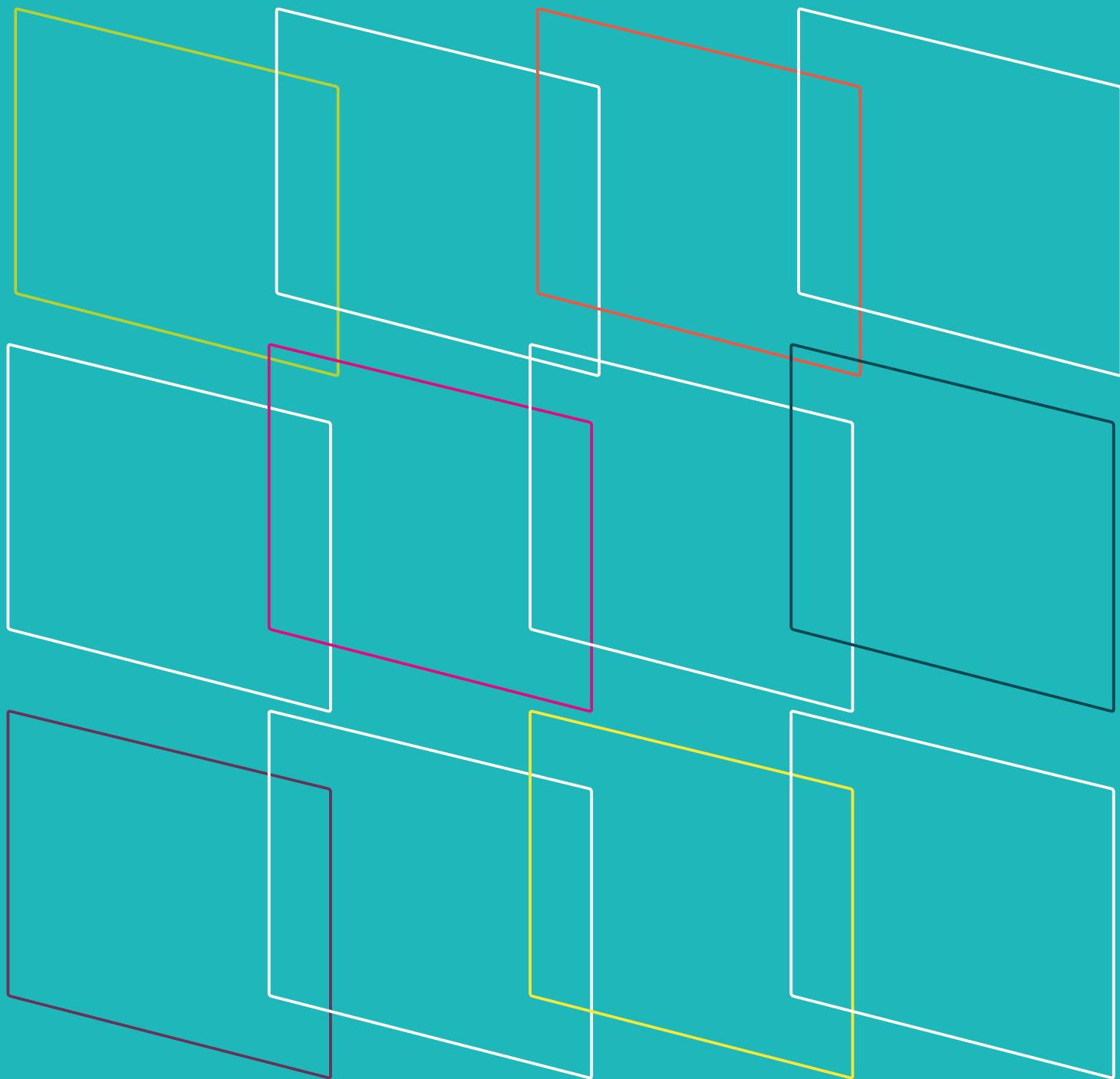




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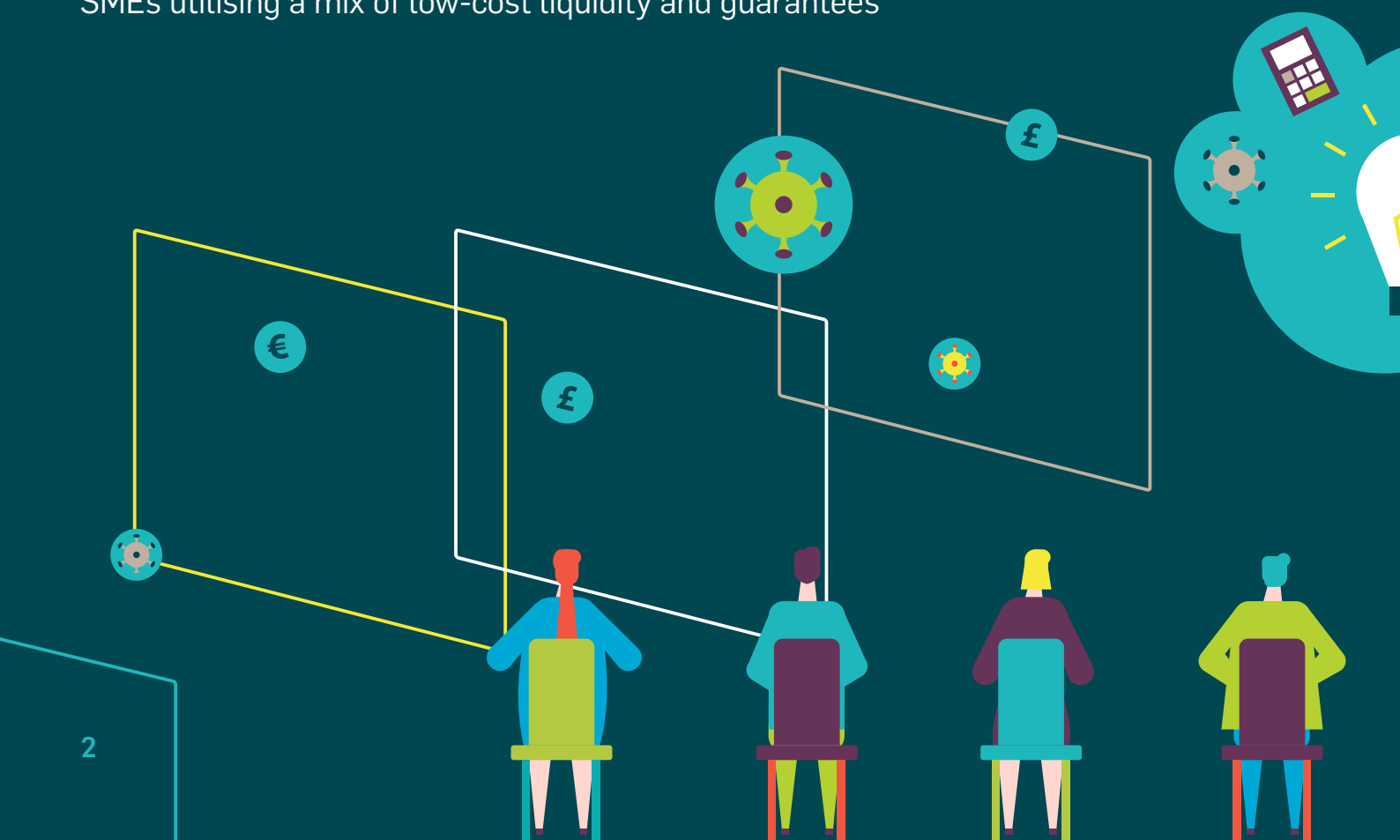
# A POSITIVE IMPACT ON SME FINANCING



September 2021

# STRATEGIC SUPPORTS FOR SMEs

The Strategic Banking Corporation of Ireland (SBCI) was set up in September 2014 to ensure that Irish SMEs have access to stable, lower cost, long-term funding options. Since its incorporation, the SBCI strategy and business model have adapted to reflect changing market conditions and the financing needs of SMEs. This has been particularly evident during 2020 and 2021 as SMEs have had to