

MEETING HOME BUILDING FINANCE IRELAND (THE “COMPANY”)

**MINUTES OF A MEETING OF THE BOARD OF
DIRECTORS OF THE COMPANY (The “Board”)
DULY CONVENED, CONSTITUTED AND HELD AT 10.30 am on
Thursday 13th May 2021 per videoconference due to Covid-19 restrictions.**

PRESENT: Marie Collins (Chairperson)
Dara Deering (CEO)
Andrew O’Flanagan
Claire Solon
Ken Slattery
Grainne Hennessy
Des Carville

APOLOGIES None

IN ATTENDANCE Michael Broderick, Chief Commercial Officer, HBFI.
Sean Alger, Head of Credit and Risk, HBFI.
Denise Donovan, Head of Operations and Finance (item 14 only)

Caroline Ensor, Company Secretary

1. NOTICE AND QUORUM

It was noted that notice of the meeting and of the nature of the business to be conducted had been given to all directors entitled to attend the meeting and that a quorum, being four directors, was present in accordance with the Company’s Articles of Association (the “**Articles**”). It was further noted that all the directors present were, pursuant to the Articles, entitled to vote and be counted in the quorum. The meeting then proceeded to business.

2. LIMITATIONS TO THE NUMBER OF DIRECTORSHIPS AND RESIDENCY REQUIREMENTS UNDER THE COMPANIES ACT 2014

It was noted that pursuant to Section 137 of the Companies Act 2014 (as amended) (the “**Act**”), at least one of the directors of the Company is resident in a Member State of the European Economic Area and that no director present individually held more than twenty-five directorships for the purposes of Section 142 of the Act and was therefore eligible to vote on all board resolutions brought before the meeting.

3. DISQUALIFICATION AND RESTRICTION ORDERS AND UNDERTAKINGS

Those directors present each declared that they were not the subject of any declaration, order or deemed order for disqualification or restriction under the Act including Part 14, Chapters 3 and 4 and had not received any notice under that Part of the Act including any notice concerning a disqualification or restriction undertaking under Part 14, Chapter 5.

4. DECLARATIONS OF INTEREST

In accordance with section 231 of the Companies Act 2014, and the Constitution of the Company, and, for the purposes of Section 5.8 (ii) of the Code of Practice for the Governance of State Bodies 2016, there were no material interests declared by the directors present at the meeting in the business to be transacted at the meeting which would preclude them from participating in the meeting and forming part of the necessary quorum.

5. MEETING MINUTES AND MATTERS ARISING

It was resolved that the minutes of the Board meeting held on 14th April 2021 be approved as presented.

6. CONFIRMATION IN RELATION TO RESERVED MATTERS

The Company Secretary confirmed to the Board that the Executive Management Team of HBFI (“the EMT”) is satisfied that all reserved matters which require consideration by the Board have been brought to the Board’s attention.

7 & 8 CEO UPDATE, and 2 YEAR REVIEW.

The CEO advised the Board she would present items 7 and 8 together and opened with the Minister’s Two-Year review of HBFI.

She advised that the 2-year review of HBFI had now concluded and that Management’s assessment of same was that it was largely positive and concludes there remains a need for HBFI in the market. She summarised the recommendations as follows: HBFI should (i) continue assessing the market with a view to identifying where gaps may exist and how HBFI can respond to support the increase in the supply of new homes, and (ii) continue to be mindful of the changing financial services landscape particularly in light of recent announcements.

In relation to HBFI’s strategy, the CEO reminded the Board that they had requested a review of the strategy and this would commence in September 2021 with any agreed changes incorporated into the rolling 5-year business plan in early 2022.

She referred to the ongoing debate on institutional investors in the marketplace and said that Management’s view and those of key stakeholders is that that institutional investors continue to play an important role in respect of multi-unit developments.

