

**3rd Quarterly Report to the Minister for Jobs, Enterprise
and Innovation detailing the analysis and performance
of the Credit Guarantee Scheme at 30th June 2013**



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

3rd Quarterly Report Credit Guarantee Scheme

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3rd 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, eighteen additional CGS facilities were sanctioned in Quarter 1 2013 and twenty-three additional CGS facilities were sanctioned in Quarter 2 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 273 new jobs will be created and 115 jobs will be maintained.

Activity Levels

As at 30th June 2013 there were forty-seven live CGS facilities resulting in €5,906,100.00 being sanctioned through the scheme by the participating lenders.

Table 1 Activity Levels

	No. of Live CGS Facilities	Amount of CGS Lending	Average CGS Loan Amount
<i>From 24th October 2012 to 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
<i>From 1st April 2013 to 30th June 2013</i>	23	€2,774,500.00	€120,630.43
Total as at 30th June 2013	47	€5,906,100.00	€130,483.33

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Analysis of Approvals

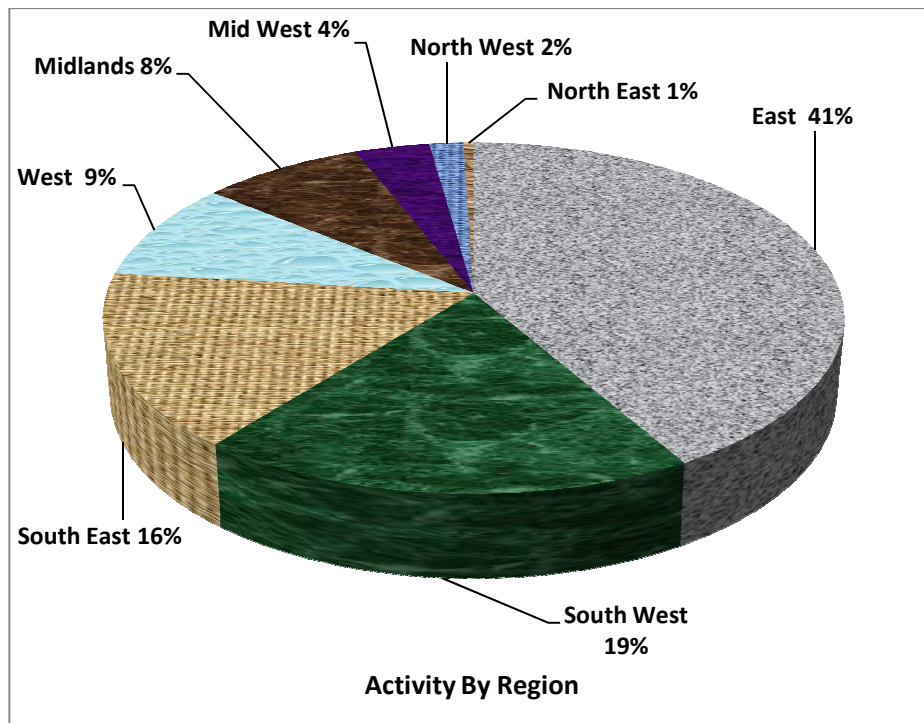
Activity by Region

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)	18	€2,458,000.00
South West - (Cork and Kerry)	9	€1,130,000.00
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	4	€950,000.00
West - (Galway and Mayo)	6	€536,100.00
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	4	€482,000.00
Mid West - (Limerick, Clare and North Tipperary)	4	€220,000.00
North West - (Donegal, Sligo and Leitrim)	1	€100,000.00
North East - (Cavan, Louth and Monaghan)	1	€30,000.00
Total	47	€5,906,100.00

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



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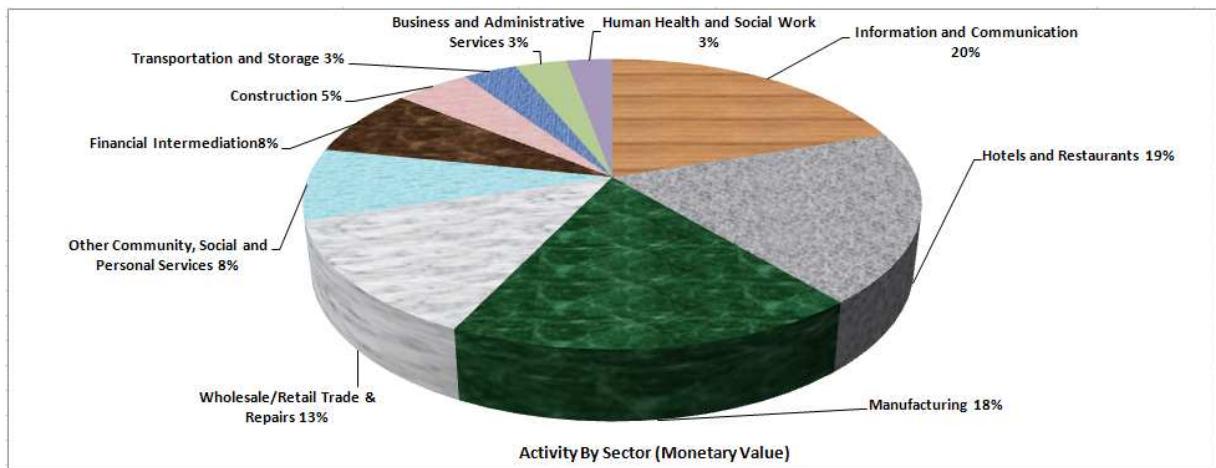
Activity by Industry Sector