deal with the challenges posed by the Covid-19 pandemic and the emerging impact of Brexit. The SBCI has built out and further expanded its range of supports providing liquidity and/or risk-sharing guarantee schemes to banks, non-bank finance providers and credit unions. This expansion of partners has delivered more choice for SMEs in accessing lower cost finance for their business. To date, the SBCI has provided over €2.6 billion in funding support to more than 42,600 SMEs utilising a mix of low-cost liquidity and guarantees



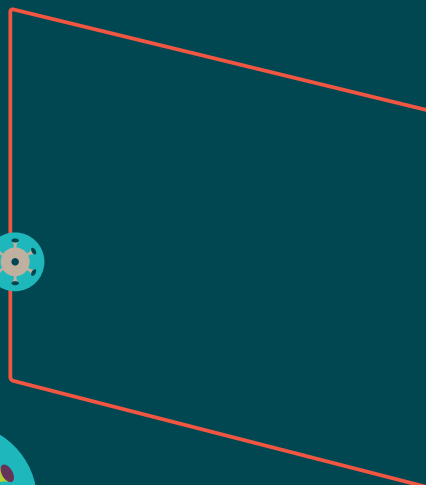
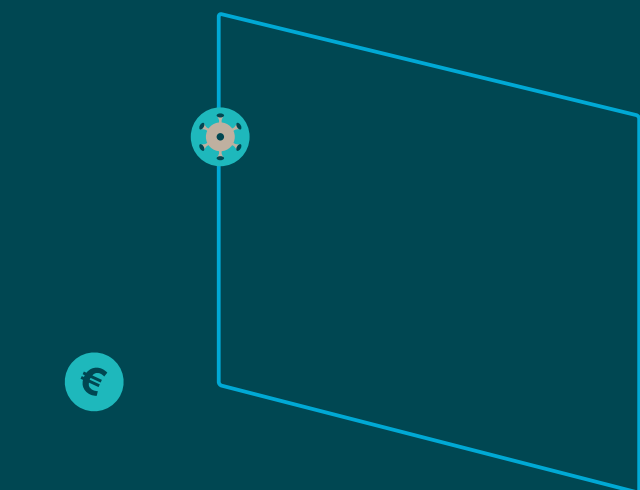
“

