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Strategic Banking  
Corporation of Ireland

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS  
OF  
STRATEGIC BANKING CORPORATION OF IRELAND  
(THE "COMPANY" OR "SBCI")  
DULY CONVENED, CONSTITUTED AND HELD AT  
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2  
AT 2.00PM ON 8 DECEMBER 2016**

**Present:**

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

**In Attendance:**

Damien Mulholland *Secretary*  
Jillian Mahon *Head of Funding and Strategic Initiatives*  
Ray Mangan *Senior Risk and Finance Manager*  
Suzanne Sweeney *Head of Lending*  
Ian Black *NTMA Chief Financial and Operating Officer ("NTMA CFOO") (Items 6 and 7 only)*  
Ciara Lehane *NTMA Head of Financial Planning and Operations (Items 6 and 7 only)*  
Adrian O'Donovan *Agency Secretary (NTMA) (Item 8 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 Articles of Association of the Company, the directors present each declared that they had no material interest in the business to be transacted at the meeting.

### **3. MINUTES AND MATTERS ARISING**

The Chairperson noted that draft minutes of the meetings of 8 September, 10 October and 24 October 2016 had been circulated to the Board in advance of the meeting. **IT WAS RESOLVED** that these minutes be approved and that they be signed by the Chairperson.

There were no matters arising from the minutes.

### **4. AUDIT AND RISK COMMITTEE REPORT**

The Audit and Risk Committee Chairperson, Tom McAleese, reported on the Committee meetings held on 1 December and 8 December 2016. He noted that the Committee had reviewed and recommended updating its terms of reference, the Risk Management Policy and Framework and the Risk Appetite Statement (these matters would be considered separately under agenda items 4.1 to 4.3). He also noted that the Committee had approved the Internal Audit Plan for 2017.

The Committee Chairperson noted that the Committee had reviewed the Risk Register and requested that a number of additional risks be added (considered separately under agenda items 4.4). He also briefed the Board on the Committee's meeting with the Office of the Comptroller and Auditor General (C&AG) on the arrangements for the audit of the 2016 financial statements and noted the target date for signing (mid-April 2017).

#### **4.1. Audit and Risk Committee Terms of Reference**

The Secretary presented the updated terms of reference proposed and noted that they had been reviewed against the relevant provisions of the revised Code of Practice for the Governance of State Bodies published in August 2016 (the Code) and the Companies Act 2014.

The Board reviewed the updated terms of reference and noted the material changes. On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the updated Audit and Risk Committee terms of reference as presented to the Board be approved.

#### **4.2. Risk Management Policy and Framework**

The Head of Risk and Finance presented the updated Risk Management Policy and Framework and noted that it took account of Internal Audit recommendations, relevant provisions of the Code and Audit and Risk Committee comments.

The Board reviewed the updated Risk Management Policy and Framework and noted that it may need to be reviewed annually as the Company evolves.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the updated Risk Management Policy and Framework as presented to the Board be approved.

### **4.3. Risk Appetite Statement**

The Head of Risk and Finance presented the updated Risk Appetite Statement and noted that it took account of Internal Audit recommendations and the evolution of the business and risk profile.

The Board reviewed the updated Risk Appetite Statement and noted the 8 new statements and additional key performance indicators.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the updated Risk Appetite Statement as presented to the Board be approved.

### **4.4. Risk Register**

The Head of Risk and Finance presented the full Risk Register and noted the residual controls in place to mitigate all 19 inherent risks.

The Board reviewed the Risk Register and noted the Audit and Risk Committee had proposed that a Cyber Security risk and a Data Protection risk be added to the Risk Register. Subject to the inclusion of these additional risks; **IT WAS RESOLVED** that the full Risk Register as presented to the Board be approved.

## **5. CREDIT COMMITTEE**

The Chairperson presented the Credit Committee paper for discussion. The Board reviewed the Credit Committee paper. It agreed that a proposal for establishing a Credit Committee be tabled to the February 2017 Board meeting, including a proposal on Committee membership.

