

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 12.30 pm on
Thursday 22nd October 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.
Thomas Kearns, Senior Credit Manager (item 9)
Andrew Wood, Senior Viability and Monitoring Manager (Item 10)
Denise Donovan, Head of Operations and Finance (items 11 & 12)
Paula Flinter, Head of Legal, HBFI (items 15 & 16)

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 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 23rd September 2020 be approved as presented.

The CEO updated the Board on the following matters arising from the meeting of the 23rd September:

- i. She referred to the HBFI article in the Irish Independent on the 29.10.20, as circulated to the Board, which referred to the lag between loan approvals and the completion of units. She advised the Board that HBFI will continue to work on messaging to communicate progress.
- ii. She confirmed a new PQ has been received.
- iii. Further to a suggestion at the last Board meeting that HBFI consider a communication in relation to Sustainability Week, the CEO advised she discussed this with NTMA Communications, and they agreed that the time is not right for such a communication as HBFI does not yet have any specific offering at this time.

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 provided the following update to the Board, for Noting:

- i. Preparation for the Ministerial review, to occur post 2 years of operation per the HBFI Act will be underway and discussions are ongoing with the Department on how it will be carried out.

The CEO advised the Board that once the letter setting out HBFI's requirements for this review is received from the Department, it will be shared with the Board, and a draft response will be prepared for consideration by the Board.

- ii. The 2021 Budget will be presented to Board in December.

8. BUSINESS UPDATE THIS ITEM HAS BEEN REDACTED IN PART.

Michael Broderick, CCO provided the business update as follows:

- i. He confirmed that no Covid-19 cases has been reported on HBFI funded sites, but delays have been encountered due to site closures in the first lockdown. No increase in costs have been reported and HBFI continues to monitor the situation.

- ii. He referred to the Budget announcements, specifically the extension of the Help to Buy scheme, and the Stamp Duty Residential Development Refund Scheme, €500m for the constructions of 9500 new social housing units in 2021, and also the additional funding for Irish Water to facilitate necessary infrastructure, all of which are positive from HBFI's perspective in his view.
- iv. A survey will issue to all stakeholders shortly. He also referred to the attendance by HBFI at the CIF Southern Summit on the 19th November.
- vi. The new Business Development Manager has been tasked with looking at the 10 counties where HBFI has yet to approve funding.
- vii.
- viii.

9. **RISK**
THIS ITEM HAS BEEN REDACTED IN PART.

Thomas Kearns, Senior Credit Manager ("**SCM**") joined the meeting.

Sean Alger Head of Credit and Risk ("**HoCR**") presented items 9 (i) (ii) (iii) and (v) to the Board as follows:

9 (i) Risk Appetite KPI's

The HoCR reported one matter which is currently outside the Key Risk Measures Limit of €75m maximum single borrow exposure.

9 (v) Risk Appetite Statement.

In a departure from the order of the Agenda, the HOCR then presented this item, which is related to 9 (i). He flagged the changes, which arose from the recent Internal Audit review on the HBFI lending process, where a recommendation was made to introduce a RAG status in the Risk Appetite Statement for the defined limits which would provide an early warning indicator to any potential breaches.

It was RESOLVED to APPROVE the amended Risk Appetite Statement as presented.

9 (ii) Credit Decision Report

9 (iii) Account Review Schedule

The HoCR advised the Board that there are two reviews outstanding, one of which would be heard by HBFI(L) following this meeting and that the other review would be heard by the EMT Credit Committee before the month end. The Board Noted the Account Review Schedule.

9 (iv) Market Trends

The SCM presented this Market Trends Report to the Board, for Noting, stating that information he used had been sourced from a range of publicly available sources. Such

sources used included the CSO, Daft.ie and MyHome.ie. The SCM went through the key points, including building activity (planning permissions granted down 54% in Q2 compared with Q1) mortgage approval rates (down in Q2 relative to the same period in the previous year) Rental stock, rates and outlook, and AHB debt which has shown a continued growth in drawn debt in the past four years.

