

**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 AT
TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 15 April 2020**

Present:

Barbara Cotter, *Chairperson*

Nick Ashmore

Eilis Quinlan

AJ Noonan

Richard Pelly *(Items 8-13 only)*

Conor O'Kelly

Eoin Dorgan

Tom McAleese

In Attendance:

Macken McNicholas *Secretary*

Ray Mangan *Head of Risk, Finance and Operations*

Rob Quill *Risk and Finance Manager*

Suzanne Sweeney *Head of Lending (Items 4-6 only)*

Emma Hickey *Lending Analyst (Item 4-6 only)*

Fergal Power *NTMA Head of Finance (item 7 only)*

Dan O'Leary *NTMA Senior Finance Manager (Item 7 only)*

Grainne Whelan *SBCI Programme Manager (Item 12 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 27 February 2020 and 19 March 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. COVID 19 UPDATE

The Head of Risk Finance and Operations presented a paper to the Board on the operational and financial impacts of Covid-19 on the SBCI. He outlined the SBCI's response in respect of continuing to effectively perform its duties, its Business Continuity Plan implementation and contingency planning in respect of Fexco who is the SBCI's outsourced customer service provider.

He noted that the SBCI had undertaken a review of its current exposures in the following categories 1) its Lending Portfolio to its bank on-lenders; 2) its Lending Portfolio to its non-bank on-lenders and 3) its Guarantee Portfolio to the banks as set out in the paper. He noted that it was too early in the Covid-19 cycle to quantify the financial impact of the pandemic, but that SBCI is in regular contact with its on-lenders to actively monitor its portfolio and to identify any indicators of stress. He noted that in-depth analysis on a case by case basis will be presented to the board as individual reviews of on-lenders arise.

The Board discussed the paper at length and the overall potential impact of the COvid-19 crisis. The Chair of the Audit and Risk Committee noted that it was also discussed at ARC and that it was proposed that the Risk Team would present some stress test scenarios at the June Board. He noted that each on-lender would be assessed on a case by case basis with regard to issues such as a breach of covenant, arrears in respect of the underlying portfolio and any forbearance requests, should they arise.

The Board discussed the SBCI's response and importance of the supports provided in respect of the Covid-19 Scheme and increased availability under the Future Growth Loan Scheme to assist the SME market in combatting cashflow and longer-term financing needs as a result of the crisis. The CEO noted that there is a strong desire to include an element of re-financing support in the adaptation of the FGLS.

5. CREDIT COMMITTEE REPORT

Eoin Dorgan presented the Credit Committee Report summarising the meeting of the Credit Committee held on 1 April 2020. He noted that the main item discussed was the Bibby Financial Services credit proposal which will be discussed by the Board at Agenda Item 6.2 of the meeting. He noted that the Credit Committee was supportive of the proposal and is recommending it to the Board for approval subject to certain conditionality which the Lending Team has now included as set out in the paper to the Board. He noted that the Committee also reviewed a credit proposal in respect of Capitalflow AF2 DAC which will be discussed by the Board at Agenda Item 6.3 and noted that the Credit Committee was supportive of the proposal and is recommending it to the Board for approval.

He updated the Board as to the four annual reviews for the four bank on-lenders, namely AIB, BOI, UB and KBC which the Credit Committee had reviewed. He noted that all banks were operating according to the terms of their agreements and there was nothing of note to report to the board in respect of these annual reviews.

He noted that the Credit Committee had reviewed the Credit Risk Policy, noting that it proposes an enhanced level of delegated authority to the Credit Committee to approve certain credit proposal which the Committee welcomes. He noted that the Board will review the Credit Risk Policy at Item 10.2 of the Agenda and that the Credit Committee was recommending the Policy to the Board for approval.

He noted that the Credit Committee had performed the annual review of its Terms of Reference. There are minor changes proposed to the Terms of Reference which reflect the enhanced level of delegated authority proposed in the Credit Risk Policy. He noted that the Committee is recommending the updated Terms of Reference to the Board which is discussed at Agenda Item 11 of the meeting.