## **6. INTANGIBLE ASSET POLICY**

The NTMA Head of Financial Planning and Operations presented the draft Intangible Assets Policy for Board approval. She noted that the Intangible Assets Policy reflected the accounting policy adopted in the SBCI financial statements.

The Board reviewed the draft Intangible Assets Policy. **IT WAS RESOLVED** that the Intangible Assets Policy as presented to the Board be approved.

## **7. Impairment Policy**

The NTMA CFOO presented the draft Impairment Policy for Board approval. He noted that the purpose of the policy was to document the approach adopted by the SBCI for its impairment review of financial assets; principally loans and receivables.

The Board reviewed the draft Impairment Policy and noted that it would be reviewed annually to safeguard compliance with relevant accounting standards. **IT WAS RESOLVED** that the Impairment Policy as presented to the Board be approved.

## **8. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES**

The Agency Secretary (NTMA) briefed the Board on the revised Code of Practice for the Governance of State Bodies (the Code) launched by the Minister for Public Expenditure and Reform in August 2016. He noted that the meeting paper set out a limited number of ways in which it was proposed that the Code be adapted in its application to the SBCI. This adaptation would have to be set out in an Oversight Agreement to be agreed with the Minister/Department of Finance. No decision was required from the Board on these matters at this stage.

The Agency Secretary (NTMA) also briefed the Board on the main new provisions of the Code – particularly with regard to enhanced reporting requirements – and the process being put in place to ensure compliance with the revised Code.

The Board noted the importance of complying with the Code to the maximum extent possible and that the reasons for any adaptation of the Code should be clearly stated.

## **9. CEO Report**

The CEO presented his Report. He briefed the Board on progress with regard to the Agri-loan scheme, the Credit Guarantee Scheme and the near-terms On-Lender pipeline. He advised the Board that the €200 million Council of Europe Development Bank loan facility had been agreed.

The Board noted the timelines with regard to the Agri-loan scheme and that it would be presented with 3 proposals for consideration on 15 December. It requested that a summary of the assessment criteria and scoring for each applicant be provided to Board members.

The Board agreed that any surplus finance should be returned to the SBCI should an On-Lender not be in a position to deploy, within the relevant timeframe, the full amount it had committed to under the terms of the credit agreement entered into with the SBCI.

## **10. STRATEGIC PLAN 2017 – 2018**

The CEO presented a proposed framework for the Strategic Plan 2017-2018 and outlined the market areas where it was proposed that the SBCI focus its efforts and future areas of interest. He noted that the framework focused on two principal lines of business; liquidity and risk-sharing products with ancillary areas.

The Board reviewed the framework. It agreed that the Company's breakeven expectation should be central to the strategy and that key performance indicators in this regard should be included. It also requested that the strategy should detail the funding source for any proposed ancillary activities. The Board noted that impact assessment should be performed to understand the benefit of the supports the SBCI provides to the market. Subject to these points, the Board was satisfied to proceed with drafting the Strategic Plan on the basis set out in the Framework.

## **11. SHARE CAPITAL PROPOSAL**

The CEO said that following the Board's decision to issue additional share capital of €5 million at its meeting of 10 October the SBCI team had discussed the drawdown of capital with the Department of Finance. The Department had proposed that the SBCI issue an additional €20 million (€25 million in total) to meet the SBCI's full expected capital requirement to support a number of other projects currently in development. The Board was satisfied to proceed on this basis.

### **IT WAS RESOLVED** that:

- i. Further equity is required in order to meet the SBCI's financial obligations as they fall due;
- ii. The Minister for Finance be informed of its determination; and
- iii. Additional share capital of €25 million (including the €5m previously approved at the 10 October Board meeting) should now be issued (with any two Directors or a Director and Secretary being authorised to issue the share certificate under seal).

## **12. AOB**

There were no items under AOB.

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Conor O'Kelly  
Chairperson

23 February 2017