March 2020 to June 2021 has been a period of challenge for SMEs as they dealt with the twin impacts of the Covid-19 pandemic and Brexit. The SBCI's counter-cyclical model has allowed it to respond quickly to these ongoing challenges through the rapid delivery of risk-sharing schemes that helped SMEs access lower cost finance throughout this period. The value of the SBCI as a ready-made conduit for State support was clearly evidenced by the delivery of the Covid-19 Working Capital Scheme and the Covid-19 Credit Guarantee Scheme as timely responses to the crisis. Our provision of risk-sharing schemes was made possible by the SBCI acting as Ireland's conduit for Government funding and European SME support schemes, initiated by institutions including the European Investment Bank and European Investment Fund. The SBCI continues to deliver its supports through its bank and non-bank partners, which continue to expand with the addition of new partner banks, non-banks and Credit Unions in the last 12 months.

”

**June Butler,**

SBCI Chief Executive



### COVID-19 FUNDING SUPPORT

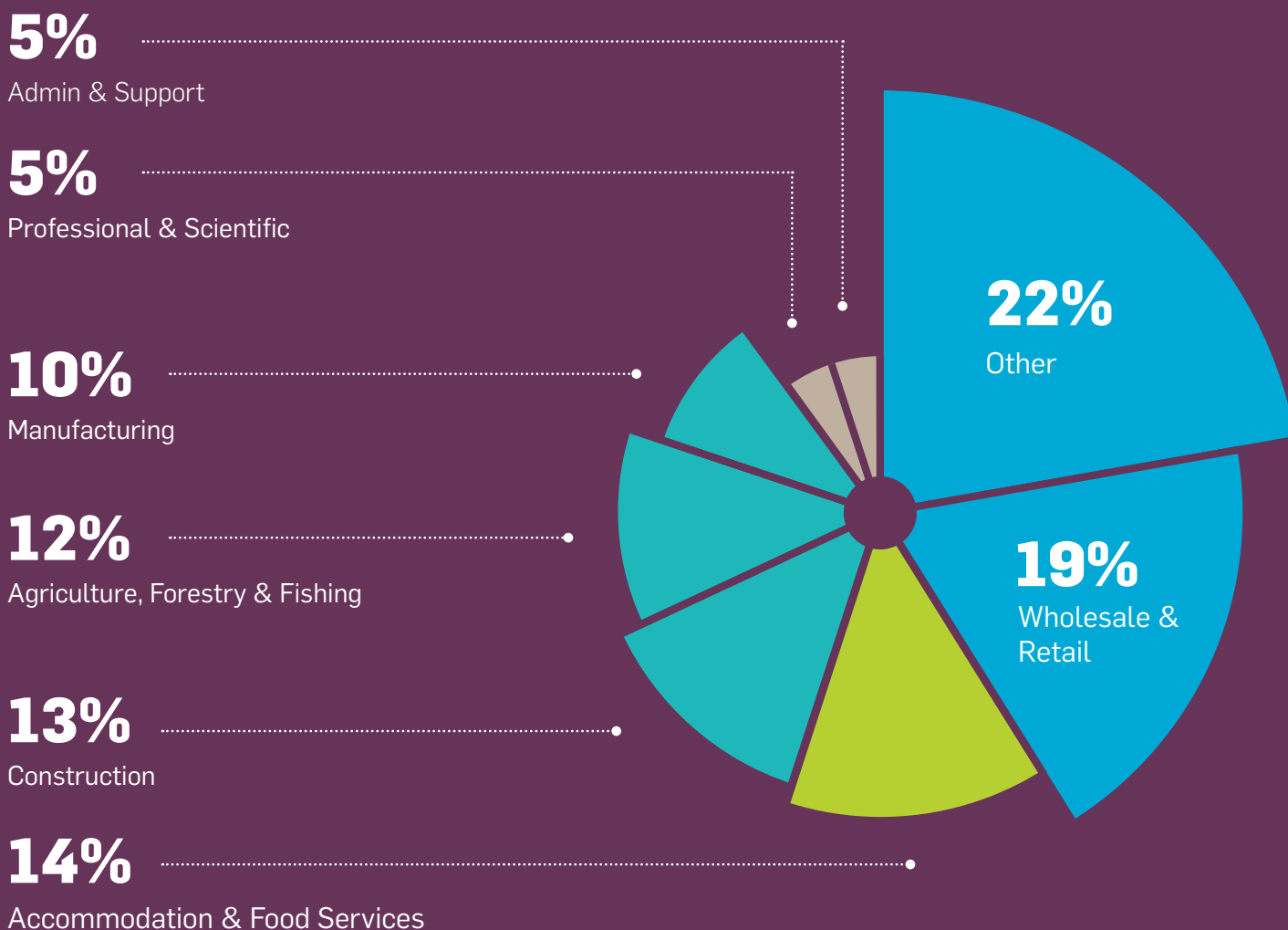
Since the outbreak of Covid-19, the SBCI has continued to deliver low-cost liquidity into the SME finance market, supporting businesses at a time when they need it the most.

