

**2nd Quarterly Report to the Minister for Jobs, Enterprise
and Innovation detailing the analysis and performance
of the Credit Guarantee Scheme at 31st March 2013**



Capita Asset Services (Ireland) Limited acting as Operator of the Credit Guarantee Scheme

2nd Quarterly Report Credit Guarantee Scheme

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2nd Quarterly Report Credit Guarantee Scheme

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 individual 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.

Funds provided under the Scheme are not 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. In the period ending 31st December 2012 there were six live CGS facilities sanctioned and eighteen additional CGS facilities were sanctioned in Quarter 1 2013.

While there has been an increase in usage of the CGS, the uptake remains disappointing.

A positive outcome of the sanctioned CGS lending to SMEs is that it is expected that 181 new jobs will be created and 25 jobs will be maintained.

Activity Levels

As at 31st March 2013 there were twenty- four live CGS facilities resulting in €3,131,600 being sanctioned through the scheme by the participating lenders.

Table 1 Activity Levels

	No. of Live CGS Facilities	Amount of CGS Lending Sanctioned	Average CGS Loan Amount
<i>As at 31st December 2012</i>	6	€582,000.00	€97,428.57
<i>From 1st January 2013 to 31st March 2013</i>	18	€2,549,600.00	€141,644.44
Total as at 31st March 2013	24	€3,131,600.00	€130,483.33

Analysis of Approvals

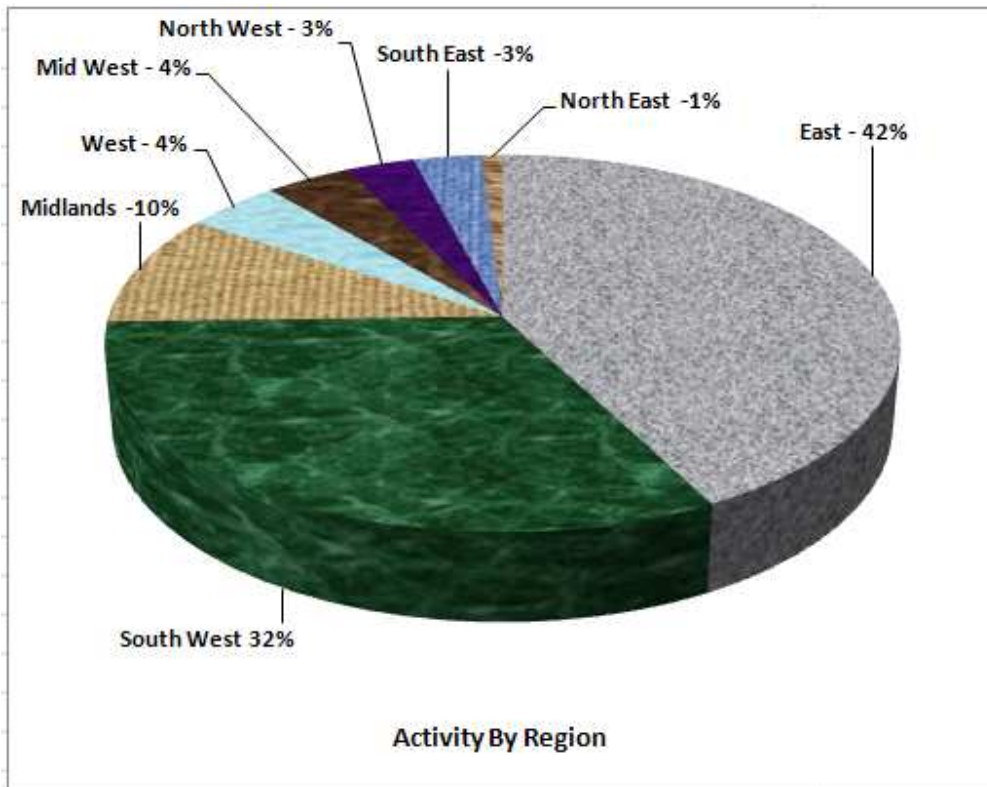
Activity by Region

CGS facilities were sanctioned to SMEs in the following regions:

Table 2 Activity by Region

Region	No. of CGS Facilities Granted	CGS Lending Sanctioned
East - (Dublin, Kildare, Meath and Wicklow)	9	€1,325,000
South West - (Cork and Kerry)	5	€1,010,000
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	2	€302,000
West - (Galway and Mayo)	3	€139,600
Mid West - (Limerick, Clare and North Tipperary)	2	€125,000
North West - (Donegal, Sligo and Leitrim)	1	€100,000
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	1	€100,000
North East - (Cavan, Louth and Monaghan)	1	€30,000
Total	24	€3,131,600

Figure 1 Percentage of CGS Lending Sanctioned by Region



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Activity by Legal Form

Twenty-one CGS facilities were provided to Private Limited Companies.

Three CGS facilities were provided to Sole Traders.

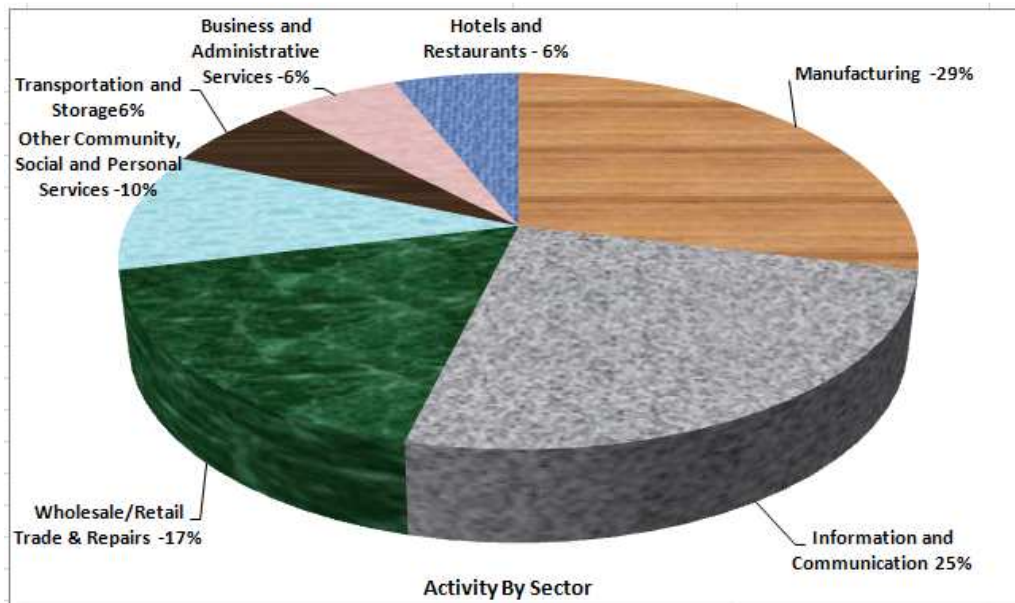
Activity by Industry Sector

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

Table 3 Activity by Industry Sector

Industry Sector	No. of CGS Loans	CGS Lending Sanctioned
Manufacturing	5	€900,000.00
Information and Communication	4	€785,000.00
Wholesale/Retail Trade & Repairs	8	€547,000.00
Other Community, Social and Personal Services	1	€320,000.00
Transportation and Storage	1	€200,000.00
Business and Administrative Services	2	€190,000.00
Hotels and Restaurants	3	€189,600.00
Total	24	€3,131,600.00

Figure 2 Percentage of CGS Lending Sanctioned by Sector



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Impact on Jobs

As a result of the sanctioned CGS lending to SMEs as of 31st March 2013 it is expected that 181 new jobs will be created and 25 jobs will be maintained.