CREDIT PROPOSALS

6.1 The Secretary noted that Item 6.1 was withdrawn from the Agenda.

6.2 THIS ITEM HAS BEEN REDACTED

6.3 Capitalflow AF2 DAC Credit Proposal

The Lending Analyst presented the credit proposal seeking board approval to extend the time for Capitalflow to put in place a back-up servicer provider. The Board discussed the proposal noting the recommendation of the Credit Committee. The Board said it supported the proposal and accordingly:

IT WAS RESOLVED

1. to extend the period under the Agreement within which Capitalflow AF2 DAC must have appointed a back-up service provider as set out in the Credit Proposal.
2. to delegate to the Chief Executive Officer:
 - a. the power to waive any requirement under the Agreement or to negotiate and execute any changes or amendments to the Agreement necessary to give effect to the such extension as outlined in in the Credit Proposal;
 - b. the authority necessary to give effect to the proposed changes or amendments set out in the Credit Proposal, including any waivers under or amendments to the Facility or other documentation connected with it; and
3. to authorise the use of the SBCI's seal where required for the proper execution of any contractual or other documentation in relation to any of the matters outlined above.

7. AUDIT AND RISK COMMITTEE REPORT

The Chairperson of the Audit and Risk Committee provided an update to the Board following the Committee's meeting held on 30 March 2020 at which the Committee had reviewed and agreed to

recommend the Statement on Internal Control, the Financial Statements and Letter of Representation to the Board, all in respect of the year ended 31 December 2019.

The Committee Chairperson noted that the Committee was joined, via conference call, by the representatives from the Office of the Comptroller and Auditor General (OCAG) to review the OCAG's audit findings report. The Committee Chairperson had also held a private telephone conversation with the OCAG representatives without management present and there were no issues arising from the audit to report to the Board.

The Committee Chairperson advised the Board that the Committee had reviewed the draft governance and risk statements, and the Committee's own annual report, and were satisfied for these to be included in the 2019 Annual Report. The Committee had also reviewed the Internal Audit Update and the Chairperson noted that the next scheduled audit, "Product Administration Processes – Future Growth Loan Scheme, would be reported on at its next meeting in May.

The Committee Chairperson advised the Board that the Committee has reviewed the Risk Appetite Statement, the Credit Risk Policy and the Stress Testing Framework and were satisfied to recommend them to the Board for approval. He noted that Eoin Dorgan and Richard Pelly had joined the Committee meeting to discuss the Credit Risk Policy in their capacity as members of the Credit Committee as the Credit Risk Policy also required recommendation from the Credit Committee to the Board.

He noted that the Head of Risk Finance and Operations had presented a paper on Covid-19 risk and that the Committee had discussed the potential impacts of the crisis on SBCI risk. The Committee had requested that the Risk Team present an updated paper to Board to facilitate a discussion of the high-level risks which he noted was addressed at Agenda Item 4 of the meeting.

Furthermore, the Committee Chairperson noted that the Committee had approved an update to the Liquidity and Market Risk Policy as presented.

8. FINANCIAL STATEMENTS 2019

8.1. Statement on Internal Control

The SBCI Head of Risk, Finance and Operations presented a paper on the review of the effectiveness of the system of internal financial control, noting that the Audit and Risk Committee was satisfied as to the effectiveness of the system.

The Board reviewed the effectiveness of the system of internal control and concluded that it was satisfied as to the effectiveness of the system. On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the Statement on Internal Control for inclusion in the financial statements for the year 31 December 2019, as presented to the Board, be approved.

8.2. Letter of Representation

The Board reviewed the draft letter of representation. **IT WAS RESOLVED** that the letter of representation, as presented to the Board, be approved.

8.3. Financial Statements 2019

The NTMA Finance representatives presented the draft financial statements for the year-ended 31 December 2019, noting the new disclosures in the financial statements compared to the previous year. Following a question from the Board, the Finance representatives noted that a note had been included in the Financial Statements in respect of Covid-19 as an event after the end of the reporting period, and that it had been classified as a non-adjusting event.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that:

- i. the financial statements for the year ended 31 December 2019, together with the Director's Report, as presented to the Board, be approved and signed by any two directors;
- ii. the financial statements, Directors' Report and Auditor's Report be submitted to the sole shareholder.

