

# Irish Hotels Federation

## Hotel Finance and Banking Webinar

Covid-19 Credit Guarantee Scheme

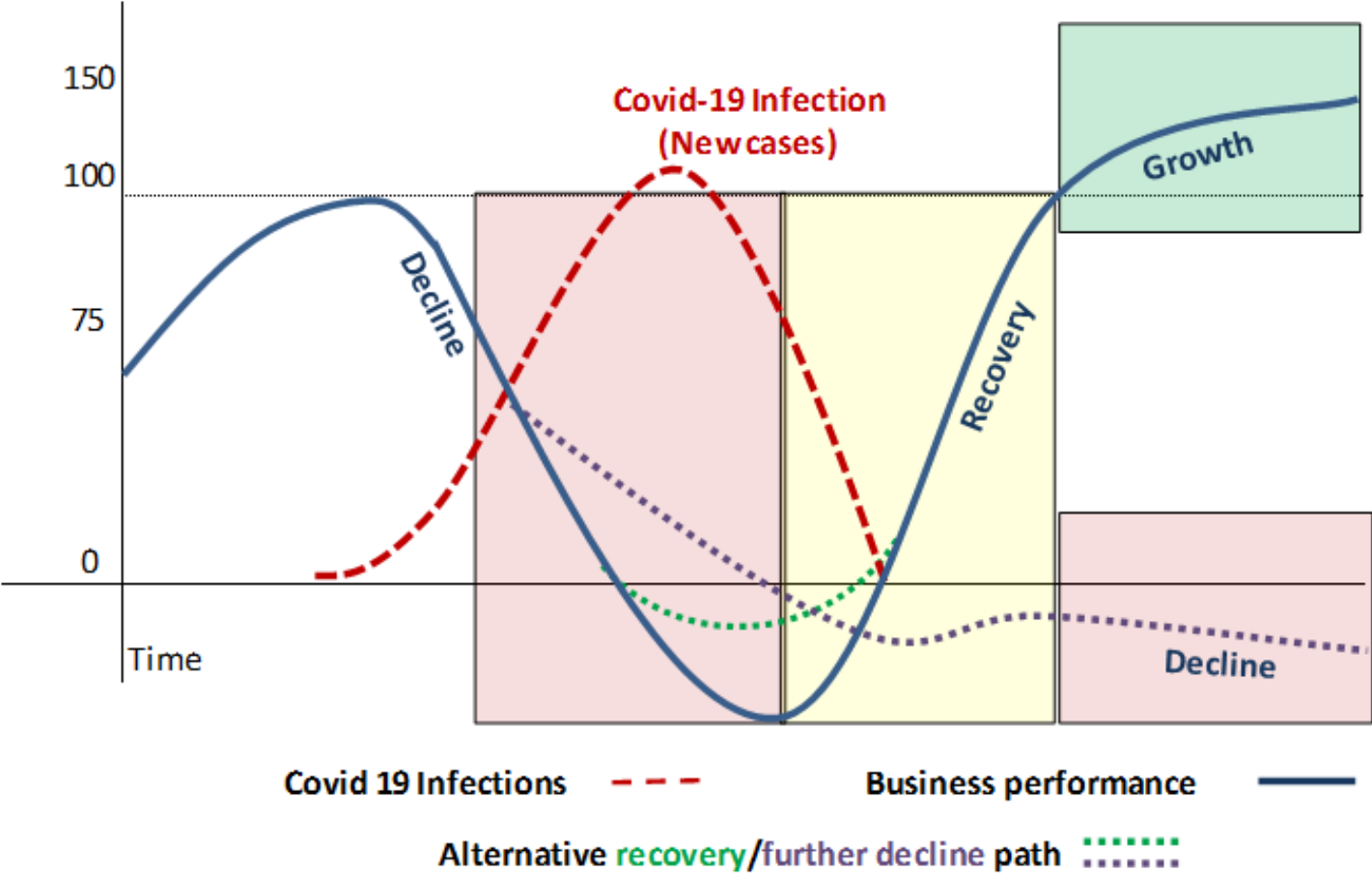
Sep 28<sup>th</sup> 2020

Classification: Green



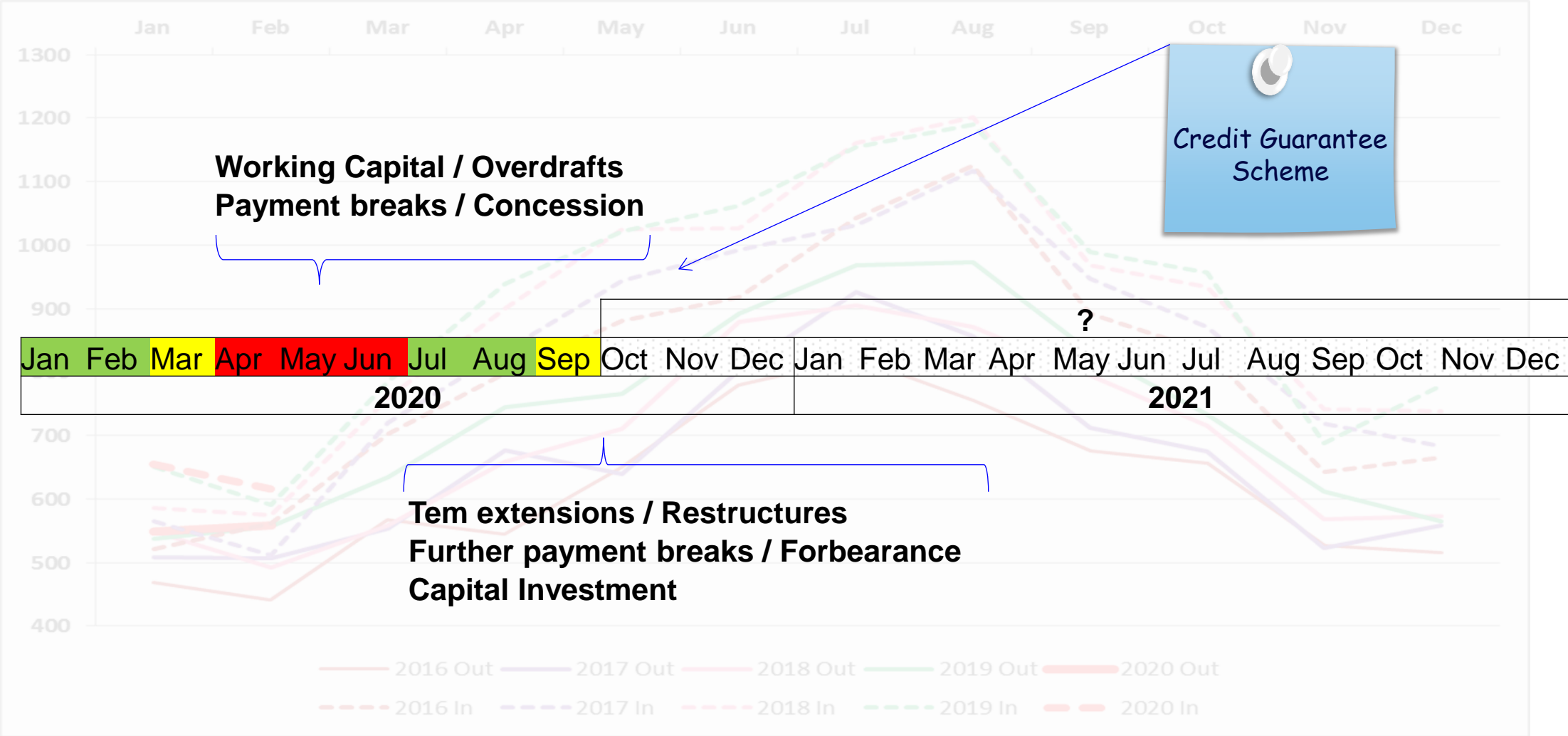
**Bank of  
Ireland**

# Covid-19 – The cycle disruptor



Ups and downs in the economy and business cycle can impact on businesses ability to secure financial support

# Covid-19 & the Cash Flow cycle



# COVID-19 Credit Guarantee Scheme

## What is it?



- The purpose of the COVID-19 Credit Guarantee Scheme (CGS) is to **support additional lending to Micro, SMEs, Primary Producers and small Mid-Caps, who are viable but vulnerable due to the impact of the COVID-19** pandemic, and therefore should enable such borrowers to access credit that might not otherwise be available to them.
- The scheme is designed to support the provision of finance to businesses by providing lenders with an 80% State guarantee on finance provided to eligible businesses.
- Bank of Ireland, AIB and Ulster Bank are currently participating in the scheme.
- The Scheme is expected to operate until the **31<sup>st</sup> December 2020** or until fully subscribed, whichever comes first.

