ANNUAL REPORT & FINANCIAL STATEMENTS

2021

Here to build business.
SBCI
Strategic Banking Corporation of Ireland

ABOUT THE SBCI

The Strategic Banking Corporation of Ireland (SBCI) was set up in September 2014 to ensure that SMEs in Ireland have access to stable, lower-cost, long-term funding options. As a state-owned promotional institution, and in common with its European peers, we have become an integral part of the business finance framework. By supporting and helping to develop an effective credit market for SME finance, we ensure that SMEs have access to finance in both positive and negative market conditions.

We provide wholesale finance and guarantees to SMEs through our on-lending partners, ensuring that the benefit of our support is delivered to the ultimate SME borrower and not our on-lending partners.

Our Vision

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

Our Mission

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 Values

Our team is fundamental to the achievement of our mission. Our core set of values (teamwork, transparency, entrepreneurial, common purpose, and integrity) and shared approach to developing the SBCI business continue to be relevant to enable the team to develop and contribute to our strategic goals.

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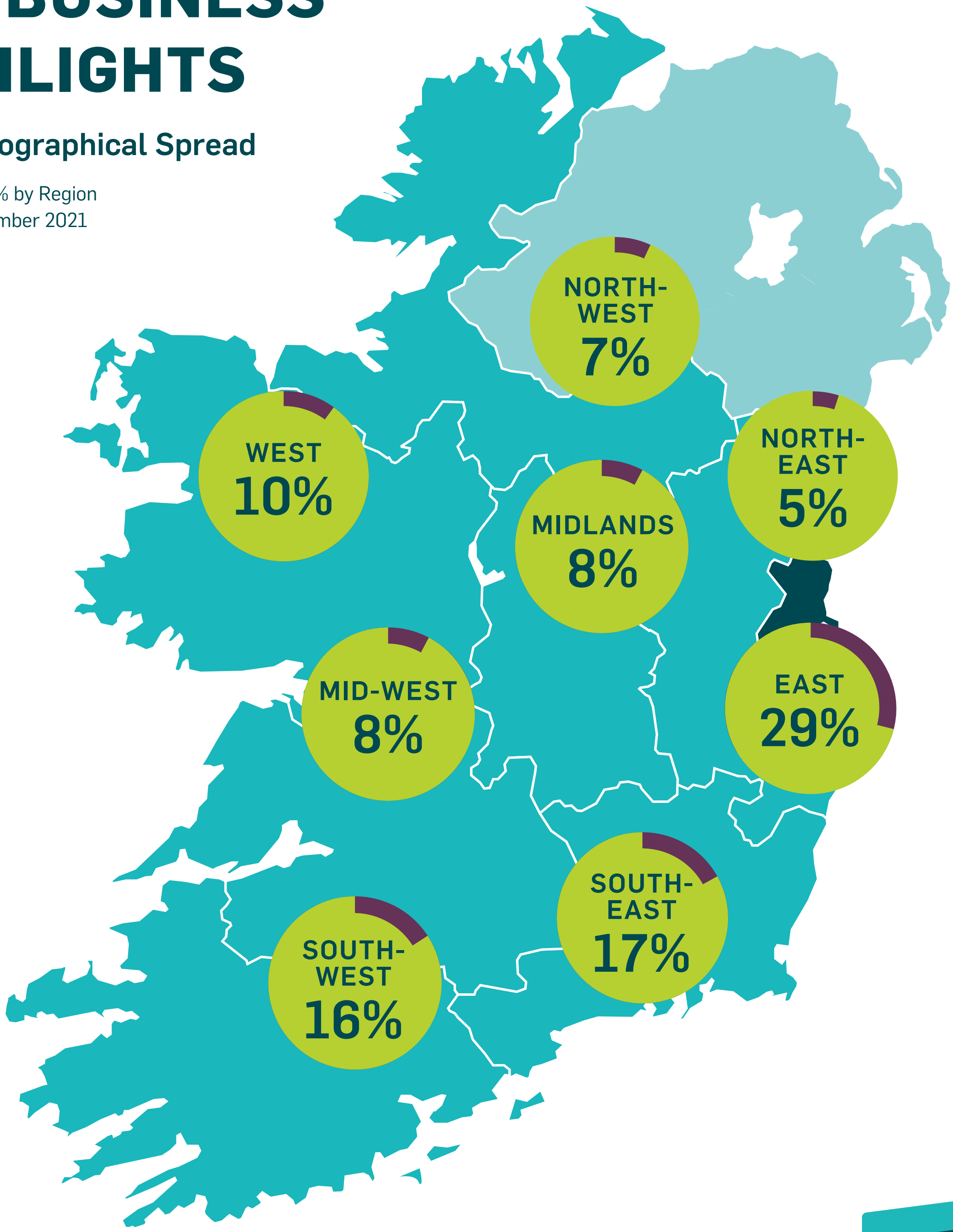
KEY BUSINESS HIGHLIGHTS

SBCI's Geographical Spread

Loan numbers: % by Region
Year to 31 December 2021



Key Business Highlights

Year to 31 December 2021

€819m

Loans supported

€81,834

Average Loan size

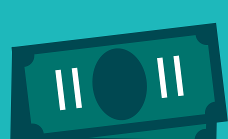
10,012

SMEs in Ireland supported

What SMEs used SBCI facilities for in 2021

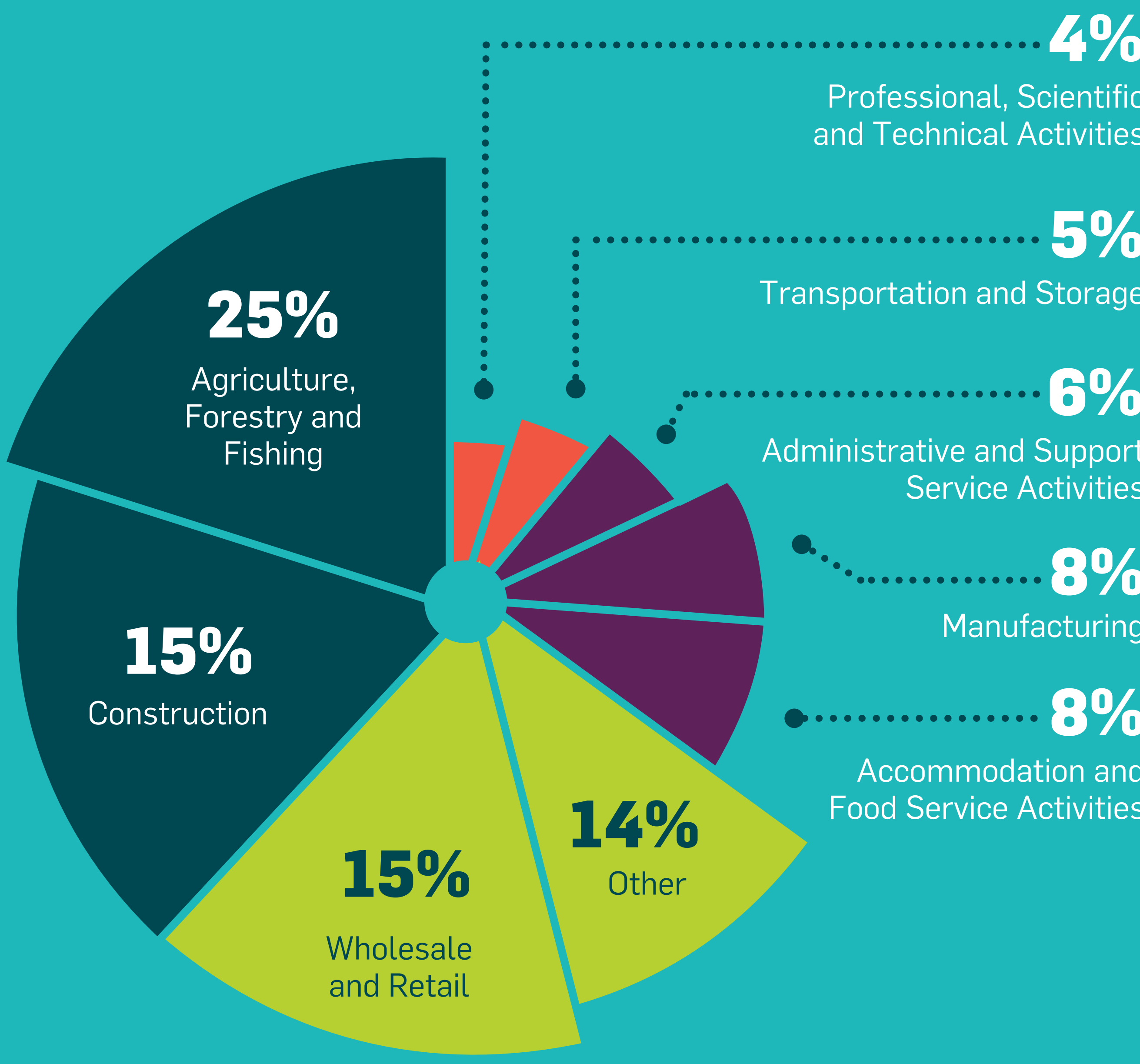
91% investment in growing the business

9% working capital



SBCI funding is benefiting a wide range of sectors

Year to 31 December 2021



CHAIRPERSON'S STATEMENT

At the beginning of this financial year, we were all still in the middle of the global Covid-19 pandemic. The SBCI has continued to mobilise successfully to support Irish businesses. In the face of significant economic impacts, our team in the SBCI has worked to support businesses and protect livelihoods. Throughout the country, small and medium-sized businesses have been able to access finance through our schemes and gain the confidence to carry on.

2021 was another challenging year for the Irish economy. The Covid-19 pandemic together with the re-emergence of the Brexit challenge continued to impact businesses, their employees, and the broader economy, resulting in the continuing need for the provision of unprecedented levels of State supports. The SBCI worked alongside 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), to leverage our experience in the delivery of risk-sharing schemes to ensure the availability of finance to businesses impacted by Covid-19 and by Brexit. Throughout 2021, the SBCI suite of supports included low-cost, flexible loans 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 continued to support businesses as they tackled the challenges posed by the pandemic. This Scheme is available through a network of 28 lending partners, including pillar banks, non-bank finance providers and many Credit Unions across the country. The SBCI is the operator of the Covid-19 Credit Guarantee Scheme on behalf of DETE and is delighted to play a part in the delivery of such a significant State support in these challenging times for businesses. The €330m Brexit Impact Loan Scheme (BILS) was launched in October 2021. This Scheme offers SMEs access to longer term, variable rate loans. The Scheme also continues to offer unsecured lending on loan amounts up to €500,000.

During the year, the SBCI continued to develop its relationships with both existing and new on-lenders, adding Close Brothers, Microfinance Ireland and a number of credit unions as SBCI Partners. 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 Solutions and Fexco Asset Finance). The SBCI continues to work towards the addition of further partners during 2022.

Given the impact of the pandemic on businesses and their operating models, it was appropriate to conduct a refresh of the SBCI Strategic Plan 2020-2025. The SBCI will continue to focus on its core mandate of serving the needs of the SME sector and to develop and foster innovation in relation to funding for SMEs. The SBCI is also committed to supporting the implementation of the Government's Climate Action Plan, and this focus will be a central part of our ongoing operations. Due to the uncertainty created by the Covid-19 pandemic, the SBCI Board and Management Team will continue to review the Strategic Plan on an ongoing basis to ensure it is fit for purpose to meet the needs of SMEs in the future.

The rapid response to Covid-19, including the emergency finance schemes facilitated by the SBCI and other measures such as BILS and the liquidity that we provide to bank and non-bank lenders, meant that Irish businesses could access finance when they needed it. Our job now 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 in so doing, 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 sustainably.

The SBCI continued to operate in a remote working environment throughout 2021. This presented some challenges for the organisation, but the team continued to deliver on its mandate throughout the year. The SBCI is grateful for the ongoing support provided by the NTMA which facilitated successful remote working arrangements.

In September 2021, June Butler was appointed as Chief Executive Officer. June brings with her a wealth of experience in working with Irish businesses, and I look forward to working closely with June in the coming years, as she guides the SBCI in delivering on its mandate of driving competition and increasing the availability of low-cost funding to the Irish Finance market.

I would like to thank my fellow Board Members, the Committee Members, the Management Team and staff for their work and endeavours throughout the year. I look forward to their continued commitment and engagement during 2022.

BARBARA COTTER
Chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW

At the beginning of 2021, Irish businesses were in the midst of dealing with the effects of the global Covid-19 pandemic. The ongoing impact of the Covid-19 pandemic combined with the continuing uncertainty surrounding Brexit have contributed to 2021 being one of the most challenging years for SMEs since the financial crisis.

During 2021, the SBCI was effective in rapidly deploying supports at scale for SMEs, providing them with a greater range of options to access low-cost, competitive finance and giving them increased certainty to facilitate planning with confidence.

We use our unique position at the intersection of government and financial markets to make markets work better for businesses that are so important to the Irish economy and the nation's long-term prosperity. This includes important work to increase diversity of both finance type and provider, and to ensure access to finance for businesses right across Ireland.

The value of having the SBCI in place as a ready-made conduit for State and EU funding has been demonstrated since the outbreak of the pandemic. As the impact of the pandemic on businesses became clearer, the SBCI worked with the departments of Enterprise, Trade and Employment (DETE), and Agriculture, Food and the Marine (DAFM) to deliver the Covid-19 Credit Guarantee Scheme (CCGS).

The Scheme is provided by the Government of Ireland to facilitate lending to Micro, Small and Medium-sized Enterprises and Small Mid-Caps adversely impacted by Covid-19, including Primary Producers (Agriculture and Fishing). The Covid-19 Credit Guarantee Scheme facilitates the provision of loans and working capital to businesses. The SBCI is the operator of the Scheme on behalf of the Minister for Enterprise, Trade and Employment. Unlike the SBCI's other Schemes, the Government provides the guarantee directly to the participating finance providers. As operator, the SBCI engages with the participating finance providers in the operational and management elements of the Scheme. The Scheme offers up to €2bn of additional credit, supported by a Government guarantee distributed through a network of banks, non-bank finance providers and Credit Unions. The Scheme has provided €429m to almost 6,000 SMEs during 2021 and to date has delivered €563m to more than 8,000 SMEs.

The withdrawal of the UK from the Common Market presents challenges for Irish businesses. These businesses are now facing increased costs and supplementary paperwork which can lead to delays in trade between the two markets. Based on market feedback, the SBCI in cooperation with the Departments of Enterprise, Trade and Employment and Agriculture, Food and the Marine, developed the Brexit Impact Loan Scheme. This Scheme provides term loans of up to six years, at variable rates, with unsecured loans available up to €500,000. The Brexit Impact Loan Scheme is designed to fund working capital requirements or innovation, change or adaptation of the business to mitigate the impact of Brexit. The Scheme benefits from a guarantee under the European Guarantee Fund. The SBCI is grateful for the continued support received from the European Investment Bank Group and the European Commission in offering counter guarantees to support its schemes.

Through 2021, 875 Irish businesses continued to draw down approved facilities totalling €214m under the Future Growth Loan scheme (FGLS). The success of the Future Growth Loan Scheme in delivering longer term funding for SMEs has resulted in a review of the Scheme being undertaken by the Department of Enterprise, Trade and Employment. This review will seek to ascertain if a replacement long-term scheme is required.

The SBCI's liquidity programme facilitated an additional €80m of funding being made available through Fexco Asset Finance (€40m), Microfinance Ireland (€30m) and SME Finance and Leasing Solutions (€10m). During 2021 €147m of Leasing, Hire Purchase and Invoice Financing facilities were provided by our non-bank partners, Bibby Financial Services Ireland, Capitalflow, Finance Ireland, SME Finance and Leasing Solutions and Fexco Asset Finance to more than 3,000 SMEs.

In 2021, the SBCI supported lending for the year, across all its product lines, totalling €819m with 10,012 loans to SMEs and at average loan size of €82,000. New loans were deployed across a broad sectoral spread. Some of the larger sectors availing of SBCI facilities are Agriculture 25%, Wholesale & Retail 15%, Construction Services 15%, Manufacturing Services 8%, and Accommodation and Food Trade 8%.

These supports for Irish SMEs could not be delivered without the cooperation of and collaboration with all our partners. These include banks, non-bank financial institutions and several Credit Unions spread across the country. The SBCI is grateful for the support it receives from its partners and looks forward to their continued support in the coming years.

Looking Forward

Over the past year, the Irish banking market has changed, 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.

In addition, our market insights, SME finance expertise and delivery capabilities will ensure that we will work to address future gaps in the Irish credit market 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 margin. 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.

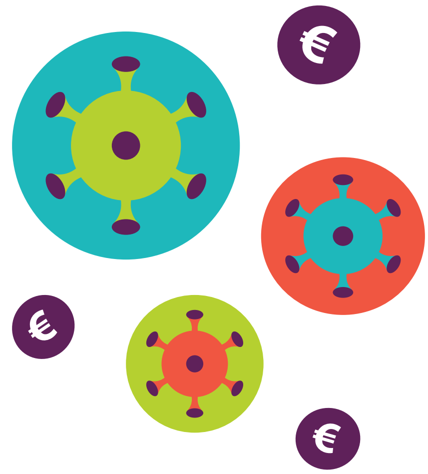
The financial results for 2021 shows an operating loss of €1.369 million, compared to a loss of €1.111 million in the previous year. The loss reflects a reduction in interest income, primarily due to a decrease in loan assets as a result of repayments during the year and subdued demand for new lending. Furthermore, there was an increase in expenditure in 2021, due to the cost of delivery of new and increased schemes in response to the Covid-19 crisis.

2021 saw an increase in the number of employees to support the growing number of schemes and on-lenders. There are currently 32 employees working in SBCI. Our people have performed exceptionally well while adjusting to the disruption of their working lives, and of normal life in general. I am grateful for the efforts of our team to deliver – and keep on delivering – under tough circumstances while maintaining motivation, camaraderie and consistently high standards.

I would like to thank the SBCI team and the SBCI Board for their adaptability and continued dedication during this past year.

JUNE BUTLER
Chief Executive Officer

STRATEGY



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, our job now 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 sustainably.

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.

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 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.