In the immediate aftermath of the first lockdown, the SBCI brought the Covid-19 Working Capital Loan Scheme to the market, followed by a €500 million expansion of the long-term Future Growth Loan Scheme and the launch in September 2020 of the €2 billion Government Covid-19 Credit Guarantee Scheme.

In a time of lockdowns and reopenings, €2.625 billion in additional lower cost funding has being made available to SMEs and Primary producers through these funding supports.

Referring in particular to the Covid-19 Credit Guarantee Scheme, from September 2020 to the end of June 2021, more than 5,600 loans have been sanctioned with a value of over €361 million. The strong take-up of the Scheme evidences the usefulness of an effective working capital support in allowing businesses to face the unique challenges brought about by the Covid-19 pandemic and in planning for reopening as restrictions are eased.

### COVID-19 CREDIT GUARANTEE SCHEME BREAKDOWN BY SECTOR



Figures from September 2020 to end of June 2021

# THE SBCI OPERATES THREE LINES OF BUSINESS

## Lending



The lending business model of the SBCI is to serve as a wholesale on-lending financial institution. It provides lower cost, long-term wholesale finance to suitable on-lenders with the benefit of the lower interest cost being passed to SME borrowers. The SBCI's strategy is based on developing a strong pipeline of potential on-lenders to achieve diversity in the market and drive competition while being cognisant of not distorting the market in any lending sector.

## Risk-Sharing



The risk sharing business model is to provide partial credit guarantees to finance providers to facilitate the advancement of credit to SMEs, including where access to credit is constrained by specific sectoral or economic cycle market failures. The SBCI avails of and leverages risk capacity from State and European supports to design financial instruments which make efficient use of capital and enhance SME access to finance. Risk sharing products to date include the SBCI Agriculture Cashflow Loan Scheme, the Brexit Loan Scheme, the Future Growth Loan Scheme, the Covid-19 Working Capital Loan Scheme and the Covid-19 Credit Guarantee Scheme. September 2021 has seen the introduction of the Brexit Impact Loan Scheme.

## Service Provision



In October 2016, the SBCI was appointed as operator and manager of the Credit Guarantee Scheme (CGS) by the Minister for Jobs, Enterprise and Innovation (now Enterprise, Trade and Employment). This established the SBCI as the primary conduit for risk sharing products (credit guarantees) in Ireland. A revised Credit Guarantee Scheme with enhanced features was launched in July 2018. The launch of the Covid-19 Credit Guarantee Scheme in July 2020 as part of the Government's stimulus package has seen the Scheme capacity expanded by €2 billion.

# KEY BUSINESS HIGHLIGHTS

Progress to Mid-year 2021

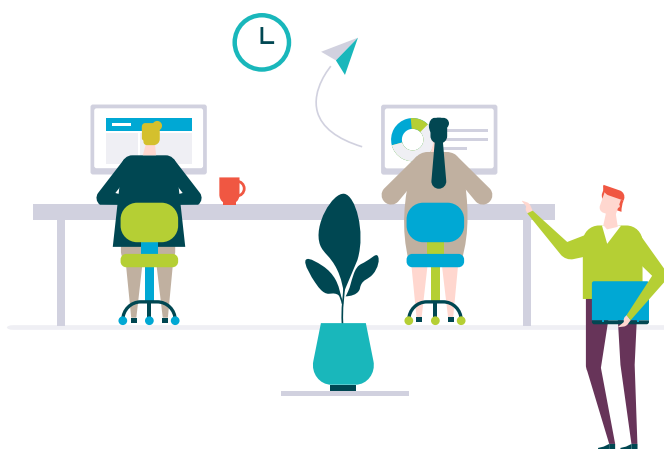
## €2,626m

Total SBCI funding



## 42,621

Total SMEs supported



## SBCI FUNDED LOANS Progress to Mid-year 2021



## €1,178m

Loans committed to Irish SMEs



## 27,781

SMEs have secured SBCI loans



## €42,375

Average Loan size

## SBCI RISK SHARING Progress to Mid-year 2021

(Agri Cashflow Support Loan Scheme, Brexit Loan Scheme, Future Growth Loan Scheme, Credit Guarantee Scheme, Covid-19 Working Capital Loan Scheme and the Covid-19 Credit Guarantee Scheme).

