

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 1.00pm on
Thursday 11th June 2020 per videoconference due to Covid-19 restrictions.**

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

APOLOGIES None

IN ATTENDANCE Michael Broderick, Chief Commercial Officer, HBFI.
Sean Alger, Head of Credit and Risk, HBFI.
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

THIS ITEM HAS BEEN REDACTED IN PART.

In accordance with section 231 of the Act and the Constitution of the Company, 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 21st May 2020 be **APPROVED** as presented, subject to 2 minor agreed amendments.

The CEO updated the Board on the single open Board action point, namely the request from the Board that a summary of housing market commentary including current trends be brought to the Board. The CEO confirmed that this item is on the Agenda for the Board meeting of the 25th June 2020 and will be included as part of the Risk update going forward also.

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

THIS ITEM HAS BEEN REDACTED IN PART.

The CEO updated the Board as follows:

- i. Progress continues in respect of the new products.
- ii. The active development sites have reopened.
- iii. In respect of new cases, it is hoped that credit proposals will be presented to the relevant DA shortly.
- iv. In relation to HBFI employees, a recent NTMA wide survey of employees has revealed that generally employees feel supported as they work from home, and that remote working is going well. Certain practical issues including around computer screens and the ability to print were raised by staff. The NTMA are looking at these issues. Discussions are ongoing in relation to the phased return to the office, and HBFI staff will receive a briefing on this on the 19th June.

Following a query from the Board, the CEO confirmed that the final interviews for the Business Development Manager role were held the day previously by video technology. The CEO will discuss this matter further with NTMA HR. Given the growth of the business, HBFI Management are considering hiring two Business Development Managers.

8. MOMENTUM FUND
THIS ITEM HAS BEEN REDACTED IN PART.

The CEO opened this item by confirming individual cases would not be discussed.

She stated that since the launch of the Momentum Fund on the 10th May 2020 it has become apparent from the profile of those who have expressed interest, that many are in the Private Rented Sector (PRS) market. Therefore, the fundamentals of that market and how it has been impacted by Covid-19 are important considerations for HBFI. The CEO outlined the following further specific considerations:

- i. The importance of getting the balance right in considering PRS applications, that is the balance between the current funding gap in the market, and HBFI's mandate and risk exposures.
- ii. The credit risk of lending to the PRS market, which the Head of Credit and Risk (HoCR) will expand on.
- iii. The reputational risk. If HBFI does fund certain PRS schemes, it must ensure that it can continue to fund its core products so that funding continues to be available for all viable schemes.

She summarised the main points for discussion in order for the Board to determine its appetite for this type of lending and the quantum of funds to be made available to it.

At that point the Chief Commercial Officer (CCO) provided the business update in respect of the Momentum Fund. He stated that interest in the fund has surpassed Management's expectations.

He confirmed that evidence supports the perception that mainstream lenders have paused lending, including instances where facilities that had been approved and contractors had been appointed pre Covid 19.

He referred to the KPMG report (PRS Market Overview) contained in the Board papers, which HBFI had commissioned. He summarised the findings of this report as follows: (i) The money being invested in the PRS market in Dublin is international, and (ii) the PRS model remains attractive from a financial return perspective.

The CCO stated that from HBFI's perspective the PRS model makes a large number of units available in a relatively short period and therefore is in keeping with HBFI's remit. Furthermore, most apartment schemes being built are PRS given that the construction of apartments for private sale is generally not commercially viable.

The HoCR then briefed the Board on the primary credit risks associated with PRS from HBFI's perspective:

- i. Total Fund size. A limit on the level of exposure of the HBFI Loan book to PRS is an important risk mitigant. This limit will be reviewed as market conditions evolve.
- ii. There being no take-out in place in most cases, HBFI's approach will be to limit its exposure with a monitoring limit in place, and to consider each proposal on its merits, on a case by case basis.
- iii. Future market uncertainty. In assessing the potential downside, the HoCR summarised the assumptions used, including that the base yield of 3.75% was based on pre Covid-19

rental rates discounted by 9.6%. He summarised this risk by stating that it is not known what the residential market or the broader economy will look like in three years' time. If a take-out does not materialise the option to sell apartments individually is not possible as the planning permission would not permit this. It would be necessary to extend the loan terms until the market improves and PRS purchasers return to the market.

