

**2nd Quarter Report of 2015 to the Minister for
Jobs, Enterprise and Innovation detailing the
analysis and performance of the SME Credit
Guarantee Scheme at 30th June 2015**

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1 Credit Guarantee Scheme

The Credit Guarantee Scheme (CGS) provides a State guarantee through the Department of Jobs, Enterprise & Innovation (the “Department”) to accredited Lenders (Allied Irish Banks, Bank of Ireland and Ulster Bank Ireland) of 75 per cent on eligible loans or Performance Bonds to viable Micro, Small and Medium-sized Enterprises (SMEs). The Guarantee is paid by the State (the “Guarantor”) to the Lender on the unrecovered outstanding principal balance on a Scheme Facility in the event of a Borrower defaulting on the Scheme Facility repayments.

The purpose of the Scheme is to encourage additional lending to SMEs, not to substitute for conventional lending. SMEs are thus enabled to develop a positive track record with the Lender with the objective of returning to standard commercial credit facilities in time. It will also place Irish SMEs on a competitive level-footing relative to other trading competitors who are able to avail of a guarantee in their own countries.

It is important to note that funds provided under the Scheme are neither a grant nor a support for ailing businesses or customers in difficulty. All decision-making at the level of the individual Scheme Facility is fully devolved to the participating Lenders.

The Credit Guarantee Scheme (CGS) became operational on the 24th October 2012.

The usage of the CGS is reducing based on the number and value of facilities sanctioned by lenders as at each period end referenced below.

Year	No. Of Facilities Sanctioned	Amount of CGS Facilities Sanctioned
2012	6	€582,000
2013	88	€12,107,500
2014	68	€9,283,344
2015	46	€9,287,550
Total	208	€31,260,394

Due to the low volume of approved CGS facilities it is difficult to highlight emerging trends.

Despite the low volumes currently sanctioned under the CGS to SMEs, 864 new jobs have been created and 601 jobs have been maintained.

On 23rd February 2015 the Minister of State for Business and Employment Gerald Nash TD announced changes to the Credit Guarantee Scheme for the purpose of expanding the scope of the existing Credit Guarantee Scheme. The changes will allow for the refinancing of loans where an SME's bank is exiting the Irish SME Credit Market and the extension of the maximum length of the guarantee from three to seven years. The Credit Guarantee Scheme 2015 became operational on 16th April 2015. To date twenty six facilities with a total lending value of €4,286,950 have been sanctioned under the scheme.

2 Analysis of the Credit Guarantee Scheme (CGS)

Since the launch of the scheme on 24th October 2012, €31,260,394 has been sanctioned by the participating lenders through one hundred and seventy five CGS facilities.

Table 1 Activity Levels

	No. of CGS Facilities Sanctioned	Amount of CGS Facilities Sanctioned	Average CGS Facility Sanctioned	Impact on Jobs (Live Cases)	
				Increase	Maintain
<i>From 24th October 2012 to 31st December 2012</i>	6	€582,000	€97,000	33	5
<i>From 1st January 2013 to 31st March 2013</i>	18	€2,549,600	€141,645	148	20
<i>From 1st April 2013 to 30th June 2013</i>	23	€2,774,500	€120,630	92	90
<i>From 1st July to 30th September 2013</i>	33	€5,285,000	€160,152	81	19
<i>From 1st October to 31st December 2013</i>	14	€1,498,400	€107,029	55	102
<i>From 1st January to 31st March 2014</i>	16	€1,653,000	€103,313	70	19
<i>From 1st April 2014 to 30th June 2014</i>	15	€2,099,500	€139,967	22	31
<i>From 1st July to 30th September 2014</i>	21	€3,795,844	€180,754	81	47
<i>From 1st October 2014 to 31st December 2014</i>	16	€1,735,000	€108,438	67	-
<i>From 1st January to 31st March 2015</i>	13	€2,206,600	€169,738	29	54
<i>From 1st April to 30th June 2015</i>	33	€7,080,950	€214,574	186	214
Total as at 31st June 2015	208	€31,260,394	€150,290	864	601

