

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 2pm on
Wednesday 13th April 2022 at Treasury Dock, North Wall Quay, Dublin 1.**

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

APOLOGIES Grainne Hennessy

IN ATTENDANCE Sean Alger, Head of Credit and Risk.
Thomas Kearns, Senior Lending Manager.
Fergus Mangan, Head of Lending.
Denise Donovan, Head of Operations and Finance.
Dan O’Leary, Head of Financial Planning, NTMA.
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

The Board NOTED that draft minutes of the meetings of 17th February 2022 and 24th March 2022. It WAS RESOLVED that the minutes of the meetings be APPROVED and be signed by Chair.

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. CEO UPDATE

The CEO updated the Board on the following:

- i. The annual MEOP report on HBFI lending rates is currently being prepared by KPMG and is expected shortly.
- ii. All employees are working in a hybrid way, splitting time between working from home and attending the office.
- iii. Fergus Mangan’s promotion to the Head of Lending has been announced and the recruitment of the Head of Commercial has commenced.

The CEO’s update was NOTED by the Board.

8. FINANCIAL PERFORMANCE

Denise Donovan, Head of Operations and Finance, (“HoOF”) and Dan O’Leary, Head of Financial Planning, NMTA (“HoFP”) joined the meeting. The HoOF provided the financial summary as of February 2022, updating the Board on net interest income, net fee income, operating expenses, loans advanced and the equity position, all against the Budget.

The Financial Performance update was NOTED by the Board.

9. FINANCIAL STATEMENTS AND ANNUAL REPORT 2021 AND LETTER OF REPRESENTATION

The HoOF advised the Board that the financial statements and annual report had been considered by the HBFI Audit and Risk Committee (“ARC”) at its meeting on the 31st March 2022 and that feedback from the ARC had been incorporated into the documents presented. She further advised that initial clearance had been received from the Comptroller & Auditor General. The Audit and Risk Committee Chair, Ken Slattery, advised the Board that he had spoken to the office of the Comptroller & Auditor General (“C&AG”) who had confirmed to him that there were no issues to be raised with the Board. The HoOF outlined the further steps with regard to submission to the Minister and publication of the report. The HoOF noted that

the Letter of Representation had also been reviewed by the Audit and Risk Committee with no changes since that review.

The Board comments on both documents were noted and will be incorporated by the HoOF. The Board RESOLVED to APPROVE the HBFI consolidated Financial Statements and Annual Report for the period ending 31 December 2021 and the Letter of Representation and furthermore that the Chair and CEO are authorised to sign both documents.

The Chair thanked the HoOF and HoFP for their work on this matter and they left the meeting.

10. BUSINESS UPDATE

Fergus Mangan, Head of Lending (“**HoL**”) joined the meeting, and the Chair congratulated him on his promotion to Head of Lending. He provided the Board with the Business Update providing details on the April pipeline of loan. He further advised that two approved facilities have been ‘paused’ by borrowers due to their concerns relating to market uncertainty on costs, and that while this is prudent by customers, it will impact on HBFI’s drawdown volumes.

The HoL advised that the regional focus is ongoing, and that the tier one introducer (large accounting firms) meetings are taking place.

The HoL summarised the business performance indicating that approvals are ahead and drawdowns below the budget figures. He advised that since November 2021 between 3 and 5 facilities have closed per month and that achieving this consistency is important.

The Business Update was NOTED by the Board.

11. ANNUAL PRESENTATION FROM HEAD OF LENDING

The HoL began by outlining the Lending Team’s headcount and structure including changes to same. He advised that the new model whereby the Lending Team lead engagement with external legal advisors is working well.

Furthermore, he advised that positive feedback has been received on foot of the new DA process where a Heads of Terms now issues to customers in 3 days.

The HoL summarised that following a strong start to the year that there is more market and customer uncertainty to be expected in the remainder of the year.

The Chair thanked the HoL and the Board NOTED the Annual Presentation from the Head of Lending.

12. QUARTERLY RISK REPORT

Sean Alger, Head of Credit and Risk (“**HoCR**”) and Thomas Kearns, Senior Credit Manager (“**SCM**”) joined the meeting.

(i) Cost Inflation and Market Uncertainty

The HoCR presented this item advising that during 2021 construction cost inflation became a feature of the market with increases of between 12% and 15% reported. He summarised the risks as twofold – costs and LTC.

He outlined the 3-step approach currently applied to new loan proposals in terms of reviewing costs:

1. The Lending Team carry out the initial review of costs.
2. The HBFI Viability and Monitoring Team carry out a more detailed review of the costs including of the construction methodology proposed. A summary of the VMT analysis is included in the credit paper.
3. The HBFI appointed Monitoring Surveyor carries out a full review of the proposed development costs and provides a report on the adequacy of the costs as a CP to first drawdown.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The HoL Left the meeting.

(ii) Market Update Report

The SCM presented the Market Update Report advising the Board of a change in approach in preparing this report - it is now focused on HBFI's market of multi-unit developments and apartments, and data in relation to stand alone, single units is excluded. The SCM brought certain key point to the Board's attention including in relation to an increase in commencements, sale prices and the amount of an average mortgage approval and decreases in stock levels for both sale and rent.

A broad discussion followed in relation to housing supply including in relation to the 'Housing for All' strategy, the housing of Ukrainian refugees and a decrease in the appetite from some developers to commence the building of apartment developments due to the current market uncertainty.

The Chief Executive reminded the Board that the Social Housing Fund would be available for commercially viable proposals to build houses for Ukrainian refugees.

