

# STRATEGIC PLAN

2022-2025

SUPPORTING ECONOMIC DEVELOPMENT  
IN IRELAND BY DRIVING INCREASED  
ACCESS TO FINANCE



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# INTRODUCTION

This document contains the SBCI Strategic Plan for 2022-2025 and has been prepared in accordance with section 1.16 of the Code of Practice for the Governance of State Bodies. It is a midpoint refresh of the SBCI's five-year Strategic Plan 2020-2025 and was prepared after extensive engagements with our key internal and external stakeholders, the SBCI team and Board.

The SBCI has developed itself as a flexible, adaptable, and innovative provider of solutions and policy measures to address failures in the SME credit market. This remains a critical feature of the organisation and requires us to continuously develop our capabilities, as well as solutions that are aligned with the SME environment.

The strategy of the SBCI and our business model have evolved to reflect changing market conditions, the policy priorities of our stakeholders and the financing needs of SMEs. We have expanded our range of supports and on-lending partners to provide SMEs with better access to long-term, lower cost finance and drive competition in the market for SME lending. We will continue to work on delivering the Government's policy objectives where market gaps exist, while expanding our range of supported products and on-lending partners as part of this strategy.

As we look ahead to the coming years, we will build on our considerable progress by offering a wider range of supports both to the SME sector and the development of the economy, while maintaining the ability to respond to market dislocation and deliver government policy measures.

In formulating this strategy update, the SBCI reflected on its progress to date and the changes in the market environment, including our values, purpose and vision, to create a clear strategy to deliver on our mandate.

The Strategic Plan is the product of the SBCI's formal process for setting strategy, appropriate objectives and goals, and targets against which performance against plan can be clearly measured. The strategy will be reviewed annually to monitor its progress and resource requirements. The details of each material initiative will be brought to the SBCI Board for review and approval.

# WHAT SUCCESS LOOKS LIKE

Arising from the mandate entrusted to the SBCI, our focus is on supporting economic development in Ireland by driving increased access to finance. Our strategy for the coming years, as detailed in the following sections, will facilitate this long-term focus.

The successful implementation of this strategic plan will see the SBCI deliver the following:

- Provide, and promote the provision of, additional credit in a prudent manner in the State, in particular to SMEs
- Design or contribute to the design of credit facilities which consistently address the financial needs of borrowers, in particular SMEs, be they related to growth, investment, or other needs
- Promote competition in the SME credit market by encouraging an increase in the number of providers of finance in the State and the entry of new credit providers
- Contribute to the diversity of finance available in the State
- Source international funding to facilitate lending
- Provide finance to projects which promote the economic development of the State

In addition to our mandate assigned by Government, we recognise that climate change is a critical issue facing Ireland. We will support Government's climate action commitments by identifying and implementing products and initiatives aimed at addressing climate change and reducing our carbon footprint as an organisation.



# SUPPORTING ECONOMIC DEVELOPMENT IN IRELAND BY DRIVING INCREASED ACCESS TO FINANCE



# MESSAGE FROM THE CHAIRPERSON

The SBCI Board's primary responsibility is to provide clear strategic guidance and direction to the organisation.

Helping businesses access the finance they need to grow is vital to our continuing economic recovery and sustainable growth thereafter. Because Irish businesses found their options constrained when seeking funding, the Irish government set up the SBCI to make finance markets for businesses work better, enabling the sector to prosper, grow and build economic activity.

The SBCI has made strong progress since its formation, and throughout 2021 our suite of supports provided low- cost, flexible working capital support to counteract and mitigate the effects of the Covid-19 restrictions and the resultant loss of trade.

The Government's €2bn Covid-19 Credit Guarantee Scheme is operated by the SBCI and supports businesses as they tackle the challenges posed by the pandemic. The €330m Brexit Impact Loan Scheme (BILS) was launched in October 2021 and offers SMEs access to longer term, variable rate loans. The Scheme also continues to offer unsecured lending on loan amounts up to €500,000.

We are continuing to develop our relationships with both existing and new on-lenders, adding Close Brothers, Microfinance Ireland and a number of credit unions as SBCI partners during 2021. These new partners are key to achieving one of the SBCI's core aims, which is to increase competition and provide additional choice of lenders to the SME sector in Ireland. An additional €50m of funding was provided to existing on-lenders (SME Finance & Leasing and Fexco Asset Finance) in 2021.

This update to our strategic plan lays out our vision for the SBCI, which is to support economic development in Ireland by driving increased access to finance. Under the three impact themes of Increasing access to finance, Promoting Sustainability and Enabling SMEs to Grow and Prosper, we set out the key deliverables and enablers to achieving this vision, and the standards we will assess our performance against.

We are fully focused on continuing to innovate to support Irish businesses, and through the dedication of the SBCI team led by June Butler I am confident that we will play a critical role in improving the financing options available to businesses in Ireland, helping to make a real difference to their success and growth in the wider economy.



**BARBARA COTTER**  
Chairperson

# MESSAGE FROM THE CHIEF EXECUTIVE

In developing our corporate strategy for the next three years, we have sought to ensure that we can deliver on our existing mandates while maintaining and developing our ability to meet gaps in the credit market and any additional roles that may be assigned by Government.

The rapid response to Covid-19 through a variety of Government initiatives, and the innovation and resilience of Irish business owners, meant that the economic impact of the pandemic was less severe than would otherwise have been the case. The post pandemic economy will be different from the pre-pandemic one. However, while a number of sectors were particularly badly hit and some SMEs ceased trading, it has been encouraging to see the emergence of new start-up businesses and existing businesses seeking opportunities to scale up.

