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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 23 FEBRUARY 2017**

Present:

Conor O'Kelly	<i>Chairperson</i>
Nick Ashmore	<i>(except item 11)</i>
Barbara Cotter	
Tom McAleese	<i>(items 4.1, 6, 8 and 9 to 11 only)</i>
Rosheen McGuckian	
Ann Nolan	
AJ Noonan	
Richard Pelly	
Eilis Quinlan	

In Attendance:

Damien Mulholland	<i>Secretary (except item 11)</i>
Jillian Mahon	<i>Head of Funding and Strategic Initiatives (except items 4.2, 5 and 11)</i>
Ray Mangan	<i>Senior Risk and Finance Manager (except items 4.2, 5 and 11)</i>
Suzanne Sweeney	<i>Head of Lending (except items 4.2, 5 and 11)</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 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 and 15 December 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. COMMITTEES REPORT

4.1. Audit and Risk Committee

The Audit and Risk Committee Chairperson, Tom McAleese, reported on the Committee meeting of 15 February 2017. He noted that the first of three scheduled Internal Audit reviews had commenced and that the Committee had requested that the scope of the remaining reviews be presented at its next meeting.

The Board noted a potential issue pertaining to the audit of the financial statements. It noted that the SBCI had engaged with the Department of Finance to seek a legal opinion from the Attorney General's Office as to whether the Comptroller & Auditor General (C&AG) may be the statutory auditor to the SBCI for the purposes of the CA 2014 and was currently awaiting that opinion. The Board noted the audit timetable and agreed to appoint Deloitte as a second auditor, subject to, it being determined that a second auditor was required, and the SBCI's Constitution being amended to allow for additional auditors. It also agreed that there be an exemption to procurement policy with regard to the appointment of Deloitte for the purposes of the audit.

The Committee Chairperson noted the Committee had reviewed the draft financial statements and that these had been made available in the Board Information reading room on BoardPad. He noted that further to Department of Public Expenditure and Reform clarification in December 2016 on the implementation of the Code of Practice for the Governance of State Bodies (2016), management were proposing to report under the 2009 Code in relation to the 2016 financial statements and apply the 2016 Code for the financial year beginning 1 January 2017. The Board noted the Committee requested management to conduct a Quantitative Impact Survey and that it be presented to the Board in Q2/Q3 2017.

The Committee Chairperson noted that the Committee had reviewed the Risk Register and noted no change to the 'Red' risks. It noted Bank of Ireland was in the processing of returning €50 million of its €200 million loan facility as it could now source cheaper finance. He noted that the Committee approved the Risk Management Plan 2017 and had reviewed the results of its self-assessment. He added that a number of briefing sessions would be arranged for the Committee which was available to all directors.

4.2. Remuneration Committee

Rosheen McGuckian reported on the Committee meetings of 24 October 2016, and 14 and 20 February 2017. She noted that the Committee had recommended the draft terms of reference and

draft remuneration policy to the Board for approval.

4.2.1. Remuneration Committee Terms of Reference and Appointments

The Secretary presented the proposed draft Committee terms of reference. He noted that the terms of reference had been prepared in conjunction with the draft remuneration policy at item 4.2.2 and included comments received from the Remuneration Committee.

The Board reviewed the Committee terms of reference recommended by the Remuneration Committee.

IT WAS RESOLVED that

- (i) The proposed terms of reference for the Remuneration Committee as presented to the Board be approved;
- (ii) Rosheen McGuckian be appointed as Chairperson; and
- (iii) Each member appointed by the Board at its meeting of 8 September 2016 be appointed for a three year term (or until they are no longer a member of the Board, whichever is earlier) with effect from 8 September 2016.

4.2.2. Remuneration Policy

The Board reviewed the draft remuneration policy recommended by the Remuneration Committee. It noted the Financial Emergency Measures of Public Interest Acts on Government and State bodies and that performance related pay was provided for in the remuneration policy but was not for consideration at this time.

