

**3<sup>rd</sup> Quarter Report of 2013 to the Minister for  
Jobs, Enterprise and Innovation detailing the  
analysis and performance of the SME Credit  
Guarantee Scheme at 30<sup>th</sup> September 2013**

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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. In the period ending 31<sup>st</sup> December 2012 there were six live CGS facilities sanctioned, eighteen CGS facilities were sanctioned in Quarter 1 2013 and twenty-three CGS facilities were sanctioned in Quarter 2 2013. Thirty-three CGS facilities were sanctioned in quarter 3 2013.

While the usage of the CGS continues to increase, the overall uptake remains disappointing. There has been an increase in the average value of CGS lending being sanctioned during quarter ending 30<sup>th</sup> September 2013.

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

A positive outcome of the sanctioned CGS lending to SMEs is that it is expected that 354 new jobs will be created and 134 jobs will be maintained.

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

Since the launch of the scheme on 24<sup>th</sup> October 2012, €11,191,100 has been sanctioned by the participating lenders through eighty CGS facilities.

**Table 1 Activity Levels**

	No. of CGS Facilities Sanctioned	Amount of CGS Facilities Sanctioned	Average CGS Facility Sanctioned
<i>From 24th October 2012 to 31st December 2012</i>	6	€582,000.00	€97,000.00
<i>From 1st January 2013 to 31st March 2013</i>	18	€2,549,600.00	€141,644.44
<i>From 1st April 2013 to 30th June 2013</i>	23	€2,774,500.00	€120,630.43
<i>From 1st July to 30th September 2013</i>	33	€5,285,000.00	€160,151.51
<b>Total as at 30th September 2013</b>	<b>80</b>	<b>€11,191,100.00</b>	<b>€139,888.75</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	80	11,191,100
Declined by the customer	15	2,505,000
Ineligible	1	61,000
CGS Facilities at 30 <sup>th</sup> September 2013	64	8,625,100
Customer Consent to Data Sharing outstanding	4*	430,000
<b>Live CGS Facilities at 30<sup>th</sup> September 2013</b>	<b>60**</b>	<b>8,195,100</b>

\*Four of the sixty-four CGS facilities referenced above have been sanctioned by the participating Lenders, however the SME has not yet consented to data sharing. No further analysis is available on these four loans for data protection reasons.

\*\*Due to the data protection reasons the remainder of this report is based on analysis of 59 live CGS facilities and one CGS facility that fully repaid in quarter 3 2013.

- Since the launch of the scheme on 24<sup>th</sup> October 2012, €11,191,100 has been sanctioned by the participating lenders through eighty CGS facilities.
- The average loan amount sanctioned by the participating lenders based on the eighty CGS loans sanctioned since the CGS was launched is €139,888.75.
- Fifteen CGS facilities with a total lending value of €2,505,000 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, and
  - The customer was unwilling to meet normal lending requirements.
- One CGS facility with total lending value of €61,000 was initially sanctioned by a participating lender but upon review was subsequently deemed ineligible for the CGS and did not proceed.
- One CGS facility with total lending value of €100,000 has been repaid in full in quarter 3 2013.
- Four CGS facilities have been sanctioned by the participating Lenders, however, the SME has not yet consented to data sharing.
- As at 30<sup>th</sup> September 2013 there were sixty-four live CGS facilities with total lending value of €8,625,100, as noted above one of these facilities was fully repaid in quarter 3 2013.
- As at 30<sup>th</sup> September 2013, forty-five CGS facilities with a total lending value of €4,703,100 have been fully or partially drawn down by CGS borrowers.