# 14,840

SMEs have  
been sanctioned  
SBCI loans



# €1,448m

Loans  
committed  
to Irish  
SMEs



### Loan Sizes

## €34,132

Agri Cashflow Loan  
Scheme average loan size



## €208,950

Credit Guarantee Scheme  
average loan size



## €199,614

Brexit Loan Scheme  
average loan size



## €137,956

Covid-19 Working  
Capital Loan Scheme  
average loan size



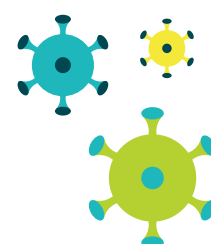
## €208,511

Future Growth  
Loan Scheme  
average loan size



## €64,609

Covid-19 Credit  
Guarantee Scheme  
average loan size



# WHAT SMEs USE SBCI LOANS FOR

(excluding the Agriculture Cashflow Support Loan Scheme)

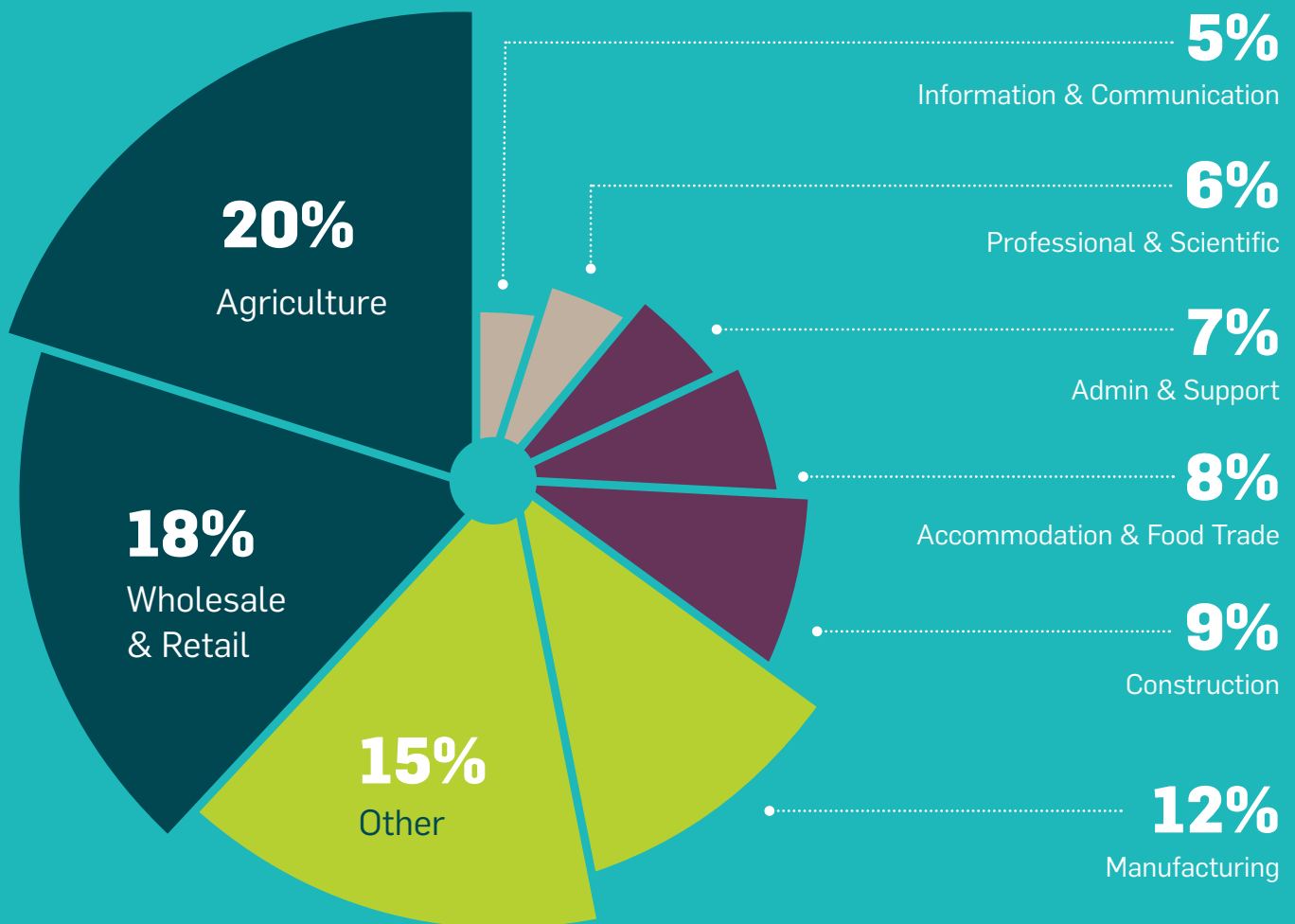
**66%**

used for investment in growing the business



**34%**

used for working capital



Figures updated up to Mid-year 2021



# MARKET OVERVIEW

The Government recorded a **deficit of €6.8bn** (6.7% of quarterly GDP) in the first quarter of 2021 and this is the fifth consecutive quarterly deficit, with a **Government deficit of 5.0% of GDP in 2020** (CSO, 2021)<sup>1</sup> (CSO, 2021)<sup>2</sup>.

**€6.8BN**  
GOVERNMENT DEFICIT  
BY 1ST QUARTER 2021

Difficulties in recruiting skilled labour (21%) and finding customers (20%) were the **main concerns for euro area SMEs** (ECB, 2021)<sup>3</sup>.