As the economy transitions into the post-pandemic phase and the uncertainty on the long-term impact of the crisis in Ukraine materialises, our job is to help businesses during the recovery period and beyond, strengthening the economy in the process. Our focus and the way we work will continue to change as a result, but we are emerging from the pandemic more resilient and capable than ever, ready, and willing to help more Irish businesses to prosper and grow.

Over the past year, the change in the Irish banking market has accelerated, policy priorities have evolved, and the SBCI has expanded its remit and operations - particularly in response to Covid-19. Because of these changes in the external environment, we undertook a review of our strategy, to produce a refreshed strategic direction. This will help us ensure we are best positioned to respond to the challenges and opportunities ahead. We have been reviewing our longer-term strategic direction and considering how best to lay the foundations for the economy that will help Irish businesses to thrive over the coming years.

Working closely with the Department of Finance and wider stakeholders, we have updated our mission and strategy to reflect the impacts of the key changes in the external environment and their impact on Irish businesses. Our key strategic pillars are: Increase Access to Finance, Promote Sustainability and Enable SMEs to Grow and Prosper.

Our market insights, SME finance expertise and delivery capabilities will ensure that we will work to address future gaps as they emerge. We look forward to using our unique position in the market to support businesses further as they recover and return to growth once more.

As we plan for the future, we are very conscious that we are operating in an environment of significant uncertainty. The Covid-19 pandemic has not yet fully played out, the Brexit situation still has some uncertainty associated with it, and more recently the short-term inflationary impact of the Ukrainian crisis on energy costs is having a major impact on business margins. At the same time, Irish businesses need to invest in innovation and digitisation. Our updated strategy will ensure that we remain focussed and committed to supporting growth, prosperity, and the transition to sustainability by driving competition, enabling innovation, and improving access to finance in the Irish credit market.



**JUNE BUTLER**  
Chief Executive

# OUR JOURNEY

## SBCI PROGRESS TO YEAR END 2021

# 12,593

Total Irish SMEs Supported

**December 2014** €200m to Bank of Ireland

**February 2015** €200m to Allied Irish Banks

**October 2015** €51m to Finance Ireland

**November 2015** €25m to Merrion Fleet (closed July 2017)

**November 2015** Additional €200m of funds to Allied Irish Banks

**December 2015** €75m to Ulster Bank

\* NOTE: Due to the Covid-19 emergency, €200m was diverted from the BLS to the new Covid-19 WCLS.

# 2016

# €544m

Total SBCI Supported Lending



**May 2016** €40m to First Citizen Agri Finance

**June 2016** €45m to Bibby Financial Services Ireland

**November 2016** €70m to Fexco Asset Finance

**January 2017** €150m Launch of ACLS Scheme

**March 2017** ACLS Scheme fully allocated

**June 2017** Completion of bank on-lending

**October 2017** BLS announced in budget speech



# 2017

# €920m

Total SBCI Supported Lending

# 22,965

Total Irish SMEs Supported

**ACSL** - Agri Cashflow Support Loan Scheme  
**BILS** - Brexit Impact Loan Scheme  
**BLS** - Brexit Loan Scheme  
**Covid-19 CGS** - Covid-19 Credit Guarantee Scheme

**Covid-19 WCLS** - Covid-19 Working Capital Loan Scheme  
**FGLS** - Future Growth Loan Scheme



**February 2021** €30m to Close Brothers Limited  
**October 2021** €330m Launch of BILS  
**October 2021** Additional €40m to Fexco Asset Finance  
**October 2021** €30m to Microfinance Ireland  
**November 2021** Additional €10m to SME Finance & Leasing

**46,000**

Total Irish SMEs Supported

**January 2020** €50m to Capitalflow  
**March 2020** €200m Launch of Covid-19 WCLS\*  
**April 2020** €17.5m to SME Finance & Leasing  
**July 2020** Additional €500m to FGLS  
**September 2020** €2bn Launch of Covid-19 CGS  
**November 2020** €50m to Permanent TSB



**37,355**  
 Total Irish SMEs Supported

**March 2019** €300m Launch of FGLS  
**June 2019** Bibby Financial Services Ireland launch of "Trade Finance Product" as part of SBCI €70m funding facilities  
**August 2019** Moody's assigned first-time A2 issuer rating to the SBCI  
**September 2019** €50m facility to KBC Bank



**29,716**

Total Irish SMEs Supported

**March 2018** €300m Launch of BLS  
**May 2018** Additional €25m to Bibby Financial Services Ireland  
**July 2018** Launch of 2017 CGS  
**October 2018** FGLS announced in budget speech  
**December 2018** Additional €75m to Finance Ireland



**26,061**  
 Total Irish SMEs Supported

# OUR ORGANISATION

The Strategic Banking Corporation of Ireland (SBCI) is a statutory body established in 2014 to ensure that SMEs in Ireland have access to stable, lower-cost, long-term funding options. The SBCI Board is accountable to the Minister for Finance.

As a state-owned promotional institution, and in common with our European peers, the SBCI has become an integral part of the business finance framework. By supporting and helping to develop an effective credit market for SME finance, the SBCI ensures that SMEs have access to finance in both positive and negative market conditions. The SBCI provides credit to SMEs through its on-lending partners, ensuring that the benefit of its support is delivered to the SME borrower and not its on-lending partners.

Our purpose is to improve the structure of finance markets for Irish businesses, so that it is easier for these businesses to get the finance they need. This helps businesses prosper and builds economic activity in Ireland.

That is why:

We work to

## increase the supply of finance

available to businesses where markets fail to function.



We strive to create a

## more diverse and vibrant finance market

for businesses, with a greater choice of options and providers.



