

**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,
AND IN PERSON AT TREASURY DOCK, NORTH WALL QUAY, DUBLIN 1
AT 2.00 PM ON 15 JUNE 2023**

Present:

Barbara Cotter	<i>Chairperson</i>
June Butler	
Ian Black	
Eilis Quinlan	
AJ Noonan	<i>(Attended for Agenda Items 1 – 7)</i>
Marguerite McMahon	
Tom McAleese	
Deirdre Donaghy	

In Attendance:

Seán Farrell	Head of Products, Research & Marketing
Margaret Concannon	Head of Risk & Governance
Suzanne Sweeney	Head of Strategy, Finance & Operations
Colin Moran	Head of Lending
Robert Quill	Risk Manager
Claire Young	Business Support Specialist
Deirbhile Brennan	Head of Compliance, NTMA (Item 5 only)
Sinead Flanagan	Senior Compliance Manager, NTMA (Item 5 only)
Fiona Collier	Strategy Implementation Manager (Item 6 only)
Shane McCullough	Product Development Manager (Items 6 and 7 only)
Dan Roche	Finance Manager (Item 8 only)
Laura Kennedy	Assistant Lending Manager (Item 9.2 only)
James O’Dwyer	Lending Manager A (Item 9.3 only)
Andrew Downey	Lending Manager B (Item 9.4 only)
Des O’Connor	Company Secretary

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. She acknowledged apologies received from Richard Pelly and noted the feedback provided by him in advance of the meeting in respect of the various items of the agenda. Finally, she welcomed Deirdre Donaghy to her first meeting as a Board Member following confirmation of her appointment effective from 12 May 2023. 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, **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

3. MINUTES AND MATTERS ARISING

3.1. Minutes

The Chairperson noted that draft minutes of the meeting of 20 April 2023, which had been circulated to the Board in advance of the meeting, were before the Board for approval.

IT WAS RESOLVED that the minutes of the meeting, as presented, be approved and that they be signed by the Chairperson when circumstances permitted.

3.2. Matters arising

The Company Secretary noted that all items listed as Matters Arising from the previous Board meeting on 20 April 2023 had all been updated to “Closed” as (1) the Brand Strategy Review would be re-visited later in 2023, (2) the Cyber Security Annual Review was scheduled for the October 2023 meeting, (3) details of SBCI’s share of the SME Lending Market were shared with the Board via Diligent on 1 June, and (4) details of On-Lenders’ Approvals, Reviews and Allocations were an appendix to Agenda Item 6 “CEO Report”. The Board thanked the team for the additional MI per items (3) and (4).

4. ARC REPORT

The Chair of the Audit and Risk Committee (ARC) presented the report of the meeting of the ARC on 7 June 2023, based on the draft minutes which had been shared with the Board members. He advised that the Head of Internal Audit had updated the ARC on the outcome of the Risk Management Framework Effectiveness review which, while being “unrated” as it was not part of the internal audit programme, was satisfactory and reflected the evolving nature of the SBCI. He noted the Risk Appetite Statement and Key Risk Indicators had been updated as a result of the review and that the next Audit would focus on IT Change and the SBCI Customer Hub, with IT expertise covered by SBCI, NTMA and KPMG.

The Chair of the ARC confirmed that PwC had attended the ARC meeting in their capacity as the new service providers of On-Lender Reviews and had shared an overview of their team and expertise. The Board were pleased to note that PwC had commenced their first On-Lender Review, with a further 3-4 to be completed by in 2023.

The Chair of the ARC advised that the Risk Register Review had been completed and a new item, “Pricing Risk”, added. He confirmed that Compliance items were presented to the ARC and were recommended to the Board for approval per Agenda Items 5.1 and 5.2.

The Chair of the ARC confirmed that a mid-year update on SBCI’s Governance and Statutory Obligations had been shared and noted the additional reporting implications imposed by the Official Languages (Amendment) Act. The CEO confirmed that a member of the SMT would be appointed to oversee compliance with the Act and that, while some members of staff have different levels of fluency in the Irish language, only officially approved translation services would be permitted. Finally, the Chair of the ARC advised that the annual review of third-party service provider, Fexco, had been completed and that SBCI continued to maintain a satisfactory working relationship with them.