A net **4% of Irish SMEs reported higher demand for bank loans** (down from 9%), and a net **6% reported increased demand for credit lines** (down from 13%) (ECB, 2021)<sup>4</sup>.



The external **financing gap for Irish SMEs** (the difference between the change in demand for and the change in the availability of external financing) **remained positive**, with the same values as the euro area (4%, down from 5%) (ECB, 2021)<sup>5</sup>.

**+** **4%**  
FINANCING GAP  
FOR IRISH SMEs

Gross new lending advanced to core SMEs was €740m during Q1 2021. Annually, **new lending to core SMEs totalled €2.9bn**, which represents the lowest amount of loans sanctioned over a four-quarter period since early 2016 (Central Bank of Ireland, 2021)<sup>6</sup>.



The **interest rate on new SME loan drawdowns decreased by 7 basis points** over Q1 2021, and now stands at 3.71 per cent. SME interest rates varied between sectors (Central Bank of Ireland, 2021)<sup>7</sup>.

**↓** **INTEREST RATES**  
**3.71%**

The **outstanding stock of SME credit** on the balance sheets of Irish banks **increased by 1%** over Q1 2021 to stand at €19.9bn. (€7bn property and €12.8bn of core SME credit) (Central Bank of Ireland, 2021)<sup>8</sup>.



- 1 CSO (2021) Government Income and Expenditure 2015 to 2020 (July 2021 Results).
- 2 CSO (2021) Government Finance Statistics Quarterly Results Quarter 1 2021.
- 3 ECB (2021) Survey on the Access to Finance of Enterprises- October 2020 to March 2021.
- 4 ECB (2021) Survey on the Access to Finance of Enterprises- October 2020 to March 2021.
- 5 ECB (2021) Survey on the Access to Finance of Enterprises- October 2020 to March 2021.
- 6 Central Bank of Ireland (2021), Trends in SME and Large Enterprise Credit and Deposits: Q1 2021.
- 7 Central Bank of Ireland (2021), Trends in SME and Large Enterprise Credit and Deposits: Q1 2021.
- 8 Central Bank of Ireland (2021), Trends in SME and Large Enterprise Credit and Deposits: Q1 2021.

## A POSITIVE IMPACT ON SME FINANCING

**Ireland's economy** as measured by "Modified Domestic Demand" (MDD) **decreased by 4.9%** in 2020 (CSO, 2021)<sup>9</sup>.



**Ireland's MDD is forecast to grow by 3.4% in 2021**, 5.6% in 2022 and 4.8% in 2023, restoring domestic activity to above pre-pandemic levels in 2022 (Central Bank of Ireland)<sup>10</sup>.



According to the European Commission, **Real GDP in Ireland grew by 7.8%** (q-o-q) in the first quarter of 2021, driven by strong export volumes from multinational companies (European Commission, 2021)<sup>11</sup>.



The Summer Economic Statement outlines a core budget package for **Budget 2022 of €4.7bn**, of which €1½ bn will be available for new measures (Department of Finance, 2021)<sup>12</sup>.



The European Commission adopted a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for purpose in **reducing net greenhouse gas emissions by at least 55%** by 2030, compared to 1990 levels (European Commission, 2021)<sup>13</sup>.



The domestic sector of the Irish economy, which is more labour intensive, contracted by about 10% in 2020, **unemployment reached 30% at the peak** of the first wave (IMF, 2021)<sup>14</sup>.



The **Irish labour market is not expected to recover from the pandemic until 2024** at the earliest, one of the slowest rebounds of any country (OECD, 2021)<sup>15</sup>.



