



AIB enhances invoice discounting service for SMEs

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From today, the following enhancements have been made:

- the funding period has been extended from the current three months to four months to compensate for the slower rate of payments from debtors/customers.
- the minimum average funding requirement has been reduced to €100,000 to facilitate smaller companies.
- invoice discounting is now available to companies who have been historically profitable and who are capable of demonstrating an achievable recovery plan but are currently carrying trading losses as a result of the current difficult environment.

Invoice discounting is a flexible alternative to the more traditional overdraft. It aids a company's cash flow by releasing the cash tied up in its trade debts. Apart from providing funds to meet the day to day cash needs of a business, additional capacity may be used for other business purposes.

Invoice discounting may be used in tandem with an overdraft or as a stand alone facility. It is a funding facility that can grow in line with sales and is of particular advantage to customers whose primary assets consist of debtors.

Robin Bradley, Head of Asset Financing & Intermediary Business, AIB Bank said:

"AIB today provides approximately €3 billion in working capital facilities to SMEs across the country. The enhancements to our invoice discounting service will help a distinct segment of SMEs to raise funds from their debtor book. Not every business will be suitable, nor choose it. But it is an additional and now more practical option for SMEs in particular. Interested customers should contact any of our 270 branch outlets or 15 Business Banking centres."

-Ends-

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NOTES TO EDITORS

Additional information on invoice discounting

1. Invoice discounting is a legal arrangement whereby a company sells its trade debts to a financial institution which purchases the debts for cash. Because the financial institution acquires ownership of the debts, it is in a better position to release more funds than might otherwise be made available under an alternative facility secured by way of a charge over a company's debts. In this way, a company can maximise the value inherent in one of its primary liquid assets. Unlike factoring, invoice discounting is a totally confidential facility and the company retains responsibility for its own ledger management and debt collection.

2. Invoice discounting permits a company to draw cash against its debtor book, while it awaits payment. It can provide much needed working capital, at a competitive interest rate*, to businesses that manage their debtors efficiently. While not all debtors can be discounted e.g. those due longer than 120 days, invoice discounting offers a practical and often unique funding alternative to businesses where money is tied up in debtors.

*currently 6.791% for a typical SME. A fixed service fee of €5,000 applies

3. Invoice discounting is available on a confidential or disclosed basis. Through confidential invoice discounting, debtors are unaware of the arrangement allowing the company full freedom to manage its customer relationships without interference from the discounter. This typically applies to companies whose debtors are based in Ireland and the UK. For companies exporting elsewhere, the invoice discounting arrangement is disclosed and also requires that the debts be credit insured.

AIB has significantly reduced the length of time it takes to process and pay invoices it receives from its own suppliers: more than 90% of these invoices are paid in less than 30 days.