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

Table 3 Activity by Industry Sector

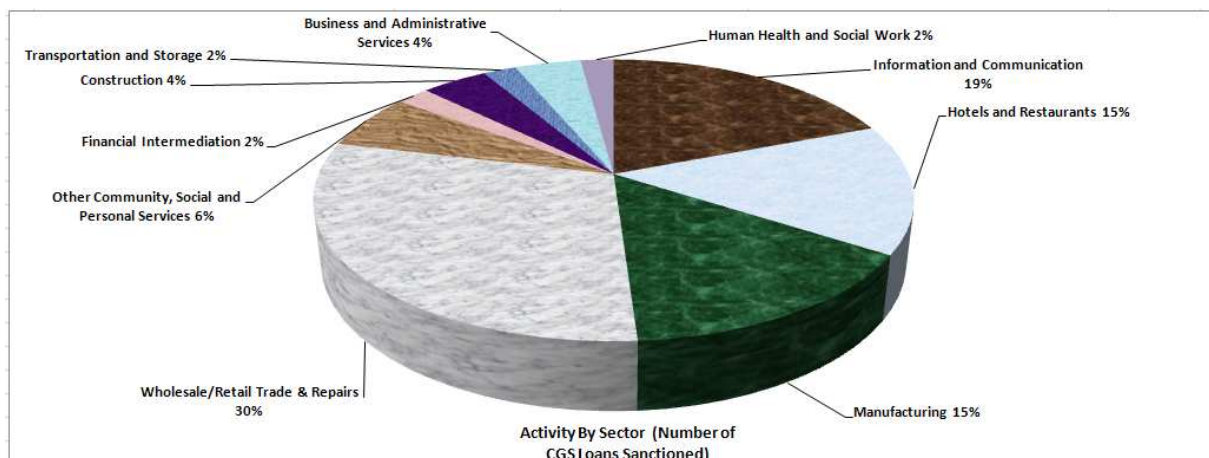
Industry Sector	No. of CGS Loans	CGS Lending Sanctioned
Information and Communication	9	€1,173,000.00
Hotels and Restaurants	7	€1,124,600.00
Manufacturing	7	€1,075,000.00
Wholesale/Retail Trade & Repairs	14	€777,000.00
Other Community, Social and Personal Services	3	€471,500.00
Financial Intermediation (Excl. Monetary Financial Institutions)	1	€450,000.00
Construction	2	€275,000.00
Transportation and Storage	1	€200,000.00
Business and Administrative Services	2	€190,000.00
Human Health and Social Work	1	€170,000.00
Total	47	€5,906,100.00

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



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Figure 3 Percentage of CGS Lending Sanctioned by Sector (Number of CGS Loans Sanctioned)



Activity by Legal Form

Thirty-nine CGS facilities were provided to Private Limited Companies.

Seven CGS facilities were provided to Sole Traders.

One CGS facility was provided to a Limited Liability Partnership.

Impact on Jobs

As a result of the sanctioned CGS lending to SMEs as of 30th June 2013 it is expected that 273 new jobs will be created and 115 jobs will be maintained.

Table 4 Impact on Jobs

	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
Total as at 30th June 2013	273	115

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Exports

Eleven CGS facilities were granted to SMEs who are exporters.

Ten 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 30th June 2013 three CGS facilities were granted to SMEs 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 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
Total as at 30th June 2013	34	6	7

Year of Establishment of Borrowing SMEs

Table 6 shows the age of businesses using the CGS.

Table 6 Year of SMEs Establishment

Year of Establishment	Number of CGS Loans as at 30th June 2013
2013	2
2012	8
2011	4
2010	5
2000-2009	22
1987-1999	6
Total	47

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 June 2013
<i>< 1 Year</i>	6
<i>1 Year</i>	3
<i>2 Year</i>	0
<i>3 Year</i>	13
<i>4 Year</i>	3
<i>5 Year</i>	18
<i>> 5 Years</i>	4
Total	47

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	Number of CGS Facilities
Working Capital	21
Product or Service Development	2
Renovation/Maintenance of Premises	8
To Fit out Premises	2
Purchase of Equipment	6
IT improvements	1
Cost of Acquisition	2
Develop of visitor centre and retail shop	1
Research and Development	1
Franchise Set up	1
Supplier Guarantee	2
Total	47

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>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
Total as at 30th June 2013	26	19	2
Total Lending Sanctioned as at 30th June 2013	€2,339,100	€3,347,000	€220,000

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Premium Collection

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

Between 24th October 2012 and 30th June 2013 €25,568.67 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
Total Premium Payments Received as at 30th June 2013	€25,568.67

As at 30th June 2013 there were no outstanding premium payments.

Conclusion

- As at 30th June the CGS has been operationally live for just over eight months
- Usage of the CGS is disappointing and is lower than anticipated.
- Between 24th October 2012 and 30th June 2013 €5,906,100.00 had been sanctioned through forty-seven CGS facilities, the average loan amount sanctioned under the CGS was €130,483.33.
- Between 1st April 2013 and 30th June 2013 €2,774,500.00 of CGS facilities were sanctioned by the participating lenders .
- It is expected that 273 new jobs will be created and 115 jobs maintained by SMEs which have been sanctioned for the CGS as at 30th June 2013.