IT WAS RESOLVED that the Remuneration Policy as presented to the Board be approved.

The Board noted that the Remuneration Policy would be reviewed once an Oversight Agreement has been finalised between the SBCI and Department of Finance as required under the 2016 Code.

5. RESERVED MATTERS

The Secretary presented proposed amendments to the Schedule of Reserved Matters for Decision by the Board. He noted that the amendments were necessary and mainly took account of the Remuneration Committee terms of reference and the Remuneration Policy.

The Board reviewed the proposed amendments to the Schedule, **IT WAS RESOLVED** that the amendments to the Schedule of Matters Reserved for Decision by the Board as presented be approved.

The Secretary noted that he would write to the Department of Finance informing of the amendments to the Schedule as requested by the Department in its letter of 16 December 2016 with regard to the SBCI's implementation of the Code.

6. CREDIT COMMITTEE

The Board reviewed the proposal to establish a Credit Committee. It noted that the Committee terms of reference proposed no delegations from the Board at this time. The Board noted the Committee had the authority to challenge credit proposals being brought forward by management. It also noted the Committee would comprise of three Board members and two senior staff members from the SBCI or NTMA and that the proposed model had been reviewed by the NTMA Chief Risk Officer. The Board requested that the terms of reference be amended to require at least one non-executive member of the Committee to have recent and relevant credit experience. Subject to this amendment, **IT WAS RESOLVED** that:

- (i) In accordance with Section 18(d) of the Articles of Association, a Credit Committee be established with effect from 24 February 2017;
- (ii) The proposed terms of reference for the Credit Committee as presented to the Board be approved; and
- (iii) Richard Pelly be appointed Chairperson of the Committee and Rosheen McGuckian, Nick Ashmore and Ray Mangan, be appointed members of the Committee, each appointment for a three year term (or until they are no longer a member of the Board or SBCI or NTMA staff, whichever is earlier) with effect from 24 February 2017.

The Board noted that the Committee would revert in due course with a recommendation for a second staff member on the Committee.

7. CEO REPORT

The CEO presented his Report. He updated the Board on a range of matters. It was noted that the Agri-loan scheme loan approvals were moving at pace, with the average loan size of €28,000 and the most common applicants where in the beef and dairy sectors. The CEO noted that the team were working with Government and EU stakeholders on an export working capital guarantee. He noted the organisation had adjusted its team structure to include a number of cross functional collaboration groups in order to be able to deliver on its objectives with regards to research, operations and marketing.

The Board reviewed the CEO Report and noted the 2016 Outturn showed a positive year for the SBCI. It also noted the lending pipeline and that a number of proposals were expected in the coming weeks. The Board noted that the Credit Guarantee Scheme (CGS) 2017 was in active development and that the Funding and Strategic Initiatives and Operations teams were working with the Department of Jobs, Enterprise and Innovation to bring this to market once the revised arrangement had been formalised with the participating banks.

8. SME CREDIT MARKET - IRELAND

The Head of Lending presented a paper on the current composition of the Irish SME Credit Market and noted that SBCI's participation in the overall lending market stood at 6%.

The Board reviewed the paper and noted the overview it provided of the Irish SME credit market. It also noted that in relation to SBCI funding, no concentration limits on any SME credit market segment were proposed at this point.

9. STRATEGIC PLAN 2017 - 2018

The CEO presented the draft strategic plan 2017-2018 to the Board for review. He noted that the Plan included comments received from the Board at its December meeting. He also noted that the Plan, would be submitted to the Minister for Finance before being brought back to the Board for approval, once any comments the Minister may have are reflected.

The Board reviewed the draft strategic plan 2017-2018. It requested that a financial objective and team development objective be added to the 2017 organisational objectives in the Plan before it was sent to the Minister.

10. AOB

There were no items under AOB.

11. PRIVATE SESSION

The Board met in private session. This item was minuted separately.

Conor O'Kelly
Chairperson

12 April 2017