We bring expertise and Government funding 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. In addition to finance, we also use guarantees to share risk with the private sector and to create stronger incentives for lenders to extend credit to Irish SMEs. Our route to market is through established as well as newly emerging finance providers. In total our SME supports are available through partnerships with 35 finance partners. We are creating the opportunity for businesses to invest and grow, creating additional jobs and economic activity across Ireland.

Our strategy is to support the development and maintenance of an effective market for the provision of credit to SMEs in Ireland, while maintaining our ability to respond to other major market dislocations and the policy delivery needs of government. We do this through the delivery of financial support in the form of low-cost liquidity for finance providers, the sharing of risk on underlying loans and the development of innovative new forms of financial instruments.

We are focused on three impact themes:

1. Access to Finance

2. Promote Sustainability

3. Enable SMEs to Grow & Prosper

The SBCI's supports utilize government and European backing and are designed to address failures in the market to provide finance to SMEs, including Primary producers (farmers and fishers), 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.

As we look ahead, we are set to build on our significant progress by expanding the supports offered to both the SME sector and the development of the economy, while maintaining the ability to respond to market dislocation and deliver government policy measures.

A key focus for 2022 will be the delivery of an SME Energy Efficiency Scheme and a large Retrofit Programme in co-operation with the Department of Environment, Climate and Communications.

It is important to note that unforeseen market developments may emerge (e.g. Covid-19 pandemic), which require us to reprioritise or change direction.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE OUTLOOK

The SBCI is at the beginning of our Environmental, Social, and Governance (ESG) journey, which will require long-term planning and commitment. We are committed to developing an ESG Strategy.

During 2021, ESG became a significant area of focus for the Board and management team. We are actively working on schemes that will support SMEs and consumers to contribute to Ireland's target of a 51% reduction in greenhouse gas GHG) emissions by 2030 and net zero GHG no later than 2050. We continue to foster a diverse workforce and inclusive environment for our employees.

The SBCI's Culture and Values

Our Values determine our behaviour in all aspects of our business, all of the time.

Integrity:
"Personally and collectively we hold ourselves to the highest standards"

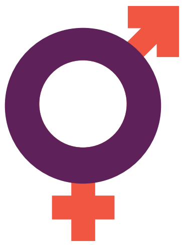
Teamwork:
"We work together to make a difference"

Transparency:
"We are honest and open in all of our dealings"

Entrepreneurial:
"We innovate to deliver solutions to address market failures"

Common Purpose:
"We will work to a common agreed goal"

The SBCI staff are employed by the NTMA and are assigned to the SBCI.



Gender

- The SBCI's employee gender profile at 31 December 2021 is 40% female / 60% male
- The SBCI's Board of directors' gender profile at 31 December 2021 is 45% female / 55% male

Disability

- The mission of the NTMA's Disability Advocacy Team (DAT) is to be an inclusive and supportive workplace that see ability in disability
- The DAT strategy focuses on three key pillars: Awareness, Engagement and Progression

LGBT+

- The NTMA LGBT+ network acts as a visible and accessible LGBT+ presence in the NTMA

Multiculturalism

- The new NTMA Internal & Multicultural Awareness Team (IMAT) aims to highlight and improve cultural integration and awareness in the NTMA increasingly diverse workforce

Energy Efficiency report

The SBCI operates out of Treasury Dock Building, North Wall Quay, Dublin 1

The SBCI's portion of the energy consumption of the Treasury Dock Building for 2021 is detailed below.

Electricity Consumption	2021	2020	DIFF (%)
KWH	23,685	25,686	-7.8
KWH/M2	1.8	1.9	-7.0
CO2E TONNES	7.7	8.3	-7.8

Gas Consumption	2021	2020	DIFF (%)
KWH	54,842	56,971	-3.7
KWH/M2	4.1	4.28	-3.9
CO2E TONNES	10.0	10.6	-5.4

Waste Management (KGS)	2021	2020	DIFF (%)
GENERAL	216	364	-40.6
RECYCLING	86	215	-60.1
COMPOSTING	88	280	-68.6
CONFIDENTIAL SHREDDING	111	120	-7.3
Total	**501**	**979**	**-48.8**

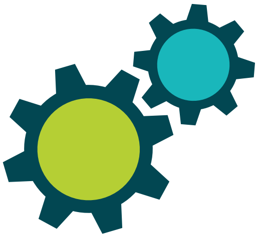
LINES OF BUSINESS

Lending

Our lending business model is to serve as a wholesale on-lending financial institution. We provide lower cost, long-term wholesale finance to suitable finance providers (on-lenders) with the benefit of the lower interest cost being passed to SME borrowers. Our strategy is based on developing a strong pipeline of potential on-lenders to achieve diversity in the market and drive competition while being cognizant of not distorting the market in any lending sector.

Risk-Sharing

The risk-sharing business model is to provide partial credit guarantees to On-Lenders to facilitate the advancement of credit to SMEs, including where access to credit is constrained by specific sectoral or economic cycle market failures. We avail of and leverage risk capacity from State and European supports to design financial instruments which make efficient use of capital and enhance SME access to finance. Examples of risk-sharing products include the SBCI Agriculture Cashflow Loan Scheme, the Brexit Loan Scheme, the Future Growth Loan Scheme, the Covid-19 Working Capital Loan Scheme, and the Brexit Impact Loan Scheme which was launched in October 2021.



Service Provision

In October 2016, the SBCI was appointed as operator and manager of the Credit Guarantee Scheme (CGS) by the Minister for Jobs, Enterprise and Innovation (now Enterprise, Trade and Employment). The launch of the Covid-19 Credit Guarantee Scheme in July 2020 as part of the Government's stimulus package has provided an additional €2 billion in guaranteed lending capacity.

Business Model

Our business model is to serve as a wholesale institution providing lower-cost finance and risk-sharing to on-lenders in the Irish credit market. We operate under a sustainability mandate rather than adopting a profit maximization approach. In supporting the development of new areas in the market, we aim to develop a functioning credit market rather than a state-supported market. We aim to adapt to market requirements and create targeted product offerings with flexibility regarding the product terms. This enables us to react to specific market failures through bespoke product offerings. As we continue to evolve our business model, we will continue to adopt a counter-cyclical approach, consistent with our mandate.

We employ a team of highly qualified professionals in order to carry out the function of developing our products and services. To this end, we leverage the resources of the NTMA. The SBCI staff are employees of the NTMA and are assigned to the SBCI, while most of the SBCI's corporate services are provided by the NTMA. The SBCI reimburses the NTMA for the provision of these services, including staff costs.

HOW SBCI WORKS

BUSINESS REVIEW

During 2021 we continued to evolve our business model and expanded our risk-sharing activities to address the challenges presented by both the Covid-19 pandemic and Brexit, and by further developing our non-bank partner wholesale funding operations.

The Government's Covid-19 Credit Guarantee Scheme, which had been launched in September 2020, continued to provide much needed support to SMEs as the pandemic evolved during 2021. In October 2021, the Brexit Impact Loan Scheme replaced the Brexit Loan Scheme providing SMEs with longer term lower interest rate lending.

We continued to develop our engagement with potential and new on-lenders, deploying an additional €80m in liquidity facilities to non-bank partners and establishing new working relationships with Close Brothers, Microfinance Ireland and five Metamo Credit Unions. We will continue to work towards adding new on-lenders to further increase the variety and availability of funding to SMEs.

During 2021, we have provided €819m to more than 10,000 SMEs through all our product lines. Across our products there was a regional spread of loans ranging from 29% in the East of the country, including Dublin, to 5% in the North-East.

Funding Sources

During 2021, we maintained our relationships with four funders, two international and two national facilities, with total funding lines of €591.6m. We have credit facilities of: €50m from the Council of Europe Development Bank (CEB); €126.6m from the European Investment Bank (EIB); €250m in a Guarantee Notes Programme with the NTMA and €165m from the Ireland Strategic Investment Fund (ISIF). We also benefit from guarantee programmes provided by the European Investment Fund and the European Investment Bank Group.

Council of Europe Development Bank
€50 Million

The Council of Europe Development Bank was founded as a multilateral development bank in 1956 with an initial mandate for the repatriation of refugees, post-World War II, and to address the resulting resettlement and social issues. This mandate has since broadened to address emerging general social and environmental issues in Europe, including the provision of support to micro, small and medium-sized enterprises with a view to both job preservation and job creation, through low-cost funding and guarantee mechanisms. Ireland has been a member of the CEB since 2004.

European Investment Bank
€126.6 Million

The European Investment Bank is the European Union's (EU) bank, supporting both credit and equity market failures across Europe. A key priority of the EIB's mandate is to provide financing and enhance access to finance for the European small and medium businesses. Provision of funding to the SBCI has been under the objective of SME financing support.

European Investment Fund
€1,880 Million

The European Investment Fund (EIF) is part of the European Investment Bank group. Its central mission is to support Europe's micro, small and medium-sized businesses by helping them access finance. EIF designs and develops venture and growth capital, guarantees (COSME, InnovFin, EGF and bespoke) and microfinance instruments which specifically target this market segment. In this role, EIF fosters the EU's objectives of supporting innovation, research and development, entrepreneurship, growth, and employment acting as a conduit for EU Commission funding and initiatives.

NTMA
€250 Million

The NTMA is responsible for borrowing on behalf of the government and managing the National Debt to ensure liquidity for the Exchequer and to minimize the interest burden over the medium-term. The NTMA facility to the SBCI is in the form of a Guarantee Notes Programme where the NTMA will invest in Guarantee Notes issued by the SBCI on agreed terms with a maximum ten-year maturity.

Ireland Strategic Investment Fund (ISIF)
€165 Million

The ISIF was established in December 2014 to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. Funding has been provided to the SBCI on foot of a direction from the Minister for Finance. The ISIF funding is a ten-year revolving facility with capacity for conversion to capital at the Minister's request. In October 2020, €50m of the revolving facility was converted to capital to support lending, guarantees and any unforeseen losses.

SBCI Products

We continued to support Irish businesses in 2021 through the provision of risk-sharing programmes. The success of the Future Growth Loan Scheme and the Covid-19 Credit Guarantee Scheme evidences the effectiveness of risk-sharing schemes in providing competitively priced accessible funding options for Irish businesses. The support provided to businesses covered areas such as longer-term investment finance and working capital finance, addressing the negative economic consequences of the Covid-19 pandemic and Brexit. In 2021, we continued to develop product choices for Irish SMEs and replaced the Brexit Loan Scheme and Covid-19 Working Capital Scheme with the Brexit Impact Loan Scheme.

The Covid-19 Credit Guarantee Scheme

We continued to support Irish enterprises during 2021, particularly with the twin challenges presented by the Covid-19 pandemic and Brexit.

The SBCI is the operator of the €2bn Covid-19 Credit Guarantee Scheme on behalf of the Department of Enterprise, Trade and Employment.

During 2021 the Covid-19 Credit Guarantee Scheme (CCGS), more than 5,800 loan drawdowns with a value of over €429m were provided to SMEs. The strong take-up of the Scheme evidences the effectiveness of this support in enabling businesses to address the unique challenges brought about by the Covid-19 pandemic and in planning for reopening as restrictions were eased. The number of participating on-lenders also increased substantially with seven members of the Metamo Group of Credit Unions, eight members of the Irish League of Credit Unions and four members of the CUDA Group of Credit Unions joining the Scheme, together with banks and six non-bank on-lenders.

The Brexit Impact Loan Scheme

The Brexit Impact Loan Scheme (BILS) supports Irish businesses and Primary producers (Agriculture/Fishing) by providing access to affordable medium-term finance enabling them to invest in their business. This €330m Scheme offers an increased loan term of up to six years at very competitive interest rates. The Scheme has an initial focus on those businesses and Primary producers affected by Brexit and with the flexibility to support businesses and Primary producers who are impacted by Covid-19 if required. The Scheme has the capacity to cater for refinancing needs, subject to certain limitations, and caters for both working capital and investment spending.

The Future Growth Loan Scheme

We continued to expand the number of on-lenders participating in the Future Growth Loan Scheme (FGLS) with the addition of Close Brothers in February 2021. The FGLS scheme has proven to be a very effective financing choice for Irish businesses, giving a competitively priced long-term funding option to Irish SMEs and Primary producers. In 2021 the Scheme has supported 875 loans with a value of €214m. The scheme is nearing full capacity.

A full review of the Future Growth Loan Scheme across all stakeholders commenced in October 2021 to determine the future requirements for a long-term investment product for Irish businesses. We are working closely with the Department of Enterprise, Trade and Employment on this review.

Future Initiatives

Climate Action

Climate Action is a key priority for the SBCI and in recognition of this we are currently developing two schemes in this area.

Retrofit Scheme

The SBCI was specifically called out under the Government's Climate Action Plan 2021 as a potential source of Smart Finance and, in this regard, we continue to engage with the Department of the Environment, Climate and Communications (DECC) along with other stakeholders, including the European Investment Bank, to develop a residential retrofit loan guarantee scheme for homeowners and small landlords. Given the potential for the SBCI to leverage exchequer funding combined with European guarantees, this is an area in which we can add value and assist the Department. The SBCI plans to launch the residential retrofit loan guarantee scheme in 2022 which will form an integral part of the Government's recently announced national retrofit plan and support achievement of the Climate Action Plan targets.

SME Energy Efficiency Scheme

In addition to the retrofit scheme, we also aim to develop a loan guarantee scheme focused on increasing businesses' investment in energy efficiency measures, such as heat pumps, solar and building upgrades. Our objective is to increase the availability of funding and reduce the cost of finance for those investing businesses through provision of risk-sharing, while also ensuring more flexible loan repayment terms that better match the longer payback periods of the underlying investments.

SBCI Product Details

Brexit Loan Scheme (BLS)/Covid-19 Working Capital Loan Scheme (Covid-19 WCLS)

The €300 million Brexit Loan Scheme/Covid-19 Working Capital Loan Scheme was offered in partnership with the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and the Marine and was supported by the InnovFin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments. The BLS/Covid-19 WCLS was designed to provide funding support to enable eligible SMEs to implement necessary changes to address the challenges posed by Brexit or Covid-19.

In October 2021, the Scheme was replaced by the Brexit Impact Loan Scheme.

Future Growth Loan Scheme (FGLS)

The Future Growth Loan Scheme is offered in partnership with the Department of Enterprise, Trade and Employment and the Department of Agriculture, Food and the Marine, with the financial backing of the European Investment Bank Group. This Scheme is available to eligible SMEs and the Primary producers (Agriculture/Fishing) to support strategic and long-term investment (7-10 years)*.

Who can apply?

The Scheme is available to:

- SMEs, Small Midcaps and Primary producers (Agriculture/Fishing)

Key features of the Scheme

- Loans from €25,000 up to €3m for eligible borrowers.
- Term ranging from 7 years to 10 years.
- Loans are unsecured up to €500,000.
- Initial maximum interest rate 4.5% for loans up to €249,999 and 3.5% for loans equal to or greater than €250,000**.

Loans can be used for

- Investment in tangible or intangible assets for the purpose of process and organizational innovation, or
- Investment in tangible and intangible assets on agricultural holdings linked to primary agricultural production.

Approval of loans are subject to the finance providers' own credit policies and procedures.

* To end of 2021 there has been very strong demand from SMEs and Agri businesses for this longer term, lower cost finance. This demand has resulted in a rapid take-up of the Scheme and consequently limited remaining capacity. AIB, Bank of Ireland, KBC Bank, permanent tsb and Ulster Bank were at their FGLS limits, while Close Brothers continued to have capacity available.

** Variable interest rates are subject to change.

Covid-19 Credit Guarantee Scheme (CCGS)

The Covid-19 Credit Guarantee Scheme was launched by the Government in 2020 as a robust and accessible emergency measure to support businesses impacted by the pandemic. The Scheme is designed to assist businesses, including Primary producers (Agriculture/Fishing), impacted by Covid-19 to access credit. T.

The Scheme is available through a variety of providers, including banks, non-bank finance providers and Credit Unions.

Who can apply?

To be eligible, viable micro, SMEs, Primary producers, and Small Midcap enterprises must meet the following criteria:

- Be involved in a commercial activity.
- Be Covid-19 impacted
- Meet Scheme criteria

Key features of the Scheme

- Facilities of €10,000 to €1m.
- Annual premium (in addition to the interest rate/fee charged by the finance provider).
- Term of up to 5.5 years.
- Variable interest rate. Loans unsecured up to €250,000.

Loans can be used for

- Term Loans, Demand Loans, Invoice Finance, Leasing.

Approval of loans are subject to the finance providers' own credit policies and procedures.

Brexit Impact Loan Scheme (BILS)

The Brexit Impact Loan Scheme was launched in October 2021 to address the ongoing challenges posed by Brexit. The Scheme replaces the original shorter loan term Brexit Loan Scheme and provides loans of up to 6 years with reduced interest rate and security requirements. Compared to the previous Brexit Scheme, the new Brexit Impact Loan Scheme has also been expanded to include Primary producers (Agriculture/Fishing).

The Scheme is available through a variety of providers, including banks, non-bank finance providers and Credit Unions.

Who can apply?

To be eligible, a business must meet the following criteria:

- Be a viable business with up to 499 employees (SMEs, Small Midcaps and Primary producers).
- Be Brexit impacted.
- Meet the scheme eligibility criteria.

Key features of the scheme

- €25,000 to €1.5m per eligible enterprise.
- Variable interest rate.
- Term ranging from 1 year to 6 years.
- Loans are unsecured up to €500,000.
- Optional interest-only repayments provided at the start of the loans.

Loans can be used for

- Working capital and investment loans to support SMEs and Small Mid-Caps (including Primary producers) impacted primarily by Brexit.
- Refinancing of existing SBCI Brexit Loan Scheme facilities; or
- Refinancing of an existing non SBCI Brexit loan.

OUR JOURNEY

SBCI PROGRESS TO YEAR END 2021

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

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

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

ACLS - Agri Cashflow 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

2021

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

2021
€2,800m
Total SBCI Supported Lending

46,000
Total Irish SMEs Supported

2020
€2,271m
Total SBCI Supported Lending

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

2019
€1,435m
Total SBCI Supported Lending

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

2018
€1,052m
Total SBCI Supported Lending

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

Lending

During 2021 we continued to develop our relationships with both existing and new on-lenders, adding Close Brothers, Microfinance Ireland and a number of other credit unions as SBCI Partners. An additional €50m of funding was provided to existing on-lenders (SME Finance & Leasing and Fexco Asset Finance) to provide a variety of finance products to eligible SMEs, e.g. hire purchase and leasing to finance cars, commercial vehicles, plant and machinery assets and invoice finance to fund business working capital. A total of €147m of credit products was provided to SMEs in 2021 using SBCI funding.

