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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
ON 19 MAY 2016 AT 13:00**

Present:

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

In Attendance:

Damien Mulholland	<i>Secretary</i>
Ray Mangan	<i>Senior Risk and Finance Manager</i>
Jillian Mahon	<i>Head of Funding and Strategic Initiatives</i>
Philip O'Sullivan	<i>Senior Legal Advisor, NTMA</i>
Suzanne Sweeney	<i>Head of Lending</i>
Ian Black	<i>Chief Financial and Operating Officer, NTMA ("CFOO") (Item 1 to 5 only)</i>
John Madigan	<i>Marketing Manager (Items 7 to 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 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 25 February 2016 and 5 April 2016 had been circulated to the Board in advance of the meeting. **IT WAS RESOLVED** that the 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 11 April and 12 May 2016. He said the Committee had reviewed the system of internal financial control, the financial statements and the letters of representation and was recommending the Statement of Internal Financial Control, the financial statements and the letter of representation to the Board (these matters would be considered separately under Agenda Item 5).

5. ACCOUNTS AND ANNUAL REPORT

5.1. Statement of Internal Financial Control, Financial Statements, and Letter of Representation

The Senior Risk and Finance Manager presented a paper on the review of the effectiveness of the system on internal financial control. He noted that the Audit and Risk Committee had reviewed and was satisfied as to the effectiveness of the system at its meeting of 12 May. The Committee had recommended that the Statement of Internal Financial Control be included in the financial statements.

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

The CFOO (NTMA) presented the draft financial statements for the period ended 31 December 2015 noting that they had been reviewed by the Audit and Risk Committee and recommended for Board approval.

The Board reviewed the draft financial statements. **IT WAS RESOLVED** that the financial statements for the period ended 31 December 2015, as presented to the Board, be approved.

The Senior Risk and Finance Manager presented the draft letter of representation for the period ended 31 December 2015, noting that the letter of representation had been recommended by the Audit and Risk Committee.

The Board reviewed the draft letter of representation. **IT WAS RESOLVED** that the letter of representation for the period ended 31 December 2015, as presented to the Board, be approved.

5.2. Annual Report

The Company Secretary presented the draft report for the period ending 31 December 2015.

The Board reviewed the draft report and discussed the potential timing of its launch and the process for presenting to the Minister and laying before the Houses of the Oireachtas. The Board, having

noted this being the Company's first report, instructed the Company Secretary to liaise with the Department of Finance to confirm this process.

IT WAS RESOLVED that the Report for the period ending 31 December 2015 be approved, subject to any further non-material changes as may be agreed by the Chief Executive Officer.

5.3. Section 13(1) Report to the Minister for Finance

The Board noted the draft letter prepared for the Chairperson's signature in respect of the separate report required under Section 13.1 of the Code of Practice for the Governance of State Bodies.

6. Conversion to DAC / Update of Articles of Association

The Company Secretary presented a proposal to convert the SBCI to a designated activity company (DAC). Also included in that proposal were changes to the Memorandum and Articles of Association (M&A). He noted that since the circulation of the proposal to the Board, the Department of Finance had provided its formal response to the proposal with only minor observations on the proposed changes to the M&A which he recommended the Board accept.

The Board considered the proposal. **IT WAS RESOLVED** to:

- (i) recommend to the Minister for Finance that the Company be converted to a DAC; and
- (ii) approve the amendments to the Memorandum and Articles of Association as presented to the Board, subject to the written approval of the Minister.

7. CEO Report

The CEO presented his report to the Board. He said the good progress had been made by on-lending partners in increasing loans to SMEs, noting their performance would continue to be assessed by SBCI management. He noted the launch of the SBCI's partnership with First Citizen since the Board meeting of 5 April. It was expected that the launch of SBCI's partnership with Bibby Financial Services would take place in June/July.

The Head of Lending updated the Board on the current status of the on-lending pipeline. The Board noted that all current funding had been allocated and any new on-lending proposals would require additional funding being put in place.

The Head of Lending updated the Board on discussions with FEXCO Asset Finance (FAF) regarding the on-lending agreement currently being negotiated. The Board requested that management revert to it prior to the finalisation of this agreement.

The Senior Risk and Finance Manager summarised the changes in risk profile since the Board meeting of 25 February.

8. Focus Group Response Presentation

The Marketing Manager presented the results of a focus group review into the understanding and attitudes of Irish SMEs to business lending.

The Board noted the findings of the focus group review, including SME concerns and aspects which SMEs consider important.

9. Risk Sharing Initiative

The Head of Funding and Strategic Initiatives presented an update on the SBCI's strategy to deliver risk sharing products to the Irish market.

The Board noted the current status of the initiative and requested a further update at its September meeting.

10. This has been redacted.

11. Funding – Revised FDM Funding Resolution

The Senior Legal Advisor (NTMA) noted that at its meeting on 1 October 2015 the Board approved the entering into a €250 million funding arrangement by means of a loan note facility with the National Treasury Management Agency (NTMA). The Minister had since requested that the SBCI counter indemnify him in exchange for the guarantee.

The Board considered the Minister's request. **IT WAS RESOLVED** that:

- i. the SBCI counter-indemnify the Minister for Finance, on terms to be agreed by the Chief Executive, in relation to the Minister's obligations under the Guarantee, subject to legal review; and
- ii. in accordance with Article 21 of the SBCI's Articles of Association, the seal be affixed to any instrument, deed or document required to give effect to the counter-indemnity to the Minister.

12. AOB

The CEO noted he proposed to present to the Board on a SBCI remuneration policy, and possibly remuneration committee at its September meeting.

The Company Secretary said that he would be arranging a meeting with the Department of Finance in early July to discuss their comments regarding the SBCI's adoption of the Code of Practice for the Governance of State Bodies before reverting to the September Board meeting.

There being no further business the Chairperson brought the meeting to a close.

Conor O'Kelly
Chairperson

8 September 2016