

**4<sup>th</sup> Quarter Report of 2015 to the Minister for  
Jobs, Enterprise and Innovation detailing the  
analysis and performance of the SME Credit  
Guarantee Scheme at 31<sup>st</sup> December 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 24<sup>th</sup> October 2012.

We welcome the increased usage of the CGS based on the number and value of facilities sanctioned by lenders.

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	108	€20,385,050
<b>Total</b>	<b>270</b>	<b>€42,357,894</b>

As a result of the facilities sanctioned under the CGS to SMEs, 1085 new jobs have been created and 618 jobs have been maintained.

On 23<sup>rd</sup> 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 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 16<sup>th</sup> April 2015. To date eighty seven facilities with a total lending value of €15,368,450 have been sanctioned under the revised scheme.

## 2 Analysis of the Credit Guarantee Scheme (CGS)

Since the launch of the scheme on 24<sup>th</sup> October 2012, €42,357,894 has been sanctioned by the participating lenders through two hundred and seventy 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 24<sup>th</sup> October 2012 to 31<sup>st</sup> December 2012</i>	6	€582,000	€97,000	33	5
<i>From 1<sup>st</sup> January 2013 to 31<sup>st</sup> March 2013</i>	18	€2,549,600	€141,645	148	20
<i>From 1<sup>st</sup> April 2013 to 30<sup>th</sup> June 2013</i>	23	€2,774,500	€120,630	92	90
<i>From 1<sup>st</sup> July 2013 to 30<sup>th</sup> September 2013</i>	33	€5,285,000	€160,152	81	19
<i>From 1<sup>st</sup> October 2013 to 31<sup>st</sup> December 2013</i>	14	€1,498,400	€107,029	55	102
<i>From 1<sup>st</sup> January 2014 to 31<sup>st</sup> March 2014</i>	16	€1,653,000	€103,313	70	19
<i>From 1<sup>st</sup> April 2014 to 30<sup>th</sup> June 2014</i>	15	€2,099,500	€139,967	22	31
<i>From 1<sup>st</sup> July 2014 to 30<sup>th</sup> September 2014</i>	21	€3,795,844	€180,754	81	47
<i>From 1<sup>st</sup> October 2014 to 31<sup>st</sup> December 2014</i>	16	€1,735,000	€108,438	67	-
<i>From 1<sup>st</sup> January 2015 to 31<sup>st</sup> March 2015</i>	13	€2,206,600	€169,738	29	54
<i>From 1<sup>st</sup> April 2015 to 30<sup>th</sup> June 2015</i>	33	€7,080,950	€214,574	186	214
<i>From 1<sup>st</sup> July 2015 to 30<sup>th</sup> September 2015</i>	32	€5,681,500	€177,547	221	17
<i>From 1<sup>st</sup> October 2015 to 31<sup>st</sup> December 2015</i>	30	€5,416,000	€180,534	34	204
<b>Total as at 31<sup>st</sup> December 2015</b>	<b>270</b>	<b>€42,357,894</b>	<b>€156,881</b>	<b>1,119</b>	<b>822</b>

Status	No. of CGS Facilities	Amount of Lending €
CGS loans sanctioned by Lenders since the CGS Launch on 24 <sup>th</sup> October 2012	270	€42,357,894
Declined by the customer	33	€4,650,000
Declined by the lender	2	€150,000
Ineligible	3	€467,000
Cancelled by the customer	6	€1,070,000
Guarantee Offer Expired	4	€1,330,000
<b>CGS Facilities at 31<sup>st</sup> December 2015</b>	<b>222</b>	<b>€34,690,894</b>

- Since the launch of the scheme on 24<sup>th</sup> October 2012, €42,357,894 has been sanctioned by the participating lenders through two hundred and seventy CGS facilities.
- Thirty three CGS facilities with a total lending value of €4,650,000 were declined by the borrower and did not proceed. 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
- Two CGS facility were initially sanctioned for approval, however the applications were declined by the lender following the receipt of additional information which impacted the borrower's viability.
- 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.