## 2.1 Activity Levels

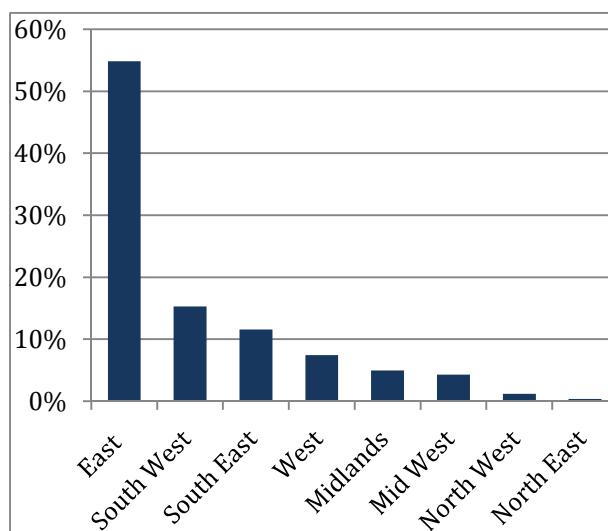
### 2.1.1 Activity by Region

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)	25	€4,492,000	54.8%	€179,680
South West - (Cork and Kerry)	11	€1,255,000	15.2%	€114,091
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	4	€950,000	11.6%	€237,500
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	6	€612,000	7.5%	€102,000
West - (Galway and Mayo)	6	€406,100	5.0%	€67,683
Mid West - (Limerick, Clare and North Tipperary)	6	€350,000	4.3%	€58,333
North West - (Donegal, Sligo and Leitrim)	1	€100,000	1.2%	€100,000
North East - (Cavan, Louth and Monaghan)	1	€30,000	0.4%	€30,000
<b>Total</b>	<b>60</b>	<b>€8,195,100</b>	<b>100.0%</b>	<b>€136,585</b>

