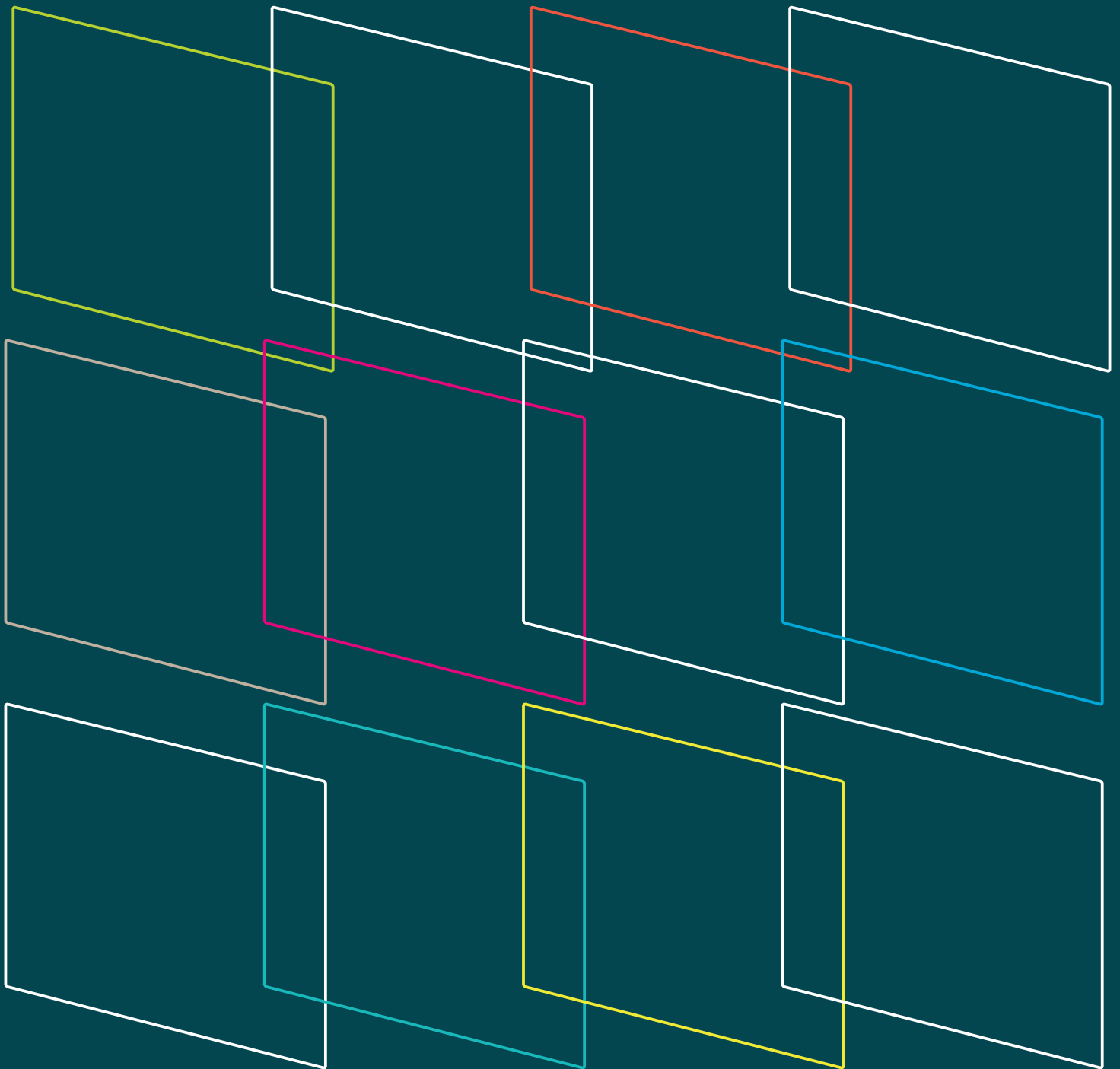




Here to build business.
Strategic Banking
Corporation of Ireland

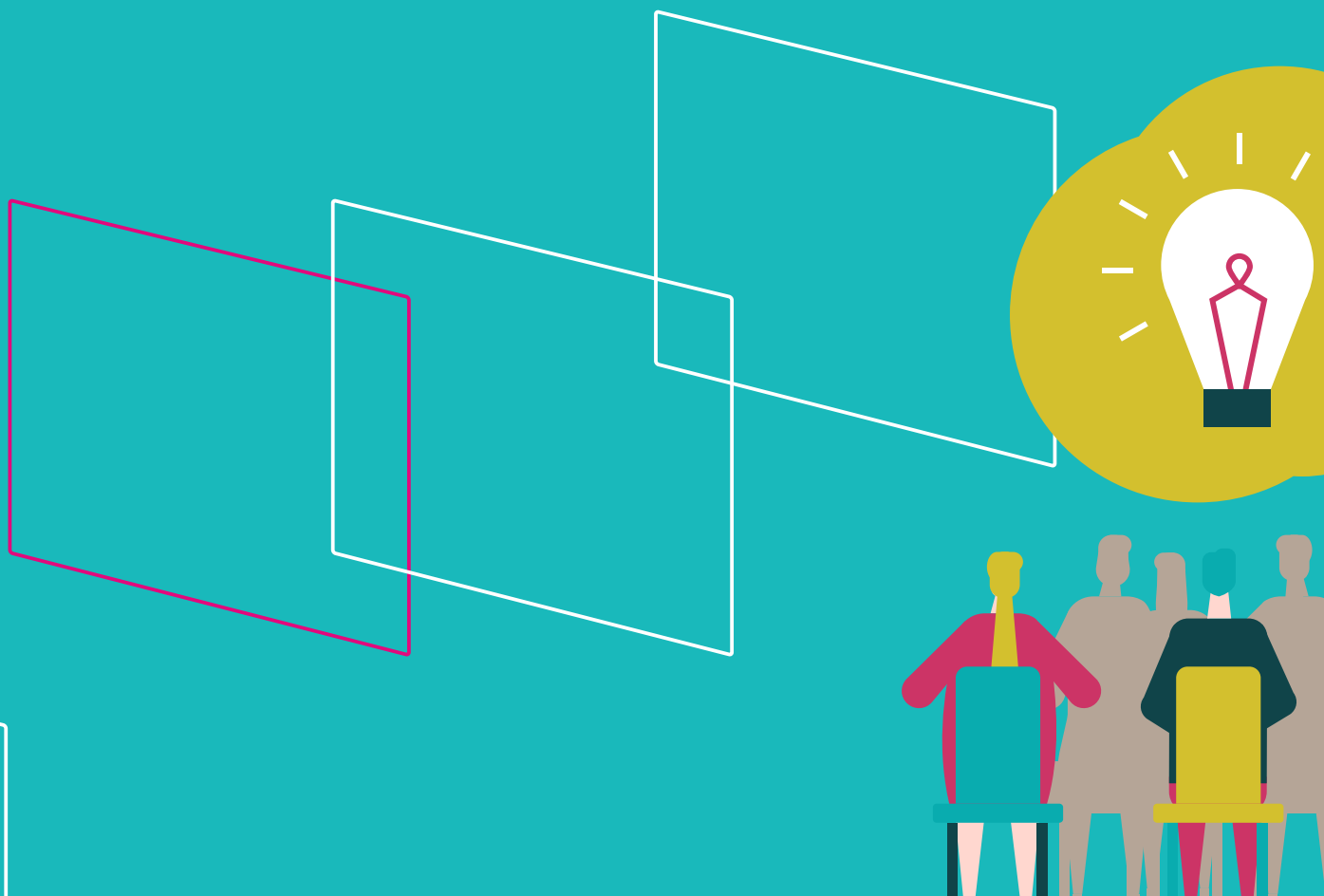
A POSITIVE IMPACT ON SME FINANCING



September 2020

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 evolved to reflect changing market conditions – like the Covid-19 pandemic – and the financing needs of SMEs. The SBCI has built out and further expanded its range of supports from providing liquidity to banks to encompass non-bank finance providers and several risk-sharing guarantee schemes, driving the competition in the market for SME lending. To date, the SBCI has provided €1.7 billion in funding support to 32,000 SMEs utilising a mix of low-cost liquidity and guarantees.



