been elevated as a result of the Covid-19 pandemic, and discussed the reputational risk to the SBCI should the loan schemes not deploy as rapidly as expected, noting the reliance on the on-lenders to deliver the loans, and the likelihood that the SBCI would be subject to adverse commentary should the on-lenders fail to deploy. The CEO noted that he would address this matter further under Item 8.

### **5.2 STRESS TESTING SCENARIO PAPER**

The Head of Risk, Finance and Operations presented the paper outlining a number of potential scenarios to illustrate the potential impact of Covid-19 on the SBCI's financial position, noting that the SBCI may draw down additional capital to allow for potential future losses on its lending and guarantee portfolios. The Board discussed the scenarios, noting that losses were likely to be incurred, and requested that management provide a formal request for additional capital to the Board, in order to pre-empt any future requirement and to ensure the SBCI remains well capitalised.

## **6. COMPLIANCE ITEMS**

### **6.1 AML POLICY AND BUSINESS RISK ASSESSMENT**

The Senior Compliance Officer presented the paper, noting that it had been reviewed and recommended by the Audit and Risk Committee for approval to the Board.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the AML Policy and Business Risk Assessment, as presented to the Board, be approved.

## **7. GOVERNANCE ITEMS**

### **7.1 REVIEW OF THE GOVERNANCE FILE**

The NTMA Head of Compliance presented the paper, noting that the SBCI Company Secretary had undertaken a review of the SBCI Governance File and had made some updates and clarifications.

The Board noted the updates to the Governance File.

## **8. CEO REPORT**

The CEO presented his report and briefed the Board on key matters including the progress of the SBCI's Covid-19 Working Capital Loan Scheme, noting that the Open Call that had previously issued for a €200m scheme increase would be revised downwards to €125m as EIF had reduced the available counter-guarantee capacity. He advised that significant work had been undertaken in relation to the proposed increase to the Future Growth Loan Scheme, and that the Government Departments were awaiting the outcome of the EIF's analysis to determine the cost and size of the scheme.

The CEO updated the Board on recent engagement with each of the participating banks in which he sought to ensure they would maximise the deployment of the Covid-19 Working Capital Loan Scheme. He noted the banks' feedback that there were some challenges to deployment, including the 3-year term of the loans, and the information gap arising because of uncertainty about future cashflows and repayment capacity. He advised the Board that the SBCI had undertaken a survey of those SMEs who had received eligibility codes but had not obtained a loan, and initial results had indicated that approximately 13% of applicants had been declined by the bank, while 40% were in the bank application process and a similar proportion were expected to apply within the next month.

The Board discussed possible approaches to encourage increased deployment of the schemes to SMEs and agreed that the provision of the revised Credit Guarantee Scheme, with its longer loan term, on an uncapped basis would significantly enhance banks' appetite to lend and borrowers' access to credit. The CEO noted his concern about the delays that had been incurred in relation to the proposal to revise the Credit Guarantee Scheme which was awaiting Ministerial approval prior to finalising the terms of the scheme. It was agreed that the Chairperson write to the Minister to share the Board's concern, having noted the delays and the risk that the scheme would not be made available to SMEs in a timely fashion.

In relation to non-bank on-lenders, the CEO noted that they may find it challenging to participate in the Covid-19 and FGLS schemes due to the interest rate caps, given their higher cost of funding. He also referred to the briefing paper which had been circulated to the Board in respect of Microfinance Ireland and its potential funding proposal, and noted that a formal proposal would likely be forthcoming in due course.

**9. AOB**

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

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**Barbara Cotter**

**Chairperson**

**25 June 2020**