

Strategic Banking Corporation of Ireland (SBCI)

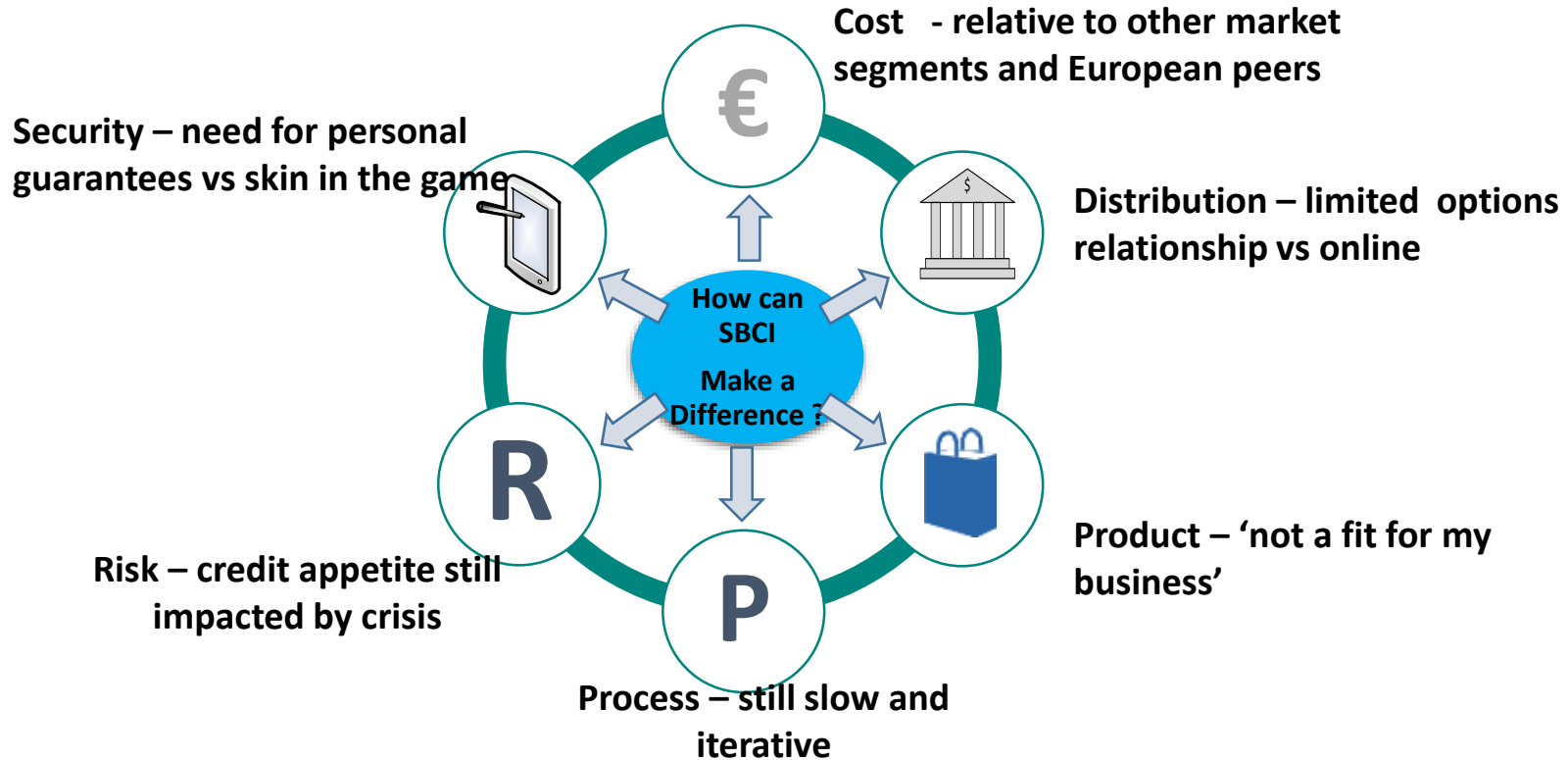
AECM Presentation 1 June 2017

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Strategic Banking
Corporation of Ireland
Small businesses.
Big plans.

