ANNUAL REPORT & FINANCIAL STATEMENTS

2022

Anseo chun gnó a fhorbairt
Corparáid Baincéireachta Straitéiseach na hÉireann
Here to build business
Strategic Banking Corporation of Ireland

Contents

KEY BUSINESS HIGHLIGHTS

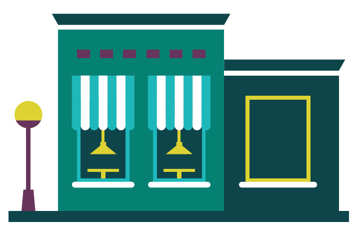
Year to 31 December 2022

€633m

Loans supported

€90,100

Average loan size



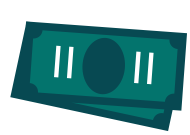
7,019

SMEs supported in Ireland

What SMEs used SBCI facilities for in 2022

82% Investment in growing the business

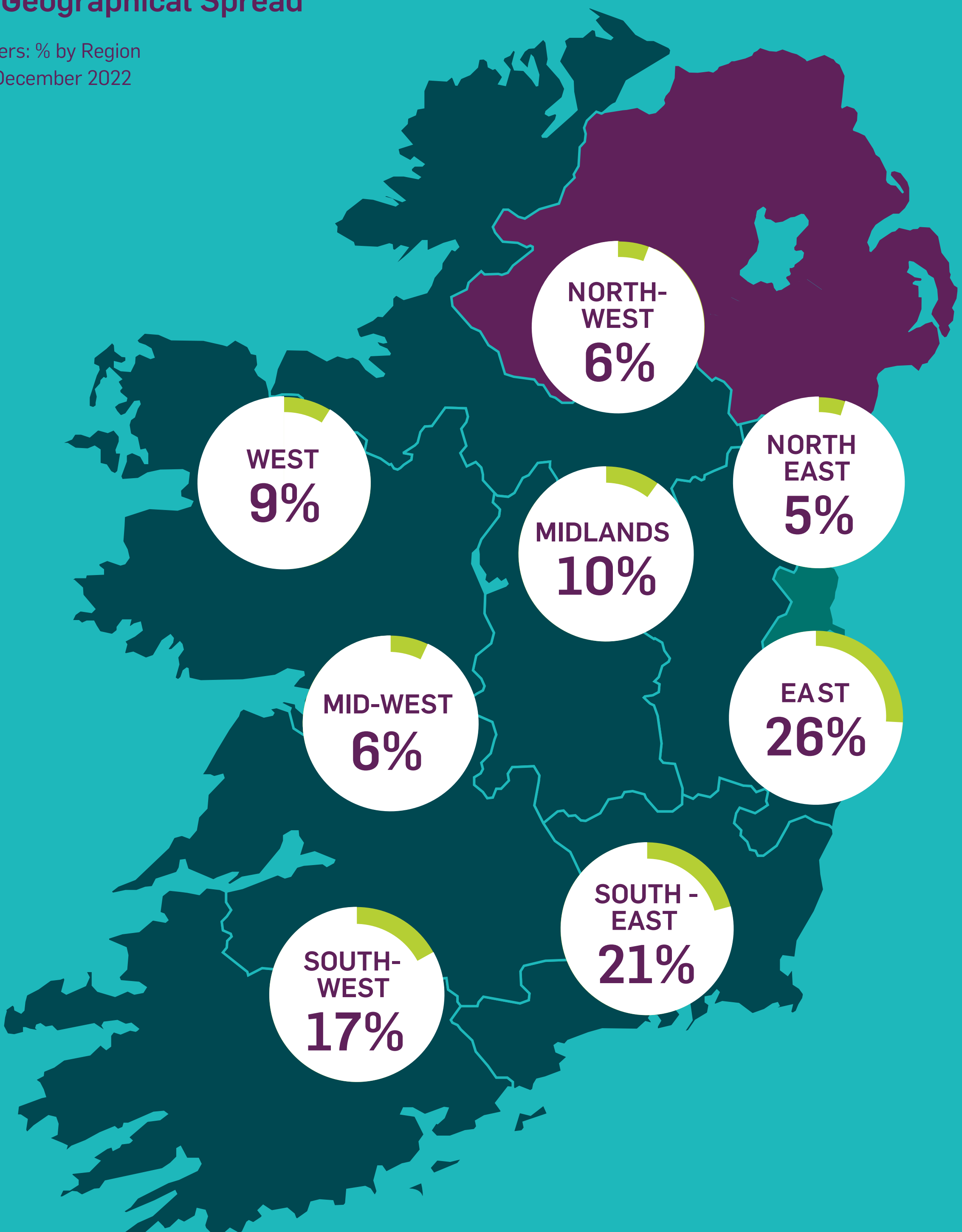
18% Working Capital



The Energy Efficiency Loan Scheme launched in July 2022, providing €150m of funding support for Irish businesses who wish to invest in energy efficient equipment.

SBCI's Geographical Spread

Loan numbers: % by Region
Year to 31 December 2022

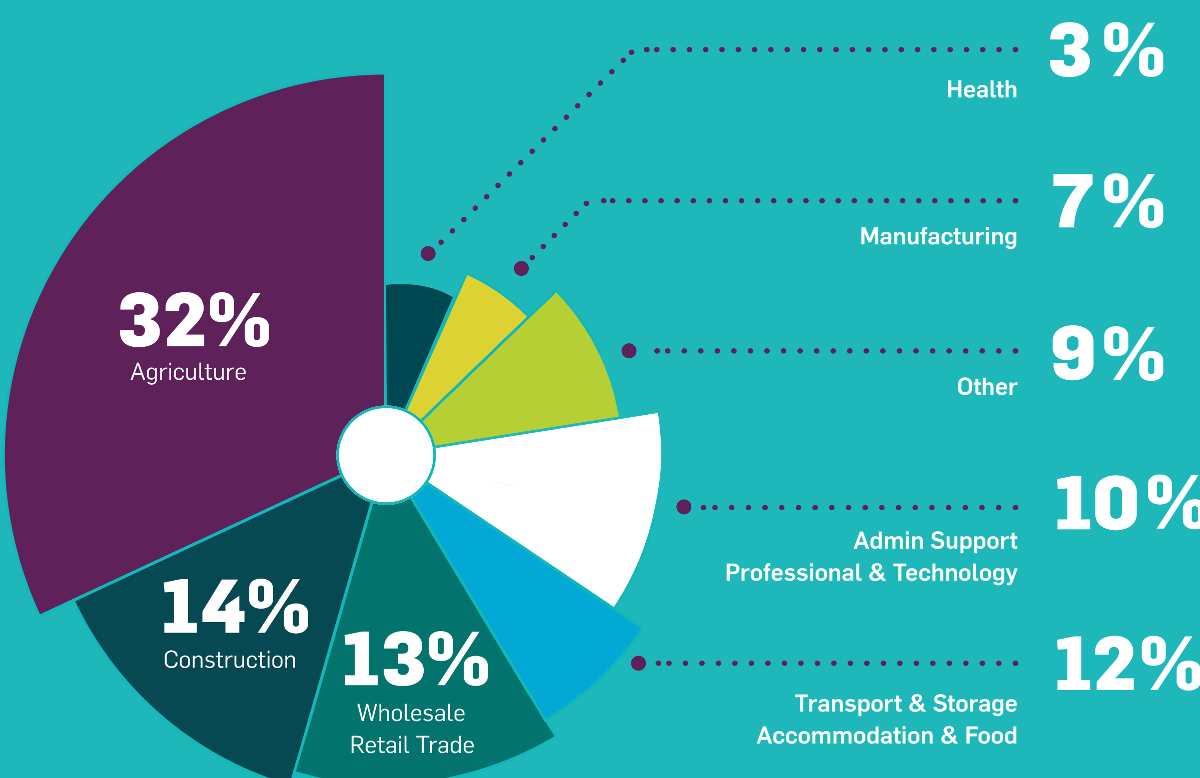


The SBCI developed a **new digital platform to digitise and streamline the application process for its loan products.** This platform will enable higher levels of digital interaction with on-lenders and Irish businesses.

The total funding deployed by the SBCI since its formation amounts to **€3.48bn with 53,529 Irish businesses supported.**

SBCI funding is benefiting a wide range of sectors

Year to 31 December 2022



CHAIRPERSON'S STATEMENT

In the financial year 2022, the SBCI continued to provide much needed support to Irish businesses as the country emerged from the COVID-19 pandemic. The last year saw a renewed focus on core activities while also responding to new challenges and gaps in the Irish finance market.

2022 has been a volatile year for Irish businesses that have faced several challenges, including increased input costs, along with energy and general price inflation. They are, however, steadily recovering from the impacts of the pandemic while they deal with those new issues facing them, against a backdrop of a rising interest rate environment.

Strategy and Performance

The Board began 2022 by approving an update to our 2020 – 2025 strategy and confirming our strategic objectives as increasing access to finance, promoting sustainability, and enabling SMEs to grow and prosper. Our refreshed strategy will drive further improvements across our business – delivering stronger relationships with our partners and further supports for Irish SMEs, with sustainability at its core.

We have executed strongly against our priorities. This progress has been made against a volatile backdrop that has characterised much of the last few years including extended Brexit uncertainties; the COVID-19 pandemic, Russia's invasion of Ukraine and multidecade highs in inflation with a resultant step change in interest-rate expectations. With support from the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and the Marine and the European Investment Bank Group, the SBCI continued to deliver risk-sharing schemes that allowed Irish businesses access affordable finance when they needed it.

Supporting Irish SMEs

Throughout 2022, our suite of credit supports included low-cost, flexible loans to counteract and mitigate the worst effects of COVID-19, Brexit, and increased input costs, including energy costs. The Brexit Impact Loan Scheme, which was designed to address the impact of Brexit on SMEs and Small Mid-caps, was available throughout 2022. In July 2022, in response to closure of the COVID-19 Credit Guarantee Scheme, we launched the COVID-19 Loan Scheme to continue supporting businesses impacted by the COVID-19 pandemic throughout the remainder of the year.

The SBCI Energy Efficiency Loan Scheme was launched in July 2022 to help SMEs, including farmers and fishers, reduce their carbon emissions by investing in energy–saving measures. This scheme complements the Government's net-zero (by 2050) target by encouraging businesses to focus on adopting more sustainable practices while helping them to become more efficient and competitive.

In total, the team in the SBCI currently support 35 on-lenders covering SME financing needs from micro to mid-cap sized businesses. Our clear focus is to provide differentiated lending support to Irish businesses, and our on-lending partners are essential to deliver on this mandate. As part of the strategy implementation, the team is developing its digital capabilities to meet the needs of our SMEs and our on-lending partners, enabling us to keep pace with new technologies. The SBCI SME journey is now digital, following the launch of the SBCI Hub in August, enhancing the online customer experience for SMEs.

Board

The Board met in total on eight occasions and there were also nine Board Committee meetings during the year. As in prior years, I would like to acknowledge the very strong commitment of all my fellow directors to the SBCI in 2022.

During 2022 Conor O'Kelly resigned from the Board when he stood down as Chief Executive of the NTMA. Conor's Board position has been filled by Ian Black, NTMA's Chief Financial and Operating Officer. The composition, skills and experience of the Board is kept under continuous review and new directors will be appointed over the coming year in response to planned retirements.

Outlook

We know that conditions remain challenging for many businesses. We are seeing high rates of inflation and increases in the costs of doing business. The Russian invasion of Ukraine has pushed the global economy into further uncertainty. The importance of both financial and non-financial support for businesses should not be underestimated. We remain ready to act countercyclically to support access to finance for businesses where required and, especially now, this part of our mandate is increasingly significant.

Supporting Irish businesses in challenging and uncertain times is the SBCI's core purpose. The flexibility that was designed into the way we operate means our role in supporting access to finance can adapt to the prevailing economic circumstances, and we stand ready to do what is needed in both good times and bad.

Finally, I want to offer my sincere gratitude to my fellow Board members and the SBCI team, who are deservedly proud to be involved in what we do to support businesses across the country. It is vital work, and of great value to the economy. I look forward to continuing to work with the team as we seek to deliver further for businesses across Ireland.

BARBARA COTTER
Chairperson

CHIEF EXECUTIVE OFFICER'S REVIEW

Supporting Irish businesses in challenging and uncertain times is what the SBCI is about. We operate in a flexible way, which means that our role in supporting access to finance can adapt to the prevailing economic circumstances, and we stand ready to do what is needed in both good times and bad. 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.

Throughout 2022, economic conditions remained tough for many businesses as they worked to recover from the COVID-19 pandemic and deal with the uncertain trading environment, and both financial and non-financial supports were important for the survival and growth of many businesses.

During the year, the SBCI supported 7,019 businesses, with the provision of €633m of loans through risk-sharing guarantee schemes and low-cost liquidity. The funding offered through the SBCI has helped Irish SMEs to adapt, innovate and grow their businesses through a volatile economic environment.

Business Performance

The COVID-19 Credit Guarantee Scheme (CCGS), COVID-19 Loan Scheme (CLS), Brexit Impact Loan Scheme (BILS) and Future Growth Loan Scheme, provided by the Government of Ireland, offered targeted loan funding through a combination of State and European guarantees.