Status	No. of CGS Facilities	Amount of Lending €
CGS loans sanctioned by Lenders since the CGS Launch on 24 th October 2012	208	€31,260,394
Declined by the customer	33	€4,650,000
Declined by the lender	1	€50,000
Ineligible	3	€467,000
Cancelled by the customer	5	€1,020,000
Customer Consent to Data Sharing outstanding	1*	€50,000
CGS Facilities at 30th June 2015	165	€25,023,394

- *One CGS facility was sanctioned by the participating Lenders, however the SME has not yet consented to data sharing. No further analysis is available on this loan for data protection reasons.
- Since the launch of the scheme on 24th October 2012, €31,260,394 has been sanctioned by the participating lenders through two hundred and eight CGS facilities.
- The average loan amount sanctioned by the participating lenders based on the two hundred and eight CGS loans sanctioned since the CGS was launched is €150,290.
- Thirty three CGS facilities with a total lending value of €4,650,000 were declined by the borrower and did not proceed.
- Five case were initially accepted but subsequently cancelled by the borrowers for €30,000, €90,000 , €150,000, €300,000, and €450,000 respectively.
- One CGS facility was initially sanctioned for approval, however this was declined by the lender following the receipt of additional information which impacted the borrower's viability.

- Based on feedback provided, the main reasons for declining CGS approved facilities are:
 - The customer was approved for a lower value commercial loan
 - The customer did not wish to proceed with the CGS facility
 - The customer decided to use internal working capital
 - Business plan changes
 - The customer was unwilling to meet normal lending requirements and
 - Planning permission issues
- Three CGS facilities with individual lending values of €56,000, €61,000 and €350,000 were initially sanctioned by a participating lender but upon review were subsequently deemed ineligible for the CGS and did not proceed.
- Nineteen CGS facilities have been repaid in full to date.

CGS Loan Repayments			
Year	Quarter	No.	€
2013	Quarter 3	1	€100,000
	Quarter 4	1	€50,000
2014	Quarter 1	3	€300,000
	Quarter 2	0	€0
	Quarter 3	3	€325,000
	Quarter 4	6	€1,103,500
2015	Quarter 1	0	€0
	Quarter 2	5	€1,310,000
Total as at 30th June 2015		19	€3,188,500

- As at 30th June 2015, One hundred and twelve CGS facilities with a total lending value of €13,022,444 have been fully or partially drawn down by CGS borrowers.
- The remainder of this report is based on one hundred and sixty five CGS facilities with total lending value of €25,023,394. As noted above nineteen of these facilities have been fully repaid.
- One claim against the guarantee for €61,950.16 has been processed and paid to a participating lender in quarter two 2015.

2.1 Activity Levels

2.1.1 Activity by Region

CGS Facilities were sanctioned to SMEs in the following regions:

Table 2 Activity by Region

Region	No. of CGS Facilities Granted	CGS Lending Sanctioned	Percentage of CGS Lending Sanctioned by Region (Monetary Value)	Average Loan Amount Sanctioned
East - (Dublin, Kildare, Meath and Wicklow)	72	€13,183,000	52.68%	€183,097
Mid West - (Limerick, Clare and North Tipperary)	24	€3,271,844	13.08%	€136,327
South West - (Cork and Kerry)	23	€2,410,000	9.63%	€104,783
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	12	€2,198,000	8.78%	€183,167
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	13	€2,048,950	8.19%	€157,612
West - (Galway and Mayo)	15	€1,414,600	5.65%	€94,307
North East - (Cavan, Louth and Monaghan)	5	€440,000	1.76%	€88,000
North West - (Donegal, Sligo and Leitrim)	1	€57,000	0.23%	€57,000
Total	165	€25,023,394	100.0%	€151,657

Figure 1 Percentage of CGS Lending Sanctioned by Region (Monetary Value)