“

2020 has seen the SBCI react quickly to the Covid-19 pandemic, initially through the provision of an emergency €250 million working capital support for Irish businesses facing the challenges posed by Covid-19. This was achieved through collaboration with Government Departments, the European Investment Bank and the European Investment Fund. The expansion of the Future Growth Loan Scheme by an additional €500 million and the Credit Guarantee Scheme by a further €2 billion will provide new long-term funding supports to better meet SMEs' needs as they deal with the long-term effects of the Covid-19 pandemic and the emerging need for many SMEs to innovate their business models to address other important challenges, such as climate change. The SBCI continues to deliver its supports through its bank and non-bank partners, which continue to expand with the addition of five new partners in the last 12 months.

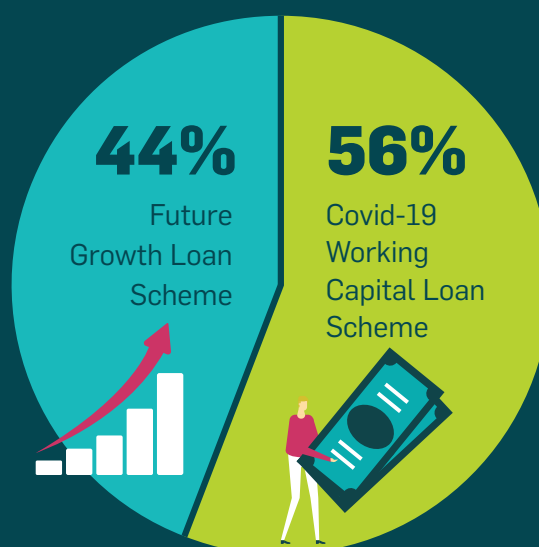
”

Nick Ashmore,
SBCI Chief Executive

SBCI SCHEMES' UPDATE

In the 5 months since the launch of the Covid-19 Working Capital Loan Scheme in excess of €178 million has been provided to more than 1,000 SMEs through both this scheme and the Future Growth Loan Scheme.