5. COMPLIANCE ITEMS

5.1. AML/CFT Policy

The Senior Compliance Manager, NTMA, presented the annual review of the AML/CFT Policy for approval, noting that it had been recommended by the ARC at its meeting on 7 June 2023 and there were no material changes – just cross-referencing SBCI’s Record Keeping Policy and clarifications to

the role of the Board - and that the related Business Wide Risk Assessment would now be presented to the meeting of the Audit and Risk Committee in August.

IT WAS RESOLVED to approve the annual review of the AML/CFT Policy as presented to the Board.

5.2. MLRO Report

The Senior Compliance Manager, NTMA, presented, for noting, the MLRO Report which had been shared with the ARC at its meeting on 7 June 2023. She noted that there were no significant items to be brought to the attention of the Board at this time but advised that, per the update to the ARC by NTMA Legal, further AML legislation is in progress. She confirmed that the “Anti-bribery and corruption framework” had been circulated to SBCI staff and published to the SBCI website, also noted that the Irish government had recently bid for the EU’s new Anti-Money Laundering Authority (AMLA) to be headquartered in Ireland.

6. CEO REPORT

The CEO presented, for noting and discussion, the CEO Report and highlighted those items not addressed per other items on the agenda. The Strategy Implementation Manager (SIM) noted that strategy planning had been undertaken by the SBCI Team in May while the Strategy Day, which will be a full day session for the Board this year, is planned for September. **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The SIM advised that implementation of ESG is progressing in line with plan with training planned in collaboration with the NTMA Sustainability Team. She advised that a Green Theme Workshop was held in May and seven initiatives had been agreed. The Board enquired into the ESG links on the SBCI website and the SIM confirmed that plans to introduce links to sustainability supports were considered safe as they relate to Government supports.

The Head of Lending (HoL) provided an update on the various schemes, including AIB’s recent launch of UCGS, progress made on the Retrofit Loan Guarantee Scheme with EIF (see Agenda Item 7 below) **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

7. PRODUCTS

The Head of Products, Research and Marketing (HoPRM) presented revisions to the Retrofit Loan Guarantee Scheme (RLGS) for approval, comprising (i) two material changes to the scheme that had been previously approved by the Board in October 2022, and (ii) SBCI’s entry into a co-operation agreement with the Department of the Environment, Climate and Communications (DECC).

The HoPRM noted the material changes arose as (a) the European Investment Fund (EIF) were replacing the European Investment Bank (EIB) as counter-guarantor to the SBCI for the RLGS, and (b) the maximum loan amount available under the RLGS for each residential property was to be increased from €50,000 to €75,000 to reflect the rising input costs. He advised that these revisions arose following engagement by the SBCI, particularly the Product Development Manager (PDM), with the EIF, the DECC, the Sustainable Energy Authority of Ireland (SEAI) and the Department of Finance.

The PDM advised that the change of counter guarantor to the EIF from the EIB was a positive development as the EIB were challenged by the class of asset being financed under the RLGS, i.e., unsecured consumer loans. He confirmed that there was now a clearer path towards the launch of the scheme with timelines and milestones agreed with the EIF. He acknowledged the rising input costs driving the need to increase the RLGS loan limit from €50,000 to €75,000, noting that other house improvements were often scheduled to be completed alongside retrofitting.

THIS ITEM HAS BEEN PARTIALLY REDACTED. He confirmed that an interest-rate subsidy is under consideration by DECC (approval required by The Department of Public Expenditure, National Development Plan Delivery and Reform) which if approved would be similar in structure to the SBCI Agri Loan Scheme.

