



AIB statement on lending

13th September 2012

AIB sanctioned nine out of every ten loan applications from SME businesses and was 17 percent ahead of the Government's lending target in the first six months of 2012.

To the end of June, the bank received 17,159 formal applications from SMEs for credit, of which 15,737 were sanctioned and 1,422 were declined in this period.

AIB is also approving seven out of ten mortgage applications and is providing 45% of all new mortgages issued in the market. The Bank is experiencing significant growth in its market share in 2012 with the number of new mortgages approved increasing by 70% year on year to June 2012.

In July alone, AIB approved mortgages with a total value of €156 million – the largest monthly approval rate in almost three years.

AIB Chief Executive, David Duffy, said, "AIB is demonstrably supporting SMEs and is providing credit to viable businesses to underpin their growth and sustain jobs. In our mortgage business, based on current trends we are on track to exceed our stated €1billion lending target for 2012."

"The extension of credit on commercial terms to viable SMEs and to mortgage customers and the consequent growth of the performing AIB loan book are vital to this bank's objectives of supporting economic recovery, and ultimately achieving a tangible return for the taxpayer", he added.

However, he said that while demand for credit remains weak it is important to address the negative perception that banks are not lending, which is a factor in discouraging potential borrowers from seeking credit.

"AIB is working constructively with customers to identify and address specific issues as they relate to access and availability of credit. A common agenda shared by all stakeholders will lead to the implementation of tangible and workable solutions", the Chief Executive added.

While the overall trend among many domestic businesses is to reduce their level of indebtedness in line with the reduced size of the economy, certain sectors are showing positive trends such as Agriculture and export-oriented enterprises. AIB is on track to meet the €3.5 billion SME lending target set by the Government for 2012. This target relates to both new lending and refinancing/restructuring of debt – which are of equal importance.

Refinancing and restructuring of credit facilities for SME customers are critical activities and provide the working capital and ongoing financial support that sustain the viability of thousands of businesses in Ireland. Many SME businesses would not survive and the jobs in these enterprises would be lost if they did not have access to refinancing and restructuring of their credit obligations.

Urging both SMEs and mortgage customers not to be discouraged from approaching their banks for finance, David Duffy said “it is critical that customers make a formal application for credit facilities”.

“As soon as customers engage with the bank, our dedicated lending staff will guide them through the borrowing process, setting out clearly what is required in terms of financial information. It is not possible for AIB, or any financial institution, to provide credit on the basis of an informal approach/application for credit facilities”, he said.

In cases where the credit application is declined, the reasons are stated clearly and the customer is informed of their right to appeal the decision through AIB’s internal appeals process and, externally, through the Credit Review Office for SMEs.

“We are determined to change the negative perception that this bank does not want to lend. AIB is open for business and this is proven by the high percentage of loan approvals to customers who complete the formal application process, the Chief Executive added.

“Any perception that AIB is limited from lending because of capital constraints or a need to reduce the size of our balance sheet is incorrect. We want to lend and grow our balance sheet”, he said.

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