AIB launches scheme to support small businesses recovery

25th May 2010

AIB has today announced details of a new 'AIB Small Business Recovery Scheme' that is specifically targeted at its small business customers, including sole traders, partnerships, limited companies and farming enterprises.

Available from 1 June, across all of AIB's 270 branches, the aim of the scheme, the first of its kind, is to support viable small businesses through the current economic conditions. The scheme, with a fund of €500m, will achieve this by restructuring existing AIB borrowings and providing additional working capital to meet their business needs.

This initiative is part of AIB's recapitalisation commitment to the Government for an additional €3bn in new or additional SME lending in each of 2010 and 2011.

The key features of the AIB Small Business Recovery Scheme are:

- Small business customers with existing branch based current and loan commitments can be 'restructured' into a single recovery loan

- This 'restructured debt' will be offered by way of a recovery loan over an agreed term with an interest only option for up to the first two years and (if required),

- Additional working capital facilities.

This restructuring along with the provision of additional working capital aims to ease cash flow pressures for micro/small businesses that are currently experiencing trading difficulties, who may have had difficulty in accessing credit in the past, but have good prospects of recovery and are viable in the longer term.

Credit facilities can be provided on the basis that the small business can demonstrate its ability to trade through the current challenges and recover within a reasonable timeframe e.g. two year period. Small business customers applying to this scheme will be required to complete a viability plan and provide certain information to AIB to enable it to make an assessment and credit decision.

Denis O'Callaghan, General Manager, Retail Banking Ireland, AIB said:

"We are acutely aware that the significant deterioration in the business environment continues to create severe cash flow difficulties for many of our business customers. Micro and small businesses in

particular are significantly impacted by the difficult trading conditions, falling sales and slower payment cycles.

"We know we have a role to play in supporting our customers and in the general economic recovery. This scheme provides us with a mechanism to provide much needed 'breathing space' that small businesses need to ease cash flow and improve their prospects for recovery."

- Ends -

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NOTES TO EDITORS

Economic context

There has been significant deterioration in key economic indicators in the past 12 months…….

Economic Indicator	2008	2009	2010 (F)
GNP	-3%	-11.1%	-3%
Unemployment rate	6.3%	11.7%	13.3%
Personal Disposable Income	5.9%	-8.6%	-4.3%
Personal Spending	-1.0%	-7.4%	-3.5%

(Source AIB)

…which is having a major impact on SME trading conditions

SME/Business turnover levels have fallen

- 78% of SMEs are experiencing a continued decrease in turnover, with 45% suffering decrease of over 20%

Credit – A key enabler for survival

-46% of SMEs made one or more request for credit in 2009

- Average amount requested in range of €60K

- Loans and overdrafts count for 85% of all applications

- Micro businesses (i.e. < 10 employees) reported highest level of declined applications

Deterioration in market and trading conditions is reflected in a decline in the profile of SME credit

- One in three SME loans are considered to be either criticised or impaired across the five main financial institutions.

(Source: Mazars, Dec '09)

AIB's view of what is a 'Viable Business' in the current environment?

A 'Viable Business' is a business that is currently in operation and expected to continue to remain trading in the foreseeable future with the following common characteristics:

Track Record

- A previous track record of profitable and successful trading albeit with some recent losses

- A reliable and co-operative borrower particularly in the prevailing business climate

Financial Capability

- Sufficient cashflow to fund interest on restructured debt as it falls due

- Sufficient cashflow to generate repayment capacity over time to clear restructured debt

- Not threatened by any action (e.g. Creditors, Examinership, Revenue etc.)

Future Prospects

- A realistic Business Plan and financial/cashflow forecasts that outline a clear action plan for survival

How will the Scheme help AIB customers?

AIB will restructure existing AIB current account and loan commitments into one Recovery Loan subject to certain lending criteria and guidelines. This 'restructured debt' up to a maximum of €250,000 will be offered by way of:

(a) Recovery Loan repayable over an agreed term with an 'interest only' option for up to the first two years

AND (if required)

(b) Additional Working Capital facilities subject to certain lending criteria and guidelines.

What do AIB Customers need to do to avail of this Scheme?

As part of an application for the AIB SME Recovery Scheme, customers must submit a completed Viability Plan* and provide at a minimum the following information to AIB:

- Current list of Debtors and Creditors by age profile

- Confirmation on current status of tax affairs for the business

- Signed and dated Asset/Liability profile* of the business and its promoters

- Two-year Cashflow Forecast*, which demonstrates the ability to service repayments over the recovery period.

In addition and where available, the following information would help to support a credit application and should be submitted:

- Management accounts for the current trading period

- Annual certified audited accounts for previous two years

- Details of security which may be offered to support an application.

* AIB Viability Plan, Cashflow Forecast and Asset/Liability templates will be available to download on www.aib.ie/business from 1 June 2010.