He commented that overall, the expected decline in house prices due to Covid-19 has not materialised to date.

The Board thanked the SCM for the quality of the report and for attending to present it.

The SCM left the meeting.

10. GREEN LOAN
THIS ITEM HAS BEEN REDACTED IN PART

Andrew Wood, Senior Viability and Monitoring Manager (“SVMM”) joined the meeting. He introduced this item by outlining the rationale for introducing a Green Loan and also what sustainability means in the context of residential development. He went on to outline a proposed Green Loan product to be offered by HBFI.

The Board RESOLVED to APPROVE the following next steps as recommended by the SVMM:

- To develop the product for operation and
- To develop a strategy for the product launch.

The SVMM left the meeting.

11. ANNUAL PRESENTATION FROM OPERATIONS AND FINANCE

Denise Donovan, Head of Operations and Finance (“HoOF”) joined the meeting. She took her presentation paper as read, bringing the Board’s attention to the following points:

- I In relation to the Team Structure and responsibilities per slide 1, she advised that the Operations Team are currently recruiting for a junior role, who will support the Operations Team but also do some administration for the wider organisation.
- ii. The HoOF advised that HBFI is required to obtain a Tax Compliance Report each year, and that the final report for 2019 had been received confirming that HBFI is compliant. She will make this final report available in a reading room on BoardPad.
- iii. In relation to the primary challenges facing the team she referred to (a) the difficulties in managing cashflow due to the nature of facilities (variance in the amounts and timing with original cashflow forecast), where cashflow management is manual and also (b) CRM Development where a trade-off exists between the costs and benefits and it is important that only necessary changes are made and prioritised.

The annual presentation from the HoOF was Noted by the Board.

12. THIS ITEM HAS BEEN REDACTED IN FULL

13. BOARD PLAN 2021.

The Company Secretary presented the 2021 Board Plan for Noting. She advised it gave the Board information on what would be presented to both Boards (HBFI and HBBFI(L)) in 2021, and that this is a live, working document that will be updated as required. She confirmed one amendment to the Board dates, required due to a clash – the December meeting will occur on the 14th December 2021, instead of the 16th per the Board Plan. She advised she would issue diary invites for all meetings shortly.

The Board Plan for 2021 was Noted by the Board.

14. TERMS OF REFERENCE FOR THE HBFI AUDIT AND RISK COMMITTEE.

The Company Secretary presented the Annual Review of the Terms of Reference for the Audit and Risk Committee. She confirmed no changes were proposed and that these Terms of Reference were first approved by the Board on the 29th July 2019. The Terms of Reference were presented to the Board in February 2020 where a minor change was approved, to include reference to the NTMA Internal Audit Charter. Finally, she advised that this document was reviewed by the Audit and Risk Committee on the 3rd September 2020.

It was RESOLVED to APPROVE the annual review of the Terms of Reference for the HBFI Audit and Risk Committee, noting no changes were proposed.

15. TERMS OF REFERENCE FOR THE BOARD OF HBFI.

The Head of Legal (HoL) joined the meeting. She re-presented the draft Terms of Reference, having tracked all changes requested by the Board when it reviewed the document on the 23.09.20. At the meeting on the 23.09.20 a Board Member had asked the HoL to make enquires as to whether other NTMA entities have in place a Terms of Reference for their Boards. The HoL said she had made such enquires and the Board of SBCI and the NTMA do not have Terms of Reference in place. The Board of NAMA has an equivalent document called Standing Orders. She reminded the Board that HBFI is putting in place a Terms of Reference for each of its Boards, at the recommendation of KPMG following an audit.

A Board Member asked the Board to further consider certain provisions in the draft document. It was agreed to remove provisions 7.1 and 7.25. The Board asked that the HoL check whether the letter referred to at provision 9.3 had issued to Board members, and furthermore that the language of 9.13 be reviewed. The Board Approved the document and requested the CEO to make the non-material changes and circulate the final version for information.