The SBCI brings expertise and supports to enhance the SME finance markets. Understanding markets and the needs of Irish businesses allows us to design programmes to help finance markets work better.

Our route to market is through established as well as newly emerging finance providers. Our SME supports are available through partnerships with 35 on-lenders.

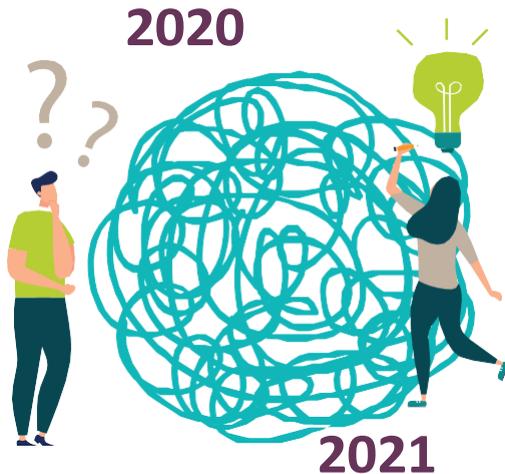
# HOW THE SBCI WORKS



The SBCI plays a key role in increasing access to finance for Irish SMEs. During 2021, the SBCI was effective in rapidly deploying supports at scale to help SMEs impacted by Covid and Brexit, providing them with a greater range of options

to access low-cost, competitive finance and giving them increased certainty to facilitate planning with confidence. During 2021 the SBCI delivered €529m to 9,645 SMEs through its risk-sharing and liquidity operations.

# EXTERNAL ENVIRONMENT

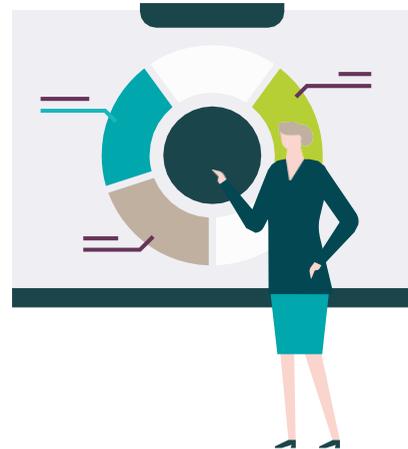


## Market Analysis and External Environment

Irish SMEs faced unprecedented challenges and uncertainty during 2021 due to the Covid-19 pandemic and the subsequent effects of lockdowns, social distancing measures and forced closures. The impact of Brexit and supply chain delays present additional uncertainty for SMEs. The labour market clearly illustrates the impact Covid-19 had on the Irish economy throughout 2021, with the unemployment rate peaking at 22.4% in April 2021 before falling steadily in the second half. 46% of EU firms responded to the pandemic by engaging with some level of digitisation. The adoption of digital technologies by EU firms is now growing which will assist SMEs with their recovery in this changed business environment.<sup>2</sup>

2020 and 2021 were exceptionally challenging years for the Irish economy and Irish society in general. The impacts of the Covid-19 pandemic had major implications for businesses, their employees, and the sustainability of the economy, resulting in the provision of unprecedented levels of State supports to offset the impacts on businesses across the country.

The SBCI was key to the delivery of a number of these State and European supports. Working closely with the Department of Enterprise, Trade and Employment (DETE), the Department of Agriculture, Food and the Marine (DAFM) and the European Investment Bank Group (EIB Group), the SBCI was ideally placed to use its experience in the delivery of loan schemes to provide additional lending to businesses impacted by Covid-19.



The impact of Covid-19 was not uniform across the economy with the pharmaceutical and IT sectors largely unaffected, and in some cases benefiting from Covid-19. This performance of foreign multinationals based in Ireland has seen revised GDP growth estimates increase by a cumulative 13.5% for the year 2021<sup>3</sup>. The Irish domestic economy has rebounded strongly, with modified domestic demand increasing by 6.5% for 2021 and forecast to grow by 7.1% in 2022. While the economy is performing beyond expectations, new challenges have arisen, and SMEs are now facing labour market shortages with demand for wage increases due to rising inflation. Irish inflation is now running at a 20-year high of 5.3% while, in the US, it is over 6%, the highest level since 1982.

The conflict in Ukraine has introduced further volatility into an already uncertain market. With the US considering a ban on Russian oil imports, high energy prices have increased even further and are likely to remain elevated for some time which will result in price pressures for Irish SMEs and consumers during 2022 on all products and services.

Another challenging factor in Ireland is the contracting banking market with the recent announcements of KBC and Ulster Bank exiting the market. The average interest rate for SME loans <€250,000 in Ireland was 4.74% in 2021 compared to the Euro area average of 1.89%. The contraction of the banking market removes competition, and research indicates that loan interest rates are significantly lower in more competitive markets.

In summary while the economic rebound from Covid is now well under way, as we head into 2022 the outlook is still clouded with fresh risks from new variants of Covid, concerns about a slowdown in global growth, inflation uncertainty, the war in Ukraine and more trade friction from Brexit. All of these directly impact SMEs and were key considerations in the direction of the SBCI's strategy. Given the increased pace of change, the SBCI will continue to closely monitor the environment to ensure that we adjust our strategy to align with the needs of the SME sector and government policy.



1. Central Statistics Office (2022), Monthly Unemployment December 2021.

2. Central Statistics Office (2022), Quarterly National Accounts Quarter 4 2021 and Year 2021 (Preliminary).

3. Central Bank of Ireland (2022) Quarterly Bulletin 2022:1.

4. European Investment Bank (2021), Investment Report 2021/2022.

## Market Analysis and External Environment - continued



### *Climate Action*

In the SBCI, we work to ensure that we are continually aligned with developments in our external environment. Climate change is a major concern, not only in Government and our local communities, but also for SMEs. Addressing climate change through supporting Government initiatives, and in our day-to-day activities, will be an important part of our strategy. Climate Action is a key priority for the SBCI and in recognition of this the SBCI is currently developing two schemes in this area.