TOTAL RISK-SHARING LOANS SANCTIONED €178M

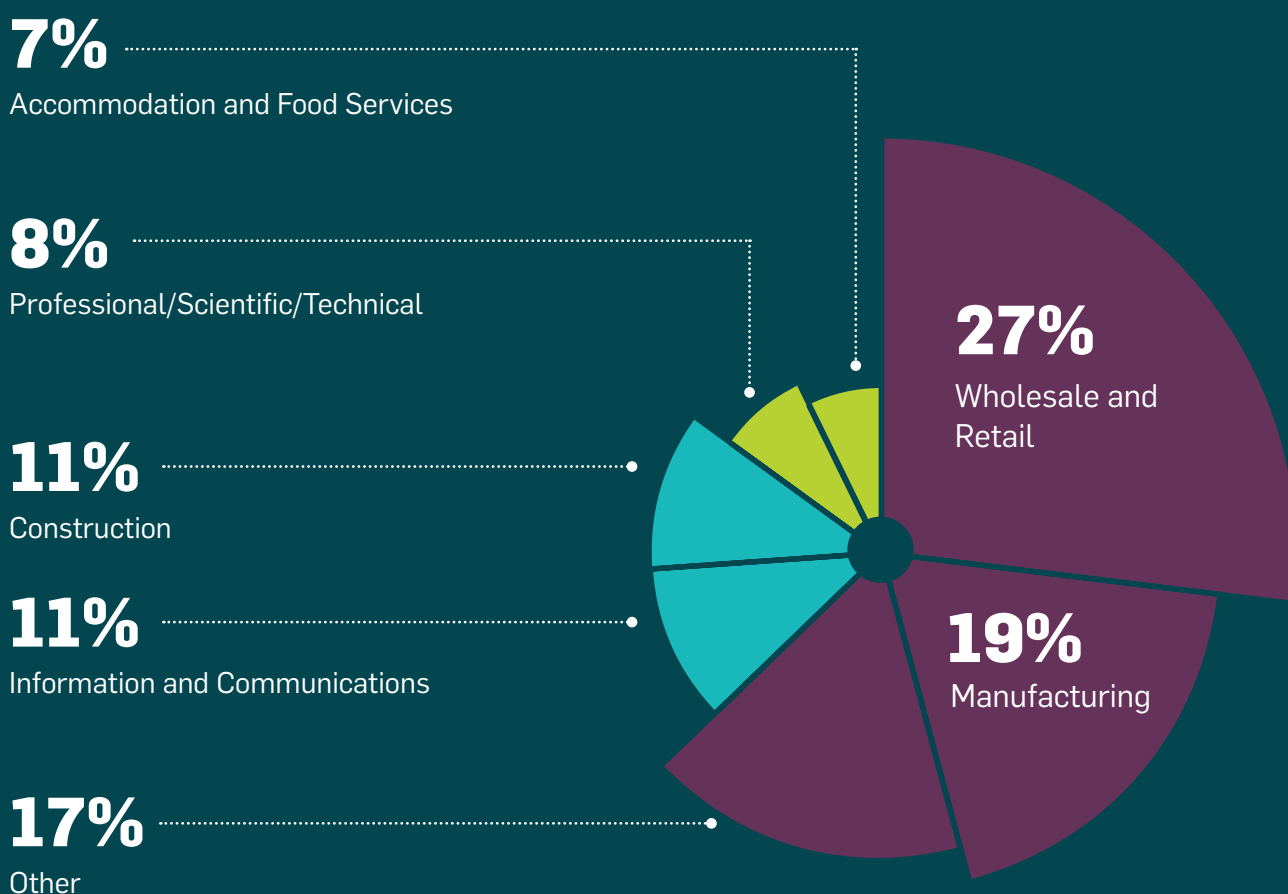


Figures updated up to 7th August 2020

COVID-19 WORKING CAPITAL LOAN SCHEME

The recent expansion of the Covid-19 Working Capital Loan Scheme by €125 million, the Future Growth Loan Scheme by €500 million and the Covid-19 Credit Guarantee Scheme by €2 billion will see €2.625 billion in additional lower cost funding being made available to SMEs and Primary producers in the coming months.

COVID-19 SCHEME BREAKDOWN BY SECTOR



Figures from 23th March to 7th August 2020

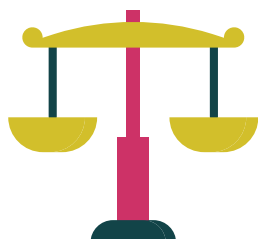
THE SBCI OPERATES THREE LINES OF BUSINESS

Lending



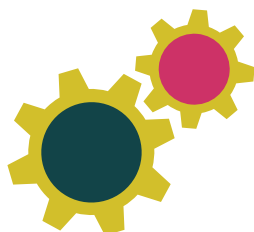
The lending business model of the SBCI is to serve as a wholesale on-lending financial institution. It provides lower cost, long-term wholesale finance to suitable on-lenders with the benefit of the lower interest cost being passed to SME borrowers. The SBCI's strategy is based on developing a strong 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. Examples of risk-sharing products include the SBCI Agriculture Cashflow Loan Scheme, the Brexit Loan Scheme, the Future Growth Loan Scheme and the Covid-19 Working Capital 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. 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 and is currently on the market. 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 2020

€1,688m

Total SBCI funding



31,999

Total SMEs supported



SBCI FUNDED LOANS Progress to Mid-year 2020



€1,049m

Loans committed to Irish SMEs



€41,916

Average Loan size

25,032

SMEs have secured SBCI loans

SBCI RISK SHARING progress to Mid-year 2020

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

6,967

SMEs have been sanctioned SBCI loans



€639m

Loans committed to Irish SMEs



Loan Sizes

€34,043

Agri Cashflow Loan Scheme average loan size



€181,164

Credit Guarantee Scheme average loan size



€201,730

Brexit Loan Scheme average loan size



€121,474

Covid-19 Working Capital Loan Scheme average loan size



€217,003

Future Growth Loan Scheme average loan size



WHAT SMEs USE SBCI LOANS FOR

(excluding the Agriculture Cashflow Loan Scheme)