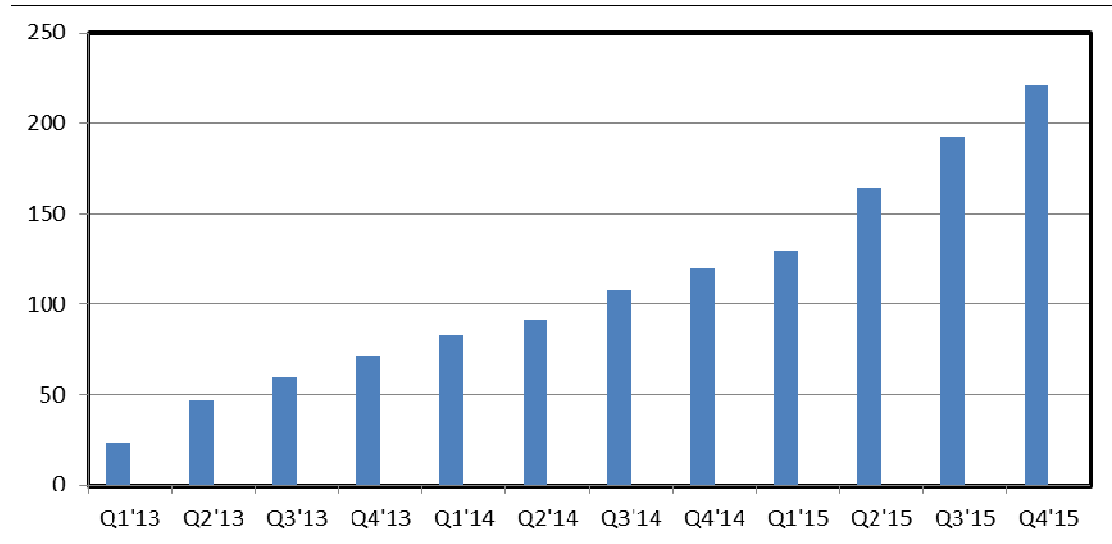
- Six cases were initially accepted but subsequently cancelled by the borrowers for €30,000, €90,000, €150,000, €300,000, €50,000 and €450,000 respectively.
- The offer period relating to four CGS facilities for €100,000, €150,000, €80,000 and €1,000,000 which were sanctioned by the participating lenders has expired and the borrower has not proceeded with the application.
- The average loan amount sanctioned by the participating lenders based on the two hundred and seventy CGS loans sanctioned since the CGS was launched is €156,881.
- Twenty Seven CGS facilities have been repaid in full to date.

CGS Loan Repayments			
Year	Quarter	No.	€
2013	Quarter 1	0	€0
	Quarter 2	0	€0
	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
	Quarter 3	0	€0
	Quarter 4	8	€1,580,000
<b>Total as at 31<sup>st</sup> December 2015</b>		<b>27</b>	<b>€4,768,500</b>

- As at 31<sup>st</sup> December 2015, one hundred and thirty CGS facilities with a total lending value of €16,009,894 have been fully or partially drawn down by CGS borrowers.
- The remainder of this report is based on two hundred and twenty two CGS facilities with total lending value of €34,690,894. As noted above, twenty seven 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

**Figure 1 Number of Live CGS Facilities**



There has been a notable increase in the number of live Credit Guarantee Scheme facilities sanctioned during quarters two, three and four of 2015. Based on feedback from the participating lenders, the increase in the number of facilities sanctioned can be attributed to the improving economic conditions for SME's and the expanded scope of the Credit Guarantee Scheme.