We continued to operate the Covid-19 Credit Guarantee Scheme on behalf of the Government. The Scheme is distributed through 28 on-lenders, including banks, non-banks and credit unions. In 2021, the Scheme provided €429m in funding support to almost 6,000 SMEs.

During 2021 we delivered €819m in funding to 10,012 SMEs through both our risk-sharing and liquidity supports. This compares to €836m and 7,639 SMEs in 2020.

In 2022, we will seek to increase the number of our on-lender partners to ensure a greater variety of competitive funding options is available for SMEs.

Marketing and Promotion

During 2021, we continued to raise awareness of the role we play in delivering the SBCI products to SMEs across Ireland through on-lending partners. We seek to ensure that our message reaches a wide range of audiences, from individual SMEs and their advisors through to industry and State bodies. Work to date has focused on the creation of a brand that is easily recognizable, relevant to our core audiences and achieves impact in a crowded brand environment.

A public awareness campaign is in place to market the SBCI and encompasses a marketing promotional campaign, including attendance at webinars and business events, along with a targeted media campaign. The event activity continued on-line in 2021 with us attending over 40 webinars engaging with SMEs and their advisors.

The 2021 media campaign continued the focus on the development of the SBCI's social media channels and the promotion of our products through SME and scheme explainer case studies. We use Twitter, LinkedIn, and our own YouTube channel to maximize the reach of our social media campaigns.

The Department of Finance "Credit Demand Survey" (April-September 2021) shows overall awareness of the SBCI at 35%. This has reduced compared to October 2020, when the level of awareness of the SBCI had a peak at 46%, following the launch of the Covid-19 Credit Guarantee Scheme. Taking into consideration the overall data trend from September 2017 to September 2021, the awareness of the SBCI's supports and initiatives remains positive.

The Department of Finance's Survey also shows that awareness of the Credit Guarantee Scheme, operated by the SBCI, was at 63% among SMEs at the end of September 2021.

Stakeholder and Peer Engagement

The SBCI stakeholder engagement initiatives are designed to ensure that our activities are aligned with Government policy and the financial needs of Irish SMEs. We achieve this through regular and effective engagement and collaboration with all stakeholders, including SMEs, representative bodies (e.g. ISME, SFA, IFA, etc.), advisors to SMEs, government departments and agencies, on-lenders and funders/guarantors both at a national and EU level.

An integral part of the SBCI stakeholder engagement and commitment is the provision of accurate regular reporting to government departments, funders, and guarantors. During 2021, a dedicated reporting and analytics team was established in the SBCI to enhance this reporting function.

Market Overview

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 presented additional uncertainty for SMEs during the year. The conflict in Ukraine will result in price pressures for Irish SMEs and consumers during 2022 on the majority of products and services. With the US considering a ban on Russian oil imports, Brent crude oil soared to $139 per barrel in March 2022, a 14-year high, while European gas soared almost 80% to a new record price. Oil and gas prices will likely remain elevated for some time. This will result in additional costs for airlines, shipping companies, and other energy-intensive industries, which will likely be passed on their consumers. [1]

EU trade sanctions have been implemented in opposition to Russia, in which all private firms are obligated to fully meet all requirements. [2] This will impact both imports and exports for EU countries who deal with their Russian counterparts. Ireland is fortunate that less than 1% of its total trade is with Russia. It will impact certain sectors however including agriculture given imports of fertilizers will be curtailed. As the conflict in Ukraine continues, the ECB has adjusted its inflation forecast with a record high level of 5.1% expected in 2022, a significant increase from its previous 3.2%. forecast.[3] Critically the inflation forecast for 2023 is expected to weaken to 2.1% and 1.9% in 2024. Key figures presented below, demonstrate the challenges SMEs have faced throughout 2021.

The labour market clearly illustrates the impact Covid-19 has had on the Irish economy throughout 2021. The Central Statistics Office's (CSO) figures state that the Covid-19 adjusted unemployment rate for December 2021 was 7.5% for all persons, including those on the Pandemic Unemployment Payment[4]. The Covid-19 adjusted unemployment rate peaked at 22.4% in April 2021 before falling steadily in the second half of 2021.

In 2021, working with stakeholders from various sectors, we undertook a review of potential market failures for Irish businesses. The output from this exercise has identified key areas of interest which will inform future product target markets and product features.

From a European perspective, we actively engage with peer organizations and representative bodies on areas of mutual interest. National Promotional or Development Banks/Institutions (NPBs/Is) exist across Europe to address identified local or regional market failures. While their respective mandates may vary, depending on jurisdictional priority, they have a commonality of purpose which has driven the creation of strong network groups or associations with specific market focus. The SBCI is a member of NEFI (Network of European Financial Institutions for SMEs), ELTIA (European Long-Term Investors Association) and AECM (European Association of Guarantee Associations), and an active participant in a number of EEFIG (Energy Efficiency Financial Institutions Groups) working groups. These four provide us with support and experience from other markets that is invaluable in the development of our role as the provider of key credit interventions in the Irish market. The SBCI, as Ireland's National Promotional Institution, provides a local conduit to the Irish market for EU financing initiatives.

1 Financial Times (2022) https://www.ft.com/content/82340b2a-f027-4b0e-8217-d016135f1e83
2 Department of Enterprise, Trade and Employment (2022), EU Trade Sanctions in Response to Situation in Ukraine
3 RTE (2022) https://www.rte.ie/news/business/2022/0310/1285553-european-central-bank-meeting/
4 Central Statistics Office (2022), Monthly Unemployment December 2021.
5 Central Statistics Office (2022), Quarterly National Accounts Quarter 4 2021 and Year 2021 (Preliminary)
6 Central Statistics Office (2022), Goods Exports and Imports December 2021.
7 Central Statistics Office (2022), Quarterly National Accounts Quarter 4 2021 and Year 2021 (Preliminary)
8 Central Bank of Ireland (2022) Quarterly Bulletin 2022:1

Despite this disruption, the CSO indicates that GDP is now estimated to have increased by a cumulative 13.5% for the year 2021 but decreased by 5.4% in Q4 2021 compared to Q3 2021[5]. This is largely attributed to the performance of foreign multinationals based in Ireland. The pharmaceutical and IT sectors have been largely unaffected, and in some cases benefitted from the impact of Covid-19. The CSO's preliminary figures for 2021 show that goods exports were valued at €165bn, an increase of €3bn (+1.9%) compared with the same period in 2020[6]. The Irish domestic economy has rebounded strongly, with the modified domestic demand up 1.3% quarter-on-quarter during Q4 2021 and increased by 6.5% for the full year 2021.[7] Modified domestic demand is forecast to grow by 7.1% in 2022 highlighting a continuing positive macro environment.[8] Although this forecast was made prior to the Ukraine conflict emerging, growth is expected to be strong in 2022

The NTMA has reported a further modest increase in public indebtedness in Ireland[9]. Debt-to-GNI* is expected to have increased to 106% in 2021 from 105% in 2020 (€237bn in General Government Debt). Although the level of debt has increased, the Government's interest costs continue to fall due to the current low interest rate environment. CBI data reveals that total gross new SME lending for non-financial, non-real estate sectors during the four quarters to Q3 2021 was €3.1bn.[10] This represents a year-on-year increase of €67mil. On an annual basis, loans outstanding declined by €2.8bn (↓5.2%).[11]

We recognise the positive performance of SMEs and their continued use of internal financing. According to the European Investment Bank Investment Survey 2021 internal funds account for over 77% of Irish firms' investments, which is in line with Ireland's results in 2020 (73%) and above the EU average (63%).[12]

External finance accounted for 22% of investment financing. Micro and small firms (26%) utilise a higher proportion of external sources for investments compared to medium and large firms (12%). The survey also notes that for Irish firms, bank loans (40%) and leasing/higher purchase (36%) are the two most popular types of external finance used for investment activities. This differs from the EU average with bank loans accounting for 56% and leasing/hire purchase for 20% of external finance products.

Our view is that continued financing of long-term investments from internal or short-term finance may lead to the risk of a gap emerging in longer term business investment levels.

Irish SME interest rates are higher than Euro area averages. The average interest rate for NFC loans <€250,000 was 4.74% in December 2021 (Euro area average 1.89%).[13] We are committed to ensuring that competitive interest rates are available to SMEs in Ireland.

The European Investment Bank (EIB) notes 46% of EU firms have responded to the pandemic by engaging with some level of digitisation. The adoption of digital technologies by EU firms is now growing and this will assist SMEs with their recovery in this changed business environment.[14]

9 NTMA (2022) Debt Projections, https://www.ntma.ie/business-areas/funding-and-debt-management/statistics/debt-projections
10 Central Bank of Ireland (2021), Statistical Release: Trends in SME and Large Enterprise Credit and Deposits: Q3 2021.
11 Central Bank of Ireland (2021), Statistical Release: Trends in SME and Large Enterprise Credit and Deposits: Q3 2021.
12 European Central Bank (2021), European Investment Bank Investment Survey 2021.
13 Central Bank of Ireland (2022), Retail Interest Rates: December 2021.
14 European Investment Bank (2021), Investment Report 2021/2022.

GOVERNANCE AND CORPORATE INFORMATION

BARBARA COTTER
Chairperson

(Reappointed 12 March 2019 for a five-year term) Member of the Remuneration Committee

Barbara Cotter was a Partner at A&L Goodbody for over 20 years. During her time as a banking lawyer, Barbara supported Irish SMEs and advised lenders and investors to the SME community. She is a graduate of University College Dublin and is a member of the Solicitors' Disciplinary Tribunal.

JUNE BUTLER
Board member

(Chief Executive Officer and ex officio member) Member of the Credit Committee

June Butler is the Chief Executive Officer of the SBCI since September 2021. June has more than 20 years' experience in the financial services sector. Prior to her appointment as CEO of the SBCI, she served as Head of SME Banking and Sectors in Bank of Ireland where she was responsible for formulating and driving the strategic direction for the business, including the delivery of the finance and funding requirements of Irish SMEs. She also led the Groups team of sector specialists providing strategic insight into the needs of Irish businesses across a variety of sectors.

June holds a degree in Law from Trinity College Dublin and diplomas in Accounting and Taxation and Corporate Treasury and Risk Management from Dublin City University. She is a fellow of Chartered Accountants Ireland and a Certified Bank Director.

EOIN DORGAN
Board member

(Appointed September 2018 for a five-year term) Member of the Credit Committee

Eoin Dorgan leads the President of Eurogroup Section in the Department of Finance, which supports the Minister for Finance in his role as President of Eurogroup. He has previously served in the Banking Division of the Department, as Special Adviser to the Minister for Finance and as Press Officer to the Minister and Department of Finance. He is a graduate of University College Dublin and Trinity College Dublin.

TOM MCALEESE
Board member

(Reappointed 12 March 2019 for a five-year term) Chairperson of the Audit and Risk Committee

Tom McAleese is a Managing Director of Alvaraz and Marsal, UK and Head of the Bank Restructuring Practice in Europe with over 25 years' experience in financial services. Prior to joining Alvarez and Marsal, he was Managing Director for five years at Barclays Bank Ireland plc. He previously worked with ABN AMRO Bank where he held a number of senior positions and with GPA Group plc and KPMG. Tom is a Fellow of the Institute of Chartered Accountants, a Fellow of the Institute of Bankers and a Member of the American Institute of Certified Public Accountants. He is currently President of the Trinity Business Alumni and audit chair of the Dublin Chamber of Commerce.

AJ NOONAN
Board member

(Reappointed 12 March 2019 for a five-year term) Member of the Audit and Risk Committee and Chairperson of the Remuneration Committee

AJ Noonan is a founder and Managing Director of Rhonellen Developments. He was previously founder and Managing Director of Noonan Recruitment and Professional Placement Group. AJ was Chairperson of the Small Firms Association from 2013 to 2016 and remains a member of the National Council. He is a graduate of the Dublin Institute of Technology.

CONOR O'KELLY
Board member

(Reappointed 12 March 2021 for a two-year term) Member of the Remuneration Committee

Conor O'Kelly is Chief Executive of the NTMA. He is the former Deputy Chairman of Investec Holdings (Ireland) Ltd. Prior to that, he was Chief Executive of NCB Group which was subsequently acquired by Investec plc. Before joining NCB as Head of Fixed Income, he spent 11 years with Barclays Capital, where he held a number of senior management positions.

Conor O'Kelly's term of office as NTMA Chief Executive will come to an end at the end of June 2022. As part of the process of transition, Mr. O'Kelly has resigned from the SBCI Board and so the Board is progressing with the appointment of a new director in Mr. O'Kelly's place.

RICHARD PELLY
Board member

(Reappointed 12 March 2020 for a five-year term) Chairperson of the Credit Committee

Richard Pelly is the former Chief Executive of the European Investment Fund. He was previously a member of the GE Capital European management team and a Managing Director at Lloyds TSB. He is a graduate of Durham University and a member of the Institute of Bankers.

EILIS QUINLAN
Board member

(Reappointed 12 March 2020 for a five-year term) Member of the Audit and Risk Committee

Eilis Quinlan is principal in Quinlan & Co. Accountants, a Fellow of the ACCA and a Chartered Director. She currently serves as Director of the Irish Small and Medium Enterprise Association and previously served as Chairperson. Since 2011, Eilis has been the Irish representative to the Association of Chartered Certified Accountants Global Forum for SMEs. She also represents the ACCA on FEE, the Federation of European Accountants in Brussels. Eilis is a graduate of Griffith College Dublin.

MARGUERITE MCMAHON
Board member

(Appointed 17 July 2020 for a five-year term) Member of the Credit Committee

Marguerite is an experienced executive specialising in long-term sustainable finance. A long-time expert on SME finance and strategy, she is currently a non-executive director and passionate about ESG-Environment, Social and Governance, Innovation and Climate issues. She has worked with the European Investment Bank (EIB) for over 30 years mainly on the Spanish and Italian markets holding a number of roles culminating in 10 years as Head of Division Banks and Corporates for Italy, Malta, Croatia and Slovenia. Since 2007, she led a team in the EIB to develop and implement lending strategy to large corporates targeting sustainable investment in innovation and climate action and SMEs via banks/securitisation financing EUR 50bn of new investment, creating new products for innovation, climate and agriculture.

GOVERNANCE STATEMENT AND BOARD MEMBERS' REPORT

Governance

The SBCI was established pursuant to the Strategic Banking Corporation of Ireland Act 2014 (the "SBCI Act 2014") and incorporated under the Companies Acts 1963 to 2013 in September 2014, and then converted to a Designated Activity Company under the Companies Act 2014 in July 2016. The functions of the SBCI are set out in Section 8 of the SBCI Act 2014. The Board is accountable to the Minister for Finance. The Board is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control, and administration of the SBCI are the responsibility of the Chief Executive Officer ("CEO") and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board and must ensure that all Board members have a clear understanding of the key activities and actions which the SBCI proposes to take, together with any significant risks likely to arise in respect of those activities and actions. The CEO acts as a direct liaison between the Board and management of the SBCI.

Board Responsibilities

The functions of the SBCI are prescribed in Section 8 of the SBCI Act 2014. There is a formal schedule of matters reserved for decision by the Board, which includes the approval of any of the following matters:

- Annual Reports and Financial Statements
- Risk Management Policy
- SBCI Business Strategies
- Annual Budgets and Corporate Plans
- Receipt and/or grant of financing facilities
- Entry into credit and risk-sharing arrangements
- Appointment and terms and conditions of the CEO (after consultation with the Minister and the NTMA Chief Executive)
- Overall remuneration policy

The SBCI is required by the Companies Act 2014 to prepare financial statements in respect of its operations for each financial year. The financial statements are prepared in accordance with FRS 102, being the Financial Reporting Standard applicable in the UK and Ireland and in accordance with the Companies Act 2014.

In preparing these financial statements, the SBCI Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on a going concern basis unless it is inappropriate to do so and,
- State whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.

The Board is responsible for ensuring that the SBCI keeps, or causes to be kept, adequate accounting records which correctly explain and record the transactions of the

SBCI, enable at any time the assets, liabilities, financial position and profit or loss of the SBCI to be determined with reasonable accuracy, enable them to ensure that the Financial Statements and Directors' Report comply with the requirements of the Companies Act 2014 and enable the financial statements to be audited.

The Board is responsible for approving the SBCI's income and expenditure budget and corporate strategy. Forecasts against budget and goals are reviewed by the Board during the year and out-turns are reviewed at year end. The Board is also responsible for safeguarding the SBCI's assets and therefore is obliged to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is satisfied that the financial statements of the SBCI give a true and fair view of the assets, liabilities and financial position of the SBCI as at 31 December 2021 and of the profit and loss of the SBCI for the financial year ending 31 December 2021, and that they otherwise comply with the requirements of the Companies Act 2014.

Board Structure

The SBCI's Constitution provides that there shall be a minimum of two and a maximum of nine Directors, one of whom will be the CEO of the SBCI as an ex-officio member of the Board. The first Directors were appointed by the Minister for Finance (the "Minister") on the formation and incorporation of the SBCI. Subsequent Directors must be nominated by the Minister and appointed by the Board, and the Board can only appoint Directors nominated by the Minister. The Chairperson of the SBCI is also appointed by the Minister. A Director's term of office must not exceed five years. Details of the current Directors and their appointment periods are set out on pages 29 to 31.

The Board conducts an annual evaluation of its own performance and that of its Committees. In 2020, 2019, 2017 and 2016 this performance evaluation was conducted by way of self-assessment. In 2021, as was the case in 2018, the Board's performance evaluation was conducted externally in accordance with the requirement set out in paragraph 4.6 of the Code of Practice for the Governance of State Bodies (2016).

The Board has established three committees to assist it in discharging its responsibilities, each with formal terms of reference:

- Audit and Risk Committee
- Credit Committee
- Remuneration Committee

For further information on the Board's Committees, see Committee Reports on pages 37 to 39.

The Board is supported in its functions by the SBCI's Secretary who also co-ordinates the operations of the various Board Committees.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2021 is set out below and includes details of the fees and expenses received by each member in their capacity as a Board or Committee member.

