

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 AT
JOHNSTOWN ESTATE, ENFIELD, CO. MEATH,
AT 9:00AM ON 8 SEPTEMBER 2023

Present:

Barbara Cotter	<i>Chairperson</i>
June Butler	<i>CEO</i>
Ian Black	
Eilis Quinlan	
AJ Noonan	
Marguerite McMahon	
Tom McAleese	
Richard Pelly	
Deirdre Donaghy	

In Attendance:

Margaret Concannon	Head of Risk & Governance
Suzanne Sweeney	Head of Strategy, Finance & Operations
Sean Farrell	Head of Products, Research & Marketing
Colin Moran	Head of Lending
Claire Young	Business Support Specialist
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 of the Board of Directors (the “**Board 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 any of the Board Members in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

3.1. THIS ITEM HAS BEEN REDACTED IN FULL.

3.2. CORRECTION OF MINUTES OF MEETING OF 25 OCTOBER 2022

The CS presented a correction to the minutes of the meeting of 25 October 2022 for approval. He advised that the minutes, which had been approved by the Board at its meeting of 1 December 2022, contained a statement in response to a query raised by the Board “whether individuals, who had set up self-administered pension funds to own the property, could qualify” under the terms and conditions of the Retrofit Loan Guarantee Scheme. In response the Head of Products, Research and Marketing (HoPRM) had clarified that “non-corporate landlords would not be eligible”, however, the CS advised that this should have read “corporate landlords would not be eligible”. This error was identified during a batch review of approved Board minutes for the purposes of publication to the SBCI website and is being corrected to address any potential future misunderstanding of the terms and conditions of the Retrofit Loan Guarantee Scheme.

IT WAS RESOLVED that the Board approve the correction to the minutes of the meeting of 25 October 2022 as presented.

4. AGM 2023

The Chairperson (CP) updated the Board re the SBCI Annual General Meeting held in Treasury Dock on 12 July 2023. She noted that the Minister for Finance had attended the AGM in person, accompanied by representatives from the Department of Finance, while she had represented SBCI along with the CEO, Head of Strategy, Finance and Operations (HoSFO), HoPRM and CS.

The CP confirmed that she had shared an update on the Board’s activities during 2022, including the review of SBCI’s 2020-2025 Strategy, and had highlighted SBCI’s digitisation journey. She also shared details of changes to Board composition and succession planning undertaken for 2023-2024.

The CP confirmed that the 2022 Financial Statements were presented by the Head of Strategy, Finance and Operations and she noted that, in response to the updates and financial statements, the Minister had enquired into the operating model, the level of discounts typically passed on to the SME, bad debt experience and income model. She advised that the Minister also enquired into the commercial impact of SBCI products for On Lenders and the visibility of SBCI products to SMEs via On Lenders.

The CP confirmed that each of the Minister’s points were responded to in detail, following which the CEO shared a business update. The CP confirmed that the Minister acknowledged the significant level of support that has been provided to SMEs by SBCI, that he welcomed the plans to launch the GSLS later in 2023, and he looked forward to the finalisation of the terms of the Retrofit Loan Scheme. The CP advised that the CEO thanked the Minister for his support, in particular his attendance during SBCI’s recent visit to Fexco, who are a key Service Provider and On Lender for SBCI. The CEO also thanked the Department of Finance team for their support and positive engagement.

5. ARC REPORT

The Chair of the Audit and Risk Committee presented an update to the Board, for noting, following the meeting of the ARC held on 31 August 2023, the draft minutes of which had been shared. He advised that the update from Internal Audit focussed on the “Customer Hub” audit which had been completed recently. He noted that SBCI had requested the audit and feedback received was valuable and would provide a basis for future IT projects undertaken by SBCI. The HoSFO noted that a Project Manager was due to be appointed shortly with responsibility for the Hub.

The Chair of the ARC discussed the C&AG Management Letter and the findings recorded, the details of which were well known to the Board. He noted the Operational Event updates and acknowledged that the level of reporting of events reflected a healthy risk culture. Finally, he noted the initial reports presented by our new service provider for On Lender Reviews, PwC, and acknowledged their high quality and professional engagement with the SBCI.