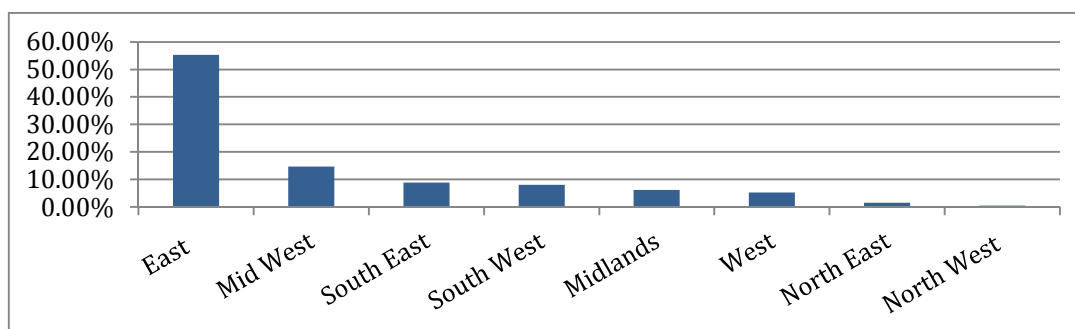
### 2.1.1 Activity by Region

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)	106	19,192,000	55.3%	€181,057
Mid West - (Limerick, Clare and North Tipperary)	35	5,080,344	14.6%	€145,153
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	17	3,053,000	8.8%	€179,588
South West - (Cork and Kerry)	26	2,770,000	8.0%	€106,538
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	13	2,143,950	6.2%	€164,919
West - (Galway and Mayo)	17	1,804,600	5.2%	€106,153
North East - (Cavan, Louth and Monaghan)	6	500,000	1.5%	€83,333
North West - (Donegal, Sligo and Leitrim)	2	147,000	0.4%	€73,500
<b>Total</b>	<b>222</b>	<b>€34,690,894</b>	<b>100.0%</b>	<b>€156,265</b>