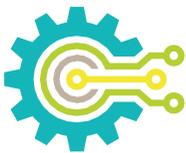
### *Consumer Retrofit Scheme*

The SBCI was included in the Government's Climate Action Plan 2021 as a potential source of smart finance, and in this regard, we are engaging with the Department of the Environment, Climate and Communications (DECC) and other stakeholders, including the European Investment Bank, to develop a residential retrofit loan guarantee scheme for homeowners and small landlords. The residential retrofit loan guarantee scheme will form an integral part of DECC's national retrofit plan and support the achievement of its targets of upgrading 500,000 homes to a BER of B2 and installing 600,000 heat pumps by 2030.



### *SME Energy Efficiency Loan Scheme*

In addition to the Retrofit scheme, the SBCI is developing a loan scheme focused on increasing businesses' investment in energy efficiency measures, such as heat pumps, solar and building upgrades. The SBCI aims to increase the availability of longer-term flexible funding at a reduced cost to encourage businesses to invest in improving their energy efficiency.



### *Digitisation*

New enabling and disruptive technologies are changing work practices and shifting labour market expectations, which have transformed the business landscape. From artificial intelligence to automation and big data, modern economies are evolving and developing more efficient ways to deliver. A key part of SBCI's strategy is to develop our digital capabilities to enable us keep pace with these business changes.



### *An evolving Business Model*

Our environment is dynamic and fast moving, and the SBCI must be cognisant of the challenges and opportunities this presents. The SBCI and its business model has evolved to reflect the changing market conditions, the policy priorities of our stakeholders and the financing needs of SMEs. We have consciously developed as a flexible, adaptable, and innovative provider of solutions and policy measures to address failures in the credit market. This remains a critical feature of the organisation and requires the SBCI to continuously develop its capabilities and innovative solutions that are aligned with the SME environment.

## Strategy Risk Management

As we seek to deliver our strategy, we must also be aware of the potential risks. The SBCI complies with the risk management provisions of the Code of Practice for the Governance of State Bodies (2016).

As we plan for the future, we are very conscious that we are operating in an environment of significant uncertainty. Alongside our principal risks, we are therefore mindful of wider contextual elements, known or emerging, which could impact our ability to deliver against our priorities, as well as our objectives more broadly.

### *Risk Assessment*



The SBCI Strategic Risk Assessment is a comprehensive assessment of the principal risks facing the SBCI across all its business activities. We identify the principal risks from across a wide range of categories including Economic, Geopolitical, Market Risk and Operational Risk (including technology and cyber security). The SBCI Strategic Risk Assessment provides the context to facilitate the management of these risks in an informed and proactive manner. The outcome of the discussion and decision-making regarding the appropriate responses to strategic and emerging risks feed back into our strategic planning.



### *Outlook – Areas of Strategic Uncertainty*

Alongside our principal risks we consider key areas of risk that could impact our ability to deliver against our strategic priorities and objectives.



### *Economic Uncertainty*

Although we currently see improvements in the Irish economic performance, downside risk remains given the growing economic impact of the war in Ukraine, potential for further disruption due to Covid-19 variants, possible further issues arising from the UK's withdrawal from the EU, emerging issues such as labour and supply-chain shortages, and other unknowns.



### *Competing Priorities*

There may be times when we need to re-prioritise our objectives given impact, resource, and budget considerations, as well as evolving government policy goals. In the area of our new ESG objective, for example, government policy will continue to develop as action accelerates to support climate change targets.

# OUR STRATEGY, VISION & MISSION

The strategy of the SBCI is to support the development and maintenance of an effective market for the provision of credit to SMEs in Ireland, while maintaining its ability to respond to major market dislocations and the policy delivery needs of government.

The SBCI is focused on three impact themes:

## 1. Increase Access to Finance

in support of the development of the broader SME credit market

## 2. Promote Sustainability

where the SBCI will develop financing solutions to address the challenges posed by climate change to SMEs and the broader economy

## 3. Enable SMEs to Grow & Prosper

where we will deliver innovative products and ancillary supports to SMEs to support their development

Our initiatives utilise Government and European supports and are designed to address failures in the market, to provide finance to SMEs including farmers, or when there is a policy requirement and where this supports economic development and enhanced competition. They are designed and delivered by the SBCI's own team and in partnership with its broad set of institutional relationships in the Irish market.

### Vision and Mission

Recognising the SBCI's role in delivering policy initiatives for the SME market, the SBCI's vision is: Supporting economic development in Ireland by driving increased access to finance.

Our mission is to support growth, prosperity, and the transition to sustainability by driving competition, enabling innovation, and improving access to finance in the Irish credit market.



# OUR PURPOSE, CORE COMPETENCY & VALUES

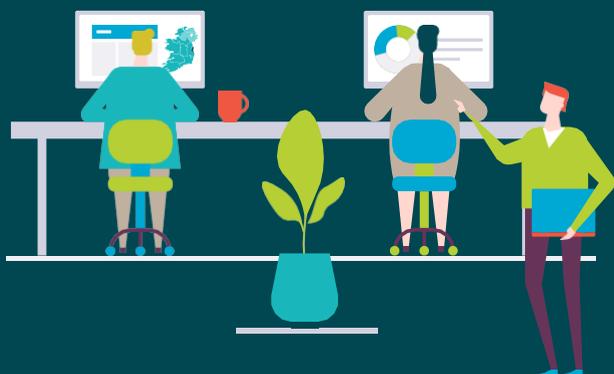


## Our Purpose

To improve the structure of finance markets for Irish businesses, so that it is easier for them to get the finance they need.