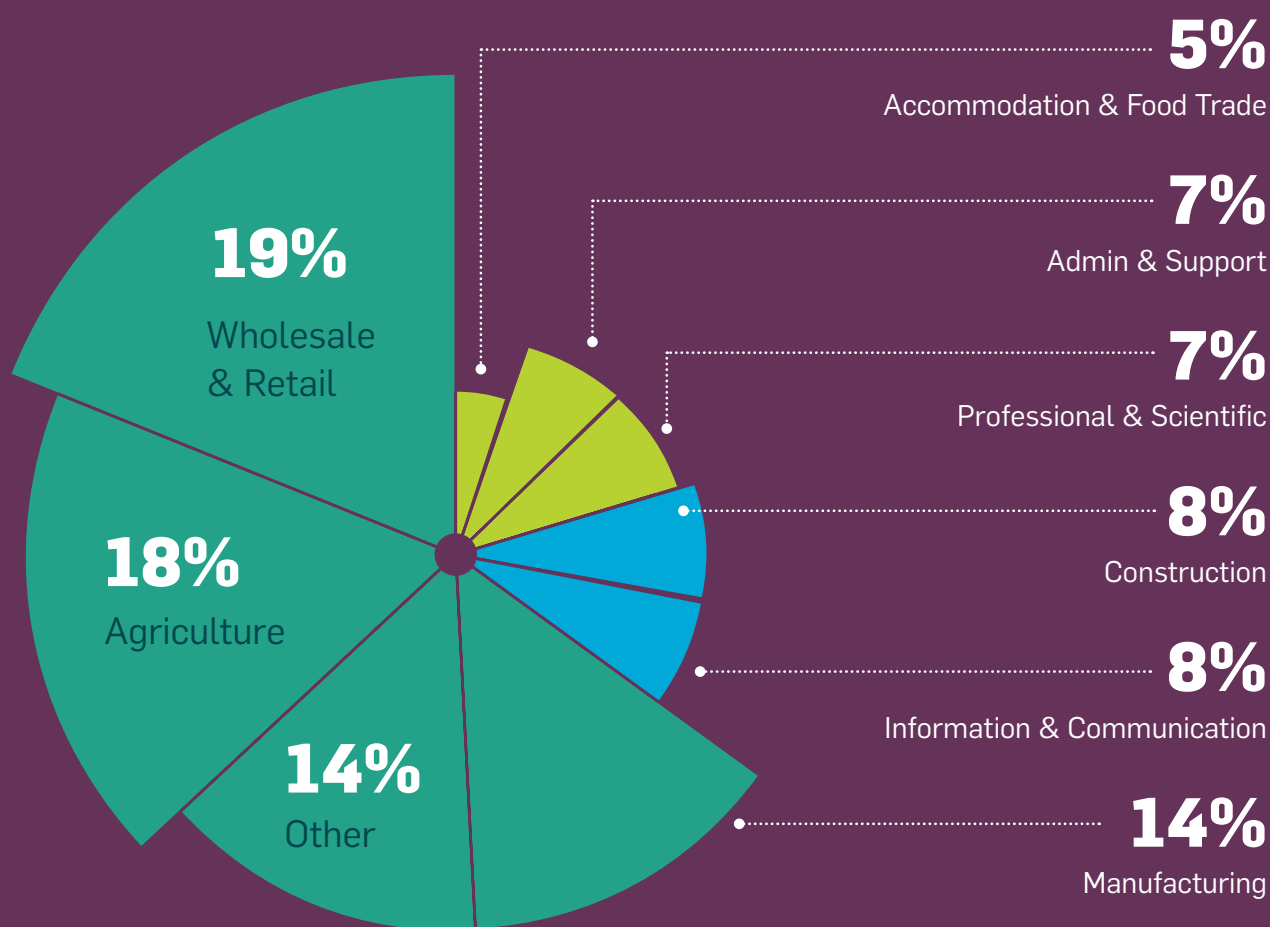
84%

investment in growing
the business



16%

working
capital



Figures updated up to Mid-year 2020

MARKET OVERVIEW

Due to Covid-19, the global outlook is highly uncertain. **Global economic activity may fall between 6% and 7.6% in 2020**, while unemployment in OECD countries could climb to 10%; significantly worse than 5.4% in 2019. (OECD)¹

**GLOBAL ECONOMIC
ACTIVITY DOWN**
6 - 7.6%



Gross new lending to core sector SMEs declined to €781 million during Q1 2020, which is a decrease of 28% from Q4 2019 and of 3.8% compared to Q1 2019. Indeed, this was the lowest amount of loans forwarded over a quarter since the series began.