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





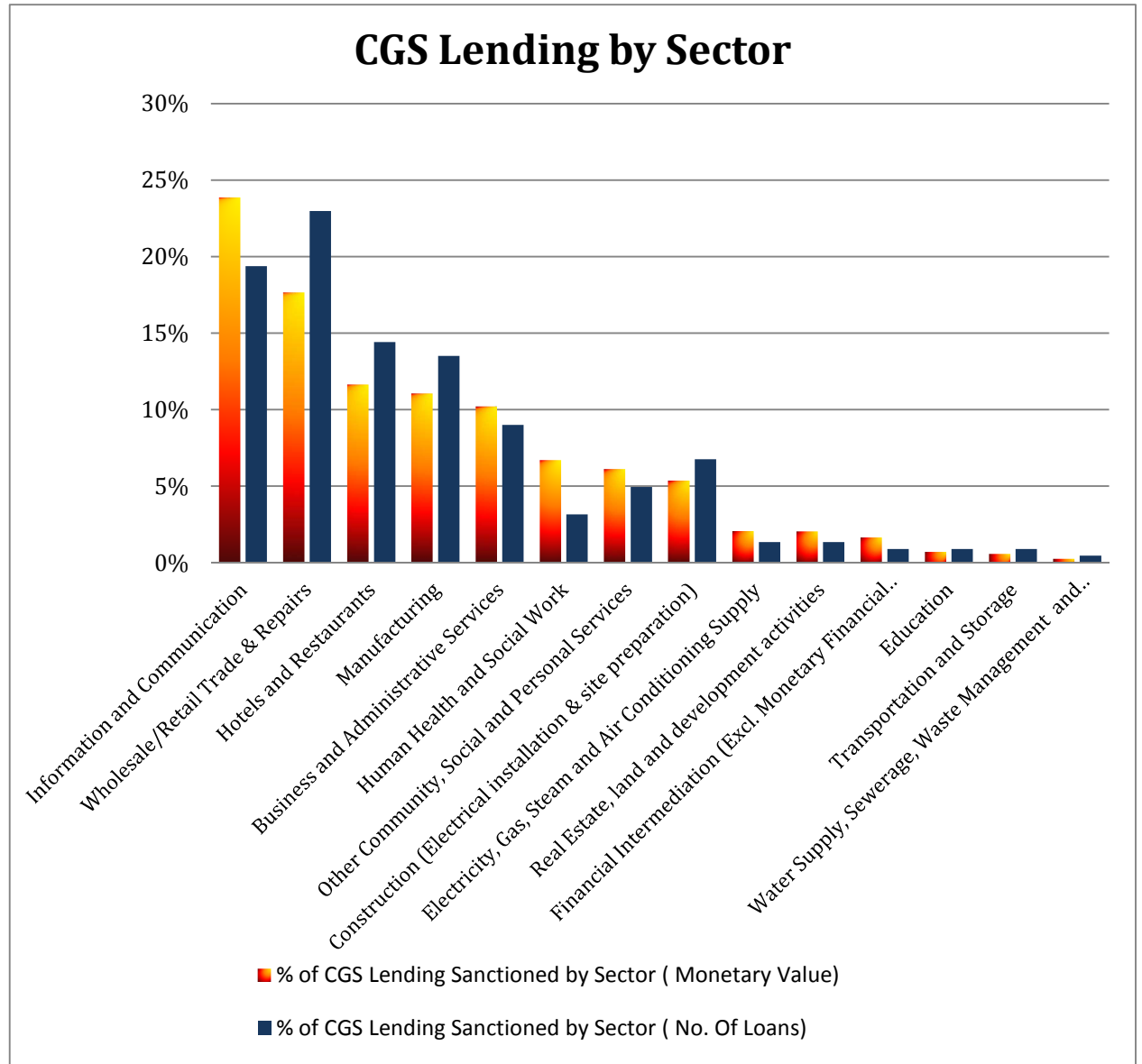
## 2.1.2 Activity by Industry Sector

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	51	22.9%	€6,130,194	17.7%
Information and Communication	43	19.4%	€8,281,000	23.9%
Hotels and Restaurants	32	14.4%	€4,043,100	11.6%
Manufacturing	30	13.5%	€3,835,000	11.0%
Business and Administrative Services	20	9.0%	€3,543,000	10.2%
Construction (Electrical installation & site preparation)	15	6.7%	€1,862,600	5.4%
Other Community, Social and Personal Services	11	4.9%	€2,125,000	6.1%
Human Health and Social Work	7	3.2%	€2,330,000	6.7%
Electricity, Gas, Steam and Air Conditioning Supply	3	1.4%	€720,000	2.1%
Real Estate, land and development activities	3	1.4%	€710,000	2.0%
Financial Intermediation (Excl. Monetary Financial Institutions)	2	0.9%	€575,000	1.7%
Education	2	0.9%	€246,000	0.7%
Transportation and Storage	2	0.9%	€200,000	0.6%
Water Supply, Sewerage, Waste Management and Remediation Activities	1	0.5%	€90,000	0.3%
<b>Total</b>	<b>222</b>	<b>100.0%</b>	<b>€34,690,894</b>	<b>100.0%</b>

Figure 3 Percentage of CGS Lending Sanctioned by Sector



### 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	207	93.2%
Sole Trader	12	5.4%
Partnership	2	0.9%
Limited Liability Partnership	1	0.5%
<b>Total</b>	<b>222</b>	<b>100.0%</b>

### 2.1.4 Impact on Jobs

As a result of the CGS lending to SMEs as of 31<sup>st</sup> December 2015 it is expected that 1,119 new jobs will be created and 822 jobs will be maintained.

**Table 5 Impact on Jobs**

Number of Jobs Increased	2012	2013	2014	2015
Quarter 1	N/A	148	70	29
Quarter 2	N/A	92	22	186
Quarter 3	N/A	81	81	221
Quarter 4	33	55	67	34
<b>Total</b>	<b>1,119</b>			

Number of Jobs Maintained	2012	2013	2014	2015
Quarter 1	N/A	20	19	54
Quarter 2	N/A	90	31	214
Quarter 3	N/A	19	47	17
Quarter 4	5	102	0	204
<b>Total</b>	<b>822</b>			

### 2.1.5 Exports

- Seventy one CGS facilities were granted to SMEs who are exporters.
  - Fifty three of the CGS facilities were granted to SMEs primarily exporting to the United Kingdom of Great Britain and Northern Ireland.
  - Eight CGS facilities were granted to SMEs primarily exporting within the European Union.
  - Six CGS facilities were granted to SMEs that primarily export to the United States of America.
  - Four CGS facilities were granted to SMEs that primarily export to regions other than those listed above.

### 2.1.6 Market Inefficiencies - Pillar 1 and/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 have insufficient collateral for the additional facilities or in the case where an SME is seeking to refinance due to its bank exiting the Irish SME credit market there is insufficient collateral available to support this refinancing 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 a viable 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
<b>Total</b>	<b>188</b>	<b>13</b>	<b>21</b>

## 2.1.7 Year of Establishment of Borrowing SMEs

**Table 7 Year of SME Establishment**

Year of Establishment	Number of CGS Loans as at 31st December 2015	% by year of establishment
2015	11	5.0%
2014	18	8.1%
2013	14	6.3%
2012	16	7.2%
2011	18	8.1%
2010	18	8.1%
2000-2009	91	41.0%
1945-1999	36	16.2%
<b>Total</b>	<b>222</b>	<b>100.0%</b>