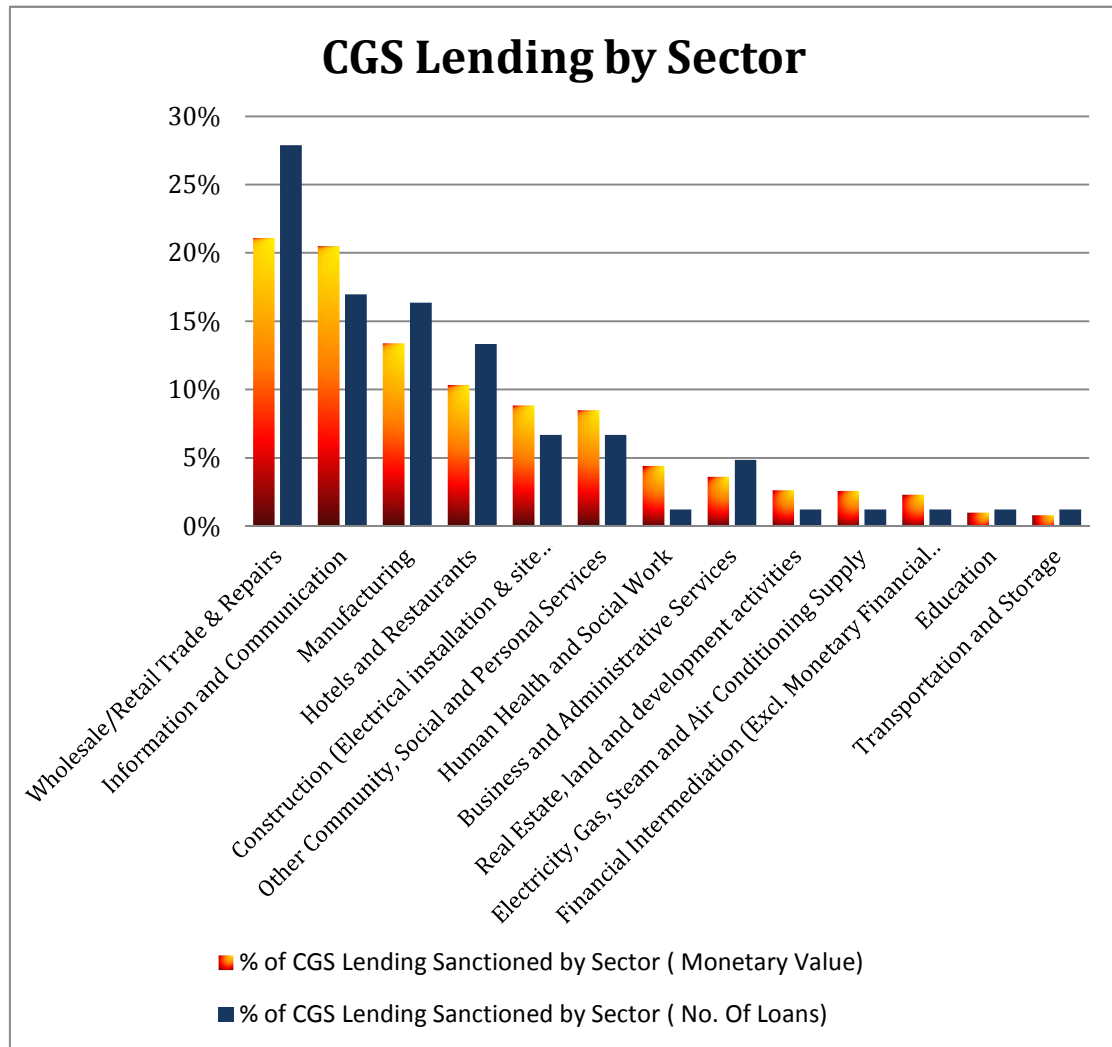
2.1.2 Activity by Industry Sector

CGS facilities were sanctioned to SMEs in the following Industry Sectors:

Table 3 Activity by Industry Sector

Industry Sector	No. of CGS Loans	% of CGS Lending Sanctioned by Sector (No. Of Loans)	CGS Lending Sanctioned	% of CGS Lending Sanctioned by Sector (Monetary Value)
Wholesale/Retail Trade & Repairs	46	27.88%	€5,280,194	21.10%
Information and Communication	28	16.97%	€5,131,000	20.50%
Manufacturing	27	16.36%	€3,350,000	13.39%
Hotels and Restaurants	22	13.33%	€2,585,600	10.33%
Construction (Electrical installation & site preparation)	11	6.67%	€2,211,600	8.84%
Other Community, Social and Personal Services	11	6.67%	€2,125,000	8.49%
Human Health and Social Work	2	1.21%	€1,104,000	4.41%
Business and Administrative Services	8	4.85%	€905,000	3.62%
Real Estate, land and development activities	2	1.21%	€660,000	2.64%
Electricity, Gas, Steam and Air Conditioning Supply	2	1.21%	€650,000	2.60%
Financial Intermediation (Excl. Monetary Financial Institutions)	2	1.21%	€575,000	2.30%
Education	2	1.21%	€246,000	0.98%
Transportation and Storage	2	1.21%	€200,000	0.80%
Total	165	100%	€25,023,394	100%