The CEO reminded the Board that the existing Apartment Product envisaged a certain amount of lending for PRS schemes. hence there is a cross over between the Momentum Fund and the Apartment Product.

She stated that on the question as to whether the overall size of the Momentum Fund could be increased, initial conversations with the Department of Finance on this can be progressed if the Board has the appetite for same.

She confirmed that demand for the Momentum Fund would be kept under review, including to see if mainstream lenders resume lending as the market recovers.

A broad and in-depth discussion followed including in relation to the reputational risk of HBFI lending to the PRS market or as a lender offering 'soft' terms relative to others. In relation to the last point the CEO referred to a KPMG benchmarking report that confirmed HBFI's rates and terms are conditions for this product are in line with the market.

In respect of the risk of HBFI being perceived to favour or prioritise PRS lending over the core products, it was agreed by the Board that it is important that this risk be mitigated, including by ensuring HBFI can demonstrate that it has funds for *all* viable schemes, and that PRS remains in line with housing policy.

Regarding the requirement for a take-out prior to approval, a Board member noted that the market is not generally seeing take-outs, but instead is seeing a construction loan and separately a financing loan. The HoCR said HBFI is constrained from providing long term finance.

IT WAS RESOLVED to APPROVE the recommended proposals as follows:

- i. If the Momentum Fund reaches €200m of approved funding, the fund is to be closed at that stage.
- ii.
- iii.

9. BUSINESS UPDATE

The CCO provided the Business Update. A Board member requested a current update to slide 6 and it was agreed this would be uploaded to Boardpad.

10. RISK

THIS ITEM HAS BEEN REDACTED IN PART.

The HoCR provided a verbal update on Risk as follows, confirming that a full risk update would be provided at the next Board meeting in two weeks' time:

All active sites have reopened following the Covid-19 shutdown. Borrowers are reporting that they expect little impact on costs and timings. He said that HBFI will carry out a full review of each active loan in due course.

Following a query from the Board, the HoCR confirmed that compliance with Covid-19 protocols on site is a matter for each borrower and that under the CIF Standard Operating procedure each site must have a Covid-19 Officer appointed.

11. AOB

THIS ITEM HAS BEEN REDACTED IN PART.

The CEO raised the following under AOB:

i. Customer Charter.

On the 27th February, the Board approved the HBFI adaptations to the Code of Practice. It was agreed that a customer action plan reflecting HBFI's customer profile and which supports the Customer Charter would be prepared and published on the HBFI website. A suitable Customer Action Plan has been prepared and approved by the EMT and is now available on the HBFI website.

ii. Non material change to signed consolidated financial statements 2019.

The C&AG, having previously provided clearance for the accounts to be signed ahead of presenting to the Minister for Finance for consideration (so that he could sign the written resolutions) came back to HBFI with an additional requested change in relation to one of the notes to the HBFI financial statements, post their signing by the Chair and CEO. The C&AG agreed that the change is immaterial and relates only to a disclosure note and therefore does not impact any of the signing pages, and that the accounts did not need to be re-signed. The Chair has reviewed this change and asked that it is brought to the Board's attention. There was no impact on the P&L, Balance Sheet or Cashflow.

iii. Written resolutions signed by Minister.

The written resolutions, signed in lieu of HBFI holding its first AGM, were signed by the Minister for Finance on the 5th June. This mechanism for approving the business of the AGM was approved by the Board on the 7th May 2020.

iv. Recent media coverage.

The CEO updated the Board on recent media coverage, including two articles which she had forwarded on to the Board. One was published in the Irish Independent on the 5th June and the other in the Sunday Business Post on the 7th June. Both articles quoted figures obtained by Eoin O' Broin on foot of Parliamentary Questions. The information in the articles included the total amount of funds approved by HBFI, the total amount actually drawn down, and the number of units completed.

CLOSE

There being no further business the meeting then terminated.

Chairperson