Irish Financing Market Challenges 2014



The SBCI – A National Promotional Institution

Structure

- The Strategic Banking Corporation of Ireland (“SBCI”) is a limited company
- Owned by the Minister of Finance
- Governed by an independent Board of Directors
- Managed by its own dedicated team, seconded from the National Treasury Management Agency (NTMA)
- Set up to source low cost long term finance from multilateral finance providers and State resources

Strategic Objectives

Financial

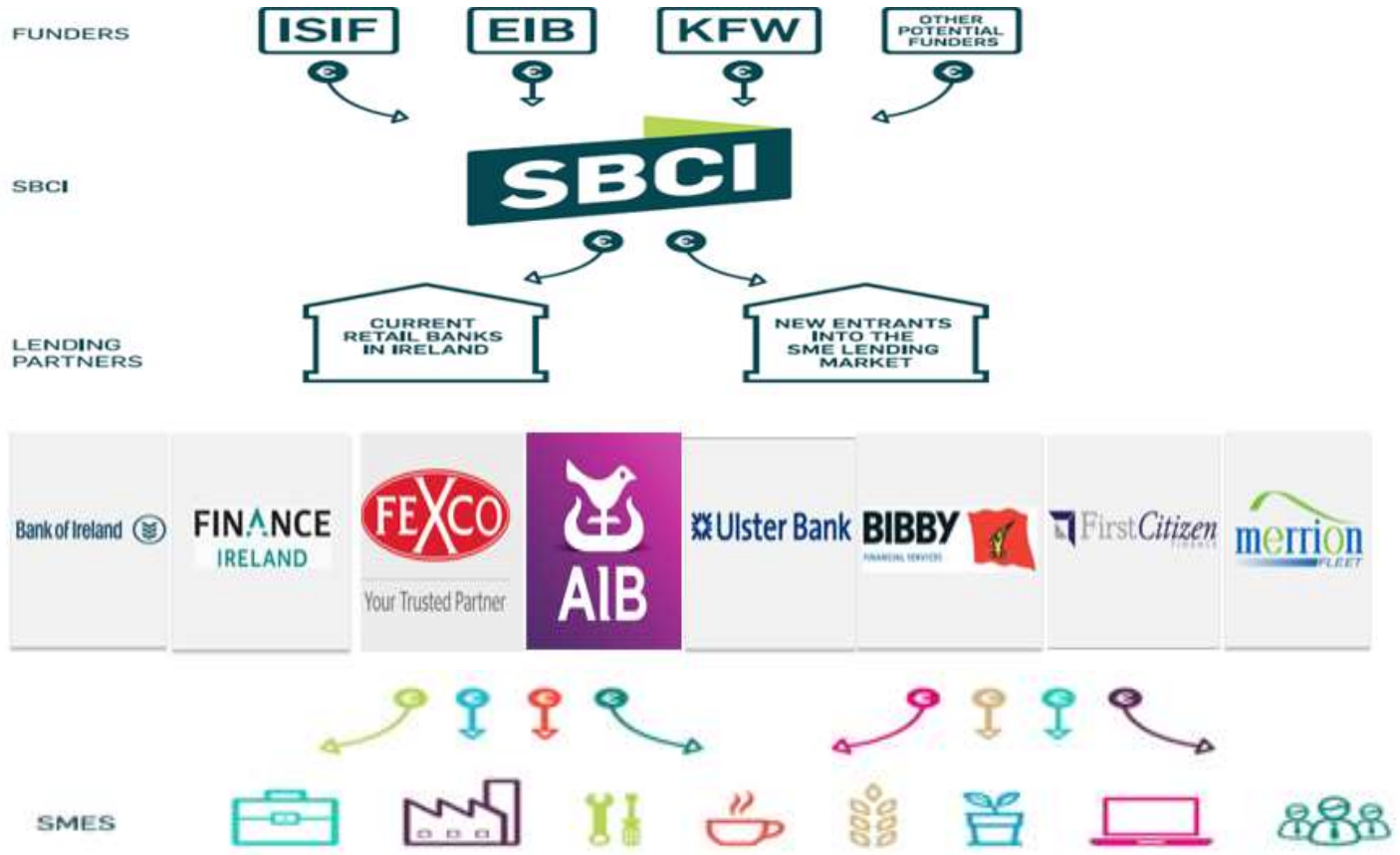
- Targeted measures to address specific market failures
- Flexible platform to access support from Europe

Competition

- Greater diversity of Finance offerings
- Create a new arena for competition in the use of SBCI Funds