None of Conor O'Kelly (NTMA CEO), Nick Ashmore (former SBCI CEO for the period from 1 January to 15 February 2021), Ian Black (Interim SBCI CEO for the period from 15 February to 1 September 2021), June Butler (SBCI CEO from 1 September 2021) nor Eoin Dorgan (being the Department of Finance's representative on the Board) receive any remuneration in respect of their membership of the Board.

	Board	Audit and Risk Committee	Credit Committee	Remuneration Committee	Fees 2021 €	Expenses 2021 €
Number of Meetings	11	5	4	4		
Nick Ashmore	1(p)		1(p)			-
Ian Black	6(p)		2 (p)			-
June Butler	3(p)		1 (p)			-
Barbara Cotter	11			2 (p)	€31,500	-
Eoin Dorgan	11		3		-	-
Tom McAleese	11	5			€15,750	-
AJ Noonan	11	5		4	€15,750	-
Conor O'Kelly	11			4	-	-
Richard Pelly	11		4		€15,750	€992
Eilis Quinlan	11	5			€15,750	-
Marguerite McMahon	11		4		€15,750	-
Staff Members						
Ray Mangan			2(p)		-	-

(p) refers to the number of meetings it was possible to attend relative to the dates of appointment

Key Personnel Changes

Nick Ashmore resigned as CEO with effect from 15 February 2021 and Ian Black was appointed as Interim CEO in his place. Following completion of a recruitment process for a permanent CEO, Ian Black resigned as Interim CEO with effect from 1 September 2021 and June Butler was appointed as CEO in his place.

Ray Mangan resigned as a member of the Credit Committee as of 17 May 2021.

Conor O'Kelly was reappointed to the Board with effect from the 12 March 2021 and resigned from the Board as of 1 April 2022.

Remuneration

The SBCI Act 2014 provides that the NTMA shall assign so many of its staff to the SBCI as the SBCI determines, from time-to-time, as necessary for the performance of its functions. Therefore, all staff assigned to the SBCI are employees of the NTMA.

The NTMA's remuneration model is based on confidential, individually negotiated employment contracts, with competitive, market-aligned remuneration. The typical remuneration package comprises a fixed-base salary, pension entitlement and provision for discretionary performance-related pay.

Discretionary performance-related payments are intended to reward exceptional performance having regard to the employee's own performance, the performance of the employee's area of responsibility, and the overall performance of the SBCI. Performance-related payments are made in accordance with parameters approved by the Board on the recommendation of the Remuneration Committee. The overall amount of performance related payments made in respect of any year is also subject to the approval of the Board. SBCI paid €85K performance-related payments for 2021.

Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €50,000 in 2021 are categorised into the following bands.

Range	No. of Employees
€50,001 to €75,000	8
€75,001 to €100,000	7
€100,001 to €125,000	3
€125,001 to €150,000	0
€150,001 to €175,000	3
€175,001 to €200,000	1
€200,001 to €225,000	0
€225,001 to €250,000	0
€250,001 to €275,000	0
Total	**22**

Note: For the purposes of this disclosure, short-term employee benefits rendered during 2021 include salary, other taxable benefits paid to employees (including performance related payments), and other payments made on behalf of employees, but exclude employer's PRSI.

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that the SBCI has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code.

Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2021 €000	2020 €000
Legal advice	721	981
Financial advice	258	590
Public relations / marketing	29	110
Human Resources	3	0
Other	10	169
Total consultancy costs	1,021	1,850
Consultancy costs capitalised	0	0
Consultancy costs charged to the Statement of Comprehensive Income	1,021	1,850
Total consultancy costs	**1,021**	**1,850**

Legal Costs and Settlements

Expenditure incurred in 2021 in relation to legal costs and settlement amounted to 0.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows.

	2021 €000	2020 €000
Domestic		
Board	0	0
Employees	2	11
International		
Board	1	1
Employees	1	10
Total	**4**	**21**

Hospitality Expenditure

The Statement of Comprehensive Income includes €3.8k in respect of staff hospitality expenditure in 2021 (2020 €2.6k).

Statement of Compliance

The SBCI has complied with the Code, subject only to a limited number of adaptions/variations which have been agreed with the Department of Finance as summarised below:

Matters Reserved for Decision by the Board

The Code sets out a formal schedule of matters specifically reserved for decision by the Board. Other than "significant amendments to the pension benefits of the CEO and staff" which is a matter for the NTMA Board (as all staff assigned to the SBCI are employees of the NTMA and are members of the NTMA superannuation scheme), the Schedule of Reserved Matters includes the items set out in the Code. There are some differences in wording with regard to the items on significant acquisition and disposal of assets and major investments and capital projects to reflect the nature of the SBCI's business (obtaining and granting financing facilities).

Non-Compliance with Statutory Obligations

In view of the wide range of relevant statutory obligations to which the SBCI is subject to, the SBCI, as a matter of ongoing practice, addresses the requirement set out in the Code whereby the Chairperson is obliged to bring "incidences of non-compliance with any statutory obligations to the attention of the Minister", by notifying the Minister of material instances of non-compliance only.

Relations with the Oireachtas, Minister and Parent Department

Those provisions of Section 8 of the Code dealing with the acquisition or disposal of assets, capital investment appraisal, establishment or acquisition of subsidiaries, participation in joint ventures and the acquisition of shares do not apply to the business activities of the SBCI as set out in the SBCI Act 2014 and the SBCI's Constitution. The SBCI Constitution sets out specific activities in respect of which ministerial consent is required.

Public Spending Code

The Public Spending Code is likely to be limited in its application to the SBCI as its principal activities are the sourcing of funding, and the provision of long-term, low-cost finance to on-lenders for distribution through the supply of credit to borrowers and the extension of risk-sharing facilities. If, and when, the SBCI engages in capital projects or new current expenditure programmes it will comply with the relevant provisions of the Public Spending Code.

Remuneration and Superannuation

The SBCI Act 2014 provides that the NTMA shall assign so many of its staff to the SBCI as the SBCI determines, from time-to-time, to be necessary for the performance of its functions. Therefore, all staff assigned to the SBCI are employees of the NTMA.

Remuneration matters in respect of NTMA employees assigned to the SBCI are approved by the NTMA Chief Executive, representing the NTMA as employer, in accordance with criteria and oversight arrangements agreed from time to time with the SBCI. With regard to these criteria and oversight arrangements, the SBCI Board has established a Remuneration Committee and has put in place a formal remuneration policy. In complying with the Code's provisions in respect of remuneration, the SBCI has adopted the provisions applying to commercial State bodies, adapted in light of its governance and reporting structures and remuneration model.

Committee Reports

Audit and Risk Committee Report

The Audit and Risk Committee's role is to assist the Board in the oversight of:

- the quality and integrity of the financial statements; the review and monitoring of the effectiveness of the systems of internal control; the internal audit process and the compliance function; and the review of the outputs from the SBCI's external auditor, the Comptroller and Auditor General ("C&AG");
- the SBCI's risk management framework including setting risk appetite; the monitoring of adherence to risk governance and ensuring risks are properly identified, assessed, managed, and reported.

The Committee comprises of three non-executive members appointed by the Board. The current members of the Committee are:

- Tom McAleese, Chairperson
- Eilis Quinlan
- AJ Noonan

The Committee met on five occasions in 2021.

Financial Reporting

The Committee reviewed the draft financial statements and recommended them to the Board. The review focused on the accounting methods, the relevant requirements of the Companies Act 2014 and the clarity and completeness of disclosures in line with applicable accounting standards, together with the relevant provisions of the Code. The Committee also reviewed the Governance Statement and Board Members' Report, and statements on risk management for inclusion in the SBCI Annual Report. As part of its review of the financial statements, the Committee met with representatives of the Office of the Comptroller and Auditor General to discuss its Audit Findings Report.

Internal Controls

The Committee reviewed the effectiveness of the system of internal control. It also reviewed the Statement on Internal Control to be included in the 2021 Financial Statements and recommended it to the Board. The review was informed by a report from management in relation to the assertions contained in the Statement on Internal Control and the Committee's detailed Work Programme, including regular internal audit and risk reports.

Internal Audit

The Committee received regular reports from the internal auditor. It reviewed the key findings from the outcome of individual internal audit reviews completed under the 2021 risk-based internal audit plan and monitored the implementation of audit recommendations. It approved the 2022 internal audit plan and approved an Internal Audit Charter for use in SBCI. The Committee reviewed the effectiveness of the internal auditor. The Committee meets privately with the NTMA Head of Internal Audit without management present at least annually.

External Audit

The SBCI's external auditor is the C&AG. The Committee reviewed the external audit plan, the key areas of focus and the audit terms of engagement. It also monitored management's responses to the external auditor's findings arising from the audit of the 2020 financial statements. The Committee meets with the external auditor without management present at least annually.

Risk

The Committee reviewed and approved updates to a number of specific risk policies, and recommended updates to the Board, as provided for under the Risk Management Policy and Framework. It also approved the Risk Management Plan for 2022 and monitored progress against the 2021 plan. It received regular reports on the SBCI's risks and the controls in place to mitigate risks. The Committee meets privately with the SBCI Head of Risk without management present at least annually.

Compliance and Protected Disclosures

The Committee reviewed the adequacy and security of SBCI's arrangements for its staff and contractors to raise concerns and approved updates to the Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy. The Committee also reviewed and approved the Data Protection Policy and Privacy Statement and reviewed and recommended to the Board the Business Risk Assessment and the Anti-Money Laundering Policy. It received the annual Compliance and Data Protection Officer report and reviewed the services performed by NTMA Compliance. The Committee meets with the NTMA Head of Compliance without management present at least annually.

On-Lender Reviews

The Committee received regular reports from external service provider KPMG in respect of On-Lender Reviews. It approved the On-Lender Review Plan for 2022. It reviewed the key findings from the outcome of individual On-Lender Reviews completed under the plan and monitored the implementation of KMPG's recommendations.

Other

The Committee reviewed its terms of reference and recommended amendments to the Board. It also undertook a review of its own effectiveness and reported to the Board on its review. The Committee's priorities in respect of 2022 were approved as part of its Work Programme 2022.

Credit Committee Report

The Credit Committee's role is to assist the Board in its review and approval of credit decisions, and the oversight and monitoring of credit risk.

The Committee comprises of three non-executive members of the Board, together with the SBCI CEO.

The current members of the Committee are:

- Richard Pelly, Chairperson (Board member)
- Eoin Dorgan (Board Member)
- Marguerite McMahon (Board member)
- June Butler (CEO and Board member)

Nick Ashmore resigned from the Committee with effect from 15 February 2021, following his resignation as CEO of the SBCI. Ian Black was appointed Interim CEO of the SBCI, and in accordance with the Terms of Reference of the Committee was appointed a member of the Committee, with effect from 26 February 2021. He remained in this role until June Butler was appointed to the role of CEO of the SBCI, and she was appointed to the Credit Committee with effect from 9 September 2021.

The Credit Committee met on four occasions in 2021. Its main activity involved the review of detailed credit proposals from management. It also reviewed the annual credit reviews of on-lenders performed by management.

The Committee also reviewed its terms of reference and recommended several amendments to the Board.

Remuneration Committee Report

The Remuneration Committee assists the Board on remuneration matters in respect of the NTMA employees assigned to the SBCI in accordance with the criteria and oversight arrangements agreed with the NTMA.

The Board is responsible for the SBCI's overall Remuneration Policy and is guided in its responsibilities by the advice and recommendations of the Remuneration Committee.

The Committee comprises of three non-executive members appointed by the Board. Its current members are:

- AJ Noonan (Chairperson)
- Conor O'Kelly
- Barbara Cotter

AJ Noonan was appointed Chairperson of the Committee as of 26 February 2021 and Barbara Cotter was appointed to the Committee also with effect as of 26 February 2021. Conor O'Kelly resigned from the Committee as of 1 April 2022.

The Committee met on four occasions in 2021. It reviewed and recommended the total amount of performance related payments (PRP) to be made in respect of 2021.

The Committee reviewed its terms of reference and recommended a number of amendments to the Board. The Committee also oversaw the appointment of the new CEO.

RISK MANAGEMENT

Risk Management

The SBCI aims to manage risk in an informed and proactive manner, in accordance with its Risk Management Policy and Framework and its Risk Appetite Statement, such that the level of accepted risk is consistent with its underlying business activity, and that the SBCI understands and is able to manage or absorb the impact of any risks that may materialise. The SBCI complies with the risk management provisions of the Code of Practice for the Governance of State Bodies (2016).

In 2021, the Audit and Risk Committee and the Board reviewed the Risk Register on a regular basis, and the Board received regular updates in respect of risk management and high and emerging risks.

Roles and Responsibilities

Board

The Board is responsible for setting the risk appetite and overseeing and guiding risk management activity across the SBCI. The Board has mandated that risk management be integrated and embedded into the tone and culture of the SBCI and this has been adopted across the SBCI, with all members of the SBCI team responsible for regularly reviewing the risk register and individually confirming that the stated controls are in place.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the implementation of the SBCI Risk Management Policy and Framework and ensuring that the SBCI's risk management governance model provides appropriate levels of independence and challenge. The Audit and Risk Committee reports to the Board.

Three Lines of Defence

The SBCI's Risk Management Policy and Framework is predicated on the three lines of defence model.

First Line of Defence

The SBCI team and senior management (first line of defence) incur and own the risks.

Second Line of Defence

The SBCI Risk function and other control functions (the second line of defence) provide independent oversight and objective challenge to the first line of defence. They also provide risk monitoring and reporting.

Third Line of Defence

The Internal Audit function acts as part of a third line of defence by providing independent, reasonable, risk-based assurance to key stakeholders on the robustness of the SBCI risk management system, its governance and the design and operating effectiveness of the internal control environment.

Audit

In accordance with statutory requirements, the SBCI is audited by the Comptroller and Auditor General. The SBCI's internal audit process is managed by the NTMA Internal Audit function and includes an external firm, currently KPMG, appointed to carry out internal audit work reporting to the NTMA Head of Internal Audit.

Principal Risks

The SBCI is exposed to a wide variety of risks which have the potential to affect its financial and operational performance. The Risk Management Policy and Framework establishes the processes to identify, assess, report and mitigate risk. The SBCI has identified the following principal risks which may adversely affect the achievement of its objectives. In addition, the SBCI maintains a comprehensive Risk Register which identifies all the risks facing the SBCI. In 2021, a strategic review was undertaken to refresh the Risk Register to bring it in line with industry best practices. The review also involved implementing a new Risk Directory to categorise our risks which is detailed below.

Risk	Description Of The Risk	Risk Mitigation Measure
Capital Risk	The risk of breach of externally imposed capital requirements or internal targets resulting in the inability to conduct business in stress conditions or the failure to assess, monitor, plan and manage capital adequacy requirements.	This risk is mitigated by the regular review and adherence to capital adequacy targets as set out in our relevant policies.
Credit Risk	The risk of credit or other financial losses impacting the SBCI's ability to achieve its strategic goals.	Mitigation measures in place in respect of this risk include thorough due diligence in advance of any lending decisions, ongoing monitoring and review of on-lending facilities, as well as regular review of compliance with the respective covenants and undertakings. Other measures include quarterly reporting which monitors the overall risk levels in the portfolio including analysis of the key risk indicators detailed in the Risk Appetite Statement and assessment of credit risk by the Credit Committee and Board.
Regulatory Compliance Risk	The risk of failing to comply with all relevant legislative and regulatory requirements resulting in regulatory sanctions and/or reputational damage.	This risk is mitigated by engaging internal and external legal and compliance advice, design of products to ensure adherence to relevant laws and regulations, and adherence to relevant policies and procedures.
Operational Risk	The risk of inadequate and/or ineffective internal processes (including human error), systems, or external events resulting in operating losses and/or customer detriment.	This risk is mitigated by operational support and services provided by the NTMA, as provided for under the SBCI Act, and adherence to relevant policies and procedures. New systems and processes are subject to comprehensive review and approval by the appropriate authority and robust project management methodology is used to manage new projects.
Strategic Risk	The risk of failing to achieve SBCI's strategic objective due to internal or external factors, resulting in reputational damage and/or customer detriment.	This risk is mitigated by active engagement with stakeholder groups, diversity of SBCI products to ensure that the needs of on-lenders and SMEs are addressed, and regular review of SBCI's progress against our strategic plan.
Liquidity and Funding Risk	The risk of SBCI being unable to fund its assets and meet its contractual payment obligations as they fall due, without incurring unacceptable losses, while also maintaining a diversified, stable and cost-effective funding base.	This risk is mitigated by regular reviews of our funding position and future funding requirements, variable interest funding is matched against variable loans issued, and adherence to liquidity targets set out in relevant policies.

FINANCIAL STATEMENTS OF THE STRATEGIC BANKING CORPORATION OF IRELAND

FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

COMPANY AND OTHER INFORMATION

Directors

Barbara Cotter
(Chairperson)

June Butler
(Chief Executive Officer ("CEO"),
appointed 1 September 2021)

Ian Black
(Interim CEO, appointed 15 February 2021,
resigned 1 September 2021)

Nick Ashmore
(CEO, resigned 15 February 2021)

Eoin Dorgan

Tom McAleese

Marguerite McMahon

AJ Noonan

Richard Pelly

Eilis Quinlan

Conor O'Kelly
(resigned 1 April 2022)

Company Secretary

Macken McNicholas

Registered Office

Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Bankers

Citibank

1 North Wall Quay
Dublin 1
D01 T8Y1

Central Bank of Ireland

New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

DIRECTOR'S REPORT

The Directors of the Strategic Banking Corporation of Ireland (the "Company" or "SBCI") present their report and audited financial statements for the financial year ended 31 December 2021 (the "financial year").

Principal activities

The Company was established pursuant to the Strategic Banking Corporation of Ireland Act 2014 (the "SBCI Act 2014") and incorporated under the Companies Acts 1963 to 2013 on 12 September 2014, and then converted to a designated activity company under the Companies Act 2014 on 28 July 2016. The Company avails of Irish and international sources of funding to support the provision of credit to enterprises in Ireland. This is achieved by providing third party on-lenders with liquidity and risk-sharing products. These on-lenders are then required to pass on the benefit of more favourable interest rates and credit terms to enterprises in Ireland.