The CCGS was first launched to the market in September 2020 to facilitate the delivery of loans and working capital to businesses and farmers adversely impacted by COVID-19. The SBCI is the operator of the Scheme on behalf of the Minister for Enterprise, Trade and Employment. As operator, the SBCI engages with the lenders which include banks, non-bank finance providers and Credit Unions in the operation and management of the Scheme. The CCGS closed for new applications on the 30th of June 2022 and has provided €709m of funding to almost 10,000 SMEs, €155m of which was issued to over 1,770 SMEs in 2022.

The BILS provided term loans of up to six years, at variable rates, with unsecured loans available up to €500,000. The scheme was designed to fund working capital and innovation or adaptation of the business to mitigate the impact of Brexit. Following the closure of the CCGS in June 2022, the BILS was amended to also support COVID-19 impacted businesses through the CLS until both schemes closed in December 2022. Over 2,000 businesses received €258m in loans through the BILS / CLS during 2022. The BILS and CLS benefitted 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 our schemes.

Throughout 2022, 177 Irish businesses continued to draw down approved loans totalling €80m under the Future Growth Loan scheme (FGLS). The success of this Scheme in delivering over €756m in longer term funding for SMEs was evaluated through a third-party review commissioned by the Department of Enterprise Trade and Employment. The review found that the FGLS had been used for investments to support and accelerate business growth, with benefits of the scheme evident in both employment levels and turnover growth.

Our refreshed strategy has sustainable growth for Irish businesses at its core, and we have been incorporating this into everything we do. One manifestation of this new focus is the development of the SBCI Energy Efficiency Loan Scheme (EELS), a pilot loan guarantee scheme launched in July 2022 designed to support SMEs to become more innovative, energy-efficient, and sustainable in the long term. This scheme supports SMEs' investment in energy-saving technology at a time when reducing energy cost is critical for businesses to stay competitive and improve their future growth prospects. At year end, 22 businesses had drawn down funding totalling €1.4m through the scheme which remains open for applications until the 31st of December 2023.

The SBCI team have continued to develop relationships with our on-lenders. We currently supply low-cost liquidity into the SME finance market through our non-bank on-lending partners from which businesses can access significantly lower cost funding which would otherwise not be available to them. In 2022, €138m of SBCI-funded liquidity was provided to over 2,900 SMEs through our partners and, in March, we provided an additional €75m in SME funding to Finance Ireland. We also refinanced a €70m liquidity facility for Bibby Financial Services Ireland in June and finalised a €10m increase in funding for SME Finance and Leasing in December.

The financial results for 2022 shows an operating loss of €2.356 million, compared to a loss of €1.369 million in the previous year. The increased loss was due to a reduction in interest income as loan assets decreased, coupled with an increase in interest expenses reflecting the change in market interest rates. In addition, there was an increase in expenditure in 2022, due to the cost of delivering new and expanded schemes in response to the Brexit and Ukraine crises.

We continued to build on our brand awareness throughout 2022. There was an increase in marketing spend driven by the ongoing need to communicate to SMEs the availability of key State supports through the SBCI Schemes. 2022 also saw an increase in the number of employees required to support the growing number of schemes and on-lenders. There are currently 36 employees working in SBCI.

Investing for the Future

We have made good progress to date in delivering market impact through our lending programmes. We have reviewed the role the SBCI should be playing in a radically changed economic landscape through the lens of our refreshed Strategic Plan, which is based on our three strategic priorities of Increasing Access to Finance, Promoting Sustainability and Enabling SMEs to Grow and Prosper.

We also developed an ESG Strategy in 2022. The focus of the strategy is to maximise the positive environmental and social impact that we have on the planet and our stakeholders; including our customers, our employees, and the communities in which we operate. The integration of this ESG Strategy into our decision making will be assured through the appointment of a member of our Senior Management Team as ESG Champion with responsibility for implementing, tracking, and reporting on our ESG initiatives.

We view investment in our own technological capability as critically important to delivering on our mandate. In 2022, we launched the new SBCI Hub which went live during the year. The benefit of the hub for SMEs is that it will facilitate a faster digital process for future guarantee schemes and will allow SMEs to have their own SBCI account that they can access directly, where all their SBCI guarantee scheme eligibility and loan transaction details will be available to them. This is a significant financial investment for the SBCI, as it is vital to keep pace with the evolving finance market and future proof our ability to address market gaps as they arise.

Our Team

Our people are at the heart of our success, and we continue to support the team, investing in their development and participation in mentorship programmes, volunteering days and NTMA employee groups. The team completed over 480 hours of formal training and learning programmes last year. As pandemic related restrictions eased, we returned to the office as a team in a hybrid working environment, benefitting from in person collaboration with the added flexibility of hybrid working.

Outlook

The potential headwinds that the economy is encountering make a national promotional bank a valuable strategic asset. The SBCI is ready and prepared to play its countercyclical role, as we did in response to issues like Brexit, the COVID-19 pandemic and more recently the conflict in Ukraine.

While the economic impacts of the pandemic have reduced, they have been replaced by high levels of inflation in energy and other input costs resulting from the conflict in Ukraine. The Ukraine Credit Guarantee scheme was launched in January 2023, by the Department of Enterprise, Trade and Employment and is operated by the SBCI, to support businesses impacted by the economic challenges arising from the conflict in Ukraine.

Following the independent review of the Future Growth Loan Scheme, it's evident that a gap continues to exist in the lending market for long term unsecured investment financing. To address this gap, we have been working on the development of the Growth and Sustainability Loan Scheme in partnership with the Department of Enterprise, Trade and Employment and the Department of Agriculture, Food and the Marine, which will be delivered during 2023.

We will also continue our collaboration with the Department of the Environment, Climate and Communications to bring the Consumer Retrofit Scheme to market in 2023 as a response to the climate action plan to support homeowners looking to upgrade the energy efficiency of their homes. This is a significant departure for the SBCI demonstrating our agility as a policy delivery agency of the State.

Given the exit of Ulster Bank and KBC from the lending market in 2023 and the recent increases in interest rates, our 2023 ambition will be to continue to broaden our range of on-lending partners, to provide more funding choice for Irish businesses.

Future product development will focus on Government Policy including the recent White Paper on Enterprise 2022 - 2030 published by the Department of Enterprise, Trade and Employment.

I am hugely grateful to the SBCI team and the Board for their continued commitment, collaboration, and creativity over the past year. Without our colleagues doing what they do every single day, we wouldn't be able to deliver for our Shareholder, our wider group of stakeholders and, most critically, for the businesses across Ireland that we are here to support.

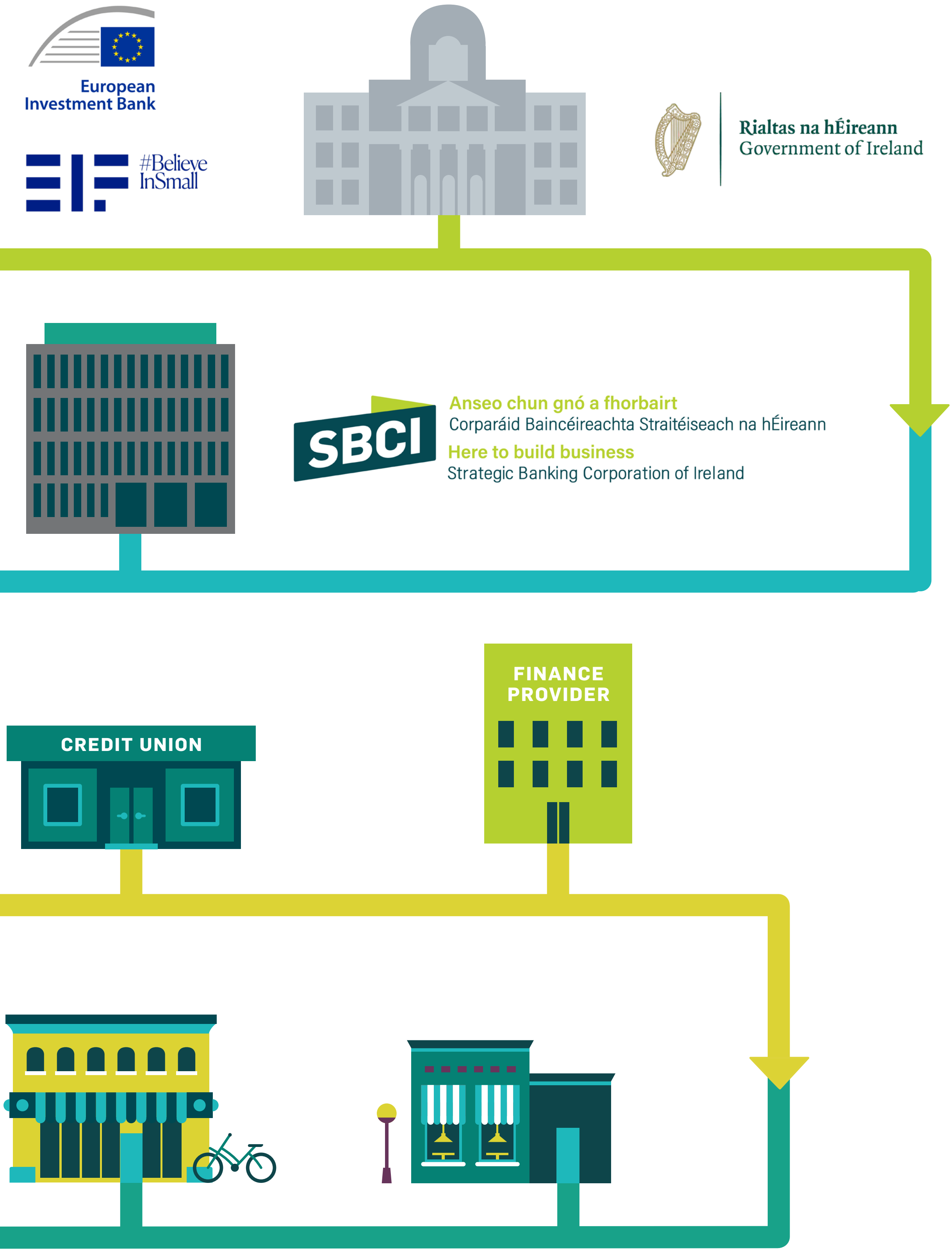
JUNE BUTLER
Chief Executive Officer

HOW THE SBCI WORKS

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

The SBCI provides opportunities for businesses to invest and grow, creating additional jobs and economic activity across Ireland by providing low-cost finance through established and newly emerging finance providers. In total our SME credit supports are available through partnerships with 35 finance partners.

These finance supports are designed and delivered by the SBCI team in partnership with government departments and the European Investment Bank Group.


European Investment Bank
#Believe InSmall
Rialtas na hÉireann
Government of Ireland
SBCI
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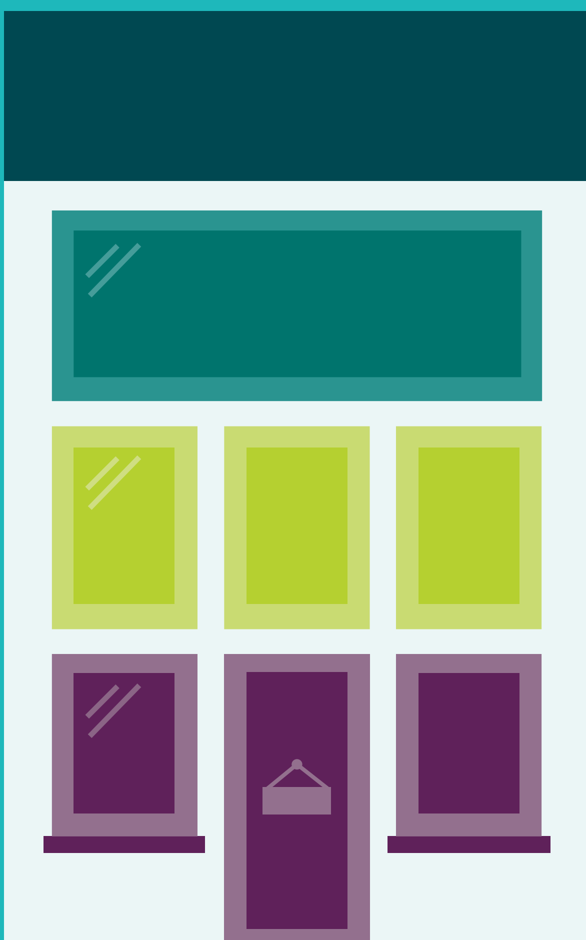
FINANCE PROVIDER
CREDIT UNION

SBCI'S STRATEGY

In 2022 the SBCI carried out a mid-term review and refresh of the SBCI Strategic Plan 2020-2025. The review process included a detailed market and external environment analysis, along with extensive engagement with our key stakeholders.



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 and prosper
- Manage Taxpayers Money Effectively
- Robust and Effective Risk Management

As we focus on helping Irish businesses to access the finance and information they need to sustainably grow and prosper, we will continue to work to improve the structure of the credit market for Irish businesses, so that it is easier for them to get the finance they need.