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



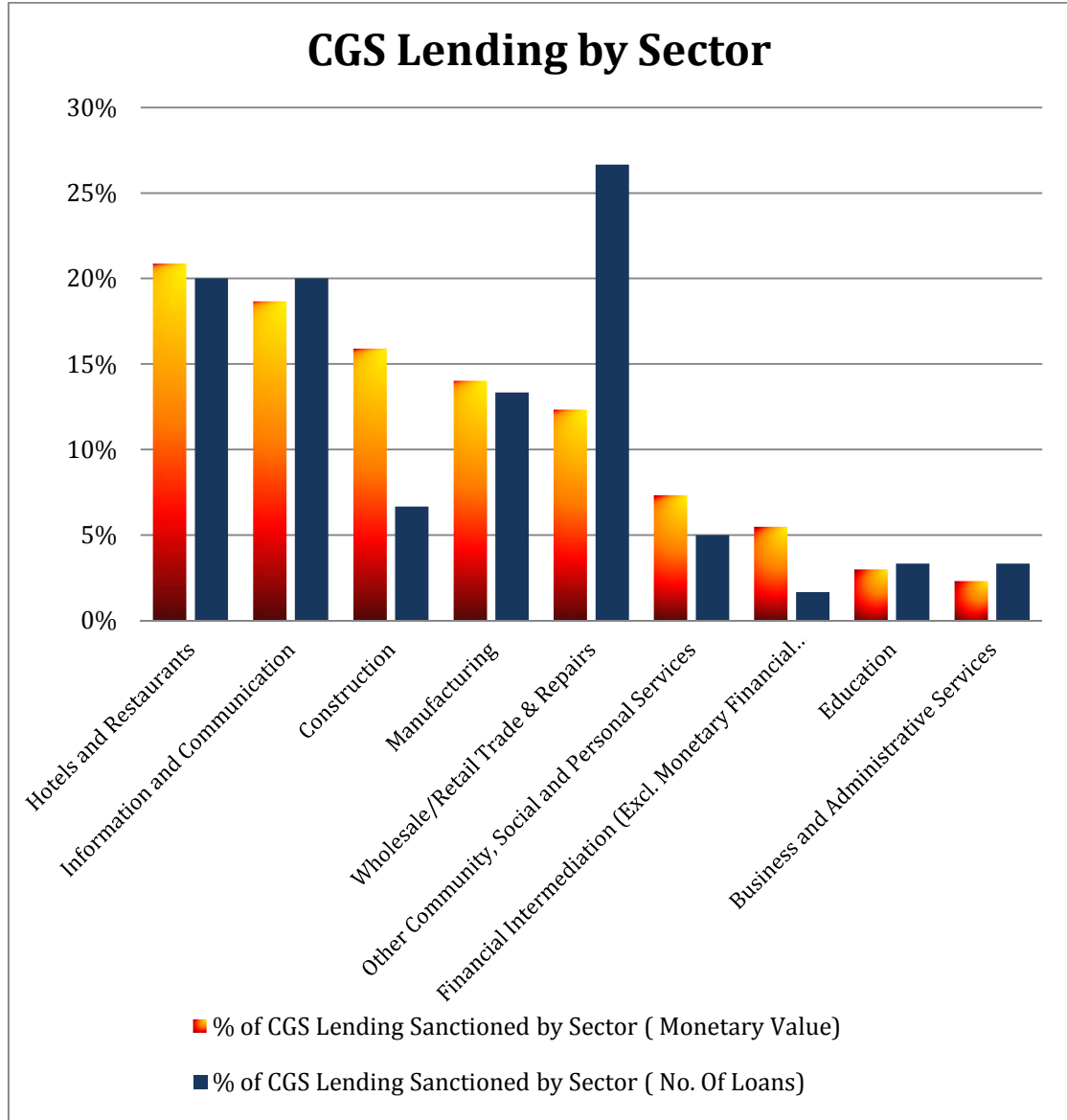
## 2.1.2 Activity by Industry Sector

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)
Hotels and Restaurants	12	20.0%	€1,710,600.00	20.9%
Information and Communication	12	20.0%	€1,530,000.00	18.7%
Construction	4	6.7%	€1,305,000.00	15.9%
Manufacturing	8	13.3%	€1,150,000.00	14.0%
Wholesale/Retail Trade & Repairs	16	26.7%	€1,012,000.00	12.4%
Other Community, Social and Personal Services	3	5.0%	€601,500.00	7.3%
Financial Intermediation (Excl. Monetary Financial Institutions)	1	1.7%	€450,000.00	5.5%
Education	2	3.3%	€246,000.00	3.0%
Business and Administrative Services	2	3.3%	€190,000.00	2.3%
<b>Total</b>	<b>60</b>	<b>100%</b>	<b>€8,195,100.00</b>	<b>100.0%</b>

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





### 2.1.3 Activity by Legal Form

Fifty CGS facilities were provided to Private Limited Companies.

Ten CGS facilities were provided to Sole Traders.

### 2.1.4 Impact on Jobs

As a result of the CGS lending to SMEs as of 30<sup>th</sup> September 2013 it is expected that 354 new jobs will be created and 134 jobs will be maintained.

**Table 4 Activity by Industry Sector**

	Number of Jobs Increased	Number of Jobs Maintained
<i>From 24th October 2012 to 31st December 2012</i>	33	5
<i>From 1st January 2013 to 31st March 2013</i>	148	20
<i>From 1st April 2013 to 30th June 2013</i>	92	90
<i>From 1st July 2013 to 30th September 2013</i>	81	19
<b>Total as at 30th September 2013</b>	<b>354</b>	<b>134</b>

### 2.1.5 Exports

- Sixteen CGS facilities were granted to SMEs who are exporters.
  - Fourteen of the CGS facilities were granted to SMEs primarily exporting to the United Kingdom of Great Britain and Northern Ireland, and
  - Two CGS facilities were granted to SMEs primarily exporting within the European Union.

## 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 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 5 Market Inefficiencies**

Reason for not securing Normal Credit Facilities			
	<i>Insufficient Collateral</i>	<i>Insufficient Collateral and Higher Risk Model/Sector/Product</i>	<i>Higher Risk Model/Sector/Product</i>
<i>From 24th October 2012 to 31st December 2012</i>	5	0	1
<i>From 1st January 2013 to 31st March 2013</i>	13	2	3
<i>From 1st April 2013 to 30th June 2013</i>	16	4	3
<i>From 1st July 2013 to 30th September 2013</i>	12	1	0
<b>Total as at 30th September 2013</b>	<b>46</b>	<b>7</b>	<b>7</b>

## 2.1.7 Year of Establishment of Borrowing SMEs

**Table 6 Year of SME Establishment**

Year of Establishment	Number of CGS Loans as at 30th September 2013
2013	1
2012	9
2011	5
2010	5
2000-2009	32
1951-1999	8
<b>Total</b>	<b>60</b>

## 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 three years, from the date of acceptance of the Lender's offer by the borrower.