This will help businesses prosper and build economic activity in Ireland. That's why:

- We work to increase the supply of finance available to businesses where markets don't work well
- We strive to create a more diverse and vibrant finance market for businesses, with a greater choice of options and providers



## Our Core Competency

The SBCI brings its expertise and EU/Government supports to enhance the SME finance markets. Understanding markets and the needs of Irish businesses allows us to design programmes to make finance markets work better.

A feature of the SBCI is its ability to rapidly establish or refocus business activities to respond to gaps in the credit market. This requires the SBCI to continually develop its core competency which will be a key function of our strategy enabling pillars.

## Our Values

The SBCI team is fundamental to the achievement of our goals. Our core set of values and approach to developing the SBCI business continues to be relevant to enable the team to develop and deliver our strategic goals.



# OUR STRATEGY

The strategy of the SBCI is to support the development and maintenance of an effective market for the provision of credit to SMEs in Ireland, while maintaining its ability to respond to other major market dislocations and the policy delivery needs of government.

Our strategy is grounded in our mission to support growth, prosperity, and the transition to sustainability by driving competition, enabling innovation, and improving access to finance in the Irish credit market.

## VISION



Supporting economic development in Ireland by driving increased access to finance

## MISSION

Support growth, prosperity, and the transition to sustainability by driving competition, enabling innovation and improving access to finance in the Irish credit market



## IMPACTS



Increase access to finance

Promote sustainability

Enable SMEs to grow and prosper

## ENABLERS

Harness digital and data

Build brand, insights & relationships

Support our people to be the difference



# IMPACT THEMES

The SBCI's updated strategy is focused on three impact themes that are closely aligned to government policy, market trends, the needs of Irish businesses and the SBCI mandate. Our three impact themes are:

## Access to Finance

The SBCI aims to support a fully functioning credit marketplace by providing optimal products through all available channels and providers. We will do that by:

- Increasing the supply of and access to finance where markets do not work well
- Creating a more diverse finance market, with greater choice and providers
- Being a key channel for EU and Government supports for businesses



## Promote Sustainability

The SBCI will focus on supporting the creation and development of new markets for the finance of climate action measures such as energy efficiency in the first instance, and address market failures in existing markets to enable Ireland to meet its climate targets. To achieve that ambition, we will:

- Be a 'Responsible Business Advocate', obtaining and living ESG credentials
- Leverage and channel Public policy and eco-system supports to develop credit products
- When building our products, we will apply an ESG lens to support Climate and Social initiatives where required



## Enable SMEs Grow and Prosper

We will provide SMEs with easy access to a suite of supports, both financial and non-financial, and via digital channels to support their development. We will do that by:

- Delivering a pipeline of product innovation to support growth
- Providing market and research insights to highlight challenges and opportunities in the market
- Guide SMEs to useful services and tools that support their growth plans through a digital platform



# KEY ENABLERS

The SBCI's supports utilise Government and European backing and are designed to address failures in the market to provide finance to SMEs, including Primary producers (farmers and fishers). Our people along with other enabling pillars are the foundation upon which our strategy depends.

## Digital

The SBCI will put digital at the centre of everything that we do through continuous development of a best in class customer hub and utilising digital tools. To achieve this, we will:

- Develop our digital capability to deliver an end-to-end digital journey for SMEs and our On-Lenders
- Simplify our processes to increase our capacity to deliver on our objectives
- Develop our data and analytics capability to provide access to data and analysis to support our decision making

## Awareness of the SBCI

The SBCI has developed its expertise and delivery mechanisms to provide stakeholders and policymakers with the ability to create products that address gaps in the credit market for SMEs. We are building our reputation among stakeholders and the market as being an SME Champion.

To continue that development, we will:

- Continue to leverage our data, research, and credit capability to provide evidence-based insights to inform stakeholders and influence the creation of market supports
- Continue to promote our brand awareness among SMEs so that they are aware of the benefits of our products

## People

We will invest in our people by developing the skills of the future through continuous learning, innovating through hybrid working and creating an inclusive and diverse workplace. We will do this by:



- Living our values and continuing to develop an inclusive culture
- Creating a workplace where colleagues feel valued and supported
- Investing in future skills and lifelong learning for our colleagues



# ANNUAL PLANNING PROCESS AND RISK MANAGEMENT

To support the achievement of our strategic goals, the SBCI will complete an annual planning process to formulate targets and deliverables for the forthcoming year. This process will be conducted in parallel with the annual budgeting process to ensure alignment of organisational resources with targets and deliverables. The proposed annual targets and deliverables will be submitted to the SBCI Board for approval and the Minister for Finance for review. Our Annual Planning Process incorporates the following key aspects:

## Annual Strategic Review

Our strategy themes and enabling pillars have been translated into goals and a roadmap for the SBCI over the life of this strategy. In the context of the changing environment in which we operate, it is important to ensure the business goals remain aligned with the external environment. An annual strategic review will be conducted to identify any changes which require realignment of our goals and prioritise the various organisational initiatives for implementation over the coming year.

## Risk Management Framework

The SBCI ensures that it manages its risk profile within its agreed risk appetite, that material risks are identified, management of risks is monitored, and that suitable and effective risk management arrangements are in place, alongside clearly defined and delineated roles, and responsibilities.

## Risk Appetite Framework

This is the overall approach through which SBCI risk appetite is established, communicated and monitored. It includes risk appetite statements and key risk indicators, while outlining the roles and responsibilities of those overseeing the implementation and monitoring of the Framework.