That's why:

- We work to increase the supply of funding available to businesses where markets don't work well.
- We strive to create a more diverse and vibrant finance market for businesses, with greater credit options and providers.
- We will bring our expertise and use Government and European supports to enhance the SME credit market.

New enabling and disruptive technologies are changing work practices and shifting labour market expectations, which have transformed the business landscape. A key part of the SBCI's strategy is to develop our digital capabilities to enable us to keep pace with these business changes.

We commenced developing those capabilities in 2022 with phase 1 of the SBCI's new IT platform, the SBCI Hub. Launched in August 2022 it enables:

- SMEs to register and sign on to the Hub, check their eligibility for SBCI supported funding and begin the funding process with SBCI on-lending partners.
- On-Lenders to streamline their application process and move towards a digital end-to-end process (cutting down internal processing times and freeing up resources).

The SBCI Hub is a core part of our strategic vision and will be used as a tool to collaborate with our stakeholders and enhance the user experience for both on-lenders and SMEs.

Our Priorities

As we move into 2023, our focus will be on providing support to Irish business to help them grow and improve their sustainability and efficiency. We will provide funding support to:

- SMEs impacted by the Ukrainian war.
- Consumers and SMEs that wish to improve the energy efficiency of their homes and businesses.
- SMEs seeking to invest in innovation to drive business growth and competitive advantage.

We will continue to drive our digital transformation with further development of our digital platform.

We will maintain our agility to reprioritise to respond to unforeseen market events that may emerge and deliver on government policy measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) OUTLOOK

The focus of our ESG strategy is to maximise the positive environmental and social impact that we have on the planet and our stakeholders; including our customers, our employees, and the communities in which we operate.

Mission

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

Environmental

- Impact of our own operations
- Impact of our financing activity

Social

- Impact on employees
- Impact on customers
- Impact on communities

Governance

- Strong Board diversity and structure
- Transparent measurement and reporting
- Integrated risk management

The integration of the ESG factors into our decision making is an integral part of our long-term strategy as an organisation.

Our Progress to Date

Environmental

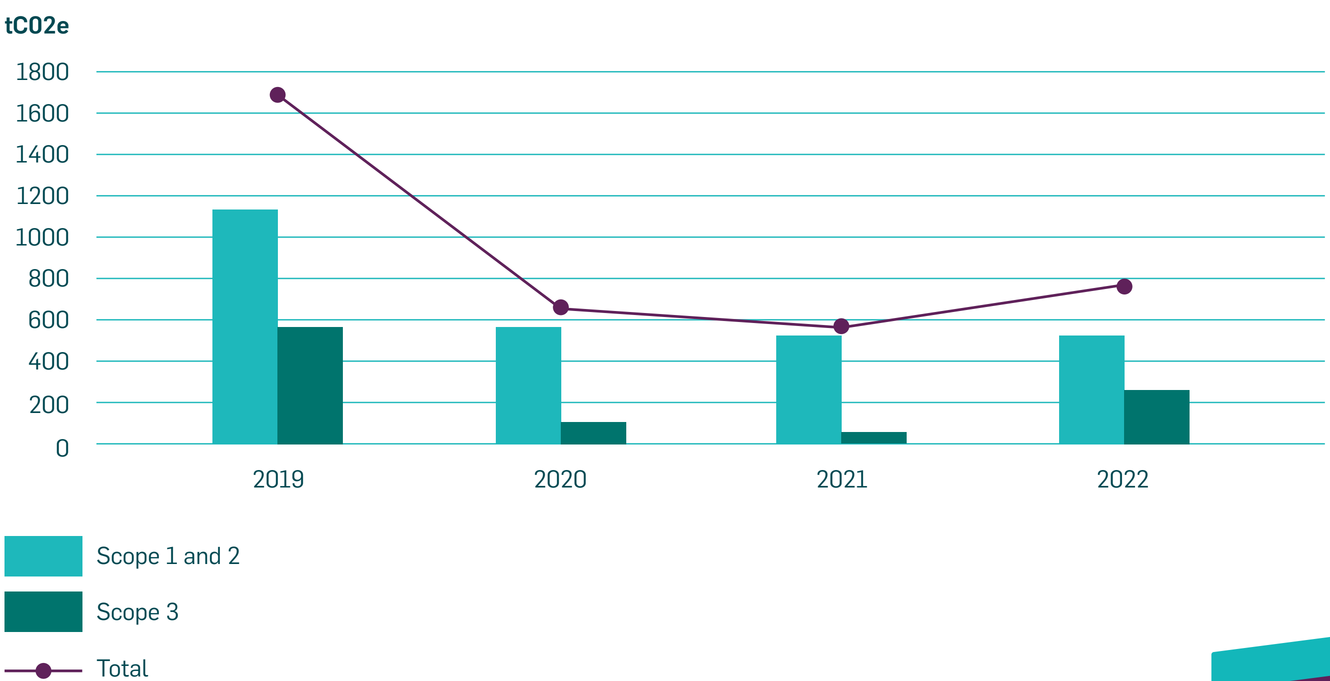
- The €150m Energy Efficiency Loan Scheme was launched in 2022 to support Irish businesses investing in energy efficient equipment.
- The Growth and Sustainability Loan Scheme will be launched in 2023 providing low-cost loans to support SMEs transition to green.
- The Consumer Retrofit Loan Guarantee Scheme will be launched in 2023 supporting consumers and small landlords who wish to invest in the energy efficiency of a residential property.

We operate from Treasury Dock Building, North Wall Quay, Dublin 1, occupying 3.37% of the total floor area.

We are working closely with the NTMA to meet the public sector body obligations under the Climate Action Mandate, outlined in the Government's Climate Action Plan 2023. A Climate Action Roadmap, which includes the SBCI, has been completed by the NTMA. The Roadmap is forward looking and sets out the plan for implementation of the Mandate covering four key areas: Our People, Our Targets, Our Ways of Working and Our Buildings and Vehicles.

The NTMA has made significant progress towards its goal of being a Net Zero organisation by 2030 and the SBCI is working with the NTMA to achieve this goal. The reduction of c. 60% in emissions since 2019 has been largely due to the move to a new energy efficient building which is certified as BER A3, LEED Platinum and NZEB compliant, together with the impact of the Covid-19 pandemic on how we work. 2022 saw an increase in business travel as Covid-19 restrictions lifted. However, NTMA business travel in 2022 was approximately 1/3rd of 2019 levels and is anticipated to normalise at a lower level in the future.

NTMA Total Emissions



Social

- We are developing an ESG Awareness Programme for SMEs which will be delivered in 2023.
- Our people are at the heart of our success and their experience working with the SBCI is a key part of our ESG Strategy. That is why we will continuously develop our team's skills by:
  - Encouraging our people to lead and participate in a number of environmental, wellbeing and inclusion and diversity employee forums across the NTMA that create opportunities for our people to be at their best and most fulfilled in their work and personal lives.
  - Fostering a diverse and inclusive environment for our people.
  - Maintaining a 40% representation of each gender across our organisation.
  - Volunteering in national charity events.
  - Participating in the IMI 30% Club, a mentoring experience to mentees and mentors.

The SBCI gender profile at 31 December 2022:

	Female	Male	Gov target each gender
Board	45%	55%	40%
Senior Mgmt Team	60%	40%	N/A
All Employees	44%	56%	N/A

Governance

As a wholly owned government institution, we aim to ensure that we follow, promote, and support positive governance practices.

We are committed to maintaining the highest standards of corporate governance in line with best practice and the Code of Practice for the Governance of State Bodies. More information on how we do that is set out in our corporate governance statement on page 28.

SBCI TEAM

Introduction

Our people make the SBCI what it is. Like many other organisations attracting and retaining talent remains apriority. Through our focus on career development, healthand wellbeing, diversity, inclusion and employee engagement, we ensure the SBCI continues to be a great place to work.

An Employee Engagement Committee was established in 2021 to provide a forum for team members to be part of developing initiatives. Some of the key initiatives this group co-ordinated throughout 2022 were:

- Board exposure programme.
- Mentorship programme.
- Team building activities.
- Coordination of Learning and Development sessions.
- Coordination of fundraising events.
- Developing a Personal Development Plan template to to help team members plan their development goals.

SBCI Volunteering

The team participated in a one day volunteering event at Barretstown residential camps for children with serious illness.

Employee Resource Groups

Team members are participating in 12 NTMA employee groups focused on a variety of topics including:

- International and Multicultural Awareness Team.
- NTMA LGBTQ+.
- NTMA Connect Team.
- Gender Matters.
- Green Team.
- Inclusion and Diversity.
- MyWellbeing.
- NTMA Choir.
- Cross Departmental and Agency Group committees.

Better ways of working

In 2022, as we continued to transition out of the COVID-19 pandemic we created a Team Charter setting out the principles of our future ways of working. Flexibility, Team Spirit, Communication and Technology are the cornerstones of the Charter which has enabled us to successfully implement hybrid working across the SBCI team.

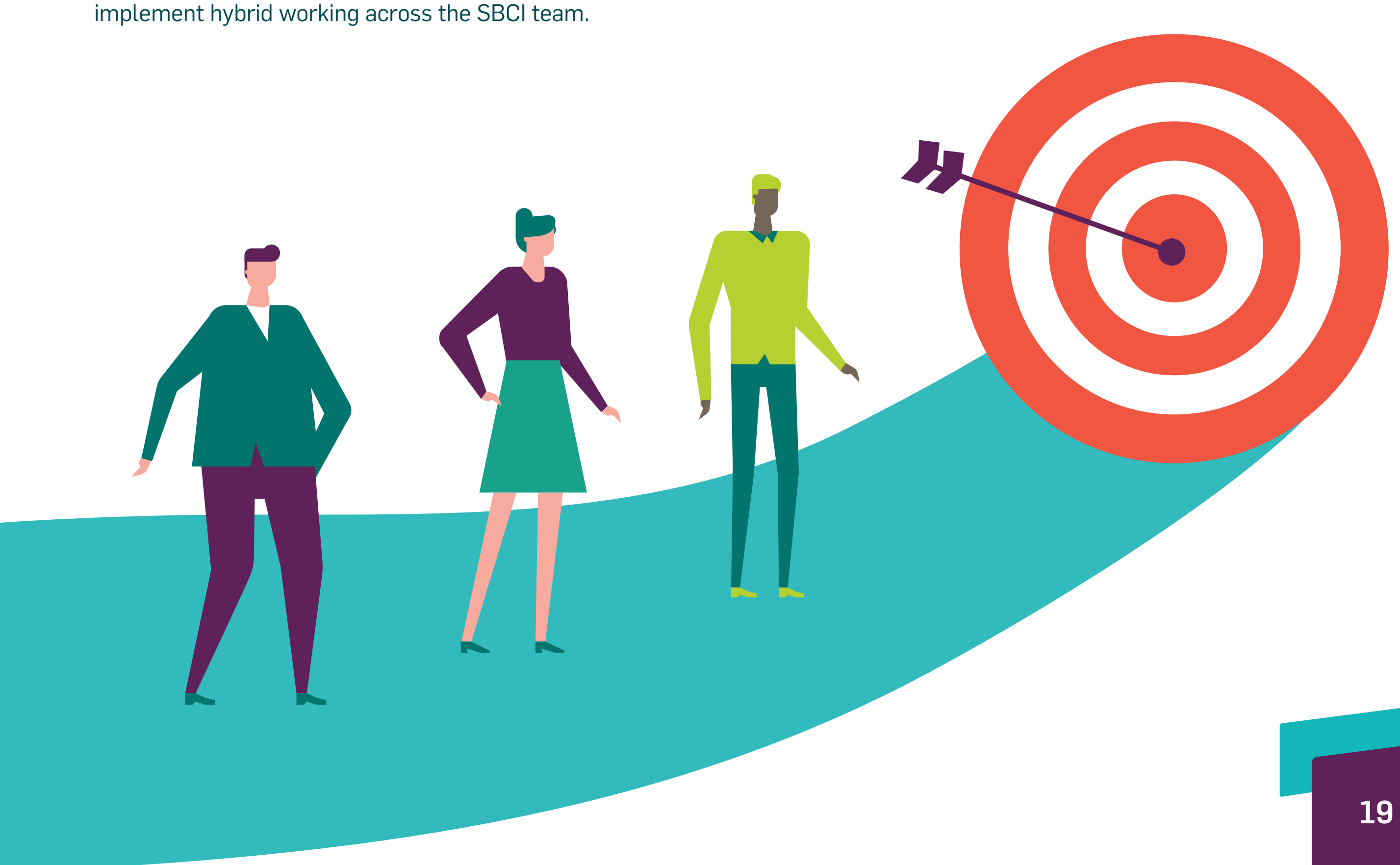
Career Progression and Development

Our people participated in 484 hours of development training with four of the team obtaining qualifications in their chosen field.

2022 SBCI Events

Throughout the year our team participated in and led events to create awareness of affordable finance options and engage with SMEs. Some of the highlights include:

- Enterprise Ireland Start-Up Showcase.
- All Ireland Business Summit in Croke Park.
- Digital Business Ireland Event in the RDS.
- National Ploughing Championship.
- Hosting the webinar 'The Place for Risk-Sharing Instruments in the Irish Finance Market' for the Institute of Banking.