**Table 7 Term of Facility**

Term of Facility	Number of CGS Loans as at 30th September 2013
<i>&lt; 1 Year</i>	8
<i>&lt; 2 Years</i>	2
<i>2 Year</i>	1
<i>3 Year</i>	16
<i>4 Year</i>	2
<i>5 Year</i>	22
<i>&gt; 5 Years</i>	9
<b>Total</b>	<b>60</b>

## 2.1.9 Purpose of the CGS Facility

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

**Table 8 Purpose of CGS Facility**

Purpose of Credit Guarantee Scheme Facility	Number of CGS Facilities
Working Capital	22
Purchase of Equipment	9
Renovation/Maintenance of Premises	8
Product or Service Development	6
Purchase of Premises	3
Cost of Acquisition	2
To Fit out Premises	2
Develop of visitor centre/Museum and retail shop	2
Supplier Guarantee	2
IT improvements	1
Research and Development	1
Franchise Set up	1
Performance Bond	1
<b>Total</b>	<b>60</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 9 Profile of SME

	<i>Micro Enterprise</i>	<i>Small Enterprise</i>	<i>Medium Enterprise</i>
<i>From 24th October 2012 to 31st December 2012</i>	4	2	0
<i>From 1st January 2013 to 31st March 2013</i>	8	9	1
<i>From 1st April 2013 to 30th June 2013</i>	14	8	1
<i>From 1st July 2013 to 30th September 2013</i>	4	8	1
<b>Total as at 30th September 2013</b>	<b>30</b>	<b>27</b>	<b>3</b>
<b>Total Lending Sanctioned as at 30th September 2013</b>	<b>€2,312,100</b>	<b>€4,793,000</b>	<b>€1,090,000</b>
<b>Percentage of Total €8,195,100</b>	<b>28.2%</b>	<b>58.5%</b>	<b>13.3%</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 three year life of the guarantee based on the annual contracted principal balance.

Between 24<sup>th</sup> October 2012 and 30<sup>th</sup> September 2013 €52,503.67 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 10 Premium Payments Received

	Premium Payments Received
<i>From 24th October 2012 to 31st December 2012</i>	€2,410.00
<i>From 1st January 2013 to 31st March 2013</i>	€8,852.00
<i>From 1st April 2013 to 30th June 2013</i>	€14,306.67
<i>From 1st July to 30th September 2013</i>	€26,935.00
<b>Total Premium Payments Received as at 30th September 2013</b>	<b>€52,503.67</b>

As at 30<sup>th</sup> September 2013 there were no outstanding premium payments.

### 3 Summary

- As at 30<sup>th</sup> September the CGS has been operationally live for just over eleven months.
- Usage of the CGS remains disappointing and lower than anticipated.
- Since the launch of the scheme on 24<sup>th</sup> October 2012, €11,191,100 has been sanctioned by the participating lenders through eighty CGS facilities.
- The average loan amount sanctioned by the participating lenders is €139,888.75.
- Fifteen CGS facilities, with total lending value of €2,505,000 were declined by the borrower and did not proceed.
- One CGS facility with total lending value of €100,000 has been repaid in full in quarter three 2013.
- As at 30<sup>th</sup> September 2013 there were sixty-four live CGS facilities with total lending value of €8,625,100, as noted one of these facilities was fully repaid in quarter 3 2013.
- As a result of the sanctioned CGS lending to SMEs, as of 30<sup>th</sup> September 2013, it is expected that 354 new jobs will be created and 134 jobs will be maintained.
- During the quarter to 30<sup>th</sup> September 2013 a number of larger value CGS loans were sanctioned.