## Cascading of Corporate Goals

Following approval by the SBCI Board of the annual targets and deliverables, each business function will cascade these within their teams. The business functions will ensure these are disaggregated into team annual plans and individual employee goal setting.





# FINANCIAL FORECAST

Our financial objective is to be sustainable and operate without recourse to unexpected recapitalisation by our shareholder. We will seek to generate sufficient returns in the long term to be financially resilient to sustain any operational and impairment losses that may arise however this will be secondary to the achievement of our mandate and strategic objectives.

## SBCI Financial Performance

Our financial performance is contingent to a significant degree on external market factors, demand for our liquidity funding by on-lenders, the interest rate environment and economic cycles. It is also influenced by the State's need to respond urgently to market dislocations and economic crisis situations e.g. Covid-19. This leads to unpredictability in financial forecasting and the need to revisit projections on a frequent basis.

## SBCI Financial Performance against Forecast

Two financial forecasts were included in original Strategy 2020-2025 based on two different market conditions. The two scenarios are shown in the tables below which includes the actual financials for YE 2020 and 2021 for context.

### Scenario 1 – Base Case

The Base Case represented the best estimate of a 5-year forecast based on our planned strategic initiatives, the economic environment and the emerging trends evident when the plan was prepared in Q3/Q4 2019.

Statement of income	Actual		Actual		Revised Budget		2023	2024
	2020	2020	2021	2021	2022	2022		
Base Case	€m	€m	€m	€m	€m	€m	€m	€m
Opening Loans	594	555	566	452.37	590	306.45	659	803
Closing Loans	566	452	590	306.45	659	257.20	803	1005
Net interest income	4.50	3.73	4.62	2.98	4.37	1.90	5.12	6.33
Risk sharing income	2.36	4.95	2.55	2.79	4.00	4.79	4.95	5.80
CCGS cost recovery and other income	0.28	1.49	0.20	1.20	0.20	1.17	0.20	0.20
<b>Total Income</b>	<b>7.09</b>	<b>10.17</b>	<b>7.37</b>	<b>6.98</b>	<b>8.57</b>	<b>7.86</b>	<b>10.27</b>	<b>12.33</b>
<b>Total Operating expenses</b>	<b>-9.01</b>	<b>-11.28</b>	<b>9.46</b>	<b>-8.51</b>	<b>-9.93</b>	<b>-10.70</b>	<b>-10.43</b>	<b>-10.95</b>
<b>Net loss</b>	<b>-1.92</b>	<b>-1.11</b>	<b>-2.09</b>	<b>-1.53</b>	<b>-1.36</b>	<b>-2.83</b>	<b>-0.16</b>	<b>1.38</b>

The key assumptions underpinning the base case were:

- Bank on-lenders would continue to repay their facilities as scheduled with demand low for additional liquidity.
- Non-Bank on-lenders would borrow €100m per annum in 2020-2021, increasing each year thereafter.
- Net Lending Margin remained at 0.80% in 2021, decreasing to 0.70% as the costs increased.
- The current risk-sharing schemes (FGLS, BLS, Agri Scheme) continue to generate income as expected.
- New risk-sharing schemes (e.g. Energy Efficiency Loan Scheme, Credit Unions) deliver significant additional income from 2021 onwards, as they increase in scale following the initial deployment over the course of 2020/2021.
- Operating Expenditure increases by 5% year-on-year.

#### Performance Against the Base Case

- AIB repaid the balance of its facility (€95m) in 2021 ahead of its scheduled repayment in 2024. This impacted net interest income by c.€128K in 2021 and will impact 2022 figures by €493K.
- Covid-19 had a significant impact in the forecasts which was unforeseen at the time of preparing the forecasts included in the original strategy: -
  - The non-Bank On-Lenders demand for liquidity was lower than expected, €80m was borrowed in 2021 instead of the forecasted €100m. This was due to the muted credit demand caused by Covid-19. This lower figure impacts interest income by €160K per annum.
  - There was a large increase in Risk sharing income driven by the repurpose of BLS and the development of CCGS to support SMEs impacted by Covid-19.
- A revised financial forecast has been prepared as part of the strategy review which is shown below.

## Scenario 2 – Adverse Case

The Adverse Case assumed significantly less favourable conditions, resulting in reductions in forecast lending income. The most significant adverse impact caused by the assumption that one (non-Bank) on-lender defaults leading to credit losses of €21.15m over the 5-year period, which could be absorbed by the SBCI's current paid capital (€30.2m).

Statement of income	Actual		Actual		Revised Budget		2023	2024
	2020	2020	2021	2021	2022	2022		
Adverse Case	€m	€m	€m	€m	€m	€m	€m	€m
Opening Loans	594	555	566	452.37	590	306.45	609	653
Closing Loans	566	452	590	306.45	609	257.20	653	705
Net interest income	4.45	3.73	4.05	2.98	3.60	1.90	3.47	3.73
Risk sharing income	2.07	4.95	2.55	2.79	4.00	4.79	4.95	5.80
CCGS cost recovery and other income	0.28	1.49	0.20	1.20	0.20	1.17	0.20	0.20
<b>Total Income</b>	<b>7.09</b>	<b>10.17</b>	<b>7.37</b>	<b>6.98</b>	<b>8.57</b>	<b>7.86</b>	<b>10.27</b>	<b>12.33</b>
<b>Total Operating expenses</b>	<b>9.21</b>	<b>-11.28</b>	<b>-9.67</b>	<b>-8.51</b>	<b>-10.15</b>	<b>-10.70</b>	<b>-10.66</b>	<b>-11.19</b>
<b>Net loss</b>	<b>-2.41</b>	<b>-1.11</b>	<b>-2.87</b>	<b>-1.53</b>	<b>-12.36</b>	<b>-2.83</b>	<b>-2.04</b>	<b>-1.46</b>

The key assumptions underpinning the adverse case are the same as the Base Case, with the following adjustments: -

- Non-Bank on-lenders continue to borrow, however at a reduced rate of €100m per annum.
- Net Lending Margin decreased to 0.70% in 2021, to 0.60% in 2022 and to 0.55% thereafter due to increased funding costs.
- Loan impairment charge of €10m in 2022 due to on-lender failure.