BUSINESS REVIEW

SBCI Products

In 2022, we continued to support Irish businesses through the provision of low-cost loan programmes, ensuring that they could access the finance they needed to prosper and build economic activity in Ireland.

During the year businesses have been addressing the economic consequences of the COVID-19 pandemic, Brexit, and the conflict in Ukraine, which is still having a major impact on energy costs and causing supply chain disruptions.

To support businesses to overcome these difficult times, and grow, prosper, and transition to sustainability, we have continued to build and further expanded our range of risk-sharing guarantee schemes to banks, non-bank finance providers and credit unions providing low cost loans to Irish businesses.

The success of the Future Growth Loan Scheme showed the effectiveness of risk-sharing schemes in providing competitively priced accessible funding options for Irish businesses.

The COVID-19 Credit Guarantee Scheme

Since its launch two years ago, the SBCI has been the operator of the €2bn COVID-19 Credit Guarantee Scheme (CCGS) on behalf of the Department of Enterprise, Trade and Employment.

During 2022, 1,772 loan drawdowns with a value of almost €155m were provided to SMEs under the CCGS. The strong take-up of the scheme showed the effectiveness of this support in enabling businesses to address the unprecedented challenges brought about by the pandemic and in planning for reopening again as restrictions were eased. The number of participating on-lenders (banks, non-bank finance providers and credit unions) also provided more choice to borrowers.

The CCGS closed at the end of June 2022.

Key features

- Available to eligible SMEs, farmers, fishers and Small Mid-caps.
- Loans from €10,000 up to €1m.
- Terms from 3 months to 5.5 years.
- Loans unsecured up to €250,000.
- Variable interest rate.
- Loans could be used for
  - Working capital
  - Investments
  - Refinancing of existing COVID-19 facilities

The Brexit Impact Loan Scheme / COVID-19 Loan Scheme

During 2022, the Brexit Impact Loan Scheme (BILS) continued to provide affordable loan terms of up to six years at very competitive interest rates enabling borrowers to invest in their businesses.

At the end of June, the scheme was extended for six months to continue to support Irish businesses still facing some uncertainty associated with Brexit. At the beginning of July, the BILS was also expanded to support businesses impacted by COVID-19, after the closure of the COVID-19 Credit Guarantee Scheme.

In 2022, the Brexit Impact Loan Scheme and the COVID-19 Loan Scheme provided guaranteed loans to more than 2,000 businesses with a value of €258m. Both schemes were closed at the end of the year.

Key features

- Available to eligible SMEs, farmers, fishers and Small Mid-caps.
- Loans from €25,000 up to €1.5m.
- Terms from 1 year to 6 years.
- Loans unsecured up to €500,000.
- Variable interest rate.
- Loans could be used for
  - Working capital
  - Investments
  - Refinancing of existing Brexit/COVID-19 facilities

The Future Growth Loan Scheme

The Future Growth Loan Scheme (FGLS) has proven to be a very effective financing support for Irish businesses, giving a competitively priced long-term funding option to Irish SMEs, farmers, and fishers.

The scheme has supported more than 3,500 loans to SMEs with a value of over €756m.

In 2022, the European Investment Fund (EIF) completed a review of the scheme across all stakeholders to determine the future requirements for a long-term investment product for Irish businesses. The successor of the Future Growth Loan Scheme, the Growth and Sustainability Loan Scheme, will be in the market in 2023.

Key features

- Available to eligible SMEs, farmers, fishers and Small Mid-caps.
- Loans from €25,000 up to €3m.
- Terms from 7 years to 10 years.
- Loans 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 (variable interest).
- Loans could be used for
  - Long-term Investments

The Energy Efficiency Loan Scheme

In July, we developed and launched the €150m Energy Efficiency Loan Scheme (EELS) to help Irish businesses become more energy efficient and sustainable. This scheme is tailored to SMEs, farmers and fishers investing in energy efficient equipment to reduce their energy bills.

The scheme offers long-term low-cost finance, at reduced interest rates, with repayments of up to 10 years. Its repayment flexibility aims to ensure that the investment cost does not have a negative impact on the business' cashflow. Credit is available across a range of different finance products, such as term loans, hire purchase and asset finance products, to provide the best match for the business' funding requirements.

The Energy Efficiency Loan Scheme will be in the market until 31st December 2023.

Key features

- Available to eligible SMEs, farmers, fishers and Small Mid-caps.
- Loans from €10,000 up to €150,000.
- Terms from 1 year to 10 years.
- Variable interest rate.
- Loans can be used for
  - Upgrading the energy efficiency of the enterprise

SBCI Products – Case Studies

BREXIT IMPACT LOAN SCHEME	
Company Name:	ThinkBike Ltd.
Sector:	Retail sale
Location:	Dublin
1st Loan:	€230,000
Purpose:	Working Capital
2nd Loan:	€120,000
Purpose:	Working Capital

"The SBCI funding has allowed our business to become even stronger and go from a local bike shop to a nationwide bike shop."

John Clarke
ThinkBike

COVID-19 CREDIT GUARANTEE SCHEME	
Company Name:	MedCode Healthcare Services Ltd.
Sector:	Professional, Scientific & Technical activities
Location:	Limerick
1st Loan:	€60,000
Purpose:	New product
2nd Loan:	€165,000
Purpose:	Working Capital

"The funding has allowed us to advance our market share in the US and to expand staff-wise. It will also allow our working capital to keep going over the next 2 years."

Dennis Barry
MedCode Healthcare Services

FUTURE GROWTH LOAN SCHEME	
Company Name:	Deane Dairies Ltd.
Sector:	Agriculture
Location:	Cork
Loan:	€250,000
Purpose:	Infrastructure upgrade

"I'd definitely recommend SBCI funding to other businesses. It's a very simple process and the unsecured element of it makes it very attainable to people. "

Joe Deane
Deane Dairies

Lending

During 2022, we supported €633m of funding to 7,019 SMEs through both our risk sharing and liquidity products. This was delivered through our on-Lending partners which included banks, non-bank lenders and credit unions. This compares to €819m provided to 10,012 SMEs in 2021. We provided additional liquidity funding to Finance Ireland (€75m), Bibby Financial Services (€70m) and SME Finance & Leasing (€10m) to support the provision of a wide variety of finance products to SMEs, e.g. hire purchase and leasing to finance cars, commercial vehicles, plant and machinery assets and invoice finance to fund business working capital.

We continue to develop relationships and engage with potential future lending partners to ensure a greater variety of competitive funding options is available for SMEs.

Future Initiatives

As the Irish economy faces uncertainty and challenges in 2023, the SBCI will launch products to address some of the key concerns such as the economic impacts of the war in Ukraine, and the need for further climate action.

In Q1 2023, the SBCI will expand and operate the Ukraine Credit Guarantee Scheme (UCGS) on behalf of the Department of Enterprise, Trade and Employment to assist SMEs and Small Mid-Caps, including primary producers and fishers, who are experiencing increasing costs due to the war in Ukraine.

The SBCI plan to launch a new longer term loan scheme in 2023 – the Growth and Sustainability Loan Scheme building on the success of the Future Growth Loan Scheme. This loan scheme will be offered with the support of the Department of Enterprise Trade and Employment , the Department of Agriculture Food and the Marine, the European Investment Bank, and the European Investment Fund. Long term investment is a critical driver of productivity and economic growth and is essential for maintaining business competitiveness. However, a persistent investment gap remains in the Irish SME market. A minimum of 30% of the scheme will fund investment in environmental sustainability while the remainder can be used by SMEs investing in the growth of their business.

The SBCI is also launching a Residential Retrofit Loan Guarantee Scheme in 2023. This Scheme will be aimed at homeowners, including small (non-corporate) landlords, that are seeking to improve the energy efficiency of their property(ies). We are working with the Department of the Environment, Climate and Communications and the Sustainable Energy Authority of Ireland along with other stakeholders, including the European Investment Bank group to bring this product to market.

Further new products are being researched to aid developing new guarantee loan schemes, SBCI has applied to the EIF for guarantee capacity through the InvestEU program.

Marketing & Promotion

During 2022, we continued our promotional activity to strengthen the awareness of our role in delivering low-cost and flexible funding to Irish businesses through our on-lending partners.

Our Marketing and Communication strategy was delivered through a combination of both traditional and digital channels to ensure that the SBCI and its funding products remain at the forefront in the minds of Irish businesses, our primary target audience.

The SBCI's promotional activity includes attendance at business events and webinars, along with a targeted media campaign. In 2022, we attended more than 40 events across Ireland (in-person and online), engaging with businesses across all economic sectors and their advisors, ensuring that our message reaches a wide range of audiences, from individual businesses and their advisors to industry and State bodies.

Our 2022 media campaign continued the focus on further developing the SBCI's social media channels and the promotion of our funding products through SME case studies and scheme explainer videos. We expanded our social media platforms to include Facebook and Instagram where businesses are more actively engaged. We now use Twitter, LinkedIn, Facebook, Instagram, and our own YouTube channel to maximize the reach of our social media campaigns.

The most recent Department of Finance "Credit Demand Survey" (published in September 2022) shows overall awareness of the SBCI's SMEs funding supports at 39% (+4% compared to 2021). and awareness of the Covid-19 Credit Guarantee Scheme, operated by the SBCI on behalf of the Government, was at 66% in 2022, compared to 63% in 2021.

STAKEHOLDER & PEER ENGAGEMENT

The SBCI has continued to develop a comprehensive range of key stakeholder relationships at both a national and European level. Engagement with these stakeholders is an integral part of delivering on the SBCI's mandate and serving the financial needs of Irish SMEs.

The SBCI has regular engagements with SME representative bodies (e.g., SFA, IFA), advisors to SMEs, government departments and agencies, on-lenders, funders and guarantors.

The SBCI provides detailed reports to government departments, funders and guarantors to both inform and provide evidence of scheme performance, data on market gaps and requirements to assist in future policy and product initiatives. We participate in a cross government and agency working group examining potential sources of funding support for Irish businesses.

The SBCI undertakes regular reviews of market developments both domestically and at a European level. We are active members of several European representative bodies to fully utilise the resources and experience of peer National promotional institutions on areas of mutual interest. The SBCI is a member of NEFI (Network of European Financial Institutions for SMEs), ELTIA (European Long-Term Investors Association) where our CEO holds the position of Vice President and, AECM (European Association of Guarantee Associations). Members of our team also contribute to EEFIG (Energy Efficiency Financial Institutions Groups) at an EU level and regularly present at events organised by industry groups and at European forums.

In 2022, the SBCI hosted a meeting of the Permanent Working Group of NEFI and the annual CEO meeting of ELTIA members, at which the keynote speaker was then Minister for Finance and the current President of the Eurogroup Mr. Paschal Donohoe, TD.


SBCI
Here to build business.
Strategic Banking
Corporation of Ireland
Competitive
Finance
for SMEs
sbci.gov.ie
@SBCIreland

GOVERNANCE AND CORPORATE INFORMATION

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 SBCI complies with the Code of Practice for the Governance of State Bodies (2016), operates a best practice corporate governance framework appropriate to the organisation, and is supported in this by the Board of Directors and Board Committees. The SBCI's corporate governance standards are implemented by way of a comprehensive suite of frameworks, policies and procedures, underpinned by a strong tone from the top on expected culture and values.

The Board provides leadership to the organisation, setting strategic objectives and taking strategic decisions on all key business issues. The 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 follow the strategic direction set by the Board and 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 due to those activities and actions. The CEO acts as a direct liaison between the Board and management of the SBCI.

The composition of the Board changed during 2022 as a result of Conor O'Kelly's retirement from the NTMA, following which Ian Black was appointed as a member.

The Board approved the following key items during the period under review:

- Energy Efficiency Loan Scheme – following approval at the end of 2021, the Board approved allocations under this scheme for five on-Lenders totalling €150m.
- KBC & Ulster Bank loan transfers – following their exit from the Irish banking market, the Board approved the transfers of KBC's Future Growth Loan Scheme loans to Bank of Ireland and the Ulster Bank's SBCI Scheme loans to AIB and PTSB.
- Ukraine Credit Guarantee Scheme – the Board approved SBCI's operation of this €1.2 billion scheme which will facilitate loans for working capital and medium-term investment, providing significant supports to Irish businesses.
- Consumer Retrofit Loan Guarantee Scheme – the Board approved the establishment of a new €500m risk-sharing scheme to support homeowners and small landlords in retrofitting their properties.
- Growth and Sustainability Loan Scheme – the Board approved a new €500m risk-sharing scheme to support SMEs and Small Mid-Caps, including primary producers, to finance long term investment in the growth and sustainability of Irish SMEs.

The Board also reviewed and approved a number of policies to support the SBCI's internal governance and risk processes.

BARBARA COTTER
Chairperson

Roles
Chairperson of the Board of Directors
Member of the Remuneration Committee

Date of reappointment 12 March 2019
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
Barbara Cotter was a partner at A&L Goodbody, Banking and Financial Services Department for over 20 years. She is now a non-executive director of a number of companies (some of which are regulated while others are "not for profit") and sits on various panels/tribunals.

Qualifications
Bachelor of Civil Law (University College Dublin), Diploma European Law (Dublin Institute of Technology) and Chartered Director.