The SBCI's principal activities during the financial year were focused on the delivery of liquidity and additional risk-sharing schemes to facilitate the provision of credit to small and medium sized enterprises ("SMEs") and Small MipCap* borrowers in Ireland to address the challenges of the COVID-19 pandemic, Brexit, and long-term investment needs.

New product activities included the delivery of the Brexit Impact loan scheme ("BILS"). Under the BILS, the SBCI has issued guarantees to on-lenders in respect of loans to businesses affected by Brexit. The provision of loans under each of the €2 billion COVID-19 Credit Guarantee Scheme ("CCGS") and the €800 million Future Growth Loan Scheme ("FGLS") continued during 2021.

Business review

The 2021 Annual Report forms part of the Directors' Report. The Chairperson's Statement and Chief Executive Officer's Review in the Annual Report outline the development and performance of the SBCI during the financial year and significant events that occurred during that period. Further information on the SBCI's strategy and business model is set out in the Strategy section of the Annual Report, while a comprehensive review of the operations of the SBCI is set out in the Business Review section.

During the financial year, the SBCI focused on developing each of its three lines of business, namely lending, risk-sharing and service provision. The SBCI continued to progress its lending business by advancing additional credit to on-lenders and new risk-sharing products were both developed and deployed. The Company also continued to operate each of the Credit Guarantee Scheme (the "CGS") and CCGS on behalf of the Minister for Enterprise, Trade and Employment.. During the financial year, the following represents the key performance outturn:

* Small MidCap refers to an enterprise which has up to 499 employees and is not classified as an SME.

- €330 million Brexit Impact Loan Scheme made available in response to the ongoing impacts of Brexit on businesses.
- COVID-19 Credit Guarantee Scheme continued to make up to €2 billion of loans available to businesses affected by COVID-19. The roll out of the CCGS commenced in 2020 with additional on-lenders, including multiple credit unions, being onboarded in 2021.
- The Brexit Loan Scheme and COVID-19 Working Capital Scheme ("BLS/CWCS") was closed to new applicants in conjunction with the deployment of BILS to the market.
- €819 million of lower cost loans advanced by on-lenders to SMEs across all lines of the business in the market.
- €79 million advanced by the SBCI to its on-lenders for the purposes of onward lending to SMEs.
- €224 million of loan principal repayments made by on-lenders to the SBCI.

Principal risks and uncertainties

The principal risks and uncertainties facing the SBCI are:

Strategic Risk

The SBCI relies on demand from on-lenders and businesses to meet its key strategic objective of providing additional credit to businesses in Ireland. Should it fail to structure its products appropriately and deploy a suitable delivery strategy, there is a risk that on-lenders will not participate in SBCI loan schemes and businesses will not have an appetite for the products offered.

Credit Risk

The SBCI is exposed to the risk that a counterparty defaults on its obligations and fails to repay its debt in full, resulting in losses to the SBCI. The SBCI is exposed to credit risk (i) due to its loans to on-lenders and (ii) in respect of its risk-sharing schemes, due to loans made to final borrowers which have been guaranteed by the SBCI. Credit risk remains heightened with uncertainty in the market as a result of the adverse economic environment arising from the recent outbreak of the war in Ukraine, and the continued impact of the COVID-19 pandemic and Brexit on Irish enterprises.

Resourcing Risk

The SBCI is a small company that relies on skilled specialist professionals to meet its statutory objectives. There is a risk that the SBCI is not adequately resourced with sufficient numbers of team members with the appropriate experience and expertise, resulting in failure to achieve its objectives.

Compliance Risk

The SBCI's activities are subject to EU State aid rules and other regulations and there is a risk that the SBCI fails to comply with those rules and other regulations, resulting in reputational or financial damage to the SBCI.

Financial risk management

The SBCI is exposed to credit risk, market risk, liquidity risk, capital risk and concentration risk in the normal course of its business. Further details on Company policy and how it manages these risks are set out in Note 15 to the financial statements.

Directors

The following are the names of the persons who, at any time during the financial year, were Directors of the Company:
Barbara Cotter (Chairperson)
June Butler (Chief Executive Officer ("CEO"), appointed 1 September 2021)
Ian Black (Interim CEO, appointed 15 February 2021, resigned 1 September 2021)
Nick Ashmore (CEO, resigned 15 February 2021)
Eoin Dorgan
Tom McAleese
Marguerite McMahon
AJ Noonan
Richard Pelly
Eilis Quinlan
Conor O'Kelly (resigned 1 April 2022)

Directors' interests

The Directors had no beneficial interest in the Company during the financial year or at the financial year end (see Note 28). The issued share capital of the Company is owned solely by the Minister for Finance (see Note 23).

Adequate accounting records

The Directors ensure compliance with the Company's obligations with regards to keeping accounting records required under sections 281 to 285 of the Companies Act 2014, through the use of qualified accounting personnel and appropriate systems and procedures, as set out in the Statement on Internal Control. The accounting records are kept at the Company's registered office at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

Results and dividends

The results for the financial year and state of affairs of the Company are set out in the Statement of Comprehensive Income and the Statement of Financial Position respectively.

The Company did not pay any dividends during the financial year to its sole shareholder, the Minister for Finance, and does not propose to pay any dividends for this financial year.

Events after the reporting period

Refer to Note 29 of the financial statements.

Auditor

The Comptroller and Auditor General (C&AG) is the Company's auditor by virtue of section 19 of the SBCI Act 2014. So far as each of the Directors is aware, there is no relevant audit information of which the C&AG is unaware pursuant to section 330(1)(a) of the Companies Act 2014.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

28 April 2022

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

DIRECTORS' RESPONSIBILITIES STATEMENT

Company law requires the Directors to prepare financial statements of the Company for each financial year. The Directors have elected to prepare the financial statements in accordance with FRS 102, being the Financial Reporting Standard applicable in the UK and Ireland ("relevant financial reporting framework") and in accordance with the Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year, and that they otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- prepare the financial statements on a going concern basis unless it is inappropriate to do so.
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.

The Directors are responsible for ensuring that the Company keeps, or causes to be kept, adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the requirements of the Companies Act 2014 and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and therefore are obliged to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the financial and other information on the Company's website (www.sbci.gov.ie). Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

28 April 2022

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

On behalf of the Board of Directors' of the SBCI (the "Board"), we acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the SBCI for the year ended 31 December 2021 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The SBCI has an Audit and Risk Committee ("ARC") comprising of non-executive members of the Board with financial and audit experience, one of whom acts as the Chairperson of the ARC. The ARC met five times in 2021.

The ARC oversees the internal audit activities of the SBCI, which are based on a programme of work proposed by the National Treasury Management Agency's ("NTMA") internal audit function and approved by the ARC. The internal audit activities of the SBCI are performed by the NTMA's internal audit function.

The NTMA provides certain finance, human resources, legal, internal audit, risk, compliance and procurement services to the SBCI, as provided for under section 10 of the SBCI Act 2014, and as agreed in the Service Level Agreement between the NTMA and the SBCI. The SBCI therefore depends to a significant degree on the controls operated by the NTMA. The NTMA has developed a comprehensive system of internal control and any services provided to the SBCI under the Service Level Agreement are provided in accordance with the NTMA's system of internal control. The SBCI has received a letter of confirmation from the NTMA that the NTMA's system of internal control in respect of services provided to the SBCI has operated effectively in respect of the year ended 31 December 2021.

Risk and Control Framework

The SBCI has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, mitigate those risks.

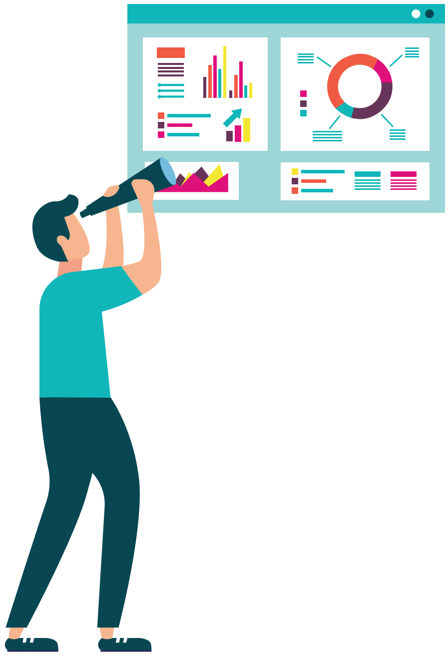
A Risk Register is in place, which identifies various key risks facing the SBCI, and these have been, evaluated and graded according to their significance. An in-depth review of the Risk Register was conducted in 2021 which included a bottom up review of all SBCI's risks and controls. Where risks have been identified, controls are implemented to manage and mitigate those risks. The Risk Register is reviewed by (i) the ARC on a quarterly basis and (ii) the Board at least once every financial year. The outcome of these reviews is used to plan and allocate resources to ensure risks are managed to an acceptable level. The management team is required to attest on a quarterly basis that, to the best of its knowledge, the controls noted in the Risk Register are in place and effective.

The Risk Register (i) details the controls and actions needed to mitigate risks and (ii) assigns responsibility for the operation of such controls and actions to specific staff. We confirm that the control environment contains the following elements:

- Documented procedures for key business processes.
- Systems ensuring the security of the information and communication technology systems.
- Regular review and assessment of financial assets.
- A comprehensive budgeting system including an annual budget which is reviewed and approved by the Board.
- Regular reviews of periodic financial reports which detail financial performance against forecasts.
- Formal project management disciplines.
- Adherence to the Reporting of 'Relevant Wrongdoing' and Protected Disclosures Policy and the Anti-Fraud Policy.

COVID-19

The onset of the COVID-19 pandemic in early 2020 resulted in some changes to the working and control environment with remote and virtual working becoming the normal practice in the SBCI. As a result, the SBCI introduced a number of procedural and control changes which have been documented and implemented. Certain processes which have been changed or introduced due to COVID-19 have also been subject to internal audit review. The controls, both existing and those introduced in response to the COVID-19 pandemic, continue to be effective.



Third Party Risk

The SBCI relies on a number of critical outsourced service providers, including the NTMA, for the operational delivery of our services. There are detailed third party risk management policies and procedures in place to monitor and control the risks associated with this. Additionally, the supports provided to SMEs by the SBCI are through an on-lender model where a number of bank and non-bank lenders are engaged to distribute credit to SMEs. Formal policies and procedures are in place to monitor and control any risks associated with the delivery of SBCI supports through our on-lenders.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes. Any control deficiencies are communicated to those responsible to take corrective action and to management and the Board, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of those controls and report any identified deficiencies.
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and
- There are regular reviews by senior management of periodic/ annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

Pursuant to the SBCI business model, procurement support is provided to the SBCI by the NTMA. The SBCI adheres to the NTMA Procurement Policy (published on its website) and associated procedures, which are consistent with the current Office of Government Procurement (OGP) guidelines.

In certain instances it is deemed appropriate to obtain duly authorised exceptions from the Policy and Procedure (i.e. not run a competitive tender process) in respect of services, supplies or works valued below the EU thresholds e.g. for reasons of confidentiality, conflicts of interest, urgency, protection of intellectual property rights, sole source of supply etc. Such exceptions are approved by the Chief Executive Officer, and do not amount to non-compliant procurement.

During the financial year ending 31 December 2019, the then Chief Executive Officer approved a procurement exception to the value of €0.036m (i.e. below the EU threshold for service contracts) to ensure the SBCI engaged a recognised and reputable market operator to assign the SBCI with an independent credit rating, which service contract was made for a period of 5 years. The approximate cost of this service over the period 2022-2024 is expected to be €0.092m.

Review of Effectiveness

We confirm that the SBCI has procedures in place to monitor the effectiveness of its risk management and control procedures. The SBCI's monitoring and review of the effectiveness of the system of internal control is informed by the work of the NTMA's internal audit function, the ARC which oversees its work, the senior management within the SBCI responsible for the development and maintenance of the internal control framework and the C&AG.

We confirm that the Board conducted an annual review of the system of internal control for the year ended 31 December 2021.

Internal Control Issues

No weaknesses in the system of internal control were identified in relation to the year ended 31 December 2021 that require disclosure in the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

28 April 2022

Tom McAleese

Chairperson, Audit and Risk Committee
Strategic Banking Corporation of Ireland

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

Report for presentation to the Houses of the Oireachtas

Strategic Banking Corporation of Ireland

Opinion on the financial statements

I have audited the financial statements of the Strategic Banking Corporation of Ireland (the company) for the year ended 31 December 2021 as required under the provisions of the Strategic Banking Corporation of Ireland Act 2014. The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the company at 31 December 2021 and of its income and expenditure for 2021
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland,* and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

As described in the appendix to this report, I conclude on

- the appropriateness of the use of the going concern basis of accounting by the directors and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the annual report including the governance statement and Board members' report, the directors' report, the directors' responsibilities statement and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

Suspected fraud

I draw attention to the disclosure in note 7.3 to the financial statements in respect of a suspected fraud by a borrower from a participating on-lender of SBCI-backed loans, and the action SBCI is taking in relation to this matter.

Seamus McCarthy

Comptroller and Auditor General
6 May 2022

Appendix to the Report

Responsibilities of the directors

As detailed in the governance statement and Board members' report, the directors are responsible for

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 19 of the Strategic Banking Corporation of Ireland Act 2014 to audit the financial statements of the company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 €000	2020 €000
Interest income	5	3,346	4,160
Interest expense	6	(371)	(425)
Net interest income		2,975	3,735
Other income	7	7,907	6,440
Operating expenses	8	(12,251)	(11,286)
Operating loss		(1,369)	(1,111)
Loss for the year		(1,369)	(1,111)
Other comprehensive income		–	–
Total comprehensive loss for the financial year		(1,369)	(1,111)

The accompanying notes form an integral part of the financial statements. Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

28 April 2022

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021 €000	2020 €000
Non-current assets			
Intangible assets	11	220	258
Investments	12	4,410	3,538
Financial assets – loans and receivables	13	229,250	345,000
		233,880	**348,796**
Current assets			
Financial assets – loans and receivables	13	77,202	107,370
Other receivables	17	3,456	2,556
Cash and cash equivalents	14	42,927	37,451
		123,585	**147,377**
Creditors; amounts falling due within 1 year			
Funding and borrowings	18	23,810	33,333
Other liabilities	19	93,530	67,536
		117,340	**100,869**
Net current assets		**6,245**	**46,508**
Total assets less current liabilities		**240,125**	**395,304**

Statement of Financial Position – continued

	Note	2021 €000	2020 €000
Creditors; amounts falling due after 1 year			
Funding and borrowings	18	162,857	316,667
Net assets		**77,268**	**78,637**
Capital and reserves			
Called up share capital presented as equity	23	85,000	85,000
Retained losses		(7,732)	(6,363)
Total equity		**77,268**	**78,637**

The accompanying notes form an integral part of the financial statements. Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

28 April 2022

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Note	Share Capital €000	Retained Losses €000	Total Equity €000
Balance as at 1 January 2020		**35,000**	**(5,252)**	**29,748**
Issuance of share capital	23	50,000	-	50,000
Total comprehensive income for the year		-	(1,111)	(1,111)
Balance at 31 December 2020		**85,000**	**(6,363)**	**78,637**
Total comprehensive income for the year		-	(1,369)	(1,369)
Balance at 31 December 2021		**85,000**	**(7,732)**	**77,268**

Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

28 April 2022

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 €000	2020 €000
Cash flows from operating activities			
Loans and receivables principal advances		(78,500)	(45,000)
Loans and receivables principal repayments received		224,450	147,900
Interest receipts		3,313	5,042
Interest payments		(411)	(670)
Administration costs recovered		208	186
Other income received		3,804	529
Counter guarantee claims		75	584
Agriculture Scheme guarantee recoveries		15	128
Brexit Loan Scheme guarantee payments		(12)	(764)
Agriculture Scheme guarantee payments		(8)	(95)
Agriculture Scheme subsidy payments		(575)	(614)
Operating expenses paid		(10,681)	(9,018)
Net cash from operating activities		**141,678**	**98,208**
Cash flows from investing activities			
Purchase of intangible assets	11	-	(4)
Purchase of investments	12	(872)	(3,538)
Net cash used in investing activities		**(872)**	**(3,542)**

	Note	2021 €000	2020 €000
Cash flows from financing activities			
Issuance of share capital	23	-	50,000
Funding loans received		20,000	-
Funding loans repaid		(183,334)	(158,300)
Minister for Agriculture, Food and the Marine funding		11,705	2,705
Minister for Enterprise, Trade and Employment funding		16,299	16,478
Net cash used in financing activities		**(135,330)**	**(89,117)**
Net increase in cash and cash equivalents		**5,476**	**5,549**
Cash and cash equivalents at 1 January		**37,451**	**31,902**
Cash and cash equivalents at 31 December		**42,927**	**37,451**

The accompanying notes form an integral part of the financial statements. Approved and authorised for issue by the Board of Directors and signed on its behalf:

June Butler

June Butler

Chief Executive Officer
Strategic Banking Corporation of Ireland

28 April 2022

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

The SBCI is a company registered and domiciled in Ireland. The Company was established pursuant to the SBCI Act 2014 and was incorporated under the Companies Acts 1963 to 2013 with registered number 549539 on 12 September 2014. The Company avails of national and international sources of funding to support the provision of credit to enterprises in Ireland through its on-lenders.

The Company was converted to a designated activity company under the Companies Act 2014 on 28 July 2016. The issued share capital of the SBCI is owned solely by the Minister for Finance. The Company's registered office is at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

2. Statement of Compliance

The Company's financial statements for the financial year ended 31 December 2021 have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* issued by Financial Reporting Council in the UK for use in the Republic of Ireland, having elected to apply the recognition and measurement rules of IAS 39 Financial Instruments: Recognition and Measurement and in accordance with the Companies Act 2014.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on a number of factors, including expectations of future events believed to be reasonable under the circumstances.

Management believes the underlying assumptions used are appropriate and the Company's financial statements, therefore, present the financial position and results fairly. The areas involving (i) a higher degree of judgement or complexity and (ii) areas where assumptions and estimates are significant to the financial statements are described below:

3.1. Key sources of estimates and judgements

The following are the key assumptions concerning future events and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1.1. Loan impairment assessment

In line with the requirements of IAS 39 as permitted by FRS 102, the Company reviews its portfolio of loans for indication of impairment at the statement of financial position date. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income at the reporting date, the SBCI uses internal and external sources of information to assess whether there is any indication that an asset may be impaired (in line with IAS 39.59). Indications may include the following:

- significant financial difficulty of the borrower.
- a breach of contract, such as a default in interest payments or principal repayments.
- the granting of a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty that wouldn't otherwise be considered.
- where it is probable that the borrower will enter bankruptcy or other financial reorganisation.