9. ANNUAL REPORT

The Secretary presented the draft annual report for the year ended 31 December 2019. He noted the certain updates in the Governance Statement compared to the previous year.

IT WAS RESOLVED that the annual report, substantially in the form presented to the Board, be approved, subject to any further non-material changes or necessary changes for post balance sheet events as may be agreed by the Chief Executive Officer.

The Board noted the draft letter prepared for the Chairperson's signature in respect of the separate report required under Section 2.6 of the revised Code of Practice for the Governance of State Bodies.

10. RISK ITEMS

10.1 Risk Appetite Statement

The SBCI Head of Risk, Finance and Operations presented the Risk Appetite Statement (RAS) to the Board for approval. He noted that the RAS had been previously presented to the Audit and Risk Committee and Board in November and December 2019 respectively and had been updated to reflect the feedback received from the Committee and Board. He updated the Board on the changes and additional metrics including a metric around guarantees to non-bank finance providers.

The Board noted that it had previously reviewed the Risk Appetite Statement and Credit Risk Policy at its December 2019 meeting and requested that the Risk Finance and Operations team review the Risk Appetite Statement again along with the SBCI Strategy document and Credit Risk Policy to ensure all documents are aligned. The Board noted that the Team had undertaken a thorough and complete process in presenting the updated RAS and Credit Risk Policy to the Board having consulted with both the Chairs of the Audit and Risk Committee and Credit Committee, internal stakeholders within the wider NTMA, and KPMG who reviewed the RAS in its capacity as internal auditor and also using its experience working with other similar organisations.

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

10.2 Credit Risk Policy

The SBCI Head of Risk, Finance and Operations presented the Credit Risk Policy to the Board for approval. He noted that this represents the first Credit Risk Policy of the SBCI following a recommendation from KPMG as part of its Financial Risk Management internal audit. He noted that a number of limits and controls from the Risk Appetite Statement flow into the Policy.

The Board noted the process undertaken by the SBCI Team in aligning the SBCI Strategy document, the RAS and the Credit Risk Policy. It further noted that the Policy had been reviewed and was being recommended by both the Audit and Risk Committee and the Credit Committee and **IT WAS RESOLVED** that the Credit Risk Policy, as presented to the Board, be approved.

10.3 Stress Testing Framework

The Head of Risk Finance and Operations presented the Stress Testing Framework to the Board for approval. He noted that the Stress Testing Framework was recommended by KPMG following its Financial Risk Management internal audit in order to clearly outline the various stress test scenarios carried out by the Risk Team on an on-going basis.

The Board reviewed the Stress Testing Framework noting it was a very useful tool in risk analysis. The Board further noted that it must now be viewed in light of the Covid-19 crisis which will in effect create a number of real-life stressed scenarios in the coming months and year.

The Board noted that it was being recommended by the Audit and Risk Committee and **IT WAS RESOLVED** that the Stress Testing Framework, as presented to the Board, be approved.

11. CREDIT COMMITTEE TERMS OF REFERENCE

The Secretary presented the annual review of the Credit Committee's Terms of Reference noting the proposed updates reflecting the Credit Risk Policy and an enhanced level of delegated authority to the Credit Committee from the Board in the approving of certain credit proposals as set out in the paper.

The Board noted the changes and welcomed the enhanced authority of the Credit Committee and **IT WAS RESOLVED** that the updated Terms of Reference, as presented to the Board, be approved.

12. SBCI CUSTOMER HUB UPDATE

The SBCI Programme Manager presented a paper on the Customer Hub which provided an overview of progress to date and to set out a timeline for the next steps and the delivery of the Customer Hub. She noted that the Team had narrowed the field down to a number of potential suppliers and they would now progress to the dialogue stage as circumstances permitted. She noted that the intention was to revert to Board later in the year to seek approval to proceed with the preferred candidate and for a budget.

The Board noted the update and welcomed the proposal of the preferred supplier later in the year.

13. AOB

The Chairperson provided an update as to the Public Appointments Service process to seek another SBCI Board Member to replace the recent resignation of Rosheen McGuckian. She noted that a shortlist of candidates had been provided to the Minister.

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

Barbara Cotter

Chairperson

4 June 2020