Key external appointments
Barbara is a member of the Legal Practitioners' Disciplinary Tribunal and was appointed as Chair of the Top Level Appointments Committee (TLAC) in 2022.

JUNE BUTLER
Board member

Roles
Chief Executive Officer
Ex officio Board member
Member of the Credit Committee

Date of appointment 01 September 2021
Term Ceases upon resignation as CEO
Nationality Irish

Skills, Expertise & Experience
June Butler 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.

Qualifications
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.

Key external appointments
June is a member of the Management Board of the European Long Term Investors Association and an external member of the UCD Audit and Risk Management Committee.

EOIN DORGAN
Board member

Roles
Board member
Member of the Credit Committee

Date of appointment 06 September 2018
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
Eoin Dorgan leads the President of Eurogroup Section in the Department of Finance, which supports Minister Donohoe 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.

Qualifications
Eoin is a graduate of University College Dublin and Trinity College Dublin.

TOM MCALEESE
Board member

Roles
Board member
Chairperson of the Audit and Risk Committee

Date of reappointment 12 March 2019
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
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 (including Country Representative - Ireland) and with GPA Group plc and KPMG.

Qualifications
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.

AJ NOONAN
Board member

Roles
Board member
Member of the Audit and Risk Committee,
Chairperson of the Remuneration Committee

Date of reappointment 12 March 2019
Term 5 years
Nationality Irish

Skills, Expertise & Experience
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.

Qualifications
AJ is a graduate of the Dublin Institute of Technology.

Key external appointments
AJ was Chairperson of the Small Firms Association from 2013 to 2016 and remains a member of the National Council.

MARGUERITE MCMAHON
Board member

Roles
Board member
Member of the Credit Committee
Member of the Remuneration Committee

Date of appointment 17 July 2020
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
Marguerite McMahon is an experienced executive specialising in long-term sustainable finance. Expert on project and SME finance using various techniques including securitisation and portfolio guarantees. 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. Prior to the EIB Marguerite worked as Credit Analyst in London with a US and Spanish Bank. She is currently a non-executive director and passionate about Innovation and Climate issues.

Qualifications
Marguerite holds a Bachelor of Arts Degree from University College Dublin, MBA from ESADE, Barcelona, Master in Science – Accounting and Finance from London School of Economics and various diplomas in Corporate Governance.

Key external appointments
Marguerite is a non-executive director of SME Wholesale Finance (London) Limited.

RICHARD PELLY
Board member

Roles
Board member
Chairperson of the Credit Committee

Date of reappointment 12 March 2020
Term 5 Years
Nationality British

Skills, Expertise & Experience
Richard Pelly has a portfolio of Non-Executive and advisory roles. He is the former Chief Executive of the European Investment Fund. Previously he was a member of the GE Capital European management team and a Managing Director at Lloyds TSB.

Qualifications
Richard is a graduate of Durham University and a member of the Institute of Bankers.

EILIS QUINLAN
Board member

Roles
Board member
Member of the Audit and Risk Committee

Date of reappointment 12 March 2020
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
Eilis Quinlan is principal in Quinlan & Co. Accountants.

Qualifications
Eilis is a Fellow of the ACCA and a Chartered Director. She is a graduate of Griffith College Dublin.

Key external appointments
Eilis 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.

IAN BLACK
Board member

Roles
Board member
Member of the Credit Committee

Date of appointment 4 July 2022
Term 5 Years
Nationality Irish

Skills, Expertise & Experience
Ian Black joined the NTMA in 2013 as Director of Finance, Technology and Risk. Prior to joining the NTMA, he was an Executive Director (CFO/COO) of KBC Bank Ireland with responsibility for Finance, Operations & IT, and Treasury-ALM. He has worked in the financial services industry since 1988.

Qualifications
Ian is a Chartered Accountant, a member of the UK Association of Corporate Treasurers, a member of the Irish Tax Institute and holds an MBA from Dublin City University.

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.
- 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 for Finance 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 2022 and of the profit and loss of the SBCI for the financial year ending 31 December 2022, 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 - 31.

The Board conducts an annual evaluation of its own performance and that of its Committees. In 2022, 2020, 2019, 2017 and 2016 this performance evaluation was conducted by way of self-assessment. In 2021 and 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 36 - 38.

The Board is supported in its functions by the SBCI's Company 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 2022 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.

Conor O'Kelly (NTMA CEO, for the period from 1 January to 1 April 2022), June Butler (SBCI CEO), Eoin Dorgan (being the Department of Finance's representative on the Board) and Ian Black (NTMA, for the period from 4 July to 31 December 2022) did not receive any remuneration in respect of their membership of the Board.

	Board	Audit and Risk Committee	Credit Committee	Remuneration Committee	Fees 2022 €	Expenses 2022 €
Number of Meetings	7	5	2	2		
June Butler	7		2		-	-
Barbara Cotter	7			2	€31,500	-
Eoin Dorgan	7		2		-	-
Tom McAleese	6	5			€15,750	-
AJ Noonan	7	5		2	€15,750	-
Conor O'Kelly	1/2 (p)				-	-
Richard Pelly	6		2		€15,750	€3,150
Eilis Quinlan	7	5			€15,750	-
Marguerite McMahon	7		2	1/1 (p)	€15,750	-
Ian Black	3/3 (p)		1/1 (p)		-	-

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

Key Personnel Changes

Conor O'Kelly resigned from the Board as of 1 April 2022. AJ Noonan was reappointed to the Audit and Risk Committee on 11 April 2022. Ian Black was appointed to the Board on 4 July 2022 and was appointed to the Credit Committee on 8 September 2022. Marguerite McMahon was appointed to the Remuneration Committee on 8 September 2022.

Remuneration

The SBCI Act 2014 provides that the NTMA shall assign so many of its staff to the SBCI, 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 performanc 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 €136K performance-related payments for 2022.

Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €50,000 in 2022 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	7
€125,001 to €150,000	0
€150,001 to €175,000	0
€175,001 to €200,000	2
€200,001 to €225,000	0
€225,001 to €250,000	0
€250,001 to €275,000	1
Total	**25**

Note: For the purposes of this disclosure, short-term employee benefits rendered during 2022 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 the 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.

	2022 €000	2021 €000
Legal advice	445	721
Financial advice	631	258
Public relations / marketing	313	29
Human Resources	17	3
Other	60	10
Total consultancy costs	1,466	1,021
Consultancy costs capitalised	0	0
Consultancy costs charged to the Statement of Comprehensive Income	1,466	1,021
Total consultancy costs	**1,466**	**1,021**

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.

	2022 €000	2021 €000
Domestic		
Board	0	0
Employees	5	2
International		
Board	3	1
Employees	11	1
Total	**19**	**4**

Hospitality Expenditure

The Statement of Comprehensive Income includes €8.0k in respect of staff hospitality expenditure in 2022 (2021 €3.8k).

Statement of Compliance

The SBCI has complied with the Code, subject only to a limited number of 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 requirements set out in the Code whereby the Chairperson is obliged to bring "incidents 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 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 and Board member)
- Eilis Quinlan (Board member)
- AJ Noonan (Board member)

The Committee met on five occasions in 2022.

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 2022 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 2022 risk-based internal audit plan and monitored the implementation of audit recommendations. It approved the 2023 internal audit plan and approved the Internal Audit Charter for use in SBCI. The Committee reviewed the effectiveness of the internal auditor. The Committee meets with the NTMA Head of Internal Audit without management present at least annually.

External Audit

The SBCI's external auditor is the Comptroller and Auditor General. 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 2022 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 2023 and monitored progress against the 2022 plan. It received regular reports on the SBCI's risks and the controls in place to mitigate risks. The Committee meets with the SBCI Head of Risk and Governance 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 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 reviewed the key findings from the outcome of individual On-Lender Reviews completed under the 2022 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 2023 were approved as part of its Work Programme.

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 four non-executive members of the Board, together with the SBCI CEO.

The current members of the Committee are:

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

Ian Black was appointed by the Board as a member of the Committee, with effect from 8 September 2022.

The Credit Committee met on two occasions in 2022. Its main activity involved the review of detailed credit proposals from management. It reviewed the annual credit reviews of on-lenders performed by management. 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.

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 and Board member)
- Marguerite McMahon (Board member)
- Barbara Cotter (Board member)

Conor O'Kelly resigned from the Committee as of 1 April 2022. Marguerite McMahon was appointed as a member of the Committee, with effect from 8 September 2022.

The Committee met on two occasions in 2022. It reviewed and recommended the total amount of performance related payments (PRP) to be made in respect of 2022.

The Committee reviewed its terms of reference and recommended a number of amendments to the Board. It also undertook a review of its own effectiveness and reported to the Board on its review.

RISK MANAGEMENT

One of our key objectives in the SBCI is to manage taxpayers' money efficiently within a robust risk management framework.

Our Risk Management Framework is a collection of tools, processes and methodologies that support the SBCI in identifying, assessing, monitoring and controlling the risks it faces in the delivery of strategic objectives. The Framework demonstrates a clear link to the overall strategy and business plan of the SBCI, outlines the risk management vision and objectives, and the approach for evolving the risk management capability of the SBCI.

The SBCI aims to manage risk in an informed and proactive manner, in accordance with its Risk Management Policy and Risk Appetite Statement, so 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).

The SBCI encourages a strong culture of risk awareness and transparency through robust risk governance, clear accountabilities and training. Policies form an integral part of managing risk within the SBCI. We have in place organisation-wide policies, frameworks and procedures covering the major parts of our business. They outline how we intend to function, taking account of regulatory or legal requirements and industry best practice. Policies are approved by the appropriate committees and communicated to staff. Colleagues are also subject to the NTMA Code of Conduct and annual compliance declarations.

A Risk Register is in place, which identifies the 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 2022 which included a bottom-up review of all of SBCI's risks and controls. Where risks have been identified, controls are implemented to manage and mitigate those risks. The SBCI Risk Team conducted independent second line testing of a sample of controls in 2022.

The Risk Register, including high and emerging risks, is reviewed by the Audit and Risk Committee on a quarterly basis and by the Board at least once every financial year.

Risk Governance and Oversight

Board of Directors

The SBCI Board is committed to promote a culture of integrity, high ethical standards, and strong risk awareness. 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. All members of the SBCI team are expected to contribute to and promote a sound risk culture, to maintain a strong internal control environment and facilitate the operation of the SBCI's risk management framework.

Audit and Risk Committee

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

- Fostering sound risk governance across the SBCI's operations.
- Ensuring that processes are in place to assure the Board that risks are being appropriately identified, reported, assessed, managed and controlled.
- Promoting a culture of risk awareness within the SBCI, through communication and training.

Three Lines of Defence

The SBCI's Risk Management Policy and Framework is based on a three lines of defence model, where each line plays a distinct role within the SBCI's wider risk governance, management, oversight and assurance responsibilities.

First Line of Defence

Within this model, 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 develop risk-management related policies and procedures, as well as monitoring the adherence to exposure limits and reports on risk to the Board and relevant committees.

Third Line of Defence

The Internal Audit function acts as part of a third line of defence by providing independent, 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 and reports 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 of the risks facing the SBCI. A detailed review of the Risk Register is completed quarterly and annual workshops are completed across the business taking a bottom-up approach to identify the key risks to the SBCI. The SBCI also maintains a Risk Directory to categorise our principal risks which are detailed below.

Risk	Description Of The Risk	Risk Mitigation Measure
Capital Risk	The risk of breach of 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. This is in addition to annual stress testing and scenario modelling.
Credit Risk	The risk that a counterparty defaults on its obligations and fails to repay its debt in full, resulting in financial losses to the SBCI.	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, 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 objectives 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 2022

Contents

COMPANY AND OTHER INFORMATION

Directors

Barbara Cotter

June Butler

Ian Black
(appointed 4 July 2022)

Eoin Dorgan

Tom McAleese

Marguerite McMahon

AJ Noonan

Richard Pelly

Eilis Quinlan

Conor O'Kelly
(resigned 1 April 2022)

Company Secretary

Macken McNicholas
(resigned 19 August 2022)

Desmond O'Connor
(appointed 19 August 2022)

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

DIRECTORS' 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 2022 (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 risk-sharing schemes to facilitate the provision of credit to small and medium sized enterprises ("SMEs") and Small Mid-cap* borrowers in Ireland to address the challenges of the COVID-19 pandemic, Brexit, the impact of the war in Ukraine and to support investment in energy efficient assets.

New product activities included the delivery of the Energy Efficiency Loan Scheme ("EELS") to the market in 2022. In addition, the SBCI entered into a co-operation agreement with the Department of Enterprise, Trade and Employment, and the Department of Agriculture, Food and the Marine for the development of the Growth and Sustainability Loan Scheme and issued an open call to identify and select on-lenders to participate in the Ukraine Credit Guarantee Scheme, both of which will be launched to the market in 2023. The Brexit Impact Loan Scheme ("BILS") was expanded to make credit available for businesses impacted by the COVID-19 pandemic through the COVID Loan Scheme ("CLS"), in addition to those businesses impacted by Brexit. The provision of loans under the €2 billion COVID-19 Credit Guarantee Scheme ("CCGS") and the €800 million Future Growth Loan Scheme ("FGLS") continued during 2022.