Figure 2 Percentage of CGS Lending Sanctioned by Sector (Monetary Value)



2.1.3 Activity by Legal Form

Table 4 Activity by Legal Form

Legal Form	Number of Loans by Legal Form	% by Number of Loans by Legal Form
Private Limited Company	151	91.52%
Sole Trader	13	7.88%
Partnership	1	0.60%
Total	165	100%

2.1.4 Impact on Jobs

As a result of the CGS lending to SMEs as of 30th June 2015 it is expected that 864 new jobs will be created and 601 jobs will be maintained.

Table 5 Impact on Jobs

Number of Jobs Increased	2012	2013	2014	2015
<i>Quarter 1</i>	N/A	148	70	29
<i>Quarter 2</i>	N/A	92	22	186
<i>Quarter 3</i>	N/A	81	81	N/A
<i>Quarter 4</i>	33	55	67	N/A
Total as at 30th June 2015	864			

Number of Jobs Maintained	2012	2013	2014	2015
<i>Quarter 1</i>	N/A	20	19	54
<i>Quarter 2</i>	N/A	90	31	214
<i>Quarter 3</i>	N/A	19	47	N/A
<i>Quarter 4</i>	5	102	0	N/A
Total as at 30th June 2015	601			

2.1.5 Exports

- Fifty-Three CGS facilities were granted to SMEs who are exporters.
 - Forty two of the CGS facilities were granted to SMEs primarily exporting to the United Kingdom of Great Britain and Northern Ireland.
 - Nine CGS facilities were granted to SMEs primarily exporting within the European Union.
 - Two CGS facilities were granted to SMEs that primarily export to the United States of America.

2.1.6 Market Inefficiencies - Pillar 1 &/or Pillar 2

The main purpose of the Credit Guarantee Scheme is to address specific market failures that prevent lending to some commercially viable businesses.

Target groups are commercially viable SME businesses that cannot secure credit facilities due to the following two market inefficiencies; insufficient collateral for additional facilities and/or the SME is a growth/expansionary SME and due to its sector, market or business model is perceived to be higher risk under the participating banks current credit risk evaluation practices.

Based on statistical information relating to CGS borrowers, insufficient collateral remains the primary reason for an SME not securing a credit facility through the traditional commercial lending route.

Table 6 Market Inefficiencies

Reason for not securing Normal Credit Facilities			
	Insufficient Collateral	Insufficient Collateral and Higher Risk Model/Sector/Product	Higher Risk Model/Sector/Product
Total as at 30th June 2015	133	12	20

2.1.7 Year of Establishment of Borrowing SMEs

Table 7 Year of SME Establishment

Year of Establishment	Number of CGS Loans as at 30 th June 2015	% by year of establishment
2015	1	0.6%
2014	9	5.4%
2013	12	7.2%
2012	11	6.7%
2011	14	8.5%
2010	11	6.7%
2000-2009	80	48.5%
1945-1999	27	16.4%
Total	165	100%

2.1.8 Term of Facility

The term or duration of each facility is decided by the participating Lender. However, irrespective of the term of the facility, the maximum period for which the Guarantee is available on the facility is seven years from the date of acceptance of the Lender's offer by the borrower.

Table 8 Term of Facility

Term of Facility	Number of CGS Loans as at 31 st June 2015	%
< 1 Year	23	13.9%
> 1 < 2 Years	12	7.3%
2 Year	4	2.4%
> 3 /<4years	35	21.2%
> 4 Year/<5years	9	5.5%
5 Year	65	39.4%
> 5 Years	17	10.3%
Total	165	100%

2.1.9 Purpose of the CGS Facility

Table 8 shows the main reasons for the CGS Borrower seeking finance.