HBFI’s launch of the momentum fund was to ensure that supply of new homes was not interrupted due to a lack of availability for funding given Covid-19 and while HBFI continues to support PRS schemes our strategy and management’s focus is very clear in our desire to continue to also support small to medium sized builders and this is reflected in the number of new approvals to this cohort.

The Board had a general discussion in relation to the 2-year review, HBFI’s strategy and recent media coverage.

- The Board agreed that the purpose of having a review of HBFI every 2 years was to ensure there was an ‘exit’ if there was no need for HBFI. The Board noted the review confirmed that HBFI was still required and this intervention had clearly worked thus far. There was a broad range of stakeholders consulted as part of the stakeholder consultation process and their comments have been noted.

- In relation to recent media commentary regarding PRS, it was pointed out that HBFI is a lender and that customers' exit strategy for the built units is not a decision for HBFI and that the Board would continue providing funding for housing, as per its statutory remit.

The Board reiterated that HBFI should ensure there is clarity that small and medium sized builders are being catered for, despite the higher risks involved with such proposals. **THIS ITEM HAS BEEN REDACTED IN PART**

In relation to the exit of Ulster Bank, the Board is very aware there will be one less supplier of funding and noted this would all be considered in strategy review which will commence in September.

At that point Claire Solon joined the meeting with apologies for being delayed.

THIS ITEM HAS BEEN REDACTED IN PART

The CEO sought Board approval to seek an extension of the Momentum Fund by 6 months, given sites have been closed for the early part of 2021.

The CEO's update was NOTED by the Board and furthermore in relation to the Momentum Fund IT WAS RESOLVED to APPROVE that Management engages with the Department of Finance to seek agreement to extend the terms of the Momentum Fund as follows, and should such agreement be forthcoming, to undertake the preparatory work required to effect such changes to be presented to the Board for approval;

THIS ITEM HAS BEEN REDACTED IN PART

9. BUSINESS UPDATE

The Chief Commercial Officer, ("CCO") had pre-circulated the business update. He advised that in relation to Stakeholder engagement, the targeting of the South East had concluded with good interactions and contacts for the future.

He confirmed that two additional credit proposal have been approved since his business update paper issued to the Board, and that in total HBFI has approved 52 facilities and just over half a billion in funding.

The Chair invited questions. A Board Member asked if HBFI is monitoring construction cost increases and the CCO advised HBFI is monitoring this closely. Another Board Member requested that in future the data in Annex 1 be broken down into 'active' or closed'. The Board requested that the CCO keep the Board updated on the rolling regional plan for stakeholder engagement. The CCO advised he would do so and that the Mid West, with an emphasis on Limerick would be targeted next.

The business update was NOTED by the Board.

10. ANNUAL PRESENTATION FROM THE CREDIT AND RISK TEAM

The HoCR had pre-circulated his paper, and highlighted the following:

- i. HBFI has established a strong risk culture and framework, demonstrated by the outcomes of 2 C&AG audits and 3 internal audits **THIS ITEM HAS BEEN REDACTED IN PART**

- ii. **THIS ITEM HAS BEEN REDACTED IN FULL**
- iii. **THIS ITEM HAS BEEN REDACTED IN FULL**
- iv. The HoCR advised that the Credit & Risk Team is comprised of the Credit Team, Viability and Monitoring Team (VMT) and an Audit & Risk Manager. He described the mix of skills in the Credit & Risk Team, which includes a new Senior Credit Manager as a complimentary mix of skills and experience.

In the subsequent Board discussion, it was noted that HBFI will always have some level of concentration risk as lending is limited to development funding in the domestic residential property market. The HoCR agreed but stated that some diversification can be achieved through the mix of loans spread across the range of credit grades **THIS ITEM HAS BEEN REDACTED IN PART**

The annual presentation from the HoCR was NOTED by the Board.