Business review

The 2022 Annual Report forms part of the Directors' Report. The Chairperson's Statement and Chief Executive Officer's Review in the Annual Report outlines 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 manage each of the Credit Guarantee Scheme (the "CGS") and the CCGS on behalf of the Minister for Enterprise, Trade and Employment. During the financial year, the following represents the key performance outturn:

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

- The €315 million Brexit and Covid Impact loan scheme was launched in the market to provide loans to SMEs and Small Mid-caps impacted by Brexit and/or the COVID-19 pandemic.
- The €150 million Energy Efficiency Loan Scheme was launched to the market to provide loans to SMEs seeking to invest in assets to improve the energy efficiency of their business. At the end of December €1.3 million of this scheme was drawn in loans with €148.7 million available.
- CCGS was closed to new applicants during the financial year but loans continued to be made available to those businesses who had been approved a loan prior to the closing date.
- Across all the SBCI supported loan products, €633 million of lower cost loans were advanced by on-lenders to SMEs in the market.
- €155 million of facilities were approved by the SBCI to its on-lenders for the purpose of onward lending to SMEs. €39 million of facilities were drawn in 2022 by on-lenders
- €125 million of loan principal repayments were made by on-lenders to the SBCI.

Diversity and inclusion

We want to reflect the diversity of our customers and the population by making sure the workforce within the SBCI is representative of all members of society. In line with the SBCI's Workplace Equality policy, we are committed to attracting and developing people from a wide range of backgrounds and ensuring there are equal opportunities within the SBCI for everyone, without any form of discrimination.

In relation to Non-Executive Director and Executive level recruitment, we look to promote positions in a way which reaches the broadest range of candidates and most diverse talent pools. We maintain a Board skills matrix to identify the level of relevant experience in key areas including diversity and inclusion.

Sustainability principles

The SBCI is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to our professional activities and the management of the organisation. We aim to follow and to promote good sustainability practice, to reduce the environmental impacts of all our activities and to help our partners to do the same.

Principal risks and uncertainties

The principal risks and uncertainties facing the SBCI are:

Strategic Risk

Strategic Risk is the risk of failing to achieve SBCI's strategic objectives, due to internal or external factors, resulting in reputational damage. One such risk would be SBCI's failing to structure its products appropriately and deploy a suitable delivery strategy in a timely manner, resulting in poor outcomes for businesses.

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, where loans made to final borrowers have been guaranteed by the SBCI. Credit risk remains heightened due to uncertainty in the market as a result of the uncertain economic environment, rising interest rates and high inflation arising from the ongoing war in Ukraine and the continued impact of Brexit on Irish businesses.

Operational Risk

As the SBCI grows and seeks to deliver additional market supports it is exposed to increased operational risk as a result of inadequate and/or ineffective internal processes (including human error), systems, or external events resulting in operating losses and/or customer detriment. SBCI regularly monitors our exposure to operational risk and provides ongoing training to staff to reduce this risk.

Concentration Risk

The SBCI relies on a small number of main bank on-lenders to deliver the majority of SBCI supports to SMEs and Small Mid-Caps. As the number of providers in the credit market contracts in Ireland, SBCI correspondingly has a higher reliance on a smaller number of on-lenders to deliver on SBCI's strategic objectives.

Resourcing and Capacity Risk

The SBCI is a small company with a large mandate that relies on skilled specialist professionals to meet its statutory objectives. There is a risk that the SBCI is not adequately resourced with a sufficient number of professionals with the appropriate skillset and/or capacity, 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.

Liquidity & Funding Risk

The SBCI relies on the government and international funders to fund our liquidity and risk sharing schemes. SBCI funding lines ensure we are well funded with a cost effective funding base. Our funding and liquidity position remains under regular review.

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
June Butler
Ian Black (appointed 4 July 2022)
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, using 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 the state of affairs of the Company are set out in the Statement of Comprehensive Income and the Statement of Financial Position respectively. The SBCI Act 2014 provides, inter alia, that insofar as possible, and consistent with the achievement of its statutory functions under section 8(1) of the SBCI Act 2014, the SBCI shall seek to obtain a positive financial return for the State. This objective remains under regular review by the SBCI board and senior management team.

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. Each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

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

8th June 2023

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

Chief Executive Officer
Strategic Banking Corporation of Ireland

8th June 2023

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).

The SBCI is committed to ensuring high standards of corporate governance and is supported in this by the Board of Directors and Board Committees.

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 are 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 2022 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Board sets and approves the SBCI's Risk Appetite and Risk Management Framework. Our Risk Management Framework is a collection of tools, processes and methodologies that support the SBCI in identifying, assessing, monitoring and controlling the risks it faces in delivery of its strategic objectives. The Framework demonstrates a clear link to the overall strategy and business plan of the SBCI, outlines the risk management vision and objectives, and the approach for evolving the risk management capability of the SBCI.

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 2022.

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 2022.

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.

The SBCI's Risk Management Framework is a collection of tools, processes and methodologies that support the SBCI in identifying, assessing, monitoring and controlling the risks it faces in delivering its strategic objectives.

The Risk Management Framework demonstrates a clear link to the overall strategy and business plan of the SBCI, outlines the risk management vision and objectives, and the approach for evolving the risk management capability of the SBCI.

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. All risks are assessed for their potential reputational and/or financial impact on the SBCI. An in-depth review of the Risk Register was conducted in 2022 which included a bottom-up review of all of SBCI's risks and controls. Where risks have been identified, controls are implemented to manage and mitigate those risks, and the SBCI Risk Team conducted an independent second line testing of a sample of controls in 2022. 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 senior management team (SMT) 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 those controls and actions to specific SBCI 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 Protected Disclosures Policy and the Anti-Fraud Policy.

The SBCI encourages a strong culture of risk awareness and transparency through robust risk governance, clear accountabilities, regular intranet updates both in-person and on-line training. Policies form an integral part of managing risk within the SBCI. We have in place an organisation-wide set of policies, frameworks and procedures covering the major parts of our business. They outline how we intend to function, taking account of regulatory or legal requirements and industry best practice. Policies are approved by the appropriate Board Committees and are then communicated to staff. Staff are also subject to the NTMA Code of Conduct and annual compliance declarations.

Ukraine Crisis

The ongoing Ukraine conflict has resulted in significant market disruption leading to supply chain shortages, high inflation and rising interest rates. A full review of SBCI's Risk Register was completed in Q4 of 2022 with a particular focus on how these risks had impacted SBCI's overall risk levels. As a result of this review, several risks were identified as heightened and will remain under regular review by the SMT, the ARC and the Board.

COVID-19

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, non-bank and credit unions 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.

The 2021 financial statements disclosed that SBCI had been notified that a small number of SBCI-backed loans may have been approved by an on-lender on the basis of fraudulent financial information presented by certain borrowers. Following investigations the SBCI established that two risk sharing schemes had been affected, being (i) the COVID-19 Credit Guarantee Scheme ("CCGS") and (ii) the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme ("BLS/CWCS"), and that a total of eleven loans had been obtained by certain borrowers utilising fraudulent identification documents and/or fraudulent financial information (the "Fraudulent Loans"), with a total value of €1.21 million.

Eight of the Fraudulent Loans were obtained under the CCGS to a total value of €0.95 million. The on-lender is liable for €0.19 million of the losses and the balance of €0.76 million potentially falls to be borne by the Department of Enterprise, Trade and Employment on whose behalf the SBCI operates this scheme.

Three of the Fraudulent Loans were obtained under the BLS/CWCS to a total value of €0.25 million. The on-lender is liable for €0.05 million of the losses, the EIF guarantee covers €0.10 million and the balance of €0.10 million falls to be borne by the Department of Enterprise, Trade and Employment and the Department of Agriculture, Food and the Marine pro-rated to their respective contributions to the BLS/CWCS.

Upon notification of the suspected fraud, the SBCI engaged with the on-lender to investigate the matter. The Fraudulent Loans were immediately reported to the relevant authorities and investigations are ongoing. An independent review was undertaken by the on-lender's internal audit team and the SBCI Legal team reviewed the loan documentation. The on-lender provided an attestation to the SBCI confirming that the on-lender had applied its standard policies and procedures in the underwriting of the Fraudulent Loans. Following its review, the SBCI was satisfied that the on-lender had applied its standard processes to the Fraudulent Loans and that the on-lender has amended its procedures to ensure, in so far as possible, such fraud does not re-occur.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes. Any control deficiencies are communicated to those responsible for taking corrective action and to the SMT and the Board, where relevant, in a timely manner. 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 the SMT and the Board 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 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) for example, in respect of services, supplies or works valued below the EU thresholds, 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, for which a service contract was signed for a period of 5 years. The approximate cost of this service over the period 2023 and 2024 is expected to be €0.061m.

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 2022.

Internal Control Issues

No weaknesses in the system of internal control were identified in relation to the year ended 31 December 2022 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

8th June 2023

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 2022 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 2022 and of its income and expenditure for 2022
- 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

The statement on internal control and note 7.3 to the financial statements disclose that eleven loans backed by the Strategic Banking Corporation of Ireland, with a combined value of €1.2 million, may have been obtained fraudulently from a participating on-lender. The loans were obtained under Covid 19 and Brexit loan guarantee schemes funded by the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and Forestry and the European Investment Bank. The disclosures outline how the Strategic Banking Corporation of Ireland expects the losses incurred due to the frauds will be shared between the on-lender and the scheme funders.

Seamus McCarthy

Seamus McCarthy

Comptroller and Auditor General

22nd June 2023

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 2022

	Note	2022 €000	2021 €000
Interest income	5	2,725	3,346
Interest expense	6	(639)	(371)
Net interest income		**2,086**	**2,975**
Other income	7	8,968	7,907
Operating expenses	8	(13,410)	(12,251)
Operating loss		**(2,356)**	**(1,369)**
Loss for the year		**(2,356)**	**(1,369)**
Other comprehensive income		-	–
Total comprehensive loss for the financial year		**(2,356)**	**(1,369)**

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

Chief Executive Officer
Strategic Banking Corporation of Ireland

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

8th June 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 €000	2021 €000
Non-current assets			
Intangible assets	11	1,160	220
Investments	12	4,410	4,410
Financial assets – loans and receivables	13	187,994	229,250
		193,564	**233,880**
Current assets			
Financial assets – loans and receivables	13	32,662	77,202
Other receivables	17	6,306	3,456
Cash and cash equivalents	14	63,723	42,927
		102,691	**123,585**
Creditors; amounts falling due within 1 year			
Funding and borrowings	18	(78,466)	(23,810)
Other liabilities	19	(109,544)	(93,530)
		(188,010)	**(117,340)**
Net current liabilities / assets		**(85,319)**	**6,245**
Total assets less current liabilities		**108,245**	**240,125**

Statement of Financial Position – continued

	Note	2022 €000	2021 €000
Creditors; amounts falling due after 1 year			
Funding and borrowings	18	(33,333)	(162,857)
Net assets		**74,912**	**77,268**
Capital and reserves			
Called up share capital presented as equity	23	85,000	85,000
Retained losses		(10,088)	(7,732)
Total equity		**74,912**	**77,268**

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

Chief Executive Officer
Strategic Banking Corporation of Ireland

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

8th June 2023

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Note	Share Capital €000	Retained Losses €000	Total Equity €000
Balance as at 1 January 2021		**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**
Total comprehensive income for the year		-	(2,356)	(2,356)
Balance at 31 December 2022		**85,000**	**(10,088)**	**74,912**

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

8th June 2023

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Cash flows from operating activities			
Loans and receivables principal advances		(39,000)	(78,500)
Loans and receivables principal repayments received		125,250	224,450
Interest receipts		2,278	3,313
Interest payments		(385)	(411)
Administration costs recovered		1,313	208
Other income received		3,580	3,804
Counter guarantee claims		1,010	75
Agriculture Scheme guarantee payments		(24)	-
Agriculture Scheme guarantee recoveries		-	15
Brexit Loan Scheme guarantee payments		(2,551)	(12)
Brexit Loan Scheme guarantee recoveries		19	-
Future Growth Loan Scheme guarantee payments		(343)	(8)
Agriculture Scheme subsidy payments		(354)	(575)
Operating expenses paid		(12,513)	(10,681)
Net cash used in financing activities		**78,280**	**141,678**
Cash flows from investing activities			
Purchase of intangible assets		(1,205)	-
Purchase of investments		-	(872)
Net cash used in investing activities		**(1,205)**	**(872)**

	Note	2022 €000	2021 €000
Cash flows from financing activities			
Funding loans received		-	20,000
Funding loans repaid		(75,238)	(183,334)
Minister for Agriculture, Food and the Marine funding		4,250	11,705
Minister for Enterprise, Trade and Employment funding		14,709	16,299
Net cash used in financing activities		**(56,279)**	**(135,330)**
Net increase in cash and cash equivalents		**20,796**	**5,476**
Cash and cash equivalents at 1 January		**42,927**	**37,451**
Cash and cash equivalents at 31 December	**14**	**63,723**	**42,927**

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

Chief Executive Officer
Strategic Banking Corporation of Ireland

Barbara Cotter

Chairperson
Strategic Banking Corporation of Ireland

8th June 2023

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 businesses 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 2022 have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the 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 when 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 SMT, 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. Changing an asset's expected life 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 Audit and Risk Committee 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 interest on loans and receivables 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 Credit Guarantee Scheme ("CGS"), the COVID-19 Credit Guarantee Scheme ("CCGS") and the Ukraine Credit Guarantee Scheme ("UCGS") (Note 15.9), (ii) pursuant to the Agricultural Cashflow Support Loan Scheme ("Agriculture Scheme") (Note 15.6), (iii) pursuant to the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme ("BLS/CWCS") (Note 15.7), (iv) pursuant to the Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS") (Note 15.8), (v) pursuant to the Future Growth Loan Scheme ("FGLS") (Note 15.10) and (vi) pursuant to the Growth and Sustainability Loan Scheme ("GSLS") (Note 15.11), 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.