Table 9 Purpose of CGS Facility

Purpose of Credit Guarantee Scheme Facility	Number of CGS Facilities	%
Working Capital	84	50.9%
Purchase of Equipment	22	13.3%
Product or Service Development	21	12.7%
Business Expansion/ Cost of Acquisition	13	7.9%
Purchase of Premises	10	6.1%
Renovation/Maintenance of Premises	8	4.9%
Franchise Set up	2	1.2%
Supplier Guarantee	1	0.6%
To Fit out Premises	1	0.6%
Development of Visitor Centre/Museum and retail shop	1	0.6%
IT improvements	1	0.6%
Performance Bond	1	0.6%
Total	165	100%

2.1.10 Classification of SMEs

Micro, Small and Medium-sized enterprises (SME) are defined according to their staff headcount and turnover or annual balance-sheet total.

- A microenterprise is defined as an enterprise which employs fewer than 10 people and whose annual turnover and/or annual balance sheet total does not exceed €2 million.
- A small enterprise is defined as an enterprise which employs between 10 and 49 persons and whose annual turnover and/or annual balance sheet total does not exceed €10 million.
- A medium-sized enterprise is defined as an enterprise which employs between 50 and 249 persons and whose annual turnover does not exceed €50 million or whose annual balance-sheet total does not exceed €43 million.

Table 10 Profile of SME

	<i>Micro Enterprise</i>	<i>Small Enterprise</i>	<i>Medium Enterprise</i>
Total as at 30th June 2015	72	84	9
Total Lending Sanctioned as at 30th June 2015	€7,179,944	€15,366,500	€2,476,950
Percentage of Total €25,023,394	28.69%	61.41%	9.90%

2.1.11 Premium Collection

SMEs availing of the CGS must pay a premium of 2% per annum to the Department of Jobs, Enterprise and Innovation which partially covers the cost of providing the guarantee. The premium is collected annually or quarterly in advance throughout the three year life of the guarantee based on the annual contracted principal balance.

Between 24th October 2012 and 30th June 2015 €336,700.18 of premium payments were paid by Credit Guarantee Scheme Borrowers into a segregated bank account held in trust for the Minister for Jobs, Enterprise and Innovation.

Table 11 Premium Payments Received

Premium Payments Received	2012	2013	2014	2015
<i>Quarter 1</i>	N/A	€8,852.00	€30,544.95	€49,632.46
<i>Quarter 2</i>	N/A	€14,306.67	€35,608.32	€49,633.17
<i>Quarter 3</i>	N/A	€26,935.00	€42,860.19	N/A
<i>Quarter 4</i>	€2,410.00	€30,555.90	€45,361.52	N/A
Total for Year	€2,410.00	€80,649.57	€154,374.98	€99,265.63
Total as at 30th June 2015	€336,700.18			

3 Summary

- As at 30th June 2015 the CGS has been operationally live for two years and eight months.
- Usage of the CGS remains disappointing and lower than anticipated.
- Since the launch of the scheme on 24th October 2012, €31,260,394 has been sanctioned by the participating lenders through two hundred and eight CGS facilities.
- The majority of the lending has been sanctioned in the East and Mid West with these two regions combined accounting for 65.7% of lending currently live or repaid.
- The approved lending is dominated by six industry sectors accounting for 83% of the total lending.
- Of the SMEs currently participating in the CGS, 48.5%, were established during the period 2000-2009 and 61.4% of the lending sanctioned was provided to SMEs defined as a Small Enterprise.
- The average loan amount sanctioned by the participating lenders is €150,290.36
- Thirty eight CGS facilities, with total lending value of €5,670,000 were cancelled or declined by the SME and did not proceed.
- Nineteen CGS facilities have been repaid in full as at 30th June 2015 with a total value of €3,188,500.
- As a result of the sanctioned CGS lending to SMEs, as of 30th June 2015, it is expected that 864 new jobs will be created and 601 jobs will be maintained.
- One claim against the guarantee for €61,950.16 has been processed and paid to participating lender in quarter two 2015.
- As previously mentioned on 23rd February 2015 the Minister of State for Business and Employment Gerald Nash TD announced changes to the Credit Guarantee Scheme for the purpose of expanding the scope of the existing Credit Guarantee Scheme. The changes will allow for the refinancing of loans where an SME's bank is exiting the Irish SME Credit Market and the extension of the maximum length of the guarantee from three to seven years. The Credit Guarantee Scheme 2015 became operational on 16th April 2015. To date twenty six facilities with total lending value of €4,286,950 have been sanctioned under the scheme.