CREDIT OPINION
27 August 2026

Update

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RATINGS

Strategic Banking Corporation of Ireland	
Domicile	Dublin, Ireland
Long Term CRR	Not Assigned
Long Term Issuer Rating	Aa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Strategic Banking Corporation of Ireland

Update following ratings upgrade

Summary

The Aa2 ratings of Strategic Banking Corporation of Ireland (SBCI), which is an Irish national promotional bank, reflects its links with the Government of Ireland (Aa2 positive) and the creditworthiness of the government. We rate SBCI using our analytical approach for government-related issuers. We do not assign a Baseline Credit Assessment, as the risks to SBCI's creditors are not driven by its standalone financial performance and metrics.

In the absence of a full, explicit and unconditional guarantee provided by the government, SBCI's ratings reflect (1) its full ownership by the Irish government, (2) SBCI's unique policy function within the country and its key role in supporting the Irish economy, (3) legal supervision and nomination of SBCI's board members by the Irish Minister for Finance, (4) high integration of SBCI with the National Treasury Management Agency (NTMA), and (5) the high proportion of SBCI's credit risk exposures that benefit from counter-guarantees. The counter-guarantees reduce the risk to SBCI's capital to a level that can be comfortably met by the capital and funding committed by the government, as stated in the relevant legislation[1].

Credit strengths

» Full ownership by the Irish government, with a clear mandate to promote small- and medium-sized enterprise (SME) financing to support the Irish economy

» Low liquidity risk, given good market access and long-term financing

» High integration with the government, with all board members nominated by the government and the NTMA providing shared services and staffing

» Contained asset risk due to SBCI's benefits from counter-guarantees

Credit challenges

» High dependence on the Irish government and its affiliates

» Wholesale funded, mitigated by guarantees by the Minister for Finance and long tenors

» Modest profitability, commensurate with SBCI's mandate of providing lower-cost funding to Irish SMEs and other borrowers

Outlook

The outlook on SBCI is positive, reflecting the positive outlook on the Government of Ireland as well as our expectation that SBCI's mandate as well as the risk, funding and operational support it receives from the Irish government will continue.

Factors that could lead to an upgrade

SBCI's ratings are aligned at the same level as those of the Government of Ireland and any upgrade of the ratings will depend on the upgrade of the sovereign.

Factors that could lead to a downgrade

SBCI's ratings could be downgraded if (1) the credit profile of SBCI's guarantor, the Government of Ireland, deteriorates; or (2) our assessment of the support provided by the government to SBCI declines. We consider the latter scenario to be unlikely given SBCI's important role in supporting the government's economic policy objectives in the SME sector.

Profile

Strategic Banking Corporation of Ireland (SBCI) is a limited finance company that was set up in September 2014 by the Irish government to support the development of a competitive funding market for SMEs and other borrowers. SBCI has a mandate to facilitate the provision of stable, lower-cost, long-term funding to SMEs and other borrowers to be distributed via participating Irish banks and non-bank lenders. SBCI borrows at a preferential rate from the Treasury and European Investment Bank (EIB, Aaa stable), backed by a guarantee from the Minister for Finance. In 2016, SBCI was converted to a Designated Activity Company.

SBCI is fully owned by the Minister for Finance, which provides funding for its operating budget and nominates its board. In addition, SBCI's staffing and operations are sourced from Ireland's NTMA. SBCI is governed by the Strategic Banking Corporation of Ireland Act 2014 (SBCI Act 2014) and is not subject to banking regulatory requirements and does not take deposits.

Detailed credit considerations

Full ownership by the government, with a unique policy function within the country to support the Irish economy

The Irish government established SBCI as a limited finance company, with a 100% ownership by the Minister for Finance and a mandate to facilitate the provision of stable, low-cost, long-term funding primarily to SMEs, and more recently to retail consumers. SBCI borrows at a preferential rate from the Treasury as well as from the EIB, backed by a guarantee from the Irish Minister for Finance. As a result, SBCI has a strategic alignment with the government's political and policy objectives and has a key role in supporting the Irish economy.

SBCI facilitates its policy objective through its long-term liquidity offering and several risk sharing schemes. These schemes support SME growth, agriculture, sustainability and climate-transition projects, energy-efficiency investments, residential energy upgrades, and temporary support measures introduced in response to economic shocks such as Brexit, the pandemic and the Ukraine conflict. Programmes are typically delivered through participating banks, credit unions and non-bank lenders, with SBCI providing long-term funding and partial credit guarantees to facilitate access to finance on favourable terms.

Currently, SME lending is dominated by two main banks, Allied Irish Banks, p.l.c (AIB, Aa3 positive, a3[2]) and Bank of Ireland (BOI, Aa3 positive, a3[3]. We expect SBCI's programmes to continue to promote greater diversification in SME lending by expanding funding access for smaller banks and non-bank lenders.