Level of security required and rate applicable, will be determined by the amount, purpose & term of facility, in conjunction with the nature and value of the security being offered. Over 18 years only. Lending criteria, and terms and conditions apply. Maximum credit of €120,000 available for online applications

**Classification: Green**



# COVID-19 Credit Guarantee Scheme



## Key features

### Borrowing Amounts

€10,000 – €1,000,000 (subject to Government loan amount criteria below)

Cannot exceed overall ceiling amount of a) 25% of turnover in 2019 or b) double annual wage bill for 2019

### Products

Term loans only currently available under the scheme

### Interest Rate <sup>(1)</sup>

Loans up to €250,000 – 2.95% Variable

Loans Greater than €250,000 – 2.75% Variable

### Purpose

Finance under the scheme must be used for

- 1) Working capital, including liquidity needs, or
- 2) Investment. Investment properties are not included under the scheme

1 The Reference Rate and Margin will be determined by the loan size. For loans less than €250,000 the Small Business and Agri Rate (SBAR) will be applied to a Margin of 2.12%. Giving an all in variable rate of 2.95%. For loans of or greater than €250,000 3 Month Bank Cost Of Funds (3M BCOF) will be applied with a Margin of 2.6%. Giving an all in variable rate of 2.75% Note: Details above correct as at 8/9/20. Both Reference Rates are published daily here.

**Classification: Green**

# COVID-19 Credit Guarantee Scheme



## Key features

### Refinancing

Refinancing may be permitted in respect of COVID-19 related expenses. (e.g. COVID-19 related expenses that were initially funded through short term/temporary facilities such as overdrafts)

### Security

€Loans less than €250,000 must be unsecured .

Loans greater than €250,000 may be secured at the discretion of the Bank

### Moratorium

BOI may at their discretion offer interest only/or capital and interest moratoria up to **12 months only**.

This will only be available in **limited circumstances**.

### Guarantee Premium

A Guarantee premium will be payable by the borrower. It will be collected by the bank and paid to the Strategic Banking Corporation of Ireland (SBCI) which is the scheme operator on behalf of the Government

# COVID-19 Credit Guarantee Scheme *Guarantee Premium*<sup>1</sup>

- The Guarantee premium is payable by the borrower and will be collected by Bank of Ireland for onward payment to the Strategic Banking Corporation of Ireland (SBCI), which is the scheme operator on behalf of the Government.
- The Guarantee premium is a requirement of the EC Temporary Framework and is also subject to Irish Legislation.
- This fee is payable in addition to loan repayments. We will collect it quarterly by direct debit and pass it on to the Strategic Banking Corporation of Ireland (SBCI) who will pass on to the Department of Business Enterprise and Innovation.
- The Guarantee premium will be shown separately from loan/interest payments so the cost of the premium will be transparent to borrowers.
- The table below sets out the premium payable which is dependent on the type of borrower and the loan term and outstanding loan balance.

Guarantee Premium Table						
Per annum cost over the term of the loan						
Borrower Type/Term	1 Year Term	2 Year Term	3 Year Term	4 Year Term	5 Year Term	5½ Year Term
SMEs/Primary Producers	0.15%	0.26%	0.29%	0.50%	0.61%	0.68%
Small Mid-caps	0.30%	0.63%	0.73%	1.19%	1.40%	1.55%

<sup>1</sup> Where a Guarantee Premium is not paid and/or remains unpaid it is an Event of Default under the COVID-19 Credit Guarantee Scheme Loan Facility and the loan could become repayable in full.

# COVID-19 Credit Guarantee Scheme

## Loan Amount Eligibility Criteria & Supporting Documentation

Borrowers will be required to complete a number of self-declaration statements which are required to meet the eligibility criteria under the Government rules of the scheme, including:

- ✓ Business was viable and not in financial difficulty on 31 December 2019\*
- ✓ Can return to viability in the future
- ✓ Has seen or will see its actual or potential turnover/profit reduced within their business by **at least 15%** due to the impact of COVID-19.

Customers will also need to submit one of the following documents so we can assess their application:

- ✓ 2019 Management Accounts
- ✓ 2019 Certified Accounts
- ✓ 2019 Audited Accounts

We will accept current account statements for 2019 from small primary producers, including farmers, micro-enterprises and small sole traders who are not obliged to produce accounts.

The requirement for documentation is to validate the eligibility being certified by the borrower in the online form.

\*In derogation to the foregoing, aid can be granted to Micro or Small enterprises (within the meaning of Annex I of the General Block Exemption Regulation) that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue aid or restructuring aid



**Thank you.**

**Questions?**

### **Legal and Regulatory Details:**

This document has been prepared by Bank of Ireland Business Banking for informational purposes only. Not to be reproduced, in whole or in part, without prior permission. Any information contained herein is believed by the Bank to be accurate and true but the Bank expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this document. You should obtain independent legal advice before making any decision.

Bank of Ireland is regulated by the Central Bank of Ireland.



**Bank of  
Ireland**