The Board enquired further into the pricing of non-guarantee-backed loans currently available on the market and the PDM advised that most were in the 6.5% - 7.5% region over max. terms of 6-7 years, with some limited 10-year facilities also available with some credit unions offering rates as low as 5.5%. The Board enquired whether the proposed changes would require the SBCI to revisit the Open Call process and the PDM advised that legal advice would be taken to clarify the position. **[Matter Arising]**

The Board enquired into the recoupment of costs arising from the RLGS and the CEO confirmed that the SBCI would seek 100% recovery of costs on a fair calculation basis. The Board noted that DECC agreement was a step towards the confirmation of support at Cabinet level. **THIS ITEM HAS BEEN PARTIALLY REDACTED.** The Board also sought confirmation that RLGS loans would be delivered by Direct Channels only and the CEO noted that this would likely be the case for the main banks whereas smaller lenders may allow for additional channels.

IT WAS RESOLVED that the Board approve the amended Retrofit Loan Guarantee Scheme, as presented.

8. THIS ITEM HAS BEEN REDACTED IN FULL.

9. LENDING ITEMS

9.1. Credit Committee

As the Chair of the Credit Committee was not present, Ian Black, who had acted as Chair for the Credit Committee meeting on 22 May 2023 shared the report from that meeting, based on the draft minutes that had been shared with the Board. He advised that the Committee had approved three annual reviews, namely Capitalflow, Bibby and Metamo **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Acting Chair advised that the Credit Risk Policy was reviewed and recommended to the Board per Agenda Item 10.3 and that the annual review for PTSB had been deferred from the end of May as a paper seeking approval to an allocation under the Growth and Sustainability Loan Scheme would be presented to the Board today per Agenda Item 9.4 and would incorporate PTSB's annual review.

9.2. THIS ITEM HAS BEEN REDACTED IN FULL.

9.3. Finance Ireland

The Lending Manager A (LMA) presented, for approval, an application for an allocation of €20m under the Growth and Sustainability Scheme (GSLs) for Finance Ireland Credit Solutions DAC and the annual review for FICS Holdings (One) DAC for a further 12 months on an unchanged basis in respect of their liquidity facilities. He confirmed that Finance Ireland (FI) is the largest NBFi On-Lender in Ireland and provided loans for CRE, Agri, Motor, and Leasing facilities and the only NBFi seeking an allocation under GSLs.

The LMA noted that, in 2022, ISIF disposed of its shareholding in FI following a €50m equity raise and management also reduced their shareholding, leaving PIMCO and M&G Investments as main shareholders. He advised that the other key events over the past year have been FI exiting its partnership with Close Brothers in respect of its motor finance book, leaving it to originate motor

finance on its own balance sheet, and the impact of recent interest rate increases on the residential mortgage book **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The LMA advised that FI's facilities currently comprise (i) a liquidity facility of €55m **THIS ITEM HAS BEEN PARTIALLY REDACTED** (iii) an EELS allocation **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The LMA summarised the risk assessment undertaken in respect of FI, **THIS ITEM HAS BEEN PARTIALLY REDACTED**, satisfactory audits that have been completed and demonstrate that FI is able to operationalise SBCI schemes, **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Board sought confirmation that the funding of facilities under the GSLS would not be from their SBCI liquidity facility and the LMA confirmed that FI would use their own available cash resources.

IT WAS RESOLVED that the Board approve the allocation of €20m for Finance Ireland Credit Solutions DAC, as presented, and approve the annual review for FICS Holdings (One) DAC for a further 12 months.

9.4. THIS ITEM HAS BEEN REDACTED IN FULL.

10. RISK ITEMS

10.1. Risk Appetite Statement

The Head of Risk and Governance (HoRG) presented the updated Risk Appetite Statement (RAS) for approval, as recommended by ARC at its meeting on 7 June 2023. She advised that the RAS was previously presented and approved by the Board in May 2022 and, since then, KPMG have completed two risk-related audits, 1) Financial Risk Management in 2022, and 2) Risk Management Framework (RMF) audit in 2023, and the updated RAS incorporates recommendations made during these audits whilst also considering certain management proposed changes previously discussed at ARC.