Business Model - Funding and On-Lending



SBCI On Lending to end 2016

€544m

loans drawn
by Irish SMEs

67,150 JOBS

In Irish SMEs supported
by SBCI loans

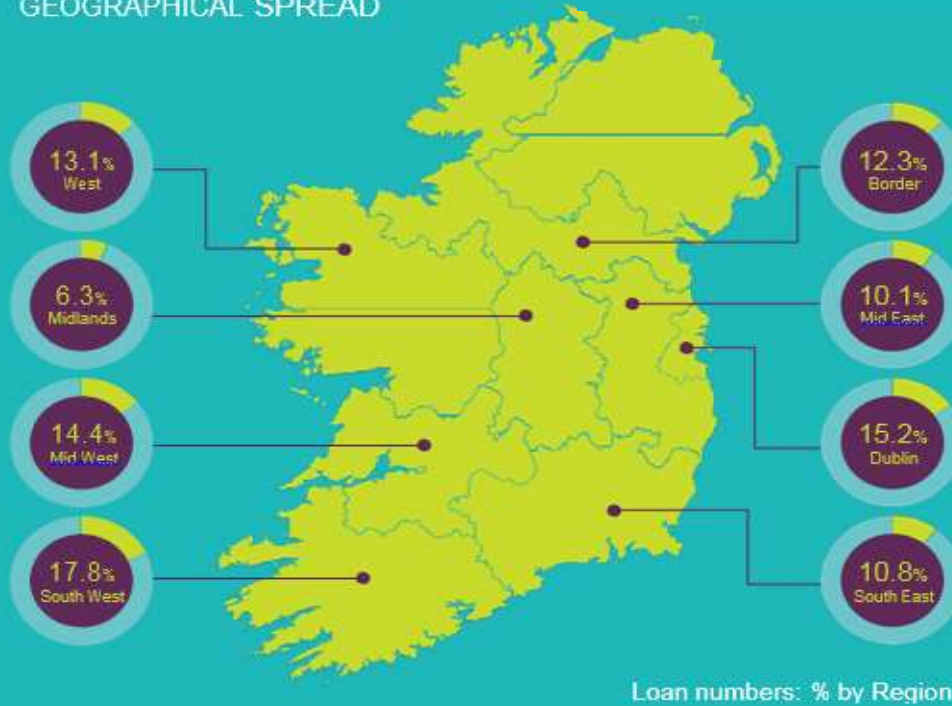


12,593 SMEs

across Ireland have
drawn down SBCI loans



GEOGRAPHICAL SPREAD



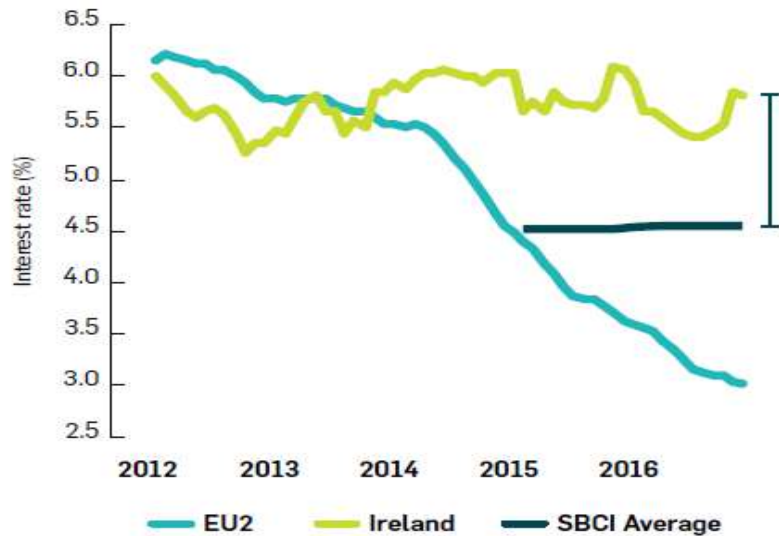
SBCI funding is benefiting a wide range of sectors (% of loans by value)



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SBCI Impact: Interest Rate Comparison

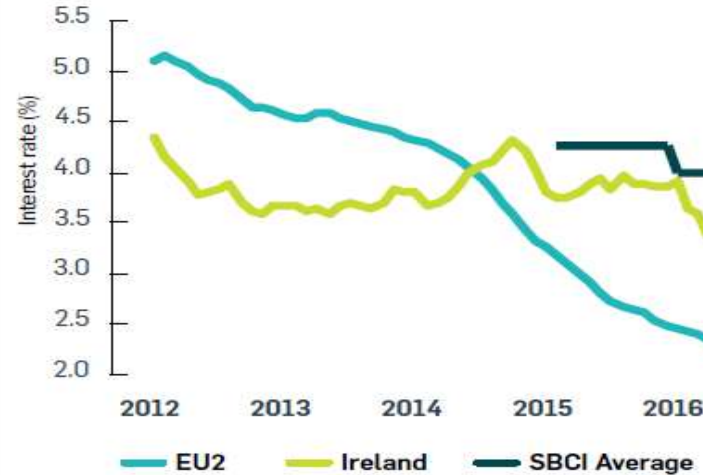
Interest rate on NFC loans <€250K, 3m average



