

MEETING OF 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 10.15 am on
Wednesday 8th September 2021 at 11am per videoconference due to Covid-19 restrictions.**

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

APOLOGIES Grainne Hennessy

IN ATTENDANCE Michael Broderick, Chief Commercial Officer, HBFI.
Sean Alger, Head of Credit and Risk, HBFI.
Denise Donovan, Head of Operations and Finance, HBFI (items 9-14)
Thomas Kearns, Senior Credit Manager (item 12)

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 30th July 2021 were approved subject to minor non-substantive changes.

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. HBFI STRATEGIC PLAN 2022-2026, PROPOSED APPROACH

The CEO presented the proposed approach to this year’s Strategic Review. She brought the Board’s attention to slide 5 with strategic questions that have been raised by the Board and Stakeholders to be answered as part of this review. She advised that engagement with stakeholders will continue over the coming months and that further check in points will take place with the Board before the strategy day in January 2022.

The Chairperson opened up this strategic review discussion for questions.

The Board requested an analysis on a number of areas.

- An analysis that demonstrates the ongoing market requirement for HBFI as a lender in the residential construction sector.
- What future funding requirements could be to meet a gap in the market that HBFI would fill.
- The new Housing for all Strategy and in particular the new 20% of units requirement on the new social housing requirements (previously 10%) and any impact on existing proposals to be considered.
- The learnings gained from EOIs or applications that have not progressed.
- The board asked for an analysis in relation to execution of loan applications and conversion rates and if there is a gap between where we are and where we should be and what would be the key enabler to improve.

The CEO advised that all of these items would be considered and incorporated into the external and internal analysis as part of the strategic review.

The Board agreed to APPROVE the proposed process and approach for this year’s Strategic Planning Process including the timelines contained therein.

8. BUSINESS UPDATE

Michael Broderick, Chief Commercial Officer (“**CCO**”) provided the Business Update in line with papers pre-circulated to the board. He advised of ongoing issues with increasing construction costs and skill shortages.

In relation to business development, he brought the Board’s attention to slide 2 where the focus on regional development for Q3 and Q4 were outlined.

A discussion followed in relation to the conversion rate from EOIs and applications into approved loans. The CEO advised that this conversion rate is monitored and is improving marginally but will be looked at in the context of the strategic review.

THIS ITEM HAS BEEN REDACTED IN PART

The Board NOTED the Business Update.

9. STRATEGIC KPIS & UPDATE ON 2021 RE-FORECAST

Denise Donovan, Head of Operations and Finance (“**HoOF**”) joined the meeting to present this update to the Board.

She reminded the Board that at its June meeting a reforecast for 2021 was approved and that the main changes from the original budget reflected the impact of Covid-19 site closures on loan book growth. At that June meeting, the Board had requested a brief update at the September meeting on how we are tracking against that reforecast. The HoOF advised the present update to be a summary of the position to 31st July 2021.

She provided details on the position in relation to net receivables, operating costs and the equity position. **THIS ITEM HAS BEEN REDACTED IN PART**

The Board NOTED the Update on strategic KPIs and on the 2021 Reforecast.

10. ANNUAL PRESENTATION FROM THE OPERATIONS AND FINANCE TEAM

The HoOF presented this item, bringing the Board’s attention to slide 2 providing details of internal and external audit, tax, compliance and critical third party reviews that occurred, or were received, thus far in 2021.

In slides 3 and 4 of her presentation, she gave the board an overview of the trends in relation to portfolio growth and some graphical insights into the impact of Covid 19 on the portfolio from an operational perspective, i.e. the delay on drawdowns post reopening is sites is noticeable. She advised that July and August 2021 were looking strong.

The Annual Presentation from the Operations and Finance Team was NOTED by the Board.

11. REVIEW OF NTMA AS SERVICE PROVIDER

The HoOF confirmed to the Board that she and the CEO had recently attended the annual

performance review with the NTMA, as a key service provider to HBFI, and no issues were raised. **THIS ITEM HAS BEEN REDACTED IN PART**

She brought the Board's attention to the costs per slide 2 of her presentation. She advised that the NTMA will be notifying the proposed costs for 2022 in the next month and these will be notified to the Board as part of the Budget process in December.

No queries were raised and the Annual Review of NTMA as a key service provide for HBFI for 2021 was NOTED by the Board.