If any objective evidence of impairment exists, the SBCI performs a detailed impairment calculation on each loan individually to determine whether an impairment loss should be recognised. The amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of the estimated cash flows discounted at the loan's original effective interest rate in line with IAS 39. The assessment is reviewed and approved by the SBCI management, including the Head of Risk, Head of Lending and the CEO. See Note 13 for the carrying amount of the loans.

3.1.2. Financial guarantee assessment

At each reporting date for the financial guarantees it has issued, the SBCI considers whether payments under each guarantee are probable for a financial liability to be recognised in line with FRS 102.21. In order to assess the probability of a payment under a guarantee contract, the Company reviews any relevant data to assess the amount of the loans which are at risk of defaulting and being subject to a claim by an on-lender.

A financial liability for any probable claims, which can be reliably measured, is recognised in the accounting records of the SBCI. If a financial liability is recognised, and the financial liability amount is greater than the existing carrying amount, an adjustment is required to reflect the financial liability and recognise the difference in the Statement of Comprehensive Income. Where a financial liability cannot be reliably measured, a contingent liability is disclosed in the financial statements for the total amount payable under SBCI's financial guarantee contracts. See Notes 24 and 25.

3.1.3. Intangible asset useful life

The charge in respect of periodic amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Changing an asset's expected life or its residual value would result in a change in the amortisation charge.

The useful lives of the Company's assets are determined by management and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their lives. See Note 11 for the carrying amount of Intangible assets.

3.2. Significant accounting judgements in applying accounting policies

As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. Apart from the estimates (see Note 3.1 above), the Company was not required to make any additional significant judgements when applying its accounting policies.

4. Significant accounting policies

4.1. Basis of preparation

The financial statements are prepared on a going concern basis and the Board is satisfied that the Company will continue as a going concern for the foreseeable future.

In its consideration of whether accounting on a going concern basis is appropriate, the Board has had regard to the functions of the SBCI as set out in the SBCI Act 2014 and in the Constitution of the SBCI, and believes it is reasonable to assume that, given the purpose of the legislation, the State will take appropriate steps to ensure that the Company is put in a position to discharge its mandate.

The functions of the Company are, inter alia, to provide, and promote the provision of, additional credit in a prudent manner to enterprises or other persons in the State, particularly SMEs, and to provide finance to projects which promote the economic development of the State. The Company's activities are subject to risk factors including credit, liquidity, market concentration and capital risk. The Board has reviewed these risk factors and all relevant information to assess the Company's ability to continue as a going concern. Both the Board and ARC review key aspects of the Company's activities on an on-going basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

The financial statements are presented in euro (€), which is the Company's functional and presentational currency. The figures shown in the financial statements are stated in € thousands unless otherwise indicated. Where used, '000' or 'k' denotes thousand, and 'm' denotes millions. As permitted by paragraph 4 in Schedule 3 of the Companies Act 2014, the Directors have adapted the arrangements and headings and subheadings otherwise required by Profit and Loss Account Format 1 and Balance Sheet Statement Format 1 as the special nature of the Company's business requires such adaptation.

4.2. Basis of measurement

The financial statements have been prepared under the historic cost convention.

4.3. Interest income and expense

Interest income and expense for all financial instruments is recognised in the Statement of Comprehensive Income using the Effective Interest Rate ("EIR") method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant financial period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the financial instrument.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income received on loans to on-lenders is accounted for within operating activities in the Statement of Cash Flows as on-lending is a core operation of the Company.

Interest income received on loan notes issued by the Company is accounted for within operating activities in the Statement of Cash Flows and is classed as other interest income in Note 5.

Interest expense paid on loans from funders is presented within operating activities in the Statement of Cash Flows. Interest expense paid on cash deposits and cash management products is presented within operating activities in the Statement of Cash Flows and is classed as other interest expense in Note 6.

4.4. Other income

The SBCI recovers costs from the Minister for Enterprise, Trade and Employment ("Minister for ETE") and/or the Minister for Agriculture, Food and the Marine ("Minister for AFM"), as (i) operator of each of the CGS and the CCGS (Note 15.9), (ii) pursuant to the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme ("BLS/CWCS") (Note 15.7), (iii) pursuant to the Agricultural Cashflow Support Loan Scheme ("Agriculture Scheme") (Note 15.6), (iv) pursuant to the Brexit Impact Loan Scheme ("BILS") (Note 15.8) and (v) pursuant to the Future Growth Loan Scheme ("FGLS") (Note 15.10), based solely on the reimbursement of costs incurred by the SBCI.

Funding provided by the Minister for AFM and/or the Minister for ETE to the SBCI in conjunction with the schemes are released to the Statement of Comprehensive Income as costs relating to the schemes are incurred. The amount is recognised in line with FRS 102 Section 24 Government Grants.

4.5. Costs reimbursable to the NTMA

In accordance with section 10 of the SBCI Act 2014, the NTMA provides business and support services and systems to the SBCI in addition to assigning staff to the SBCI. Costs reimbursable to the NTMA are recognised on an accrual's basis. These expenses are recovered from the SBCI by the NTMA at cost. Further information on costs reimbursable to the NTMA is included in Note 8.2.

4.6. Financial instruments

The Company recognises and measures its financial assets and financial liabilities in accordance with IAS 39 as permitted by FRS 102. The Company determines the classification of its financial instruments at initial recognition.

4.7. Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, the loans are measured at fair value plus incremental direct transaction costs that are directly attributable to the issue of the loan. They are then subsequently measured at amortised cost using the EIR method as described in Note 4.3.

Investments

Investments in unquoted equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment.

4.8. Financial liabilities

Funding and borrowings

Funding and borrowings are those loans drawn down by the Company from its funders in order to support its on-lending activities. The Company recognises these loans in its Statement of Financial Position on the date the loan is drawn down. These loans are measured initially at fair value plus incremental direct transaction costs that are directly attributable to the issue of the financial liability. They are subsequently measured at amortised cost using the EIR method as described in Note 4.3.

4.9. De-recognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

4.10. Impairment of financial assets

The Company assesses at the end of each financial period whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

The loans to each on-lender are objectively assessed for evidence of impairment at the end of the financial period.

Objective evidence that a financial asset is impaired includes:

- significant financial difficulty of the on-lender.
- non-compliance by the on-lender with its respective loan covenants and undertakings, and any other terms and conditions imposed by the SBCI.
- breaches of contract, such as default or delinquency in interest payments or principal repayments.
- signs that the on-lender will enter bankruptcy or other financial reorganisation.
- adverse changes in the status of the borrower due to adverse national or local economic conditions or adverse changes in industrial conditions.

The SBCI recognises interest income following impairment using the rate of interest used to discount the future cash flows in measuring that impairment. If, in a subsequent financial period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed proportionately. The amount of the reversal is recognised in the Statement of Comprehensive Income.

Where there is no further prospect of recovering the carrying value of a loan, or a portion of a loan, the SBCI writes the amount that is not recoverable off against the related impairment loss (i.e. in this circumstance, there is no additional charge to the Statement of Comprehensive Income). Write-off of loan amounts must be approved by the SBCI Board (or relevant authorised Committee). Subsequent recoveries of amounts previously written off proportionately decrease the amount of the allowance for loan impairment in the Statement of Comprehensive Income.

4.11. Financial guarantees

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the beneficiary for a loss the beneficiary incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt obligation. The SBCI has issued guarantees to on-lenders in respect of each of (i) the Agriculture Cashflow Support Loan Scheme ("Agriculture Scheme") (Note 15.6), (ii) the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme ("BLS/CWCS") (Note 15.7), (iii) the Brexit Impact Loan Scheme ("BILS") (Note 15.8) and (iv) the Future Growth Loan Scheme ("FGLS") (Note 15.10).

These financial guarantees are initially recognised at fair value on the date that the guarantee is given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amount initially recognised less, where appropriate, cumulative amortisation and the best estimate of the expenditure required to settle any financial obligation arising pursuant to the guarantees at financial year end.

The best estimate of expenditure is determined in accordance with FRS 102.21. Financial guarantee liabilities correspond to the cost of settling the obligation, which is the expected loss, estimated on the basis of all relevant factors and information available to the Company at financial year end. A financial liability arising from a financial guarantee contract is presented as provisions for liabilities in the Statement of Financial Position.

Any increase or decrease in the financial liability relating to financial guarantees, other than the payment of guarantee calls, is recognised in the Statement of Comprehensive Income. In circumstances where a financial liability is not required to be recognised, a contingent liability is disclosed in the financial statements for the total amount payable under SBCI's financial guarantee contracts (Note 24).

4.12. Counter-guarantees

Where some or all of the expenditure required to settle a financial guarantee liability is expected to be reimbursed pursuant to a counter-guarantee agreement, the reimbursement shall be recognised when it is virtually certain that reimbursement will be received if the Company settles the obligation.

The Company recognises a reimbursement as a separate asset. The Company nets off the impairment loss charge for the guarantee liability with the recoverable portion in the Statement of Comprehensive Income. Should a recovery not be recognised, then the financial statements disclose a contingent asset for the total amount recoverable under SBCI's counter-guarantee contracts (Note 25). The SBCI has entered into counter-guarantees with the European Investment Fund (EIF) in respect of each of (i) the Agriculture Cashflow Support Loan Scheme ("Agriculture Scheme") (Note 15.6), (ii) the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme ("BLS/CWCS") (Note 15.7), (iii) the Brexit Impact Loan Scheme ("BILS") (Note 15.8) and (iv) the Future Growth Loan Scheme ("FGLS") (Note 15.10).

4.13. Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

The Statement of Cash Flows shows the changes in cash and cash equivalents arising during the financial year from operating activities, investing activities and financing activities. The cash flows from operating activities are reported using the direct method, whereby major classes of gross cash receipts and gross payments are disclosed.

4.14. Intangible assets

Intangible assets comprise software acquired by the Company. They are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised in the Statement of Comprehensive Income on a straight-line basis over its estimated useful life, from the date on which it is available for use. The estimated useful life of SBCI's current software is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The SBCI assumes that the residual value of its intangible assets is zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset; and:
  - residual value can be determined by reference to that market; and
  - it is probable that such a market will exist at the end of the asset's useful life.

At each reporting date, the Company reviews the carrying amount of its software to determine whether there is any indication of impairment. If any such indication exists, these assets are subject to an impairment review.

The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount. The recoverable amount is determined as the higher of the fair value less costs of disposal of the asset and its value in use.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. This discount rate reflects the current market assessment of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted.

The carrying value of the software is written down by the amount of any impairment and this loss is recognised in the Statement of Comprehensive Income in the financial period in which it occurs. A previously recognised impairment loss may be reversed in part or in full if the reasons for the impairment loss have ceased to apply. An assessment is carried out each period on whether there are any indications that an impairment loss may have ceased to exist or decreased. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

4.15. Other receivables

Other receivables which are due within one year are measured at the undiscounted amount of the cash or other consideration expected to be received.

4.16. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.17. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by the occurrence of uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably estimated. Contingent liabilities are not recognised but disclosed in the notes to the financial statements unless the probability of the transfer of economic benefit is remote. See Note 24.

4.18. Contingent assets

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. If the realisation of income becomes virtually certain then the related asset is recognised. See Note 25.

4.19. Leasing

Rentals under operating leases are charged on a straight-line basis over the lease term, to the Statement of Comprehensive Income in line with FRS 102 Section 20 Leases.

4.20. Key management personnel

Key management personnel in the SBCI consist of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the CEO. See Note 8.

5. Interest income

	2021 €000	**2020 €000**
Interest on loans and receivables	3,346	4,093
Other interest income	-	67
	3,346	**4,160**

Interest on loans and receivables relates to interest income from loans provided to on-lenders. Other interest income relates to negative interest earned on the loan notes issued by the Company to the NTMA (Note 26.2).

6. Interest expense

	2021 €000	2020 €000
Other interest expense	371	425

Other interest expense relates to negative interest paid on cash held on deposit.

7. Other income

		2021 €000	2020 €000
CGS and CCGS administration costs recovered	7.1	1,041	1,494
BLS/CWCS administration costs recovery	7.2	550	1,486
BILS administration costs recovery	7.2	835	-
Future Growth Loan Scheme administration costs recovery	7.2	1,351	959
Agriculture Scheme administration costs recovery	7.2	222	322
Agriculture Scheme interest subsidy recovery	7.2	632	687
Guarantee fee income	7.3	3,102	1,305
Miscellaneous income		174	187
		7,907	**6,440**

7.1. CGS and CCGS administration costs recovered

Pursuant to an agreement dated 13 October 2016, as amended and restated on 14 May 2019, between the Minister for ETE and the SBCI (the "CGS Co-Operation Agreement"), the SBCI assumed the role of operator of the CGS on behalf of the Minister for ETE. The SBCI receives payments from the Minister for ETE based on the recovery of the costs and expenses incurred by the SBCI in providing the services as set out in the CGS Co-Operation Agreement. No financial gain or loss is made by the SBCI in providing the services (see Note 15.9).

Pursuant to an agreement dated 28 September 2020 between the Minister for ETE and the SBCI (the "CCGS Co-Operation Agreement"), the SBCI assumed the role of operator of the CCGS on behalf of the Minister for ETE. The SBCI receives payments from the Minister for ETE based on the recovery of the costs and expenses incurred by the SBCI in providing the services as set out in the CCGS Co-Operation Agreement. No financial gain or loss is made by the SBCI in providing the services (see Note 15.9).

7.2. Scheme cost recovery

Under an agreement between the Minister for AFM, the Minister for ETE and the SBCI dated 15 December 2017, as amended and restated on 27 November 2020, (the "Amended BLS/CWCS Co-Operation Agreement"), the SBCI recovers the costs for its role in operating the BLS/CWCS (see Note 15.7).

Under an agreement between the Minister for AFM, the Minister for ETE and the SBCI dated 7 September 2021 (the "Brexit Impact Loan Scheme Co-Operation Agreement"), the SBCI recovers the costs for its role in operating the BILS (see Note 15.8).

Under an agreement between the Minister for AFM, the Minister for ETE and the SBCI dated 21 December 2018, as amended and restated on 24 July 2020, (the "Future Growth Loan Scheme Co-Operation Agreement"), the SBCI recovers the costs for its role in operating the Future Growth Loan Scheme (see Note 15.10).

Under an agreement between the Minister for AFM and the SBCI dated 20 December 2016, as amended on 20 August 2020, (the "Agri Co-Operation Agreement"), the SBCI recovers the costs for its role in operating the Agriculture Scheme including the cost of interest rate subsidies (see Note 15.6).

7.3. Financial counter-guarantee income

	2021 €000	2020 €000
Guarantee expenses		
Agri Loan scheme	(8)	(95)
BLS/CWCS	(12)	(763)
Counter guarantee income		
Agri Loan scheme	8	95
BLS/CWCS	12	763
	-	-

At 31 December 2021, the SBCI has considered whether payments under its financial guarantees are probable and whether receipts under its financial counter guarantees are recognisable. The SBCI recognises €20k (2020: €858k) of guarantee expenses in the period. This is offset by €20k (2020: €858k) of counter guarantee income of which €10k (2020: €429k) derives from deferred income from the relevant Government Departments. In quarter one 2022, the SBCI received notification from a participating on-lender that a small number of SBCI loans may have been approved by the on-lender on the basis of fraudulent financial information presented by the borrowers. The on-lender has confirmed that these cases were reported to the relevant authorities and investigations are ongoing. SBCI are currently reviewing our contractual obligations in relation to this incident.

Guarantee fee income

	2021 €000	2020 €000
Future Growth Loan Scheme	2,868	1,160
BLS/CWCS	234	145
	3,102	**1,305**

Guarantee fee income relates to fees payable by participating on-lenders in the Future Growth Loan scheme and the recognition of deferred income from the relevant Government Departments relating to BLS/ CWCS.

8. Operating expenses

		2021 €000	2020 €000
Costs reimbursable to the NTMA	8.2	6,535	6,151
Board fees	9	110	118
Amortisation	11	225	296
Agriculture Scheme interest subsidy expense	8.1.1	632	687
Guarantee fee expense	8.1.2	2,995	1,114
Other expenses	8.1.3	1,754	2,920
		12,251	**11,286**

8.1.1. Agriculture Scheme interest subsidy expenses

Agriculture Scheme interest subsidy is comprised of expenses incurred by the Company in providing an interest rate subsidy to participating on-lenders of the Agriculture Scheme.

8.1.2. Guarantee fee expense

Guarantee fee expense relates to fees incurred for counter guarantees for the Future Growth Loan Scheme and BLS/ CWCS.

8.1.3. Other expenses

Other expenses is comprised of all other expenses paid directly by the Company. These primarily comprise marketing costs €0.19m (2020: €0.69m) and legal and professional fees €1.4m (2020: €2.2m).

8.2. Costs reimbursable to the NTMA

		2021 €000	2020 €000
NTMA staff costs	8.2.1	3,265	3,168
Business services	8.2.2	3,037	2,735
Professional fees		175	188
Other operating costs		58	60
		6,535	**6,151**

8.2.1. NTMA staff costs

NTMA staff costs include the remuneration (inclusive of pension costs) and other staff related costs, such as temporary staff costs, recruitment costs and staff training costs, of the NTMA staff directly assigned to the SBCI. All employee benefits costs have been expensed during the financial year and accordingly no costs were capitalised.

8.2.2. Business services

Business services costs are comprised of costs incurred during the financial year in relation to the premises occupied by the Company and the cost of support services provided by the NTMA.

8.3. Remuneration

The following remuneration disclosures are required under the Code of Practice for the Governance of State Bodies 2016:

8.3.1. Aggregate employee benefits

		2021 €000	2020 €000
Staff short-term benefits	8.3.2	2,576	2,503
Employer's contribution to social insurance costs		273	251
		2,849	**2,754**

The total number of whole-time equivalent staff employed at year end was 32 (2020: 28). Pension costs incurred by the Company during the financial year of €0.35m (2020: €0.34m) are included in NTMA staff costs in Note 8.2. Pension costs charged to the Statement of Comprehensive Income represent contributions made by the Company to the NTMA scheme in accordance with actuarial recommendations. No amounts are included in these financial statements in relation to pension liabilities. The relevant assets and liabilities are recognised in the NTMA Administration Account.