Table 4 Impact on Jobs

	Number of Jobs Increased	Number of Jobs Maintained
<i>As at 31st December 2012</i>	33	5
<i>From 1st January 2013 to 31st March 2013</i>	148	20
Total as at 31st March 2013	181	25

Exports

Five CGS facilities were granted to SMEs who are exporters.

Four of the CGS facilities were granted to SMEs primarily exporting to the United Kingdom of Great Britain and Northern Ireland, while one CGS facility was granted to an SME primarily exporting within the European Union.

New/Green Technology Products/Services

As at 31st March 2013 one CGS facility was granted to an SME in the New/Green Technology Sector.

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 but that do not secure credit facilities due to the following two market inefficiencies; insufficient collateral for additional facilities and/or the SME is a growth/expansionary SME which due to their sectors, markets or business model are perceived as higher risk under 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>As at 31st December 2012</i>	5	0	1
<i>From 1st January 2013 to 31st March 2013</i>	13	2	3
Total as at 31st March 2013	18	2	4

Year of Establishment of Borrowing SMEs

Table 6 shows the age of businesses using the CGS.

The majority of CGS lending sanctioned is to SMEs established in the previous five years.

Table 6 Year of SMEs Establishment

Year of Establishment	Number of CGS Loans as at 31st December 2012	Number of CGS Loans as at 31st March 2013
2012	2	4
2011	0	5
2010	2	4
2009	0	1
2008	1	5
2006	1	1
2005	0	1
1999	0	1
1997	0	1
1996	0	1
Total	6	24

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Term of Facility

Scheme Facilities are sanctioned for whatever term is deemed to be commercially appropriate 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	No. of Sanctioned CGS Loans as at 31st December 2012	No. of Sanctioned CGS Loans as at 31st March 2012
< 1 Year	1	2
1 Year	1	1
2 Year	0	0
3 Year	0	5
4 Year	0	2
5 Year	4	11
> 5 Years	0	3
Total	6	24

Purpose of Credit Guarantee Scheme Facility

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

Table 8 Purpose of CGS Facility

Purpose of Credit Guarantee Scheme Facility	No. of CGS Facilities
Working Capital	11
Renovation/Maintenance of Premises	5
To Fit out Premises	2
Purchase of Equipment	2
IT improvements	1
Cost of Acquisition	1
Development of visitor centre and retail shop	1
Research and Development	1
Total	24

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Classification of SMEs

Micro, small and medium-sized enterprises are defined according to their staff headcount and turnover or annual balance-sheet total.

A medium-sized enterprise is defined as an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million.

A small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

A microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Table 9 Profile of SME

	<i>Micro Enterprise</i>	<i>Small Enterprise</i>	<i>Medium Enterprise</i>
<i>As at 31st December 2012</i>	4	2	0
<i>From 1st January 2013 to 31st March 2013</i>	8	9	1
Total as at 31st March 2013	12	11	1

Premium Collection

SMEs availing of the CGS must pay a premium of 2% per annum to the Department of Jobs, Enterprise and Innovation.

As at 31st March 2013 €11,262 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>As at 31st December 2012</i>	€2,410.00
<i>From 1st January 2013 to 31st March 2013</i>	€8,852.00
Total Premium Payments Received as at 31st March 2013	€11,262.00

As at 31st March 2013 there were no outstanding premium payments.

Conclusion

- As at 31st March 2013 the CGS has been operationally live for twenty two weeks.
- Usage of the CGS is disappointing and is lower than anticipated.
- Between 1st January 2013 and 31st March 2013 €2,549,600 of CGS facilities were sanctioned by the participating lenders through eighteen facilities.
- As at 31st March 2013 €3,131,600 had been sanctioned through twenty four CGS facilities, the average loan amount sanctioned under the CGS was €130,483.33.
- It is expected that 181 new jobs will be created and 25 jobs maintained by SMEs sanctioned under the CGS as at 31st March 2013.