## 2.1.8 Term of Commercial 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 <sup>st</sup> December 2015	%
< 1 Year	28	12.6%
> 1 < 2 Years	14	6.3%
2 Year	6	2.7%
> 3 <4years	44	19.8%
> 4 Year<5years	13	5.9%
5 Year	93	41.9%
> 5 Years	24	10.8%
<b>Total</b>	<b>222</b>	<b>100.0%</b>

### 2.1.9 Purpose of the CGS Facility

Table 9 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	141	63.5%
Purchase of Equipment	23	10.3%
Product or Service Development	19	8.5%
Purchase of Premises	12	5.4%
Cost of Acquisition/Business Expansion	11	4.9%
Renovation/Maintenance of Premises	8	3.6%
To Fit out Premises	2	0.9%
Research and Development	2	0.9%
Franchise Set up	1	0.5%
Supplier Guarantee	1	0.5%
Development of Visitor Centre/Museum and retail shop	1	0.5%
IT improvements	1	0.5%
<b>Total</b>	<b>222</b>	<b>100.0%</b>

### 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>
<b>Number as at 31<sup>st</sup> December 2015</b>	<b>97</b>	<b>109</b>	<b>16</b>
<b>Total Lending Sanctioned</b>	<b>€10,809,944</b>	<b>€20,624,000</b>	<b>€3,256,950</b>
<b>Percentage of Total €34,690,894</b>	<b>31.2%</b>	<b>59.4%</b>	<b>9.4%</b>

### 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 seven year life of the guarantee based on the annual contracted principal balance.

Between 24<sup>th</sup> October 2012 and 31<sup>st</sup> December 2015 €495,912.28 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>	<i>N/A</i>	<i>€8,852.00</i>	<i>€30,544.95</i>	<i>€49,632.46</i>
<i>Quarter 2</i>	<i>N/A</i>	<i>€14,306.67</i>	<i>€35,608.32</i>	<i>€49,633.17</i>
<i>Quarter 3</i>	<i>N/A</i>	<i>€26,935.00</i>	<i>€42,860.19</i>	<i>€62,726.12</i>
<i>Quarter 4</i>	<i>€2,410.00</i>	<i>€30,555.90</i>	<i>€45,361.52</i>	<i>€96,485.98</i>
<b>Total for Year</b>	<b>€2,410.00</b>	<b>€80,649.57</b>	<b>€154,374.98</b>	<b>€258,477.73</b>
<b>Total as at 31<sup>st</sup> December 2015</b>	<b>€495,912.28</b>			

### 3 Summary

- As at 31st December 2015 the CGS has been operationally live for three years and two months.
- Usage of the CGS has increased significantly in 2015 and based on feedback from the participating lenders the increase in the number of facilities sanctioned in 2015 can be attributed to the improving economic conditions and the expanded scope of the Credit Guarantee Scheme.
- Since the launch of the scheme on 24<sup>th</sup> October 2012, €42,357,894 has been sanctioned by the participating lenders through two hundred and seventy CGS facilities.
- The majority of the lending has been sanctioned in the East and Mid West with these two regions combined accounting for 70% of lending currently live or repaid.
- The approved lending is dominated by eight industry sectors accounting for 94% of the total lending.
- Of the SMEs currently participating in the CGS, 43%, were established during the period 2010-2015.
- 59% of the lending sanctioned was provided to SMEs defined as a Small Enterprise.
- The average loan amount sanctioned by the participating lenders is €156,881.
- Forty eight CGS facilities, with total lending value of €7,667,000 were cancelled, deemed ineligible, declined by the SME or borrower or the guarantee offer period ceased and did not proceed.
- Twenty seven CGS facilities have been repaid in full as at 31<sup>st</sup> December 2015 with a total value of €4,768,500.
- As a result of the sanctioned CGS lending to SMEs, as of 31<sup>st</sup> December 2015, it is expected that 1119 new jobs will be created and 822 jobs will be maintained.
- One claim against the guarantee for €61,950.16 has been processed and paid to the participating lender in quarter three 2015.
- As noted on previous reports, changes were implemented on 23<sup>rd</sup> February 2015 to the Credit Guarantee Scheme for the purpose of expanding the scope of the existing Credit Guarantee Scheme. The changes 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 16<sup>th</sup> April 2015. To date Eighty seven facilities with a total lending value of €15,368,450 have been sanctioned under the revised scheme.