8.3.2. Staff short-term benefits

	2021 €000	2020 €000
Basic pay	2,435	2,452
Performance related pay	85	-
Allowances	56	51
	2,576	**2,503**

8.3.3. Key management personnel

	2021 €000	2020 €000
Board fees and management short-term benefits	792	902
Performance related pay	20	-
Allowances	45	44
Health insurance	6	4
	863	**950**

Key management personnel in the SBCI consists of the members of the Board, the CEO and the senior management team reporting directly to the CEO. The total value of employee benefits for key management personnel is set out above (excluding employer's contribution to social insurance costs).

This does not include the value of retirement benefits earned in the period. The key management personnel (excluding the Board) are members of the NTMA pension scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

8.3.4. Chief executive officer (CEO) salary and benefits

June Butler (CEO)	2021 €000
Annual salary	83
Performance related pay	-
Annual taxable benefits	7
Contributions to the defined benefit retirement schemes	12
	102

Ian Black (Interim CEO)	2021 €000	2020 €000
Annual salary	135	-
Performance related pay	-	-
Annual taxable benefits	17	-
Contributions to the defined benefit retirement schemes	19	-
	171	**-**

Nick Ashmore (CEO)	2021 €000	2020 €000
Annual salary	31	250
Performance related pay	-	-
Annual taxable benefits	3	24
Contributions to the defined benefit retirement schemes	4	36
	38	**310**

The amounts paid to the CEO are included in the costs reimbursable to the NTMA. The CEO is a member of the NTMA's pension scheme and their entitlements in that regard do not extend beyond the standard terms of the model public service pension scheme.

9. Board fees and expenses

An annual fee of €15,750 (2020: €15,750) is paid to certain Directors as specified by the Minister for Finance in accordance with the Constitution of the SBCI. An annual fee of €31,500 (2020: €31,500) is paid to the Chairperson. The Directors received no other benefits or remuneration, including retirement benefits, as a result of their services to the Company.

Board member	2021 €	2020 €
Barbara Cotter	31,500	44,195
Tom McAleese	15,750	15,750
Rosheen McGuckian	-	3,162
AJ Noonan	15,750	15,750
Richard Pelly	15,750	15,750
Marguerite McMahon	15,750	7,183
Eilis Quinlan	15,750	15,750
	110,250	**117,540**

Barbara Cotter was elected as chairperson of the Board on 12 March 2019. 2020 included a back payment from the date of election to 31 December 2020.

The Chief Executive Officer's, NTMA staff members and the Department of Finance official, (being Eoin Dorgan), did not receive any remuneration in respect of their membership of the Board.

Directors are reimbursed approved expenses on a vouched basis. Expenses relate to travel to attend meetings in SBCI's offices in Dublin. During the financial year, the following was incurred in respect of board member expenses:

Board member	2021 €	2020 €
Richard Pelly	992	232

The expenses paid to Directors relate to travel and are included in other expenses in Note 8.

10. Tax charge

The Company is exempt from corporation tax by virtue of section 23(1)(b) of the SBCI Act 2014.

11. Intangible assets

2021	Cost €000	Accumulated amortisation €000	Net book value €000
Balance as at 1 January 2021	2,050	(1,792)	258
Acquisitions	187	-	187
Amortisation	-	(225)	(225)
Balance at 31 December 2021	**2,237**	**(2,017)**	**220**

2020	Cost €000	Accumulated amortisation €000	Net book value €000
Balance as at 1 January 2020	2,046	(1,496)	550
Acquisitions	4	-	4
Amortisation	-	(296)	(296)
Balance at 31 December 2020	**2,050**	**(1,792)**	**258**

Intangible assets relate to IT software. Amortisation charged during the financial year is included in operating expenses in the Statement of Comprehensive Income. IT software (2020: No assets) was under development at financial year end in respect of a new customer management system which is expected to become operational in 2022. No amortisation has been charged on the IT software under development at the financial year end.

There were no impairment losses incurred on the software assets during the current or prior financial year.

12. Investments

	2021 €000	2020 €000
Shareholding in European Investment Fund ("ElF")	4,410	3,538

In November 2020 the SBCI acquired a shareholding in the European Investment Fund ("ElF") from the European Investment Bank ("EIB"). The SBCI acquired eight shares in the EIF at a cost of €442,238 per share. In October 2021 the SBCI acquired an additional two shares in the EIF at a cost of €435,971 per share.

13. Loans and receivables

	2021 €000	2020 €000
Loans to on-lenders due within one year	77,202	107,370
Loans to on-lenders due after more than one year	229,250	345,000
	306,452	**452,370**

The split of the loans to on-lenders between secured and unsecured loans is as below:

	2021 €000	2020 €000
Secured	120,375	180,442
Unsecured	186,077	271,928
	306,452	**452,370**

At the end of the financial year, the SBCI had loans in issue to eight on-lenders (2020: eight). Two of these on-lenders are banks (2020: three), and six on-lenders are non-bank finance providers (2020: five). The remaining terms of the on-lender loans in issue range from 0.5 to five years and interest is charged by the SBCI at 6-month Euribor plus a margin. On 28 January 2022 SBCI received early repayments of €35m on a loan agreement that had been scheduled to mature after more than one year.

The Company assesses at the end of each financial year whether there is objective evidence that the on-lender loans are impaired (see Note 4.10). Following the impairment assessment of the loans as at 31 December 2021, the Company concluded that an impairment charge of €Nil (2020: €Nil) had been incurred. At the end of the financial year, the Company had €107m (2020: €83m) in undrawn loan commitments.

14. Cash and cash equivalents

	2021 €000	2020 €000
Cash and cash equivalents	42,927	37,451

The cash held by the Company at 31 December 2021 includes cash for operating activities and funding provided to the Company to cover the costs of operating the (i) Agriculture Cashflow Support Loan Scheme, (ii) the Brexit Impact Loan Scheme, (iii) the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme and (iv) the Future Growth Loan Scheme. See Note 15 for further information on these schemes.

15. Risk management

The Company aims to be risk aware and to actively manage its risks. The critical activities performed by the SBCI and the reliance placed on its good reputation means that there is a strong emphasis on implementing an appropriate range of risk controls.

The SBCI aims to manage risks in an informed and proactive manner, in accordance with its risk appetite, such that the level of risk is consistent with the underlying business activity. Any new risks that materialise will be reviewed by the SBCI and a decision will be made on the acceptance and management of those risks.

The principal risk categories identified and managed by the Company in its day-to-day activities and which potentially have the greatest impact on its financial statements are credit risk, liquidity risk and market risk.

Risk Management Policy and Framework

The Board is responsible for setting the Company's Risk Appetite and for overseeing and guiding risk management across the SBCI. To this end, the Board has mandated that risk management be integrated and embedded into the tone and culture of the SBCI.

The ARC is responsible for overseeing the implementation of the SBCI Risk Management Policy and Framework and seeks to ensure that the SBCI's risk management governance model enables appropriate levels of independence and challenge. The ARC therefore reports to the Board independently.

The SBCI's Risk Management Policy and Framework is in accordance with the principles of the Code of Practice for the Governance of State Bodies 2016.

The SBCI relies on the services provided by the NTMA for certain elements of risk management, namely:

- business continuity management.
- compliance and legal services.
- internal audit services.

First line of defence:

The SBCI management is responsible for the Company's day-to-day management and for ensuring that adequate controls are both in place and operating effectively. Management reports on this to the ARC. The key steps in the risk management process are:

- Identify risks that may affect or prevent the SBCI from achieving its established objectives.
- For each risk identified, determine its impact and its probability of materialising.
- For each risk identified, determine whether the risk can be accepted in full or should be mitigated or avoided.
- For each risk identified, regardless of its impact or probability of occurrence, consider mitigating actions to reduce risk.
- Following the implementation of mitigating actions review the residual impact and probability of occurrence, as well as the criticality status of each risk identified.
- Review and monitor risk and mitigating actions on an on-going basis.

Second line of defence:

The SBCI Risk function and the NTMA Compliance function, in respect of specific areas of responsibility, provide independent challenge and oversight to ensure effective implementation of the SBCI Risk Management Policy and Framework.

Third line of defence:

The NTMA Internal Audit function, overseen by the SBCI ARC, acts as part of a third line of defence by providing independent, reasonable, risk-based assurance to key stakeholders on the robustness of the SBCI's risk management system, its governance and the design and operating effectiveness of the internal control environment.

15.1. Credit risk

Credit risk is the most significant risk to the SBCI's business. Credit risk is the risk that one party to a financial instrument will cause loss for the other party by failing to pay for its obligation. In other words, credit risk primarily arises from the potential failure of an on-lender to repay in full its loans to the SBCI. The Company is also exposed to credit risk in respect of guarantees issued to on-lenders, and counter guarantees obtained from the EIF.

To achieve its key objectives and fulfil its mandate, the SBCI must assume a certain level of credit risk.

As a fundamental principle, and in line with its Risk Appetite Statement, the SBCI seeks to assume credit risk in a prudent manner that accepts the minimum level of credit risk required to achieve its objectives. The SBCI, therefore, carefully manages its exposure to credit risk and this risk is measured, assessed, and controlled for all transactions or credit events entered.

The SBCI endeavours to minimise its credit risk exposure by undertaking an extensive due diligence process in advance of any decisions to lend or provide guarantees. The Company's credit risk management process includes:

- thorough assessment of each prospective on-lender, its management, operational capability, credit underwriting experience, financial performance, risk management, systems, product offering and repayment capacity.
- meetings with management.
- assessment of the financial performance of each prospective on-lender utilising available information, including audited accounts, management accounts and financial projections.
- independent commercial due diligence in respect of non-bank finance providers.
- independent legal due diligence.
- analysis of the on-lender's repayment capacity, including clear and reasonable demonstration of the on-lender's ability to meet its obligations and discharge the SBCI debt in full.
- review and recommendation by the SBCI Credit Committee of each potential counterparty.
- obtaining adequate collateral in respect of loans (where appropriate), including fixed or floating charge security over assets of the on-lender.
- all credit decisions reserved to the Board, or appropriate committees of the Board.
- on-going monitoring and review of credit facilities.
- regular review of compliance with the respective covenants and undertakings and any terms and conditions imposed by the SBCI.
- formal on-lender review process, which is carried out, at a minimum, on an annual basis on each approved counterparty.
- assessment of collateral requirements in the context of a number of factors including the financial strength of the on-lender.
- obtaining counter-guarantees and/or cash for loss reserves to cover, or partially cover, the SBCI's guarantee liabilities.

The maximum exposure to credit risk for loans, cash and guarantees at 31 December 2021 is €531.8m (2020: €628.2m). This maximum exposure to credit risk is presented below per class of financial instrument, and includes the loan commitments of the Company at financial year end:

	2021 €000	2020 €000
Loans and receivables	306,452	452,370
Cash and cash equivalents	42,927	37,451
	349,379	489,821
Loan commitments	107,000	82,500
Guarantees	75,400	55,900
	531,779	**628,221**

Guarantees represent the net exposure of the relevant guarantee schemes included within contingent liabilities (Note 24) and contingent assets (Note 25).

The below table sets out the credit quality of the SBCI's financial assets, some of which have been rated by Standard & Poor's. Non-rated relates to non-bank entities.

	2021 €000	2020 €000
AAA	30,384	18,724
A+ to A-	12,543	28,729
BBB	120,375	261,927
Non-rated	186,077	180,441
	349,379	**489,821**

15.2. Liquidity risk

Liquidity risk is the risk that the SBCI cannot meet its short-term debt obligations. It is the risk of loss arising from a situation where there will not be enough cash to fund day-to-day operations and that the SBCI will be unable to convert assets into cash in a timely manner. The SBCI's liquidity risk management process includes:

- Adherence to the SBCI Liquidity and Market Risk Management Policy and associated limits.
- Effective management of day-to-day funding requirements, including the monitoring of future expected cash flows, e.g. future lending commitments, to ensure that requirements can be met as they fall due.
- Asset and liability management by monitoring the maturity profile outlined in the SBCI's Statement of Financial Position to ensure that sufficient cash resources are retained and/or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.
- Managing liquidity risk by aligning, to the greatest extent possible, the maturity profile of the SBCI's assets and liabilities thereby eliminating refinancing risk where possible. The SBCI sources long-term floating rate funding from its funders, and where possible, it structures the tenor and repayment schedule of its loans to reflect that funding maturity profile.
- Maintaining a cash liquidity buffer to address any short-term liquidity needs that may arise.

The timing of the contractual repayments due by the SBCI are summarised in the below table. The amounts presented are undiscounted. Other liabilities of €93.5m (2020: €67.5m) (see Note 19) are also included. Amounts due "within 1 year" consist of accrued interest and other liabilities, amounts due after 1 year consist of principal loan repayments to funders.

	Within 1 year €000	1 to 5 years €000	After 5 years €000	Total €000
2021 repayments due	117,382	148,571	14,286	280,239
2020 repayments due	100,869	295,238	21,429	417,536

15.3. Market risk

Market risk is the risk that changes in market prices will cause the fair value or future cash flows of a financial instrument to fluctuate. The SBCI's market risk comprises interest rate risk. Market risks may arise from open positions in interest rate products which are exposed to general and specific market movements, as well as changes in the volatility of interest rates. The SBCI manages its market risk in accordance with the SBCI Liquidity and Market Risk Management Policy and associated limits.

15.4. Interest rate risk

The SBCI is exposed to interest rate risk on its loans and receivables and cash and cash equivalents. Where possible, the SBCI's lending facilities reflect the interest rate risk profile of the underlying funding agreements in order to minimise incidents of material interest rate mismatches. Any residual risk will be identified, monitored and managed by the SBCI.

Given that the SBCI's current risk profile for both funding and on-lending is on a six-month floating rate basis, its interest rate risk exposure is limited. Any mismatches that arise are largely offset as interest rates are re-fixed. In the event of a large re-fixing mismatch or where the bases of the fixings do not match, the SBCI will seek to hedge these positions.

The amounts exposed to interest rate risk at 31 December 2021 are detailed below:

Financial assets	**2021 €000**	**2020 €000**
Cash and cash equivalents	42,927	37,451
Loans and receivables	306,452	452,370
	349,379	**489,821**

Financial liabilities	**2021 €000**	**2020 €000**
Funding and borrowings	186,667	350,000

Currency risk

The SBCI is not directly exposed to currency risk, as all of its funding and lending activities are denominated in euro.

Interest rate risk sensitivity

Information provided by the sensitivity analysis below does not necessarily represent the actual change in fair value that the SBCI would incur under normal market conditions because, due to practical limitations for calculation purposes, all variables other than the specific market risk factor are held constant.

The following table represents the interest rate sensitivity arising from a 50-basis point increase or decrease in the interest rate (6-month EURIBOR). The risk is measured as the net present value (NPV) impact on the cash flows of the loans receivable and payable because of that change in interest rates. The interest rates are set as at 31 December 2021.

2021	**+50bp €000**	**-50bp €000**
Net cashflow impact	(266)	(536)

2020	**+50bp €000**	**-50bp €000**
Net cashflow impact	(361)	(412)

The interest rate sensitivities are not symmetric due to several factors including the maturity profile of the portfolio and the interest payment dates of the loans. The maturity profile of the portfolio is actively managed and will vary over time.

15.5. Capital management

The SBCI is not subject to externally imposed capital requirements. The Company is committed to ensuring it is adequately capitalised as there is a risk that inappropriate management of its capital could result in the inability to absorb any potential credit losses. On 15 October 2020, the SBCI issued 50 million shares of €1.00 each in the capital of the SBCI to its sole shareholder, the Minister for Finance. The SBCI's paid-up share capital as at 31 December 2021 is €85m (2020: €85m). In addition, the SBCI has available callable capital of €165m (2020: €165m) which it may call on at its discretion from the Minister for Finance, as provided for in Section 11(6) of the SBCI Act 2014.

The SBCI's capital management process includes adhering to the capital adequacy requirements of the SBCI Risk Appetite Statement to ensure that it remains adequately capitalised to absorb any potential losses. The Board reviews the capital adequacy as part of its regular review of risk reporting at each scheduled Board meeting.

15.6. Agriculture Cashflow Support Loan Scheme ("Agriculture Scheme")

The SBCI entered into an agreement with the Minister for AFM in 2016 under which the SBCI initially received cash of €25m from the Minister for AFM to support the establishment and operation of the Agriculture Scheme. This scheme closed to new applicants in 2017. Under the Agriculture Scheme, the SBCI issued guarantees to participating institutions in respect of loans by the institutions to agricultural SMEs. The SBCI's guarantees cover 80% of credit losses on a loan-by-loan basis, subject to an overall portfolio cap of 15% and a maximum portfolio of €150m.

At financial year end, the Company has a contingent liability of €10.5m (2020: €16.9m) related to potential credit losses covered under the scheme. This contingent liability of €10.5m is fully offset by a counter-guarantee agreement from the EIF to the value of €5.3m, and by cash of €5.3m held as a loss reserve (from the €25m received from the Minister for AFM). As a result, the SBCI's net exposure to credit losses under the Agriculture Scheme is €Nil (2020: €Nil). The balance of the funding received from the Minister for AFM is used for the payment of interest rate subsidies to the participating institutions, which are passed on in full to the SME borrowers, and to reimburse the SBCI for the costs of operating the scheme. Any surplus funding at scheme maturity is payable to the Minister for AFM.

15.7. Brexit Loan Scheme ("BLS") and COVID-19 Working Capital Loan Scheme ("CWCS") and together "BLS/CWCS")

The SBCI entered into an agreement with the Minister for AFM and the Minister for ETE in 2017, under which the Ministers advanced €23m to the SBCI to be used in the BLS to support enterprises affected by Brexit. In 2020, the scheme was amended in order to also provide working capital to enterprises affected by COVID-19 under the amalgamated BLS/CWCS. The SBCI's guarantees cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €337.5m. During the financial year, SBCI ceased allowing its participating on-lenders to write new loans under the BLS/CWCS as the Brexit Impact Loan Scheme was launched.