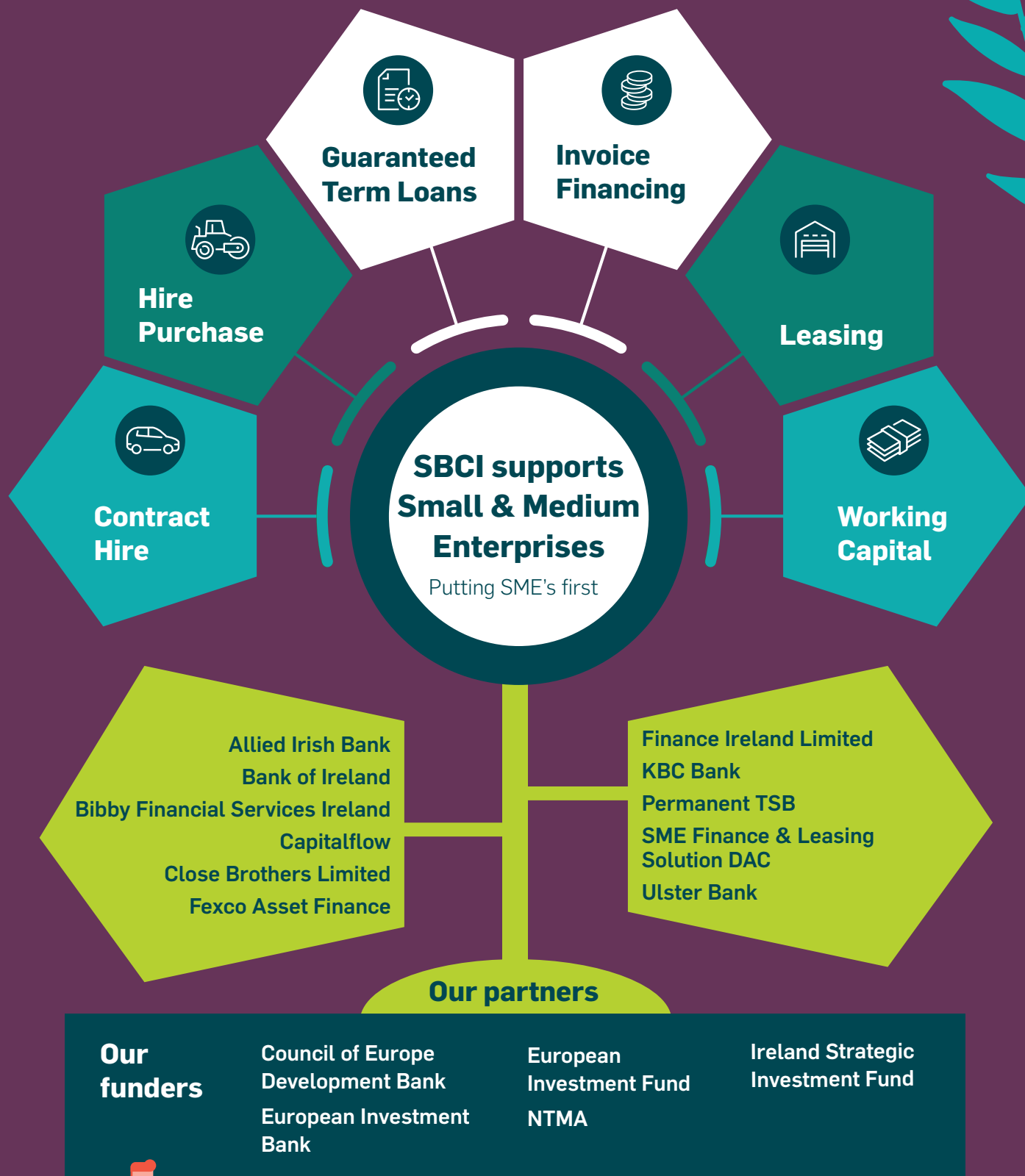
**Increasing deposits and housing assets has led to household net worth reaching a high of €855bn** in Q4 2020, an increase of €49bn in 2020. Q4 2020 saw household net worth rise by 2.9 per cent, reaching this high of €855bn, or an average of €171,769 per capita (Central Bank of Ireland, 2021)<sup>16</sup>.

**HOUSEHOLDS NET  
WORTH REACHING  
A NEW HIGH**



- 9 CSO (2021) National Income and Expenditure Results for Year 2020.
- 10 Central Bank of Ireland (2021) Quarterly Bulletin Q3 2021.
- 11 European Commission (2021) European Commission's Summer Forecast 2021- Ireland.
- 12 Department of Finance (2021) Summer Economic Statement 2021.
- 13 European Commission (2021) European Green Deal Proposals.
- 14 IMF (2021) Ireland: Staff Concluding Statement of the 2021 Article IV Mission.
- 15 OECD (2021) Economic Outlook, May 2021 No Ordinary Recovery.
- 16 Central Bank (2021) Quarterly Financial Accounts: Q4 2020.

# HOW SBCI WORKS



# SBCI PROGRESS TO MID-YEAR 2021

## 12,593

Total Irish SMEs Supported

**December 2014** €200m  
to Bank of Ireland

**February 2015** €200m to  
Allied Irish Banks

**October 2015** €51m to  
Finance Ireland

**November 2015** €25m to  
Merrion Fleet  
(closed July 2017)

**November 2015**  
Additional €200m of funds  
to Allied Irish Banks

**December 2015** €75m to  
Ulster Bank

## 2016

### €544m

Total SBCI Supported  
Lending



**May 2016** €40m to  
First Citizen Agri Finance

**June 2016** €45m to  
Bibby Financial Services Ireland

**November 2016** €70m to  
Fexco Asset Finance

**January 2017** €150m  
Launch of ACLS Scheme

**March 2017** ACLS  
Scheme fully allocated

**June 2017** Completion of  
bank on-lending

**October 2017** BLS announced  
in budget speech



## 2017

### €920m

Total SBCI Supported  
Lending

## 22,965

Total Irish SMEs Supported

### SBCI cumulative finance committed to date

2014 €200m ...▶ 2015 €751m ...▶ 2016 €906m ...▶ 2017 €1,056m ...▶  
2018 €1,456m ...▶ 2019 €1,786m ...▶ 2020 2,271m ...▶ Mid-year 2021 €2,626m