12. RISK

Thomas Kearns, Senior Credit Manager HBFI ("**SCM**") joined the meeting. The Head of Credit and Risk ("**HoCR**") presented the following risk reports:

- i **Loan Portfolio Report**
THIS ITEM HAS BEEN REDACTED IN FULL
- ii **Risk Appetite KPIs**
The HoCR brought the changes to the format of this report to the Board's attention.
- iii **Credit Decisions Report**
The Board noted the contents of this report.
- iv **Account Review Schedule**
The HOCR advised that all account reviews are up to date.
- v **Report on Market Trends**
The SCM presented this report and noted the key issues as follows:
 - Prices being achieved by new units are now 6.5% above pre-covid levels and prices in the second-hand market have seen an increase of 9% nationally.
 - Site closures coupled with a retraction in units being listed on the second-hand market has had a significant impact on supply and the national stock levels. National stock is currently at 12k units available nationwide, down 50% in the past 18 months.
 - Q2 Planning permissions are not yet published however Q1 numbers were down 30% on Q4 2020 as a result of site closures causing uncertainty in the market.
 - The number of commencement notices issued in Q2 were 67% higher than any other quarter since 2008 and were over 4 times that issued in Q1. This indicates the level of projects which were put on hold as sites were closed due to Covid 19. 40% of these units were within Dublin.
 - Mortgage approvals remain strong.
 - Construction costs for materials and labour are showing increases due to the global supply chain constraints.
 - The national rental stock is currently at its lowest level on record with just 2,400 units available nationwide.

The Board noted this and the SCM left the meeting.

vi **Oversight of EMT Credit Committee**

The HoCR confirmed that this quarterly review of all credit papers approved by the EMT Credit Committee had been completed by the Senior Audit and Risk Manager, and that no issues were identified. 2 new loan proposals and 3 amendments to existing approvals were heard by the EMT during the period.

vii. **PA Transaction Policy for Board members deferral.**

The HoCR advised the Board that the annual review of the Personal Account Transaction Policy for members of the HBFI & HBFI(L) Boards and Committees falls due this month. Per his paper, he requested a deferral of this review until November's Board meeting due to the fact that work is currently ongoing on some proposed changes to the NTMA's Staff PA Transaction policy and restricted securities list which may have an impact on the equivalent policy for Boards & Committees. The deferral is requested to align the review of these related policies.

The Board agreed to APPROVE the deferral of the review of the Personal Account Transaction Policy for members of the HBFI & HBFI(L) Boards and Committees

13. IMPAIRMENT ASSESSMENT H1 2021

The HoCR presented the Impairment Assessment for H1 2021. He advised the Board that this assessment had been presented to and fully considered by the HBFI Audit and Risk Committee (the "ARC") at its meeting on the 06.09.21, where it was agreed to recommend it to the Board for Approval.

THIS ITEM HAS BEEN REDACTED IN PART

IT was RESOLVED to APPROVE the Impairment Assessment for H1 2021.

14. INTERIM FINANCIAL STATEMENTS

The HoOF presented this item and opened it by confirming that it was fully considered by the ARC at its meeting on the 06.09.21, where the ARC agreed to recommend it to the Board for Approval. She reminded the Board that these interim accounts are for the period ending 30th June 2021, that these are not published but are sent to the Department of Finance

THIS ITEM HAS BEEN REDACTED IN PART

IT was RESOLVED to APPROVE the interim financial statements for 2021.

The HoOF left the meeting.

15. UPDATE FROM ARC MEETING HELD ON 6th SEPTEMBER 2021.

Ken Slattery, Chairperson of the ARC provided the Board with a verbal update from the ARC meeting held two days earlier on the 06.09.21. He confirmed to the Board that the following three items were covered at that meeting

1. Impairment Assessment for H1 2021.
2. Interim Financial Statements 2021.
3. Comparison of KPMG audit fees with other fees

He confirmed that no matters were raised under AOB.

He advised that a written report of his verbal update would be uploaded to the general Board Reading Room on BoardPad immediately after this meeting.

The Board NOTED the verbal update from the Chairperson of the ARC from the meeting of the 06.09.21

16. AOB

The CEO raised two matter under AOB, both of which were matters arising from the July Board meeting:

- In response to the Board's request for information on the impact of infrastructure on financing for site purchases, while this is included in the CEOs update circulated, it had not been reached due to the constraints on time at this meeting. She confirmed that same would be brought back to the Board in due course.
- Regarding the impact on PRS schemes on rental growth being linked to inflation, the CEO confirmed that an update on HBFI approved PRS schemes which do not have a presale in place shall be provided to the Board at the October meeting.

CLOSE

There being no further business the meeting was closed.

Chairperson