The Board discussed the KRI’s per the Risk Dashboard presented to the ARC and challenged whether the basis for calculation of concentration limits should be reviewed as BAU events, such as On Lenders making out-of-course repayments of their liquidity facilities, triggered pressure on the KRI. The Board suggested that, for example, an internal “rating” approach may achieve a more balanced risk picture as the current calculation may be too blunt. The Chair of the ARC indicated that it may be helpful for a “sub-committee” to work together to address this challenge and the Head of Risk and Governance (HoRG) agreed to take this forward. **[Matter Arising]**

6. CEO REPORT

The HoPRM provided an update re the Retrofit Loan Guarantee Scheme (RLGS), including discussions held with the Dept. of the Environment, Climate and Communications (DECC) and the Dept. of Public Expenditure and Reform (DPER). He advised that approval was anticipated by c.20th September and a fresh Open Call process would be required, which may result in new applicants, not featuring in the original Open Call, requiring consideration. The Board discussed the planned interest rate subsidy and the operational impact for SBCI and the HoSFO advised that the process would be similar to the legacy SBCI Agri Loan Scheme which required a quarterly recalculation of the model to determine the level of rebate.

The HoPRM advised that the interest rate applicable to the RLGS would be close to house mortgage rates. The Board discussed the expected demand for the product, the key role of the “One Stop Shops” and, **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The Head of Lending (HoL) provided an update re the GSLS, advising that BoI plan to launch mid-September, focussed initially on green lending, and AIB are expected to follow mid-November per their IT schedule, with other On Lenders to follow in due course. The CEO confirmed that there has been positive interest in the GSLS pre-launch.

THIS ITEM HAS BEEN PARTIALLY REDACTED.

The CEO confirmed that work was ongoing re SBCI’s plan for 2024, including budget, capacity planning and risk assessment, and would be presented to the December’s Board meeting for approval. The Board confirmed its support for additional resources noting the appetite to engage with new On Lenders and introduce new schemes while managing the existing portfolio. The Board acknowledged the challenge of the current interest-rate market and ability of some On Lenders to access funding elsewhere at close to SBCI interest rates. The Board discussed some of the new potential On Lender opportunities, particularly some niche lenders that the SBCI has held exploratory talks with.

The Board discussed the legacy SBCI model transitioning from liquidity to mainly risk-sharing products and challenged whether a combined product may be developed. The HoSFO advised that this may

present issues from a State Aid perspective, but that options will be investigated as part of the ongoing development of the product roadmap. The Board noted that De Minimis rules were currently being reviewed and may result in stricter terms and conditions being applied.

7. FINANCE ITEMS

7.1 INTERIM FINANCIAL STATEMENTS

The HoSFO presented the Interim Financial Statements, which had been presented to the ARC on 31 August 2023, for noting. She identified the drivers for the key variances from 30 June 2022 to 30 June 2023 and compared the 30 June 2023 outcome with the budgeted position. The Board noted the extensive commentary recorded per item 4 “Other Liabilities” being amounts payable under the various schemes and the HoSFO confirmed that this was based on the detailed invoicing process in place.

The Board noted the cash balance of €43m as at 30 June 2023 and enquired into options for its use. The CEO confirmed that SBCI had paid down the EIB in the past (€16m repaid in H1, 2023) and was considering the next repayment, while noting that SBCI was obliged to retain a minimum amount in cash on the balance sheet. In the meantime, SBCI earns an income from the cash balance being on overnight deposit.

8. GOVERNANCE ITEMS

8.1. GOVERNANCE AND CULTURE UPDATE

The HoRG presented, for noting, an overview of SBCI’s governance and culture, prompted by discussions at the ARC meeting on 31 August 2023. She drew attention to the range of controls in place within SBCI, including annual reporting processes, attestations, the Code of Practice for the Governance of State Bodies, and the Code of Conduct applicable to SBCI staff. She noted the key roles of units of the NTMA, including Finance, Legal, Compliance and others, providing support services, each of which are subject to frequent engagement and regular review, including annual review of the SLA. The HoSFO also noted that Finance audits, for example, looked beyond SBCI to ensure that relevant operations of supporting Finance units within NTMA are captured within scope.