2021

**February 2021** €30m to Close Brothers Limited

**May 2021** BILS announced by the Government

**January 2020** €50m to Capitalflow

**March 2020** €200m Launch of Covid-19 WCLS\*

**April 2020** €17.5m to SME Finance & Leasing

**July 2020** Additional €500m to FGLS

**September 2020** €2bn Launch of Covid-19 CGS

**November 2020** €50m to Permanent TSB

2020

€2,271m

Total SBCI Supported Lending

37,355

Total Irish SMEs Supported

**March 2019** €300m Launch of FGLS

**June 2019** Bibby Financial Services Ireland launch of "Trade Finance Product" as part of SBCI €70m funding facilities

**August 2019** Moody's assigned first-time A2 issuer rating to the SBCI

**September 2019** €50m facility to KBC Bank

2019

€1,435m

Total SBCI Supported Lending

29,716

Total Irish SMEs Supported

**March 2018** €300m Launch of BLS

**May 2018** Additional €25m to Bibby Financial Services Ireland

**July 2018** Launch of 2017 CGS

**October 2018** FGLS announced in budget speech

**December 2018** Additional €75m to Finance Ireland

2018

€1,052m

Total SBCI Supported Lending

26,061

Total Irish SMEs Supported

#### KEY

**ACSL** - Agri Cashflow Support Loan Scheme

**BLS** - Brexit Loan Scheme

**BILS** - Brexit Impact Loan Scheme

**CGS** - Credit Guarantee Scheme 2017

**Covid-19 CGS** - Covid-19 Credit Guarantee Scheme

**Covid-19 WCLS** - Covid-19 Working Capital Loan Scheme

**FGLS** - Future Growth Loan Scheme

\*NOTE: Due to the Covid-19 emergency, €200m was diverted from the BLS to the new Covid-19 WCLS.

# SBCI LOAN SCHEMES



## COVID-19 WORKING CAPITAL LOAN SCHEME\*

### Who can apply?

To be eligible, a business must meet the following criteria:

1. Be a viable business with up to 499 employees (SMEs and Small Mid-caps);
2. Be Covid-19 impacted;
3. Meet the scheme criteria (Covid-19 criterion and Innovation criterion).

### Key features of the Scheme

- Loans from €25,000 up to €1,500,000 per eligible enterprise;
- Maximum interest rate of 4%;

- Terms ranging from 1 year to 3 years;
- Loans unsecured up to €500,000;
- Optional interest-only repayments provided at the start of the loans.

### Loans can be used for

Future working capital requirements to fund innovation, change or adaptation of the business to mitigate the impact of Covid-19. Increase the economic resilience of the business and reduce the risk of failure through investment in the production, development or new process.

\*The SBCI stopped accepting applications under the Covid-19 Working Capital Loan Scheme on July 16<sup>th</sup>.

## BREXIT LOAN SCHEME\*

### Who can apply?

To be eligible, a business must meet the following criteria:

1. Be a viable business with up to 499 employees (SMEs and Small Mid-caps);
2. Be Brexit impacted;
3. Meet the scheme criteria (Brexit related criteria and InnovFin criteria).

### Key features of the Scheme

- Loans from €25,000 up to €1,500,000 per eligible enterprise;

- Maximum interest rate of 4%;
- Terms ranging from 1 year to 3 years;
- Loans unsecured up to €500,000;
- Optional interest-only repayments provided at the start of the loans.

### Loans can be used for

Future working capital requirements to fund innovation, change or adaptation of the business to mitigate the impact of Brexit.

\*The Brexit Loan Scheme has been replaced by the new Brexit Impact Loan Scheme.



## FUTURE GROWTH LOAN SCHEME\*



The scheme is available to eligible Irish businesses, including the primary agriculture and seafood sectors, to support long-term investments at a rate of 4.5% or less.

### Key features of the Scheme

- Loans from €25,000 up to €3,000,000 for eligible applicants;
- Terms ranging from 7 years to 10 years;
- Loans unsecured up to €500,000.

\*The Future Growth Loan Scheme is down to one provider only and has almost been fully subscribed.

## COVID-19 CREDIT GUARANTEE SCHEME



### Who can apply?

To be eligible, a SME must meet the following criteria:

1. Be Covid-19 impacted;
2. Be involved in a commercial activity;
3. Be a sole trader, partnership, franchise, co-operative or limited company;
4. In the lender's opinion have a viable business proposal;
5. Able to repay the facility.

### Key features of the Scheme

- Facilities from €10,000 up to €1,000,000;
- Terms ranging from 3 months to 5.5 years;
- Facilities unsecured up to €250,000;
- Working capital and Term loans;
- Up to 12 months interest and/or capital moratoria are possible at the sole discretion of the finance provider;
- Ability to refinance and rollover finance agreements (e.g. Covid-19 related expenses that were initially funded through short-term/temporary facilities, such as overdrafts).
- Available up to the end of December 2021.

## NEW TO MARKET

## BREXIT IMPACT LOAN SCHEME



Medium-term, lower cost loan scheme to fund working capital and investments for eligible SMEs and Small Mid-Caps, including farmers, fishers and sole traders, who have been impacted by Brexit.

### Key features of the Scheme

- Loans from €25,000 to €1,500,000 for eligible applicants
- Loans term from 1 to 6 years;
- Reduced interest rates;
- Loans unsecured up to €500,000.



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