



AIB SME Lending Plan 2010/ 2011

Summary

- The SME market and SME customers are core to AIB's wider business strategy. AIB is fully committed to supporting its viable SME customers through the economic cycle, to supporting national economic recovery and to supporting its commitments to Government in respect of recapitalisation and NAMA. In recognition of this, AIB is already providing considerable lending support to SMEs in both new lending and in the re-scheduling and restructuring of their existing borrowings:
 - total lending of over €13bn to SMEs at year-end 2009
 - approved over 1,000 credit applications per week in 2009, totalling 52k and €2.5bn in value
 - approved over 9 in 10 formal SME credit applications¹
 - fully allocated its €100m EIB loan fund with c.1,100 SMEs availing of the benefits of the fund for investment for their business
 - launched, in Dec'09, a new €23m AIB Seed Capital Fund with Enterprise Ireland

- AIB's recognises the important role it plays in supporting economic recovery. Consequently, AIB's SME Lending Plan 2010/2011 will see the Bank:
 - Make available €3bn in new or additional credit to SMEs, including specific working capital support, in both 2010 and 2011
 - Increase its proactivity in the SME marketplace and with our SME customers in order to promote the availability of credit to viable businesses.
- AIB's SME Lending Plan 2010/ 2011 centres on:
 - Supporting its existing SME customers with viable businesses across all sectors
 - Supporting new SME start-ups (including those in new emerging sectors), promoting creditworthy projects with advice, credit facilities and other banking services
 - Considering all new opportunities, from both AIB and non-AIB customers with viable businesses, where lending support is required
 - Engaging with SME customers who are experiencing trading difficulties and seeking to put in place practical solutions that will help to sustain the viability of their enterprises in the longer term
 - The provision of lending facilities appropriate to the needs of all key SME sectors with a focus on key economic growth activity including indigenous sectors such as Agriculture & Food and in new modern economy sectors such as LifeSciences
 - Development and promotion of a range of tailored propositions for key sectors including Exporters, Healthcare, Emerging Sectors
 - Intensive collaboration with Enterprise Ireland on the development of supports and services for exporting SMEs
 - Substantial investment in building our capacity and capability to meet the credit needs of SMEs

- AIB's SME Lending Plan is developed in the context of the Bank's risk management objectives that:
 - The loan portfolio develops with appropriate balance and diversification
 - The risk and governance framework is robust and effective
 - Credit guidelines are prudent and are applied with appropriate rigour
 - Risk is appropriately priced
- The prevailing adverse economic and trading conditions have impacted strongly on the SME Lending market. Total SME lending declined throughout 2009 - SME credit in Ireland fell 4% in 2009 to €32.3bn in Dec'09². Demand for SME credit among AIB customers remains weak with demand falling in Qtr 1 2010 compared to the corresponding period in 2009. Credit quality also continued to deteriorate in 2009 with increases in criticised and impaired SME loans.
- AIB expects that an international recovery in trade will feed through to an export led recovery in GDP with growth levels of 2.5% forecast for 2011 and further improvement in 2012 when GDP is forecast to grow by 4.0%³

¹ Mazars Dec 2009

² Mazars Dec 2009

³ AIB assumptions based on OECD and IMF



- AIB's SME Lending Plan 2010/ 2011 incorporates a range of specific initiatives, including:

A comprehensive communications and engagement programme with customers, professional advisors and key business influencers to promote the availability of credit and AIB's supports for SMEs. Key actions include:

- A series of SME customer roadshows nationwide
- A substantial SME customer engagement programme by AIB's senior executives across the country
- A programme of engagement with State Agencies, Business Representative Groups and SME customers' business advisors

Substantial external promotion of the availability of credit and of specific and targeted packages, funds and propositions. Key actions include:

- Launch of a new €500m Small Business Recovery Scheme (launched 25th May)
- Seek an additional tranche of EIB funding to continue to support investment in SME businesses
- Promotion of Asset Finance Funds to assist SMEs to finance the purchase of plant, machinery and equipment
- Promote a PromptPay Fund for the short-term working capital needs of SMEs and professional services firms
- Re-position AIB's Invoice Discounting service with amended terms and criteria to broaden its availability to more SME customers
- Launch of a further €100m SME Environmental, Clean Energy and Innovation Loan Fund
- Development and launch of a new Exporters package
- Commitment of an additional €20m in Seed Capital Funding
- Development and promotion of a range of tailored propositions for key sectors including Exporters, Healthcare, Emerging Sectors

A range of initiatives aimed at providing support and guidance to SMEs and to help foster business confidence within SME communities. Key actions include:

- Development of new 'Business Success' advertising and media programme to amplify local SME business success stories
- Promotion of AIB's SME Start-Up package and supports
- Active promotion of AIB management and planning guides and supports for SMEs
- Launch of new SME Helpline to provide additional information and guidance to SMEs
- Continued sponsorship and support for a wide range of initiatives and activities in the SME marketplace

A comprehensive internal action plan to: enable and mobilise the Bank to deliver on the SME Lending Plan; to communicate its lending commitments across the full network; and to equip and enable staff to fulfil AIB's SME objectives. Key actions include:

- An extensive Leadership and Communications programme nationwide
- Expansion and development of AIB's specialist SME staff and sectoral expertise including the creation of a new specialist Emerging Sectors Team
- Substantial investment in credit skills development for AIB's SME Relationship Managers and Credit Managers, including a focus on cashflow lending
- Monthly reporting on the Plan's progress, by sector and geography, to the Department of Finance and the Credit Review Office
- Provide full support to the newly established Credit Review Office, further enabled by AIB's Internal Appeals process for SMEs

AIB believes that the comprehensive range of initiatives in its SME Lending Plan will help improve the level of demand for credit from viable SME customers, on which the achievement of the Plan is critically dependent. Led by the Bank's senior management team, AIB is fully determined to address the SME Lending Plan's objectives and demonstrate strongly our Open for Business commitment.