The HoRG advised that 3 Key Risk Indicators (KRI) had been removed, as they did not add value, while a new KRI had been added titled "Strategic KRI" to include ESG, as recommended by KPMG. She noted that KRIs had been amended, i.e., 5(d) amended to reflect changes in SBCI's funding model and a new KRI added to track the financial impact of Operational Risk events. **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

IT WAS RESOLVED that the Board approve the updated Risk Appetite Statement as presented.

10.2. Risk Management Policy & Framework

The HoRG presented the updated Risk Management Policy and Framework (RMF) for approval, following recommendation by the ARC at its meeting on 7 June 2023. She noted that the RMF was last updated and presented to the ARC and Board in February 2021 but would propose that this item be reviewed on an annual basis going forward. She advised that the Code of Practice for the Governance of State Bodies required "external review of the effectiveness of the Risk Management Framework should be completed on a periodic basis" and KPMG were engaged to complete this review within their schedule of audits during 2023.

The HoRG confirmed that most of the updates to the RMF were minor but did draw attention to amending the frequency of the review cycle for the Risk Register from quarterly to semi-annually in line with industry standards, while noting that heightened/emerging risks would continue to be reported on a quarterly basis.

IT WAS RESOLVED that the Board approve the updated Risk Management Policy and Framework as presented.

10.3. Credit Risk Policy

The Risk Manager (RM) presented the annual review of the Credit Risk Policy, the proposed changes to which were recommended by the Credit Committee at its meeting on 22 May 2023. He noted that the key changes related to (i) clarity as to the roles and responsibilities under this policy, (ii) a new delegated authority to allow SMT to approve extensions to annual review dates by up to three months and to make other non-material amendments to arrangements with On Lenders (strictly on the basis that all relevant credit facilities are within terms and there is no evidence of financial distress.), (iii) clarity around “Events of Default”, escalation points and timelines, and (iv) other minor wording updates.

IT WAS RESOLVED that the Board approve the updated Credit Risk Policy as presented

10.4. Stress Testing Framework

The RM presented the Stress Testing Framework (STF) for approval, having been previously approved by the Board in April 2020. He advised that the amendments to the STF arose following a review by KPMG as part of the Financial Risk Management internal audit in 2022. He confirmed that the 2023 stress testing exercise would be prepared in line with the financial budget process and reported to the Board in Q3/Q4, 2023.

IT WAS RESOLVED that the Board approve the Stress Testing Framework, as presented.

11. CONSENT AGENDA

11.1. AGM

The Company Secretary (CS) confirmed that planning had commenced for SBCI’s 2023 AGM and several possible dates in July had been shared with the Department of Finance, with a view that the AGM may be attended by the Minister for Finance. As in 2022, the plan is to host an in-person AGM in Treasury Dock attended by the Chair, CEO, Finance Manager/Head of Strategy, Finance and Operations, and Company Secretary – other Board members would not be expected to attend.

11.2. Board Governance File

The CS presented the annual review of the Board Governance File and supporting Appendices for approval, noting that minor amendments/updates had been applied. He noted that the File and Appendices had also been reviewed recently when preparing the Induction Pack for new Board member, Deirdre Donaghy, and that the Appendices were subject to ongoing updates and their own annual review cycles.

IT WAS RESOLVED that the Board approve the annual review of the Board Governance File and Appendices, as presented.

11.3. Credit Committee Appointment

The CS presented, for approval, the appointment of Deirdre Donaghy by the Board to the Credit Committee, to be effective from the date of her appointment as a Board member, i.e., 12 May 2023.

IT WAS RESOLVED that the Board approve the appointment of Deirdre Donaghy to the Credit Committee with effect from 12 May 2023 for an initial term of 3 years and in accordance with the Credit Committee’s Terms of Reference.

12. AOB

The CEO advised that preparations were underway for the Board’s off-site Strategy Day and Board meeting on 7-8 September and hoped that all Board members would be available to attend both days. **THIS ITEM HAS BEEN PARTIALLY REDACTED.** The Chairperson confirmed that details of candidates were due to be shared with the Minister, following recent completion of the interview process, and she would continue to monitor progress.

The Chairperson then brought the meeting to an end.

Barbara Cotter, Chairperson

Date