Low liquidity risk, with good market access and long-term financing

SBCI's business model is based on borrowing at a preferential rate from the Treasury and public institutions (such as EIB with government guarantee), with maturities up to 10 years. The benefit of the lower interest rate is then passed to SME borrowers via participating Irish banks and non-bank lenders.

Legal supervision and nomination of board members by the Irish Minister for Finance

SBCI is highly integrated with the Irish government, which provides funding for its operating budget and nominates its board members. In addition, SBCI's staffing and operations are sourced from Ireland's NTMA and are housed at the same premises. NTMA provides service functions in terms of Finance, Human Resources, IT, Legal, Compliance, Risk, Procurement and Internal Audit. NTMA charges SBCI for these services on a cost-recovery basis. SBCI's team comprises 51 staff, all of which are staff of NTMA and are assigned to SBCI. NTMA executes the Treasury function for SBCI, but decisions are made by SBCI.

Low asset risk because the credit risk exposures assumed by SBCI are to varying degrees covered by counter-guarantees and reserves

Under SBCI's risk-sharing schemes, SBCI assumes 80% of the credit risk, with 20% being assumed by lenders, with claims paid out by SBCI being capped at 15% on a portfolio basis for some of its schemes. SBCI does not retain the full amount of its share of credit risk, offsetting its risk exposure.

Some of SBCI's schemes are counter-guaranteed by the European Investment Fund (EIF, Aaa Stable) at 50% to 80% of credit losses. Various government entities, such as the Department of Agriculture, Fisheries and the Marine (DAFM), Department of Enterprise, Tourism and Employment (DETE) and Department of Climate, Energy and the Environment (DCEE) cover the remaining exposures by providing cash reserves.

Modest profitability because of its not-for-profit role and mission, but strong capital base and maximum principal amounts provide a solid loss buffer against residual risk

SBCI operates with a profit target to meet its cost base. The entity had shareholders' equity of €78.4 million equivalent to leverage (expressed as tangible common equity/total assets) of 29.7% and total borrowed funds of €13.8 million as of year-end 2024. This compares favourably with the amount stated in SBCI ACT 2014, which provides an ample capacity for further growth.

Notwithstanding its modest profitability and good leverage, we view SBCI's solvency as very strong, reflecting the very low risk to its own capital. This is because SBCI facilitates its policy objective through the assumption of 80% of the credit risk under the various programmes Irish bank lenders can participate in.

Environmental, social and governance considerations

In line with our general view for the banking sector, SBCI has a low exposure to environmental risks and moderate exposure to social risks. See our Environmental and Social heat maps for further information.

In terms of social considerations, SBCI's role to promote the Irish economy and high integration with the government makes it susceptible to politically and socially motivated decisions that could affect its financial profile. Given its public policy role, profit maximisation is not the SBCI's primary goal, and its profitability has traditionally been very modest compared with the Irish banking system. Likewise, policy considerations can lead the bank to issue riskier loans, impairing its asset risk. Nevertheless, SBCI's loans are credit insured and guaranteed by the European Investment Fund and various sponsoring government entities for the most part. As a result, SBCI is able to support the borrowers in current weaker operating environment, while its balance sheet is shielded from the rising credit risk from the borrowers.

Governance is highly relevant for SBCI, as it is to all banks in the industry. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for SBCI, we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

The alignment of SBCI's issuer ratings with the sovereign rating is in accordance with the SBCI Act 2014, which governs SBCI and allows it to draw down additional callable capital, at its discretion, from the Minister for Finance up to a total of €165 million (or up to €1 billion if the Minister for Finance so determines). SBCI notifies the Minister for Finance about its guaranteed borrowing and, so far, SBCI has not borrowed externally without government guarantee. SBCI could borrow, at its discretion, up to a principal amount of up to €4 billion, which is the maximum principal amount stated in the SBCI Act 2014. Given the importance of subsidised funding to SBCI's operating model, the likelihood that it would borrow without government guarantee is low.

Methodology and scorecard

The principal methodology we used in rating SBCI was our Government-Related Issuers rating methodology, published in May 2025. SBCI's standalone financial performance and metrics do not reflect the credit risk faced by bondholders. The key driver for SBCI's ratings is the likelihood of the government providing liquidity or capital support to SBCI, if required. Therefore, SBCI is rated under our analytical approach for government-related issuers without a Baseline Credit Assessment.

Ratings

Exhibit 1

Category	Moody's Rating
STRATEGIC BANKING CORPORATION OF IRELAND	
Outlook	Positive
Issuer Rating	Aa2
ST Issuer Rating	P-1

Source: Moody's Ratings

Endnotes

1 Strategic Banking Corporation of Ireland Act 2014.

2 Deposit rating, BCA.

3 Deposit rating, BCA.

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