### Performance Against the Adverse Case

- Covid impacted the liquidity demand from the non-bank on-lenders even more than anticipated in the adverse case scenario. Closing Loan balances were reduced to €257m in the updated 2022 Budget compared to €609m in the 2022 forecast.
- On-lenders provided SME borrowers with loan repayment moratoriums while their businesses were in Covid lockdown, the majority of SMEs returned to their full loan repayment schedules so there were no credit losses.
- A revised financial forecast has been prepared as part of the strategy review which is shown below.

### SBCI Financial Impact on SMEs

The financial performance and projections do not capture the overall positive impact that the SBCI has had, and continues to have, on SMEs and the wider economy by facilitating:

- lower interest rates
- enhanced access to finance for SMEs
- reduced security requirements
- more flexible terms for SME finance
- increased competition among finance providers

## SBCI Updated Financial Forecast

We have assessed the financial impact of the refreshed strategy plan in the revised Financial Forecast below which will be reviewed annually in tandem with the Strategy.

Statement of income	Actual	Budget		
	2021	2022	2023	2024
	€m	€m	€m	€m
<b>Opening Loans</b>	<b>452.37</b>	<b>306.45</b>	<b>257.20</b>	<b>232.95</b>
<b>Closing Loans</b>	<b>306.45</b>	<b>257.20</b>	<b>232.95</b>	<b>198.95</b>
Net interest income	2.98	1.90	1.80	1.59
Risk sharing income	2.79	4.79	4.60	4.91
CCGS cost recovery and other income	1.20	1.17	0.98	0.98
<b>Total Income</b>	<b>6.98</b>	<b>7.86</b>	<b>7.38</b>	<b>7.48</b>
<b>Total Operating expenses</b>	<b>-8.51</b>	<b>-10.70</b>	<b>-9.37</b>	<b>-9.56</b>
<b>Net loss</b>	<b>-1.53</b>	<b>-2.84</b>	<b>-2.01</b>	<b>-2.08</b>

Key Assumptions underpinning this forecast are:

- Net Interest Income assumes BOI repays in full by 2024 in line with its repayment schedule and the drawn amounts from existing non-banks remain flat except for SME F&L commencing repayment in 2023.
- Further lending of €15m in 2023 and €10m in 2024 to one new on-lender.
- On-lenders liquidity facilities continue to get repaid ahead of new loan deployments due to the muted demand for credit.
- No further drawdowns by SBCI of its borrowings as any drawdowns for on-lenders will be funded from facility repayments received from existing on-lenders.
- Net interest is calculated at 80bps with no changes assumed to Euribor. Any increase to Euribor above zero would increase our net Interest income and reduce our cost to carry.
- Risk sharing assumes the new long-term loan scheme and Retrofit in 2023 and a new unspecified scheme also in 2023.
- CCGS and other income remains at 2022 levels includes a once off cost reimbursement for marketing.
- Operating expenses 2022 as per budget. 2023 & 2024 reflects a 3% increase in non-recoverable costs.
- IT Software sees further investment of €0.5m in 2023 and 2024, as continue our Digital Strategy to further develop the Customer Hub.
- Given the current inflationary pressures, our costs will be regularly reviewed.

# KPIs

## SBCI KPI Performance against Targets

In our original Strategy 2020-2025, KPIs were included to monitor our performance in implementing the strategic plan. Below are the KPIs that we included in the plan and our performance against those targets

2022-2025 Strategy Theme/Pillar	Strategic Objectives	KPIs	Performance for the YE 2021
SMEs First Theme	To place SMEs at the centre of the purpose and focus of the SBCI and to promote entrepreneurship, productivity, economic growth and employment by ensuring the availability of, and effective competition in the provision of appropriate SME finance.	Add 1 new On-Lender per annum	SBCI now has 16 On-Lending partners
		Minimum financial advantage of 60bps on all products	Minimum discount of 1% achieved
		€200m sanctioned to 2,500 SMEs per annum over five years	€429m to 6,000 SMEs - CCGS. €214m provided to 875 SMEs - FGLS. €147m of Leasing, Hire Purchase and Invoice Financing provided by non-bank partners to 3,000 SMEs
		1 new product per annum to the market via an existing or new On-Lender	9 different product types supported by SBCI risk share and liquidity
		Add 3 non-bank risk sharing relationships.	10 on-lenders participating in SBCI risk share schemes
SME Innovation	To address the gap in the support for businesses that are innovative and scaling beyond equity finance, where credit is not available but is required to deliver rapid growth. In addressing this, the SBCI will help to enhance SMEs' competitiveness, scale and ability to address major societal and innovation challenges.	Impact review of schemes to be established and maintained.	Review of FGLS completed
		Deliver a Mezzanine / Second Lien Loan risk sharing pilot.	In discussions with BOI and AIB
		New Innovation product developed and delivered	Development delayed while products supporting impact of Covid-19 prioritised
		Direct engagement with minimum of 30 SMEs p.a.	Annual survey of SMEs Workshops held with each On-Lender annually
		Product development workshops held with each on-lender Digitise the delivery of the SBCI's product offering through the new Customer Hub to be delivered by 2021	Start date of development postponed for 6 months due to remote working. Customer Hub under development and target completion date Q4 2022