(iii) Portfolio Report

The HoCR presented this and the following four risk reports, bringing the Board's attention to the increase in the level of committed funds since the last report.

He advised that the construction risk RAG status will be included in future portfolio reports to the Board.

(iv) Risk Appetite KPIs

THIS ITEM HAS BEEN REDACTED

(v) Credit Decisions Report

The HoCR brought the Board's attention to the single item on this report.

(vi) Account Review Schedule

The HoCR confirmed he had nothing to call out in relation to this report and all reviews are up to date.

(vii) Risk Update including EMT Credit Committee oversight report.

The HoCR presented the report updating the Board on two matters as follows:

a. EMT Credit Committee Oversight

The HoCR reminded the Board that a quarterly review of all credit papers approved by EMT Credit Committee is carried out by the Senior Audit & Risk Manager. The purpose of the report is to provide assurance to the Board that the consistency of credit papers is maintained. He confirmed that the outcome of the review was satisfactory with no issues identified.

b. Letter from the Central Bank to schedule 2 firms.

The HoCR advised that the CBI has written to all Schedule 2 firms in relation to the imposition of further EU sanctions arising out of the Ukraine/Russia conflict as well as a heightened cyber security threat. The HoCR advised the Board of the actions taken and checks carried out by HBFI on foot of this.

The Risk Reports were NOTED by the Board.

13. SCHEDULED REVIEW OF CREDIT POLICY, CREDIT GRADING POLICY & PRICING POLICY AND PAPER TO REMOVE REFERENCES TO CCO FROM ALL POLICES AND TERMS OF REFERENCE.

The HOOCR presented the Credit Policy, Credit Grading Policy and Pricing Policy advising that it was the scheduled review of each.

THIS ITEM HAS BEEN PARTIALLY REDACTED

The HoCR confirmed that in relation to the Pricing Policy, no changes were proposed.

Finally, following the departure of the Chief Commercial Officer (“CCO”) earlier this year, the HOOCR sought approval to remove reference to the CCO in relation to the following documents:

- HBFI Delegated Authority Policy
- HBFI Transaction Document Approval and Execution Policy & Procedure
- HBFI(L) Terms of Reference: Credit Committee

The Board RESOLVED to APPROVE the scheduled reviews of the Credit Policy, Credit Grading Policy, and Pricing Policy, and furthermore to remove references to the CCO from the three listed documents above.

The SCM and HoCR left the meeting.

14. ANNUAL REVIEW OF THE CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

Caroline Ensor, Company Secretary presented the annual review of the review of HBFI’s compliance with the Code of Practice for the Governance of State Bodies (“the Code”) HBFI is required to comply with the Code and to confirm to the Minister for Finance that it so complies in its governance practices and procedures. Where HBFI is not in full compliance with any part of the Code this must be explained and agreed with the Department of Finance by way of an adaptation which is documented in a Letter of Shareholder Expectation.

The Company Secretary advised that on the 31st March 2022 an assurance paper was jointly

presented by herself and the Head of Compliance in the NTMA to the ARC to provide assurance to that Committee in the context of recommending the financial statements and annual report for approval in respect of HBFI's compliance with (i) the Code of Practice for the Governance of State Bodies and (ii) other Statutory and Governance Obligations.

The Company Secretary further advised that following this annual review, no new adaptations are proposed, and that the existing six adaptations as agreed with the Department remain in place, to include two wording amendments per the proposed wording presented.

The Board RESOLVED to APPROVE the annual review of HBFI's compliance with the Code.

15. REVIEW OF THE TERMS OF REFERENCE OF THE HBFI REMUNERATION COMMITTEE

Caroline Ensor, Company Secretary presented the review of the Terms of Reference of the HBFI Remuneration Committee. She advised that this was presented to the Remuneration Committee at its meeting on the 8th March 2022 to include a wording change suggested by NTMA HR, and this was approved by the Remuneration Committee which recommended the approval of this review to the Board.

The Board RESOLVED to APPROVE the review of the Terms of Reference of the HBFI Remuneration Committee.

16. PROPOSED CHANGES TO THE HBFI SCHEDULE OF RESERVED MATTERS.

Caroline Ensor, Company Secretary presented this item. She reminded the Board that on the 14th April 2021, the Board of HBFI per a paper titled 'Policy Governance Schedule' approved that the review of 6 specific policies would be delegated down to the HBFI Audit and Risk Committee.

Following the completion of the recent exercise reducing overlap between matters considered by the Audit and Risk Committee and the Board of HBFI requested by the Board, no other changes to reserved matters were deemed necessary and it is therefore proposed that reserved matter no 27 on the HBFI Board schedule of reserved matters is now updated to provide for the delegation down to the ARC of the review of certain specified policies.

The Board RESOLVED to APPROVE the amendment of reserved matter no 27 on the HBFI Board schedule of reserved matters to reflect that the review of 6 specific policies has been delegation down to the ARC.

17. REPORT FROM ARC MEETING OF 31.03.22.

Ken Slattery, Chair of the ARC presented a written report from a meeting of the ARC held on the 31st March 2022 to the Board which detailed matters covered at that meeting, and this Report was NOTED by the Board.

18. AOB

AOB was heard next and no matters were raised.

19. PRIVATE SESSION

The CEO and Company Secretary left the meeting and a private session followed with just the Board members present. The Board discussed general issues in relation to enhancing their effectiveness and co-ordinating virtual and in person meetings.

CLOSE

There being no further business the meeting was closed.

Chair