Pursuant to guarantee agreements granted by the SBCI to those on-lenders participating in the Energy Efficiency Loan Scheme ("EELS"), the SBCI receives payments from those participating on-lenders in the form of a guarantee fee. The guarantee fee is charged so as to (i) partially cover the credit risk and (ii) partially recover the costs incurred by the SBCI in granting the guarantee agreements under the EELS (Note 15.12).

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 accruals 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 and COVID-19 Loan Scheme ("BILS/CLS") (Note 15.8), (iv) the Future Growth Loan Scheme ("FGLS") (Note 15.10) and (v) the Energy Efficiency Loan Scheme ('EELS') (Note 15.12).

Under the Growth and Sustainability Loan Scheme ("GSLS") (Note 15.11), once launched to the market in 2023, the SBCI will issue financial guarantees to participating on-lenders in respect of loans made by those participating on-lenders to qualifying businesses.

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 and COVID-19 Loan Scheme ("BILS/CLS") (Note 15.8) (iv) the Future Growth Loan Scheme ("FGLS") (Note 15.10) and the Energy Efficiency Loan Scheme ("EELS") (Note 15.12).

The SBCI intends to enter into a counter-guarantee agreement with the European Investment Fund ("EIF") in respect of the Growth and Sustainability Loan Scheme ("GSLS") (Note 15.11) in 2023.

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

	2022 €000	**2021 €000**
Interest on loans and receivables	2,725	3,346
	2,725	**3,346**

Interest on loans and receivables relates to interest income from loans provided to on-lenders.

6. Interest expense

	2022 €000	**2021 €000**
Interest on funding and borrowings	409	-
Other interest expense	230	371
Interest expense	**639**	**371**

Other interest expense relates to the net interest earned and negative interest paid on cash held on deposit during the year.

7. Other income

		2022 €000	2021 €000
CGS and CCGS administration costs recovered	7.1	1,259	1,041
Future Growth Loan Scheme administration costs recovery	7.2	1,132	1,351
BILS/CLS administration costs recovery	7.2	912	835
UCGS administration costs recovered	7.1	523	-
GSLS administration costs recovery	7.2	465	-
BLS/CWCS administration costs recovery	7.2	308	550
Agriculture Scheme administration costs recovery	7.2	187	222
Agriculture Scheme interest subsidy recovery	7.2	154	632
Guarantee fee income	7.3	3,593	3,102
Financial counter-guarantee income	7.3	77	-
Miscellaneous income		358	174
		8,968	**7,907**

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).

In January 2023 the SBCI assumed the role of operator of the UCGS on behalf of the Minister for ETE. The SBCI will receive 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 UCGS Co-Operation Agreement. No financial gain or loss will be 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 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).

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). It should be noted that the BILS was expanded during the financial year to include the provision of credit to COVID-19 impacted enterprises and was renamed the Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS").

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, the Minister for ETE and the SBCI dated 13 December 2022, (the "Growth and Sustainability Loan Scheme Co-Operation Agreement"), the SBCI recovers the costs for its role in operating the Growth and Sustainability Loan Scheme that will launch to the market in 2023 (see Note 15.11).

7.3. Financial counter-guarantee income

	2022 €000	2021 €000
Guarantee expenses		
Agri Loan scheme	(24)	(8)
FGLS	(1,226)	-
BLS/CWCS	(2,691)	(12)
BILS/CLS	(196)	-
Counter guarantee income		
Agri Loan scheme	24	8
FGLS	1,226	-
BLS/CWCS	2,768	-
BILS/CLS	196	12
	77	**-**

On 31 December 2022, 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 €4,137k (2021: €20k) of guarantee expenses in the period. This is offset by €4,214k (2021: €20k) of counter guarantee income of which €1,709k (2021: €10k) derives from deferred income from the relevant Government Departments and €2,505k (2021: €10k) to income from the EIF counter guarantee. The SBCI received €77k in March 2022 for a counter claim expensed in December 2020.

The 2021 financial statements disclosed that SBCI had been notified of a fraud by a borrower from an on-lender. Following investigations, the SBCI established that a fraud had occurred related to two schemes under its aegis (the COVID-19 Credit Guarantee Scheme ("CCGS") and the Brexit Loan and COVID-19 Working Capital Loan Scheme ("BLS/CWCS"), and that a total of eleven fraudulent loan drawdowns had occurred, to a total value of €1.21 million.

Eight of the fraudulent loans occurred in the CCGS to a total value of €0.95 million. The on-lender is liable for €0.19 million of the losses and the balance of €0.76 million potentially falls to be borne by the Department of Enterprise, Trade and Employment, on whose behalf the SBCI operates this scheme.

Three of the fraudulent loans occurred in the BLS/CWCS to a total value of €0.25 million. The on-lender is liable for €0.05 million of the losses, the EIF guarantee covers €0.10 m and the balance of €0.10 million falls to be borne by the Department of Enterprise, Trade and Employment and the Department of Agriculture, Food and the Marine.

In December 2022, €0.19 million was paid to the on-lender on the BLS/CWCS loans under the terms of its contractual guarantee.

Guarantee fee income

	2022 €000	2021 €000
Future Growth Loan Scheme	3,424	2,868
Energy Efficiency Loan Scheme	3	-
BLS/CWCS	166	234
	3,593	**3,102**

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

8. Operating expenses

		2022 €000	2021 €000
Costs reimbursable to the NTMA	8.2	7,832	6,535
Board fees & expenses	9	113	111
Amortisation	11	94	225
Agriculture Scheme interest subsidy expense	8.1.1	236	632
Guarantee fee expense	8.1.2	3,534	2,995
Other expenses	8.1.3	1,601	1,753
		13,410	**12,251**

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 are comprised of all other expenses paid directly by the Company. These primarily comprise marketing costs €0.3m (2021: €0.19m) and legal and professional fees €1.1m (2021: €1.4m).

8.2. Costs reimbursable to the NTMA

		2022 €000	2021 €000
NTMA staff costs	8.2.1	4,138	3,265
Business services	8.2.2	3,666	3,037
Professional fees		24	175
Other operating costs		4	58
		7,832	**6,535**

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

		2022 €000	2021 €000
Staff short-term benefits	8.3.2	3,111	2,576
Employer's contribution to social insurance costs		315	273
		3,426	**2,849**

The total number of whole-time equivalent staff employed at year end was 38 (2021: 32). Pension costs incurred by the Company during the financial year of €0.43m (2021: €0.35m) 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

	2022 €000	2021 €000
Basic pay	2,917	2,435
Performance related pay	136	85
Allowances	58	56
	3,111	**2,576**

8.3.3. Key management personnel

	2022 €000	2021 €000
Board fees and management short-term benefits	771	792
Performance related pay	64	20
Allowances	46	45
Health insurance	3	6
	884	**863**

Key management personnel in the SBCI consists of the members of the Board, the CEO and the SMT 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, appointed 1 September 2021)	2022 €000	2021 €000
Salary	250	83
Performance related pay	30	-
Annual taxable benefits	22	7
Contributions to the defined benefit retirement schemes	41	12
	343	**102**

Ian Black (Interim CEO)	2022 €000	2021 €000
Salary	-	135
Performance related pay	-	-
Annual taxable benefits	-	17
Contributions to the defined benefit retirement schemes	-	19
	-	**171**

Nick Ashmore (CEO)	2022 €000	2021 €000
Salary	-	31
Performance related pay	-	-
Annual taxable benefits	-	3
Contributions to the defined benefit retirement schemes	-	4
	-	**38**

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 (2021: €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 (2021: €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.

	2022 €	2021 €
Barbara Cotter	31,500	31,500
Tom McAleese	15,750	15,750
AJ Noonan	15,750	15,750
Richard Pelly	15,750	15,750
Marguerite McMahon	15,750	15,750
Eilis Quinlan	15,750	15,750
	110,250	**110,250**

The Chief Executive Officer, 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	2022 €	2021 €
Richard Pelly	3,150	992
	3,150	**992**

The expenses paid to Directors relate to travel and are included in operating 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

2022	Cost €000	Accumulated amortisation €000	Net book value €000
Balance as at 1 January 2022	2,237	(2,017)	220
Acquisitions	1,034	-	1,034
Amortisation	-	(94)	(94)
Balance at 31 December 2022	**3,271**	**(2,111)**	**1,160**

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**

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 of €255k (2021: €187k) continued to be under development at the financial year end in respect of a new customer management system ("SBCI Hub"). Phase one of the software development of the SBCI Hub became operational on 31 August 2022. Amortisation of €94k was recognised on this asset during the financial year.

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

12. Investments

	2022 €000	2021 €000
Shareholding in European Investment Fund ("ElF")	4,410	4,410

The SBCI acquired no new shares in the European Investment fund ("EIF") during the financial year. The SBCI holds a total of 10 shares (2021: 10 shares) at a total cost of €4.4 million.

13. Loans and receivables

	2022 €000	2021 €000
Loans to on-lenders - current	32,662	77,202
Loans to on-lenders - non current	187,994	229,250
	220,656	**306,452**

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

	2022 €000	2021 €000
Secured	69,151	120,375
Unsecured	151,505	186,077
	220,656	**306,452**

At the end of the financial year, the SBCI had loans in issue to six on-lenders (2021: eight). One of these on-lenders is a bank (2021: two), and five on-lenders are non-bank finance providers (2021: six). The remaining terms of the on-lender loans in issue range from six months to five years and interest is charged by the SBCI at 6-month Euribor plus a margin.

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 2022, the Company concluded that an impairment charge of €Nil (2021: €Nil) had been incurred. At the end of the financial year, the Company had €117m (2021: €107m) in undrawn loan commitments.

14. Cash and cash equivalents

	2022 €000	2021 €000
Cash and cash equivalents	**63,723**	**42,927**

The cash held by the Company includes cash for operating activities and funding provided to the Company to cover the costs of (a) operating the (i) Agriculture Cashflow Support Loan Scheme, (ii) the Brexit Loan Scheme and COVID-19 Working Capital Loan Scheme, (iii) the Brexit Impact and COVID-19 Loan Scheme and (iv) the Future Growth Loan Scheme and (b) developing the Growth and Sustainability 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 Audit and Risk 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 SMT is responsible for the Company's day-to-day management and for ensuring that adequate controls are both in place and operating effectively. The senior management team 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 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 into.

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 2022 is €504.2m (2021: €531.8m). 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:

	2022 €000	2021 €000
Loans and receivables	220,656	306,452
Cash and cash equivalents	63,723	42,927
	284,379	**349,379**
Loan commitments	112,000	107,000
Guarantees	107,800	75,400
	504,179	**531,779**

Guarantees represent the net exposure of the relevant guarantee schemes included within contingent liabilities (Note 24) and contingent assets (Note 25). The SBCI will launch the Growth and Sustainability Loan Scheme to the market in 2023 and will issue credit guarantees to participating on-lenders in respect of loans to qualifying businesses. The SBCI's guarantees will cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €500m.

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.

	2022 €000	2021 €000
AAA	54,609	30,384
A+ to A-	9,114	12,543
BBB	69,151	120,375
Non-rated	151,505	186,077
	284,379	**349,379**

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 €109.6m (2021: €93.5m) (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**
2022 repayments due	188,010	33,333	-	**221,343**
2021 repayments due	117,340	148,571	14,286	**280,197**

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 2022 are detailed below:

Financial assets	**2022 €000**	**2021 €000**
Cash and cash equivalents	63,723	42,927
Loans and receivables	220,656	306,452
	284,379	**349,379**

Financial liabilities	**2022 €000**	**2021 €000**
Funding and borrowings	**111,799**	**186,667**

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 2022.

Interest Rate Sensitivity Analysis - a 50bp move

2022	**+50bp €000**	**-50bp €000**
Net cashflow impact	(38)	38

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

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 risk

The SBCI is not subject to externally imposed capital requirements. The Company is committed to ensuring it adequately capitalised as there is a risk that inappropriate management of its capital could result in the inability to absorb any potential credit losses. The SBCI's paid-up share capital as at 31 December 2022 is €85m (2021: €85m). In addition, the SBCI has available callable capital of €165m (2021: €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 Agriculture, Food and the Marine (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. The Agriculture Scheme closed to new applicants in 2017. Under the Agriculture Scheme, the SBCI issued guarantees to participating on-lenders in respect of loans made by those on-lenders 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 €2m (2021: €10.5m) related to potential credit losses covered under the Agriculture Scheme. This contingent liability of €2m is fully offset by a counter-guarantee agreement from the EIF to the value of €1m, and by cash of €8.5m 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 (2021: €Nil). The balance of the funding received from the Minister for AFM is used for the payment of interest rate subsidies to the participating on-lenders, 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 repayable to the Minister for AFM.