16. AMENDMENT TO THE ISIF FACILITY.

The HoL presented this item. She advised that the required Ministerial Direction has now issued, and that a state aid assessment is not considered to be necessary given no changes to the terms of use of the Momentum Fund are proposed.

16.1 Background to The Transaction

- (a) The HoL reminded the meeting that HBFIL, as borrower, had entered into a facility agreement dated 16 May 2019 with the National Treasury Management Agency (“NTMA”) (in its capacity as controller and manager of the Ireland Strategic Investment Fund) (“ISIF”) for a euro denominated loan facility of up to €730,000,000. (the “Facility Agreement”) The Facility Agreement was amended and restated pursuant to the terms of an amendment and restatement agreement dated 21 May 2020 (incorporating the amendment and restated

Facility Agreement) (the “**Amendment and Restatement Agreement**”). The Facility Agreement as amended and/or restated by the Amendment and Restatement Agreement is referred to in these minutes as the “Existing Facility”.

- (b) The HoL explained to the meeting that the parties had now agreed to increase the amount of the Momentum Fund known otherwise referred to as Facility B by way of a Further amendment agreement to be entered into between the ISIF and Home Building Finance Ireland (Lending) DAC (“**HBFIL**”) (the “**Further Amendment Agreement**,”) Under the terms of the Further Amendment Agreement, it is now proposed to increase the amount available to the Momentum Fund from €200,000,000 to €300,000,000 resulting in a new Facility A commitment amount of €430,000,000 and a new Facility B commitment amount of €300,000,000. The matters contemplated thereby are referred to in these minutes as the “**Transaction**”.
- (c) The HoL reminded the meeting that facility amounts made available from ISIF to HBFIL are contemplated by Section 42A of the National Treasury Management Agency (Amendment) Act 2014 (the “**2014 Act**”), and the purpose of such facilities will be to fund residential development in Ireland and related matters. The HoL explained to the meeting that a Ministerial Direction from the Minister for Finance issued to the NTMA (in its capacity as controller and manager of the ISIF) on the 3 October 2020 in relation to the Transaction.

16.2 Documents

- (a) The HoL produced to the meeting the following documents:
 - (i) The draft of the Further Amendment Agreement;
 - (ii) the latest draft of the corporate certificate, pursuant to which a director of the Company would be required to certify certain information about the Company to ISIF (the “**Corporate Certificate**”) and;
 - (iii) a copy of the Ministerial Direction dated 3rd October 2020.

16.3 Approval of The Transaction and Documents

After discussion and due consideration **IT WAS UNANIMOUSLY RESOLVED** that:

- (a) the Transaction be and is hereby approved;
- (b) the form of, terms of, and the Further Amendment Agreement document be and is hereby approved;
- (b) any director be and is hereby authorised to execute the Corporate Certificate with any such amendments (including any manuscript amendments) as the director considers necessary or desirable in his /her absolute discretion, on behalf of the Company;
- (c) each director be and is hereby authorised to:
 - (i) approve, issue, execute, despatch and/or deliver in the appropriate manner (whether under hand or as a deed provided that where execution as a deed is required, it be done in the manner provided for above) all documents and notices (including, without limitation, utilisation requests and notices of prepayment) to be signed and/or despatched by the Company under or in connection with the Further Amendment Agreement; and/or
 - (ii) take all such actions on behalf of the Company as such director shall in their absolute discretion consider necessary, desirable or expedient in connection with the Transaction and any documents and/or the transactions contemplated thereby.

The HoL left the meeting.

18. AOB

In a departure from the Agenda, AOB was heard next. One matter was raised under AOB:

The CEO advised that the Committee structure for HBFI and HBFI(L) is being reviewed for 2021. Any documents that need to be amended to put these changes in place will be updated by the Secretary before year-end.

17. SESSION WITHOUT MANAGEMENT

The CEO, CCO, HoCR and Company Secretary left the Meeting, leaving only the non-Executive Directors present to discuss any relevant matters, in compliance with Section 1.7 of the Code of Practice for the Governance of State Bodies.

CLOSE

There being no further business the meeting then terminated.

Chairperson