Policy Delivery Pillar	To enable the impact sought in the its three themes, to ensure its capabilities as a counter cyclical financing mechanism are retained and to serve as an effective policy delivery mechanism.	Quarterly review with DOF and regular meetings with other relevant departments.	Regular meetings held with government departments
		External review completed in fifth year of strategy to assess this and provide context for next strategy.	N/A
		At least 50% of liquidity deployment is funded from European or International Sources	Yes- 95% of drawn balances funded by CEB & EIB
		Membership of EU NPI networks including active role in governance	Member of ACEM and NEFI
		Achieve Invest EU Implementing Partner Status and Acquire a shareholding in the EIF by 2021.	Application submitted during 2021 and under review
		No additional call on capital unless required to deploy additional products or support to the market.	None required during 2021
		Evidence of manageable staff turnover and strong staff engagement	10% turnover Feedback from regular staff surveys reviewed and actioned.
		Launch an Energy Efficiency scheme for retrofit of houses in collaboration with the EIB in 2021	€500m scheme being developed with DECC and EIB to be launched to the market by Q4 2022
Climate Action	To support the creation and development of new markets for the finance of climate action measures such as energy efficiency in the first instance and to address market failure in existing markets to enable Ireland to meet its climate targets.	Deliver a bespoke product targeting climate action investment by SMEs and delivered through a specialist on-lender in 2021	€150m scheme developed in 2021 with 5 On-Lenders selected to launch in the market May 2022
		Establish SBCI's carbon footprint and reduce this over time.	Established and reported in the SBCI financial accounts
		Sign up to and comply with an industry standard/code of conduct for best practice in carbon reduction	SBCI is part of the NTMA's comprehensive climate action plan

## SBCI STRATEGIC PLAN

### SBCI KPIs 2022

Given the volatility and pace of change in economic environment going forward KPIs will be approved by the SBCI Board on an annual basis on tandem with a strategy review. The KPIs for 2022 are in the table which are aligned to the SBCI's strategy and mandate

2022-2025 Strategy Theme/Enabler	Strategic Objectives	KPIs	Alignment to SBCI's Statutory Functions (Appendix 1)
INCREASE ACCESS TO FINANCE	Increase the supply of and access to finance where markets don't work well	Market conditions allowing, deliver €700m of new committed risk sharing and €100m of liquidity facilities to On-Lenders.	a, b, f & h
		€170 m of liquidity loans and €300m of risk backed loans deployed to SMEs.	a, b, f & h
	Create a more diverse finance market, with greater choice of options and providers	•Minimum discount of 0.60%	a, b, f & h
		•1 new product per annum to the market via an existing or new On-Lender	b, f & h
PROMOTE SUSTAINABILITY	Responsible Business Advocacy & Credential	•ESG Strategy & Policy to be in place by the end of 2022	a, b, c, d, e & f
	Leverage and channel Public Policy and Ecosystem supports		
ENABLE SMEs TO GROW AND PROSPER	Deliver a pipeline of product innovation	•Complete annual SME Adviser Survey.	b & i
	Supply Market Research and Insights		
	Provide access to services and tools through a digital platform		

HARNESS DIGITAL AND DATA	Drive process simplification - Customer Engagement through Digital Hub	•Phase 1 of Customer Hub Delivered to be launched in 2022	i & j
	Build strong data foundations and Business Intelligence		
	Develop digital propositions for our stakeholders		
BUILD BRAND, INSIGHTS & RELATIONSHIPS	Build the brand advocacy as the SME champion	•Achieve Implementing Partner status by 2022	b, g & i
	Harness insights to platform the case for SMEs	•Host two NPBI Association Events	
	Be the centre of expertise on SME business finance providing advice and support to Government		
SUPPORT OUR PEOPLE TO BE THE DIFFERENCE	Create a workplace where colleagues feel valued and supported	•Skills Gap Analysis & Succession/Development plan to be complete by Q2 2022	j & 2
	Inclusive and diverse workforce		
	Investing in future skills and Lifelong Learning		
	Living our Values		
MANAGING TAXPAYERS' MONEY EFFICIENTLY WITHIN A ROBUST RISK MANAGEMENT FRAMEWORK		•Maintain Financial results within 20% of Board approved budget for 2022	j & 2
		•Amber or Green	j & 2

# APPENDIX 1

Section 8 of the SBCI Act 2014 states that:

“ 8. (1) The functions of the SBCI are —

- (a) to provide, and promote the provision of, additional credit in a prudent manner to enterprises or other persons in the State, in particular SMEs,
- (b) to design or cause to be designed credit facilities which consistently address the financial needs of borrowers, in particular SMEs, be they related to growth, investment or operational needs,
- (c) to promote competition in markets for the provision of credit to borrowers, in particular SMEs,
- (d) to encourage an increase in the number of providers of finance to borrowers in the State,
- (e) to encourage the entry to the market of new providers of credit,
- (f) to contribute to the diversity of the types of finance available in the State,
- (g) to source international funding to facilitate lending,
- (h) to provide finance to projects which promote the economic development of the State,
- (i) to facilitate the operation of diverse credit markets, and
- (j) to carry out any functions that are ancillary, consequential or supplemental to the matters mentioned in paragraphs (a) to (i).

(2) In so far as possible, the SBCI shall, consistent with the achievement of its functions under subsection (1), seek to obtain a positive financial return for the State. “



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