€781m
LENDING TO SMES



The outstanding stock of SME credit on the balance sheets of Irish banks **decreased by 3.4%** over Q1 2020 to stand at €20.6 billion (€7 billion property and €13.6 billion core SME Credit). (CBI)³

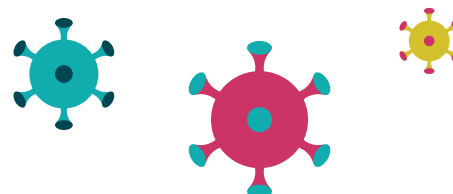


The interest rate on new SME loan drawdowns **increased by 17 basis points over Q1 2020** and now stands at 4.05%. (CBI)⁴

**INTEREST RATE
INCREASED**



Access to finance continued to be of less importance for both Irish SMEs (7.3%) and Euro area SMEs (8%). However, the **impact of Covid-19** was only just becoming apparent with the survey conducted between 2nd March and 8th April 2020. We expect this to change in the second half of 2020. (ECB)⁵



- 1 OECD, Economic Outlook, June 2020.
- 2 Central Bank of Ireland, Statistical Release: Trends in SME and Large Enterprise Credit and Deposits: Q1 2020.
- 3 Central Bank of Ireland, Statistical Release: Trends in SME and Large Enterprise Credit and Deposits: Q1 2020.
- 4 Central Bank of Ireland, Statistical Release: Trends in SME and Large Enterprise Credit and Deposits: Q1 2020.
- 5 ECB, Survey on the Access to Finance of Enterprises (SAFE) in the Euro Area: April to September 2019.

A POSITIVE IMPACT ON SME FINANCING

The actions taken by the ECB and the US Federal Reserve to date have helped to **calm financial markets**.

**FINANCIAL
MARKETS
CALMED**



Ireland's economy as measured by "Modified Domestic Demand" (MDD) grew by 0.7% in the first 3 months of 2020, before the introduction of Covid-19 restrictions. **It grew by 2.8% in 2019 – one of the fastest in Europe. (CSO)⁶**

↑ 2.8%
MDD GROWTH IN 2019

Ireland's MDD could fall by as much as 15% this year, before a likely return to growth in 2021. There is significant uncertainty around growth forecasts at present; however, a second wave of Covid-19 would reduce the chance of a quick economic recovery in 2020/2021. (Department of Finance)⁷

**↓ IN 2020 MDD COULD
FALL BY UP TO
15%**

The Department of Finance's latest analysis suggests the general **Government deficit could be above €20 billion by year end**. This is in contrast to 2018 and 2019 where the Government ran consecutive budget surpluses. (Department of Finance)⁸

€20BN
GOVERNMENT DEFICIT
BY YEAR END 2020

Ireland ranks 6th out of 28 European Countries on this year's "European Digital Economy and Society Index" (DESI) with a score of 61.8 compared to an EU average score of 52.6. Over the last 5 years, Ireland was the fastest growing Member State in the EU. (EC)⁹

6TH



Fewer than 20% of European small and medium-sized enterprises (SMEs) are highly digitalised, compared with nearly 50% of large corporations. (EIB)¹⁰



6 CSO, Quarterly National Accounts and International Accounts Quarter 1 2020 Provisional.

7 Department of Finance, SPU 2020.

8 Department of Finance, SPU 2020.

9 European Commission, Digital Economy and Society Index (DESI) 2020: Ireland.

10 EIB, Financing the Digitalisation of Small and Medium-Sized Enterprises: The enabling role of digital innovation hubs.

HOW SBCI WORKS



SBCI PROGRESS TO MID-YEAR 2020

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

22,965
Total Irish SMEs Supported



2017
€920m
Total SBCI Supported Lending

SBCI cumulative finance committed to date

2014 €200m► **2015** €751m► **2016** €906m► **2017** €1,056m► **2018** €1,456m► **2019** €1,786m► **Mid-year 2020** €1,853.5m

January 2020 €50m to Capitalflow

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

April 2020 €17.5m to SME Finance & Leasing

June 2020 Announced additional €125m to BLS/Covid-19 WCLS and €500m to FGLS

September 2020 Announced additional €2bn to CGS

2020

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

ACLS Agri Cashflow Loan Scheme

CGS Credit Guarantee Scheme 2017

BLS Brexit Loan Scheme

FGLS Future Growth Loan Scheme

Covid-19 WCLS Covid-19 Working Capital 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.



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.

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.



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).





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