Source: ECB, SBCI

NFC: non-financial corporation

Interest rate on NFC loans >€250K, <€1m, 3m average



Source: ECB, SBCI



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SBCI Strategy 2017- 2018

Lines of Business – Current and potential products

Lending

- On-Lending Banks
- On-Lending Non Banks
 - Leasing
 - Invoice Discounting
- *New Lending Products*

Risk Sharing

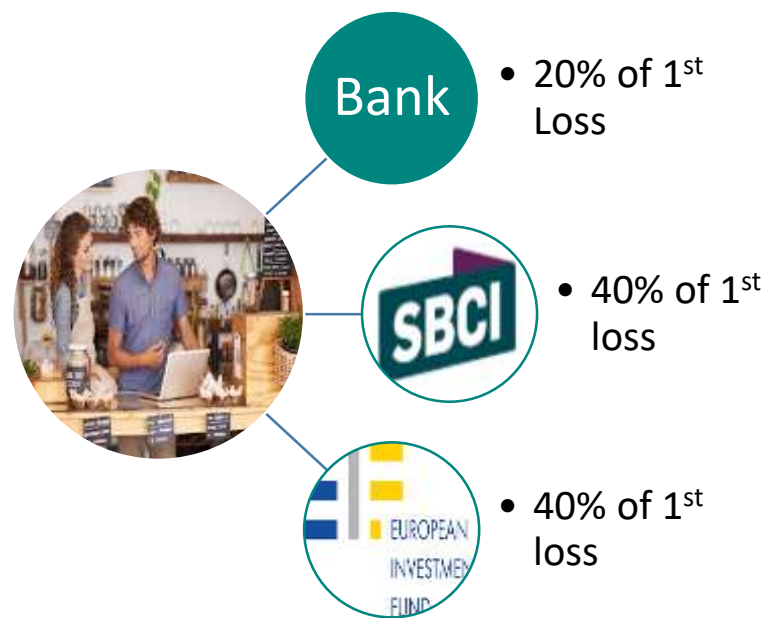
- Agriculture Cash Flow Support Loans
- Export related Working Capital Guarantee
- *Potential Brexit Product Solutions*
- *Innovative Company Lending*
- *Larger SME & Mid Cap Lending Support*

Service Provider

- Credit Guarantee Scheme

Risk Sharing / Loan Guarantees

- No history in Guarantees/ Mutual Guarantee Co.'s in Ireland
- Impact on Access to Finance
- Reduction in security required – (Personal Guarantees)
- Better Flexibility of Lending
- Discounted lending through reduced credit margins driven by capital relief
- Conduit for better use of European Financial Instruments and more targeted impact
 - EIF COSME
 - EIF Innovfin
 - Investment Platform



Risk Sharing: Credit Guarantee Scheme 2012/2015

Example of SBCI as Conduit to the Market on behalf of DJEI

- Government backed guarantee of up to 75%
- Covers loans from €10,000 to €1m
- 2% premium
- Addresses 3 barriers to lending
 - Inadequacy of collateral
 - Refinance of exiting bank debt/inadequacy of collateral
 - Growing business operating in sectors perceived as higher risk under current credit risk evaluation practices
- The 2016 Credit Guarantee Scheme Act has extended the Guarantee to 80%.

Risk Sharing: Agriculture Cashflow Support Loan Scheme

Example of SBCI in role as Principal Risk Share Support

- €150m Scheme
- Fixed Interest rate of 2.95% (Interest rate subsidy)
- For SMEs involved in primary agricultural sector (Exceptional aid for livestock sector broadened to provide loans to tillage farmers under de minimis criteria)
- Unsecured loan amounts up to €150,000
- Loan duration of up to a maximum of 6 years
- Can be used for Working Capital or as an alternative to merchant credit
- Supported by COSME Counter-Guarantees, EU special aid, matching national funds and SBCI capital

Future Risk Sharing and Use of Central EU Financial Instruments

Central Financial Instruments / EFSI:

COSME Counter-Guarantee - an extension to the initial COSME facility is under consideration by EIF

InnovFin Counter-Guarantee - an application has been submitted for its potential use as counter-guarantee for credit market solutions being considered for delivery later in 2017

- Brexit impacted businesses both as short term working capital support and for longer term investment loan product
- Identified European market failures – generational change, innovative scaling companies etc.,

EIB & EFSI:

Exploring with EIB use of Investment Platforms for various forms of lending to support investment for both SME and Mid Caps

European Investment Advisory Hub

The SBCI signed an MOU with the EIAH in 2016 and is currently considering development of the State's SME Online website to meet advisory needs of Irish businesses facing the impact of Brexit and wider global trading market uncertainties

The EIB has recently opened an office in Dublin and is working closely with Government and state agencies such as the SBCI in delivery of financing solutions

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