The Board agreed that this is a particularly important area and thanked the HoRG for sharing this summary.

8.2. DRAFT CULTURE DASHBOARD

The CS presented a paper, for discussion, advising the development of a Culture Dashboard for the SBCI, following on from a recommendation by Board Excellence in their Board Evaluation report, and sought feedback from the Board in respect of the preferred content of such a dashboard. He noted the variety of approaches to Culture Dashboards applied by different organisations, depending on their size and area of the financial services sector, and suggested that SBCI focus on the key areas of People, ESG, Values and Risks, drawing on data that is either already available and/or can be easily collated.

The Board suggested reviewing templates from similar bodies, e.g., IBEC, as well as European financial institutions. The Board noted that the Culture Dashboard should provide evidence that the SBCI is operating in line with its strategy, e.g., metrics re gender balance and diversity should align with statements per SBCI's Annual Report. The CEO noted that, through her role with the International and Multicultural Awareness Team, the NTMA is a diverse organisation. The HoRG noted that learnings from the Risk Survey, due to be undertaken in the coming weeks, should also contribute towards the Culture Dashboard.

The CS confirmed that an initial draft of the Culture Dashboard would be developed based on feedback and research, and this would be presented to the Board at the December meeting for review and approval. **[Matter Arising]**

9. CONSENT AGENDA

9.1. CREDIT COMMITTEE TERMS OF REFERENCE

The CS presented the updated Credit Committee Terms of Reference, for approval, as it contained amendments to align with the Credit Risk Policy which had been updated and approved by the Board at its meeting of 15 June 2023. He advised that the key changes impacted section "8. Delegated Authority from the Board".

IT WAS RESOLVED that the Board approve the updated Credit Committee Terms of Reference as presented.

9.2. RISK APPETITE STATEMENT

The HoRG presented the updated Risk Appetite Statement (RAS) for approval. She noted that the RAS had originally been presented to the ARC and approved by the Board on 15 June 2023, however, it had omitted a recommendation of the Risk Management Framework internal audit to include a KRI for Third Party Risk. She confirmed that this updated version added the new KRI to track the reviews of outsourced Third Parties and is recommended for approval by the ARC following presentation to the ARC meeting on 31 August 2023.

The Board noted the update and took the opportunity to discuss the "cautious" level of SBCI's risk appetite, comparing it to ISIF's "open" stance to risk and reward. The CEO noted this feedback and agreed that it would be considered when working through future credit papers. The Board suggested focusing on NPI models in place in France and Denmark as good examples, and linking up with the EIB with a view to re-locating a SBCI resource there on a temporary basis to gain insights into amending risk appetite.

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

10. AOB

The CP updated the Board on succession planning for 2023/2024, setting out the proposed appointment dates for those incoming Directors, both in terms of their Board and Committee memberships, and whose nominations will be confirmed by the Minister for Finance. She acknowledged the need for continuity within the Committees and noted that, while some overlapping periods would have been preferred, as the number of existing Board members was at its limit, it was not feasible to appoint a new Director without an existing Director stepping aside to open up a vacancy.

The CP noted the excellent level of candidates who had expressed an interest in the Director roles and **THIS ITEM HAS BEEN PARTIALLY REDACTED.**

The CEO confirmed that the CS would be in contact with the incoming Directors shortly to plan their induction, noting that the first two new Directors are due to be appointed with effect from 12 December 2023, with the remaining new Director to be appointed on 29 February 2024. The CS confirmed that he had been in contact with the Department of Finance on the matter and advised that publicity around each of the appointments would not be issued until closer to the respective appointment dates.

There being no other business, the Chairperson then brought the meeting to an end.

Barbara Cotter, Chairperson

Date