11. POLICIES FOR APPROVAL

The Company Secretary presented the scheduled review of the following two documents:

- (i) Other Appointment Procedure for Board & Committee.
The Company Secretary advised that although procedures are generally not required to be brought this procedure was required to be approved by the Board given its subject nature. The Company Secretary advised there were no material changes proposed and the Board RESOLVED to APPROVE the review of the HBFI Other Appointments Procedure for Board and Committee as presented.
- (ii) Travel Expenses Policy for Members of the HBFI & HBFIL Boards and Committees
The Company Secretary advised that no material changes were proposed, and the Board RESOLVED to APPROVE the review of the Travel Expenses Policy for Members of the HBFI & HBFIL Boards and Committees as presented.

The HoCR presented the HBFI Appeals Policy for Review.

He advised the Board that this Policy was first approved two years ago prior to the appointment of the full Board and had been given thorough discussion and consideration when it was originally adopted. He summarised the three main points as follows:

- (i) It was agreed at the time the Policy was originally approved that while it is preferable to have an Appeals Policy, there is no statutory requirement or other obligation for HBFI to have such a policy.
- (ii) The Appeals Policy does not provide for the appeal of a credit decision, only of the process of a credit decision.
- (iii) It was also agreed at the time the Policy was originally approved that there should be an option to appeal externally.

The HoCR advised that in short, if a borrower wants to appeal the process surrounding a decision, the EMT appoint an EMT member who is independent of the original decision to review the process, and where that process is exhausted, there is a further option to have the process reviewed externally by an independent member of a group of Appeals Review Officers.

A Board member asked if the use of the Credit Review Office was considered and the HoCR advised that

there is no legislative basis for HBFI to use that office.

It was resolved to APPROVE the review of the HBFI Appeals Policy.

12. RISK

The HoCR presented the following 3 risk reports:

- (i) Risk Appetite KPIs
The HoCR advised there are no changes since last reviewed by the Board.
- (ii) Credit Decisions Report
The HoCR advised that two more credit proposals have been approved since the circulation of board papers and will be included in the next report to the Board.
- (iii) Account Review Schedule
One review will take place at the HBFIL Board meeting immediately after this and there are two more reviews due this month, both of which will be presented to the EMT Credit Committee.

In relation to the General Risk update the HoCR advised of three emerging risks;

- (i) Cost increases and potential supply chain issues resulting from Covid -19 and Brexit. He advised that Covid-19 reviews are in the process of being carried out on all drawn loans to establish any change in the risk profile of these loans.
- (ii) Developments in the PRS space including those relating to potential changes to taxes and planning.
- (iii) Term extensions. The HoCR advised that these were not required as a result of the first Covid-19 site closures but were now likely to be required on some loans. This will be determined as part of the Covid-19 reviews.

The Risk update was NOTED by the Board.

13. WRITTEN REPORT FROM ARC MEETING OF 24.03.21.

The Chairperson of the Audit and Risk Committee presented a written report from the Audit and Risk Committee meeting held on the 24.03.21, which had two items only on its Agenda, namely (i) HBFI Financial Statements and Annual Report, HBFI(L) Financial Statements and Letter of Representation for HBFI and HBFI(L) and (ii) Employee speak up.

The written report was NOTED by the Board.

14. FINANCIAL REPORTING Q1 2021.

The Head of Operations and Finance (“HoOF”) joined the meeting and summarised the financial position for Q 1 2021 **THIS ITEM HAS BEEN REDACTED IN PART**

The Financial Report for Q1 2021 was NOTED by the Board and the HoOF left the meeting.

15. AOB

Two matters were raised under AOB.

- The CEO asked the Board for confirmation that the confidential minutes from a private session held on 14th April 2021 that she had circulated to the Board were approved, and the Board agreed to APPROVE those minutes as circulated.
- A Board member enquired if there was a plan for the launch of Annual Report 2020. The CEO advised that this launch would occur towards the end of May, following consultation with the Department of Finance.

CLOSE

There being no further business the meeting then terminated.

Chairperson