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

The SBCI entered into an agreement with the Minister for AFM and the Minister for for Enterprise, Rate and Employment in 2017, under which the Ministers advanced €29.30m to the SBCI to be used in the BLS to support enterprises affected by Brexit. In 2020, the scheme was amended 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. The BLS/CWCS closed to new applicants in 2021, and was replaced by the Brexit Impact Loan Scheme ("BILS").

At financial year end, the Company has a contingent liability of €20m (2021: €60.7m) 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 €10m, and by cash of €8.3m held as a loss reserve (from the €29.30m received from the Ministers). As a result, the SBCI's net exposure to credit losses under the BLS/CWCS is €1.7m (2021: €13.3m). 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. During the financial year, €13.7m of surplus funding from the BLS/CWCS was transferred to partially fund the expansion of the BILS/CLS.

15.8. Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS")

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. In 2022, the BILS was expanded to also allow for the provision of loans to enterprises affected by COVID-19 and was renamed the Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS"). During the financial year, €13.7m of surplus funding from BLS/CWCS was transferred to fund the expansion of the BILS to the BILS/CLS.

Under the BILS/CLS, the SBCI has issued guarantees to participating on-lenders in respect of loans to businesses affected by Brexit and/or COVID-19. The SBCI's guarantees cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of up to €315m.

At financial year end, the Company has a contingent liability of €188.7m (2021: €7.7m) related to potential credit losses covered under BILS/CLS. This contingent liability is partially offset by a counter-guarantee agreement from the EIF to the value of €132.1m, and by cash of €17.3m held as a loss reserve (from the €27.5m received from the Ministers). As a result, the SBCI's net exposure to credit losses under the BILS is €39.3m (2021: €Nil).

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

The SBCI has been appointed as the operator of all Schemes created under the Credit Guarantees Acts 2012 to 2022 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 on-lenders 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 offset 80% of its guarantee exposure.

At financial year end, the Company has a contingent liability of €476.5m (2021: €457.1m) 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 €381m and by a loss reserve of €29.1m (as committed by the Ministers). As a result, the SBCI's net exposure to credit losses under the FGLS is €66.4m (2021: €62.1m).

15.11. Growth and Sustainability Loan Scheme ("GSLS")

The SBCI entered into an agreement with the Minister for AFM and the Minister for ETE in December 2022, pursuant to which the Ministers have agreed to advance the sum of €31.60m to the SBCI in three instalments payable on or before 31 December in each of 2022, 2023 and 2024 to establish the €500m GSLS. The GSLS will support long-term loans for the purposes of investment in the growth and sustainability of enterprises in Ireland.

Under the GSLS, which is due to be launched to the market in 2023, the SBCI will issue credit guarantees to participating on-lenders in respect of loans to qualifying businesses. The SBCI's guarantees will cover 80% of credit losses on a loan-by-loan basis, subject to a maximum portfolio of €500m.

At financial year end, the GSLS had not yet launched to the market, and therefore the Company has a contingent liability of €Nil (2021: €Nil).

15.12. Energy Efficiency Loan Scheme ("EELS")

Pursuant to guarantee agreements granted by the SBCI to those on-lenders participating in the Energy Efficiency Loan Scheme ("EELS"), the SBCI receives payments from those on-lenders in the form of a guarantee fee. The guarantee fee is charged so as to (i) partially cover the credit risk and (ii) partially recover the costs incurred by the SBCI in granting the guarantee agreements under the EELS. The SBCI did not receive any funding from any Government Minister to support the development, establishment and/or ongoing operation of the EELS. The SBCI is utilising its own funds in conjunction with the revenues received from the guarantee fee. Under the EELS, the SBCI has issued credit guarantees to participating on-lenders in respect of loans to qualifying businesses. 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.

The SBCI entered into a counter-guarantee agreement with the EIF to offset 50% of its guarantee exposure, subject to an overall portfolio cap of 15% .

At financial year end, the Company has a contingent liability of €1.3m (2021: €NIL) related to potential credit losses covered under the EELS.

15.13. 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 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 its on-lenders, arising from its statutory mandate to make credit available to enterprises in the State, as set out in the SBCI Act 2014. The Company's geographic concentration risk exposure from its loans and receivables is €220.7m (2021: €306.5m).

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
2022					
Cash and cash equivalents	**63,723**	63,723	-	-	**63,723**
Other receivables	**6,306**	-	-	6,306	**6,306**
Loans and receivables	**220,656**	-	-	220,656	**220,656**
Shareholding in European Investment Fund ("EIF")	**4,410**	4,410	-	-	**4,410**
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**
Shareholding in European Investment Fund ("EIF")	**4,410**	4,410	-	-	**4,410**

Financial assets	Carrying value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
2022					
Other liabilities	**109,544**	-	-	109,544	**109,544**
Funding and borrowings	**111,799**	-	-	111,799	**111,799**
2021					
Other liabilities	**93,530**	-	-	93,530	**93,530**
Funding and borrowings	**186,667**	-	-	186,667	**186,667**

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

	2022 €000	2021 €000
Scheme administration costs recovery due	2,192	2,031
Guarantee fee income	1,537	1,425
Financial counter guarantee	2,469	-
Bank interest receivable	108	-
	6,306	**3,456**

Bank interest receivable relates to the interest receivable on cash held on deposit during the year.

18. Funding and borrowings

	2022 €000	2021 €000
Funding and borrowings due within one year	78,466	23,810
Funding and borrowings due after one year	33,333	162,857
	111,799	**186,667**

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 two funders (2021: three). One of these funders is the European Investment Bank and one is the NTMA. The remaining terms of these loans range from one to three years and interest is charged to the SBCI at 6-month Euribor plus margin. For those debts due after five 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 (2021: €405m) in undrawn funding facilities.

19. Other liabilities

	2022 €000	2021 €000
Minister for AFM payable		
Agricultural Scheme	11,780	12,153
BLS/CWCS	4,138	10,016
BILS	10,394	5,507
FGLS	12,617	15,386
GSLS	4,250	-
Minister for ETE payable		
BLS/CWCS	6,207	15,451
BILS	15,591	8,260
FGLS	25,151	23,079
GSLS	14,000	-
Amounts due to the NTMA	1,332	1,088
Counter guarantee fee payable	1,794	1,655
Other liabilities	2,290	935
	109,544	**93,530**

As set out in Note 15.6, the Minister for AFM initially 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 €0.4m (2021: €0.8m) was recognised in other income in the financial year leaving a balance of €11.8m (2021: €12.2m). 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 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. During the financial year, €13.7m of surplus funding from BLS/CWCS was transferred to fund the expansion of the Brexit Impact and COVID Loan Scheme ("BILS/CLS"). An amount of €1.5m (2021: €1.1m) was recognised in other income in the year leaving a balance of €10.3m (2021: €25.5m). 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 SMEs and Small Mid-Caps affected by Brexit. In 2022, the BILS was expanded to also allow for the provision of loans to enterprises affected by COVID-19 and was renamed the Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS"). During the financial year, €13.7m of surplus funding from BLS/CWCS was transferred to partially fund the expansion of the BILS to the BILS/CLS.

An amount of €1.5m (2021: €Nil) was recognised in other income in the year leaving a balance of €26m. Funds that remain unutilised during the life of the BILS/CLS 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 €42.4m, €0.7m received in 2022 (2021: €14.2m) to the SBCI to be used in the FGLS to support long-term investment loans to enterprises. €1.4m (2021: €1.2m) was recognised in other income in the year leaving a balance of €37.8m (2021: €38.5m). Funds that remain unutilised during the life of the FGLS are repayable to the Minister for AFM and the Minister for ETE.

Furthermore, as set out in Note 15.11, the Minister for AFM and the Minister for ETE have advanced a total of €18.2m (€Nil received in 2021) to the SBCI to be used in the GSLS to support long-term loans for the purposes of investment in the growth and sustainability of enterprises. €Nil (2021: €Nil) was recognised in other income in the year leaving a balance of €18.3m (2021: €Nil). Funds that remain unutilised during the life of the GSLS are repayable to the Minister for AFM and the Minister for ETE.

20. Provisions for liabilities

	2022 €000	2021 €000
Balance at 1 January	-	-
Charges to comprehensive income	-	-
Balance at 31 December	**-**	**-**

As at 31 December 2022, the SBCI considered whether payments under its financial guarantees are probable. In accordance with FRS 102.21, the SBCI has recognised €Nil (2021: €Nil) in respect of probable claims. The claims paid in 2022 were partially offset by a reimbursement from the EIF under the relevant counter guarantee, and the amount of the percentage offset varied amongst claims given the differences in the terms of the relevant underlying 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 to be settled within 12 months for each asset and liability.

2022	Current €000	Non-current €000	Total €000
Financial assets			
Loans and receivables	32,662	187,994	**220,656**
Financial liabilities			
Funding and borrowings	78,466	33,333	**111,799**

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**

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

	2022 €000	2021 €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 2022, the Minister for Finance had subscribed for, and was issued with, 85,000,000 (2021: 85,000,000) of the Company's authorised shares.

24. Contingent liabilities

At the financial year end, the Company has a total contingent liability of €688m (2021: €536m) related to financial guarantee credit losses covered for schemes.

The table below provides a breakdown of the contingent liability under each scheme

	2022 €000	2021 €000
Agricultural Scheme	2,027	10,500
BLS/CWCS	19,954	60,700
BILS/CLS	188,727	7.700
FGLS	476,455	457,100
EELS	1,275	-
	688,438	**536,000**

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.

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.

Under the terms of the BILS/CLS, 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 €315m.

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.

Under the EELS, 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.

Under the GSLS, once launched to the market in 2023, the Company will issue 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 €500m.

25. Contingent assets

The SBCI has entered into a counter-guarantee agreement with the EIF to partially offset the SBCI's guarantees under each scheme. At the financial year end, the Company has a total contingent asset of €525m (2021: €407m).

The table below provides a breakdown of the contingent asset under each scheme.

	2022 €000	2021 €000
Agricultural Scheme	1,010	5,300
BLS/CWCS	9,977	30,400
BILS/CLS	132,109	5,400
FGLS	381,164	365,700
EELS	629	-
	524,889	**406,800**

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 Ireland Strategic Investment Fund (ISIF) and Allied Irish Banks p.l.c. 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 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 €85 million of the Company's authorised shares. €10 million was converted in cash and €75 million from loan on the following date:

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

Both of the above share issuances were funded through the conversion to equity of €75m of loans advanced by the NTMA (as controller and manager of the ISIF) to the SBCI (the "ISIF Loan Facility"). There is currently a nil balance on the ISIF Loan Facility (2021: €Nil), and the committed funding available under the ISIF Loan Facility is €165m.

26.2. Transactions and balances with related parties

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 €7.8m (2021: €6.6m). 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 €1.3m payable (2021: €1.1m) 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. (2021: €Nil)

SBCI Debt Instrument

€10m of loan notes issued in 2021 by the Company to the NTMA were still outstanding at financial year end (2021: €10m). The Company has accrued interest expense of €49k during the financial year in relation to the issuance of the loan notes.

Future Growth Loan Scheme

The Company received a total of €0.7m (2021: €14.2m) during the financial year from the Minister for AFM and from the Minister for ETE to be used in the FGLS. See Note 19 for further details on the FGLS and the funding received during the financial year.

Brexit Loan Scheme and COVID Working Capital Scheme ("BLS/CWCS") / Brexit Impact and COVID-19 Loan Scheme ("BILS/CLS")

During the financial year, €13.7 of surplus funding from BLS/CWCS was transferred to fund the expansion of the BILS/CLS. See Note 19 for further details on the funding transferred during the financial year. No other funding was received during the financial year from the minister for AFM and from the Minister for ETE in relation to these schemes.

Growth and Sustainability Loan Scheme

The Company received a total of €18.2m (2021: €Nil) during the financial year from the Minister for AFM and from the Minister for ETE to be used in the GSLS. See Note 19 for further details on the GSLS and the funding received during the financial year

Credit Guarantee Schemes

During the financial year, the Company recognised €1,259m (2021: €1m) of income for the recovery of its administration costs in its role as operator of Schemes created under the Credit Guarantee Acts 2012 to 2022 on behalf of the Minister for ETE. €0.27m (2021: €0.8m) 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 €Nil (2021: €20m) to Allied Irish Banks p.l.c. for the purpose of on-lending to Irish SMEs. A repayment of €20m on outstanding loans was received during the year.

Microfinance Ireland

The Company has issued loans of €6.5m (2021: €5.5m) to Microfinance Ireland for the purpose of on-lending to Irish SMEs. The total facility available to Microfinance Ireland is €30m. 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 €292k (2021: €292k). The nominal future minimum rentals payable under non-cancellable operating lease are as follow:

	2022 €000	2021 €000
Within one year	292	292
In two to five years	1,168	1,168
Over five years	1,576	1,868
	3,036	**3,328**

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 8th June 2023.

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