At financial year end, the Company has a contingent liability of €60.7m (2020: €89.2m) related to potential credit losses covered under the BLS/CWCS . This contingent liability is partially offset by a counter-guarantee agreement from the EIF to the value of €30.4m, and by cash of €17.1m held as a loss reserve (from the €23m received from the Ministers). As a result, the SBCI's net exposure to credit losses under the BLS/CWCS is €13.3m (2020: €27.5m). The balance of the funding received from the Ministers is used to reimburse the SBCI for the costs of operating the scheme including the cost of the EIF counter guarantee.

15.8. Brexit Impact Loan Scheme ("BILS")

The SBCI entered into an agreement with the Minister for AFM and the Minister for ETE in September 2021, under which the Ministers advanced €13.8m to the SBCI to be used in the BILS to support enterprises affected by Brexit.

Under the BILS, the SBCI has issued guarantees to participating institutions in respect of loans to businesses affected by Brexit. The SBCI's guarantees cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of up to €330m.

At financial year end, the Company has a contingent liability of €7.7m (2020: €Nil) related to potential credit losses covered under BILS. This contingent liability is partially offset by a counter-guarantee agreement from the EIF to the value of €5.4m, and by cash of €7.7m held as a loss reserve (from the €13m received from the Ministers). As a result, the SBCI's net exposure to credit losses under the BILS is €Nil.

15.9. Credit Guarantee Scheme ("CGS") and COVID-19 Credit Guarantee Scheme ("CCGS")

The SBCI has been appointed as the operator of all Schemes created under the Credit Guarantees Acts 2012 to 2020 on behalf of the Minister for ETE. The SBCI has no credit risk exposure to the credit guarantees issued under these Schemes. The SBCI's role is solely administrative in nature and the SBCI manages the operational risk arising from the processing of payments and claims under its internal processes and procedures (see Note 7).

15.10. Future Growth Loan Scheme ("FGLS")

The SBCI entered into an agreement with the Minister for AFM and the Minister for ETE in 2018, which was subsequently amended in 2020, pursuant to which the Ministers advanced funding to the SBCI to establish the €800m FGLS to support long-term investment loans to enterprises in Ireland.

Under the FGLS, the SBCI has issued credit guarantees to participating institutions in respect of loans to qualifying businesses. The SBCI's guarantees cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €800m. The SBCI entered into a counter-guarantee agreement with the EIF to off-set 80% of its guarantee exposure.

At financial year end, the Company has a contingent liability of €457.1m (2020: €288.5m) related to potential credit losses covered under the FGLS. This contingent liability is offset by a counter-guarantee agreement from the EIF to the value of €365.7m and by a loss reserve of €29.3m (as committed by the Ministers), of which €29.3m cash was received by 31 December 2021. As a result, the SBCI's net exposure to credit losses under the FGLS is €62.1m (2020: €28.4m).

15.11. Concentration risk

Concentration risk is the risk that the SBCI is exposed to any single exposure or group of exposures that has the potential to produce losses large enough to threaten the ability of the SBCI to continue operating as a going concern.

The SBCI manages this risk by adhering to the limits set out in the Risk Appetite Statement which has been approved, and is regularly reviewed, by the Board. The Risk Appetite Statement defines the maximum amounts of credit facilities to be committed to certain categories of borrower, both in absolute terms and also relative to the SBCI's overall committed credit facilities. The Risk Appetite Statement also addresses the concentration risk among the SBCI's funders by defining the maximum concentration permitted in terms of exposure to any one funder.

The measures are intended to ensure that the risk profile of the overall portfolio is appropriately diversified and not unduly exposed to excessive concentration of risk.

The SBCI's key geographic concentration of risk assets is in Ireland and the key sectorial concentration of risk is to financial institutions, arising from its statutory mandate to make credit available to entities and persons in the State, as set out in the SBCI Act 2014. The Company's geographic concentration risk exposure from its loans and receivables is €305.5m (2020: €452.4m).

The Company's key concentrations of liabilities are to Irish and European funders.

16. Fair value of financial assets and liabilities

16.1. Comparison of carrying value to fair value

The table below summarises the carrying amounts and fair values of the financial assets and liabilities not presented on the Company's Statement of Financial Position at their fair value.

Level 1 - financial assets and liabilities measured using quoted market prices (unadjusted).

Level 2 - financial assets and liabilities measured using valuation techniques which use observable market data.

Level 3 - financial assets and liabilities measured using valuation techniques which use unobservable market data.

The fair values of these financial instruments are measured according to the following fair value hierarchy:

Financial assets	Carrying value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
2021					
Cash and cash equivalents	42,927	42,927	-	-	42,927
Other receivables	3,456	-	-	3,456	3,456
Loans and receivables	306,452	-	-	306,452	306,452
2020					
Cash and cash equivalents	37,451	37,451	-	-	37,451
Other receivables	2,556	-	-	2,556	2,556
Loans and receivables	452,370	-	--	452,370	452,370

Financial liabilities	Carrying value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
2021					
Other liabilities	93,530	-	-	93,530	93,530
Funding and borrowings	186,667	-	-	186,667	186,667
2020					
Other liabilities	67,536	-	-	67,536	67,536
Funding and borrowings	350,000	-	-	350,000	350,000

16.2. Fair value measurement principles

Loans and receivables and funding and borrowings

The fair value of these financial instruments is equal to their carrying value due to the defined nature/purpose of these facilities. Carrying value is at amortised cost.

17. Other receivables

	2021 €000	2020 €000
Scheme administration costs recovery due	2,031	1,925
Guarantee fee income	1,425	631
	3,456	**2,556**

18. Funding and borrowings

	2021 €000	2020 €000
Funding and borrowings due within one year	23,810	33,333
Funding and borrowings due after one year	162,857	316,667
	186,667	**350,000**

These funding liabilities have been guaranteed by the Minister for Finance, as is permitted under section 18 of the SBCI Act 2014.

At the end of the financial year, the SBCI had loans outstanding with three funders (2020: two). Two of these funders are European financial institutions and one is the NTMA. The remaining terms of these loans range from 1 to 7 years and interest is charged to the SBCI at 6-month Euribor plus margin. For those debts due after 5 years, the repayments are a mixture of semi-annual and bullet principal repayments depending on the terms of the applicable funding agreement.

At the end of the financial year, the Company had €405m (2020: €330m) in undrawn funding facilities.

19. Other liabilities

	2021 €000	2020 €000
Minister for AFM payable		
Agricultural Scheme	12,153	13,015
BLS/CWCS	10,016	10,447
BILS	5,507	-
FGLS	6,198	-
Minister for ETE payable		
BLS/CWCS	15,451	16,117
BILS	8,260	-
FGLS	32,267	25,348
Amounts due to the NTMA	1,088	912
Interest subsidy payable	-	333
Counter guarantee fee payable	1,655	850
Other liabilities	935	514
	93,530	**67,536**

As set out in Note 15.6, the Minister for AFM initally advanced a total of €25m to the SBCI to be used in the Agriculture Scheme to support SMEs in the agricultural sector in Ireland. An amount of €0.8m (2020: €1.0m) was recognised in other income in the year while a further €0.1m (2020: €4.0m) was released to fund the Minister for AFM's contribution to the expansion of the FGLS (see Note 7) leaving a balance of €12.2m (2020: €13.0m). Funds that remain unutilised during the life of the Agriculture Scheme are repayable to the Minister for AFM. Funds advanced under the Agriculture Scheme have been classified as a grant liability under FRS 102 Section 24.

Similarly, as set out in Note 15.7, the Minister for AFM and the Minister for ETE advanced €23m in 2017 to the SBCI to be used in the BLS to support enterprises affected by Brexit. During 2020, the BLS was amended in order to also provide working capital to enterprises affected by COVID-19 under the amalgamated BLS/CWCS. A further €6.8m was provided to allow for the expansion of the BLS/CWCS from €300m to €337.5m in 2020. An amount of €1.1m (2020: €1.5m) was recognised in other income in the year leaving a balance of €25.5m (2020: €26.6m). Funds that remain unutilised during the life of the BLS/CWCS are repayable to the Minister for AFM and the Minister for ETE.

Similarly, as set out in Note 15.8, the Minister for AFM and the Minister for ETE advanced €13.8m in 2021 to the SBCI to be used in the BILS to support enterprises affected by Brexit. An amount of €Nil (2020: €Nil) was recognised in other liabilities in the year leaving a balance of €13.8m. Funds that remain unutilised during the life of the BILS are repayable to the Minister for AFM and the Minister for ETE.

Furthermore, as set out in Note 15.10, the Minister for AFM and the Minister for ETE have advanced a total of €41.7m (€14.2m received in 2021) to the SBCI to be used in the FGLS to support long-term investment loans to enterprises. €1.2m (2020: €0.9m) was recognised in other income in the year leaving a balance of €38.4m (2020: €25.4m). Funds that remain unutilised during the life of the FGLS are repayable to the Minister for AFM and the Minister for ETE.

20. Provisions for liabilities

	2021 €000	2020 €000
Balance at 1 January	-	-
Charges to comprehensive income	-	-
Balance at 31 December	**-**	**-**

As at 31 December 2021, the SBCI considered whether payments under its financial guarantees are probable. In accordance with FRS 102.21, the SBCI has recognised €Nil (2020: €Nil) in respect of probable claims. The claims paid in 2021 were offset by a 50% reimbursement of the value of the claims from the EIF under the counter guarantee. The timing and final amount of the claims are dependent on actual receipt of the claims from the relevant on-lender.

21. Maturity analysis of assets and liabilities

The below table presents the breakdown of those assets and liabilities which contain a non-current element which has a contractual right to be recovered or settled more than 12 months after the reporting date. Current amounts represent those amounts expected to be recovered or settled within 12 months for each asset and liability.

2021	Current €000	Non-current €000	Total €000
Financial assets			
Loans and receivables	77,202	229,250	306,452
Financial liabilities			
Funding and borrowings	23,810	162,857	186,667

2020	Current €000	Non-current €000	Total €000
Financial assets			
Loans and receivables	107,370	345,000	452,370
Financial liabilities			
Funding and borrowings	33,333	316,667	350,000

Note 15.2 provides further detail on the expected timescale of the settlement of those funding and borrowings which are due for repayment more than 12 months after the reporting date.

22. Auditor's remuneration

	2021 €000	2020 €000
Audit of financial statements	35	36

The C&AG (as external auditor) does not provide any other assurance, tax advisory or other non-audit services to the SBCI.

23. Equity

The authorised share capital of the Company is €250,000,000 divided into 250,000,000 shares of €1.00 each. In accordance with section 11 of the SBCI Act 2014, the Company's authorised share capital may be increased to such other amount, up to a maximum of €1,000,000,000, as may be determined by the Minister for Finance by order from time to time.

As at 31 December 2021, the Minister for Finance had subscribed for, and was issued with 85,000,000 (2020: 85,000,000) of the Company's authorised shares.

24. Contingent liabilities

Under the terms of the Agriculture Scheme, the Company has issued capped partial guarantees to the participating on-lenders to cover 80% of credit losses on a loan-by-loan basis, subject to an overall portfolio cap of 15%, and a maximum portfolio of €150m. As a result, at financial year end, the Company has a contingent liability of €10.5m (2020: €16.9m) related to financial guarantee credit losses covered under the Agriculture Scheme.

Under the terms of the BLS/CWCS, the Company has issued partial guarantees to the participating on-lenders to cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €337.5m. As a result, at financial year end, the Company has a contingent liability of €60.7m (2020: €89.2m) related to financial guarantee credit losses covered under the BLS/CWCS.

Under the terms of the BILS, the Company has issued partial guarantees to the participating on-lenders to cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €330m. As a result, at financial year end, the Company has a contingent liability of €7.7m (2020: €Nil) related to financial guarantee credit losses covered under the BILS.

Under the terms of the FGLS, the Company has issued partial guarantees to the participating on-lenders to cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €800m. As a result, at financial year end, the Company has a contingent liability of €457.1m (2020: €288.5m) related to financial guarantee credit losses covered under the FGLS.

25. Contingent assets

The SBCI has entered into a counter-guarantee agreement with the EIF to partially offset the SBCI's guarantees under the Agriculture Scheme. The value of the counter-guarantee is €5.3m and the terms and conditions of this counter-guarantee are consistent with SBCI's guarantees to the on-lenders. As such, the SBCI has a contingent asset of up to €5.3m (2020: €8.5m) related to the Agriculture Scheme at the end of 2021.

The SBCI has also entered into a counter-guarantee agreement with the EIF to partially offset the SBCI's guarantees under the BLS/CWCS. The value of the counter-guarantee is €30.3m and the terms and conditions of this counter-guarantee

are consistent with SBCI's guarantee to the on-lenders. As such, the SBCI has a contingent asset of up to €30.4m (2020: €44.6m) related to the BLS/CWCS at the end of 2021.

The SBCI has also entered into a counter-guarantee agreement with the EIF to partially offset the SBCI's guarantees under the BILS. The value of the counter-guarantee is €5.4m and the terms and conditions of this counter-guarantee are consistent with SBCI's guarantees to the on-lenders. As such, the SBCI has a contingent asset of up to €5.4m (2020: €Nil) related to the BILS at the end of 2021.

The SBCI has also entered into a counter-guarantee agreement with the EIF to partially offset the SBCI's guarantees under the FGLS. The value of the counter-guarantee is €365.7m and the terms and conditions of this counter-guarantee are consistent with SBCI's guarantees to the on-lenders. As such, the SBCI has a contingent asset of up to €365.7m (2020: €230.8m) related to the FGLS at the end of 2021.

26. Related parties' disclosures

26.1. Related parties

Minister for Finance

The issued share capital of the SBCI is owned solely by the Minister for Finance. The authorised share capital of the Company may be increased from its current level of €250,000,000 to such other amount, up to a maximum of €1,000,000,000, as may be determined by the Minister for Finance by order from time to time pursuant to of section 11(1) of the SBCI Act 2014.

NTMA

The NTMA provides staff and business support services to the SBCI. The costs incurred by the NTMA are charged to the SBCI, in accordance with the terms of the Service Level Agreement between the SBCI and the NTMA. In addition, the NTMA provides funding to the SBCI.

Other Government controlled entities

The ISIF and Allied Irish Banks plc are related parties of the SBCI as each is under the control of the Minister for Finance.

Government Ministers and Departments

The Department of AFM and the Department of ETE, and their respective Ministers, are related parties of the SBCI as the Irish State has control of both of these Departments and is the ultimate owner of the Company.

Key management personnel

Key management personnel in the SBCI are disclosed in Note 8.

Minister for Finance and ISIF Loan Facility

The Minister for Finance was issued with the following additional ordinary shares of €1.00 each in the capital of the Company:

- in February 2017 – 25 million; and
- in October 2020 – 50 million.

26.2. Transactions and balances with related parties

Both of the above share issuances were funded through the conversion to equity of €75m of loans advanced by the ISIF to SBCI. There is currently a nil balance on the ISIF loan facility (2020: €Nil), and the committed funding available under that facility is €165m.

NTMA recharge

The NTMA incurs costs for the running of the SBCI, which it recharges to the Company. The total of these costs for the financial year was €6.6m (2020: €6.2m). Further details in respect of these costs are disclosed in Note 8. Operating lease commitments are disclosed in Note 27. There is an amount of €1.1m payable (2020: €0.9m) to the NTMA at the end of the financial year.

NTMA developed software

The SBCI did not purchase any software developed internally by the NTMA during the financial year (2020: €4k). €Nil (2020: €Nil) of the €1.1m payable to the NTMA at the end of the financial year relates to the purchase of software.

SBCI Debt Instrument

€10m of loan notes issued by the Company to the NTMA in 2021 were outstanding at financial year end (2020: €Nil). The Company has accrued interest expense of €1k during the financial year and no negative interest was received (2020: €67k) from the NTMA in relation to the issuance of the loan notes.

Future Growth Loan Scheme

The Company received a total of €14.2m (2020: €12.4m) during the financial year from the Minister for ETE and from the Minister for AFM to be used in the FGLS. See Note 19 for further details on the FGLS and the funding received during the financial year.

Brexit Impact Loan Scheme

The Company received a total of €13.8m (2020: €Nil) during the financial year from the Minister for ETE and from the Minister for AFM to be used in the BILS. See Note 19 for further details on the BILS and the funding received during the financial year.

Credit Guarantee Schemes

During the financial year, the Company recognised €1m (2020: €1.5m) of income for the recovery of its administration costs in its role as operator of Schemes created under the Credit Guarantee Acts 2012 to 2020 on behalf of the Minister for ETE. €0.8m (2020: €0.81m) of this income was receivable by the Company at financial year end. See Note 7 for further information on the SBCI's role in these Schemes.

Allied Irish Banks plc

The Company has issued loans of €20m (2020: €130m) to Allied Irish Banks p.l.c. for the purpose of on-lending to Irish SMEs. These loans were outstanding at financial year end and are included in the loans and receivables figures in the Statement of Financial Position.

Microfinance Ireland

The Company has issued loans of €5.5m (2020: €Nil) to Microfinance Ireland. for the purpose of on-lending to Irish SMEs. These loans were outstanding at financial year end and are included in the loans and receivables figures in the Statement of Financial Position.

Key management personnel

Transactions with key management personnel are disclosed in Note 8.

27. Commitments

In February 2019, SBCI entered into a lease for office accommodation located at 1 Treasury Dock, North Wall Quay, Dublin 1 until May 2033. Rental charges incurred in the period were €291k (2020: €291k). The nominal future minimum rentals payable under non-cancellable operating lease are as follow:

	2021 €000	2020 €000
Within one year	292	291
In two to five years	1,168	1,168
Over five years	1,868	2,160
	3,328	**3,619**

28. Disclosures of interest

The SBCI is a prescribed public body for the purposes of the Ethics in Public Office Acts 1995 and 2001. There are also disclosures of interest requirements on Directors under the Companies Act 2014, the Company's Constitution and the Code of Practice for the Governance of State Bodies (2016). The SBCI has put in place procedures to assist Directors and members of staff in meeting their disclosure of interest obligations during the period under review.

29. Events after the end of the reporting period

The disclosures in the financial statements and notes reflect events occurring subsequent to the balance sheet date. No events requiring adjusting occurred after the end of the reporting period.

30. Approval of the financial statements

The financial statements were approved by the Directors on 28 April 2022.

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2021

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