

INDIVIDUAL GUARANTEES

OBJECTIVE AND CONCEPT

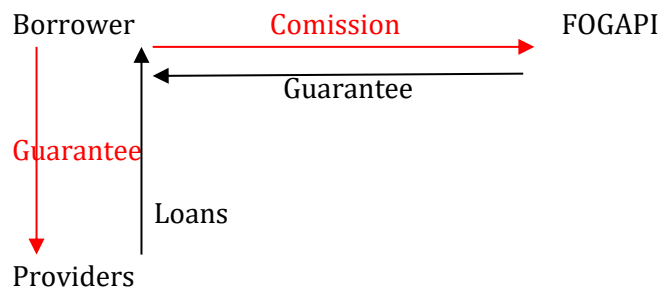
OUTREACH

- Ensure a source of employment for SMEs
 - Not all credits are from banks
 - It's a guarantee under the modality of the letter of guarantee
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CHARACTERISTICS

- Unconditional
- Solidary
- Irrevocable
- Automated setup

Individual model



- State purchases
 - Consultancy
 - Public work
 - Credit providers
 - Social programs
 - Other
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CREATION STRATEGY

Generated for SMEs of different economic activities, guarantee products to allow SMEs access to:

- Credit providers
- Contract advances
- Transparent implementation of the contract
- Additionality by differential amount
- Accessory services

Continuous innovation with guarantee products requested by:

- Guarantees for enterprises who have franchisees
- Guarantee for small construction companies to guarantee bond delivery for “my home” program to be apply to the respective work

MARKET ENTRY STRATEGY

- Adequate business organization
- Enforce link with public bodies
- Requirements flexibility
- Process simplification
- Partnership with professional bodies and business associations
- Structuring of the national network
- Improvement of the quality of guarantee service (Fast, settled, accessible and fast and easy execution)
- Cost of services are low

ADVANTAGES OF INDIVIDUAL GUARANTEES

- They allow SMEs to access state purchases (legal reserve: 40%)
- The SMEs turn into providers of the principal acquirer or investor of a country (State).
- The SMEs increase their sales
- Individual guarantees support the economic development of the SMEs at local, regional and national level

DISADVANTAGES OF INDIVIDUAL GUARANTEES

- Slow process for each operation to be assessed
- Request more internal and operational controls
- Difficulty for the guarantee commission to pay for renewals because the public bodies have to keep the letters of guarantee applicable until liquidation/i.e. payment of the commission.

IMPACTO

Today, 74% of the FOGAPI guarantees are individual guarantees

Evolution of the individual guarantee (amount in US dollars)

Year	Number of transactions	Secured credits	Credit average
2001	497	22,000,000	44,266
2002	564	24,000,000	42,553
2003	762	43,000,000	56,430
2004	1,004	63,000,000	62,749
2005	1,157	66,000,000	57,044

2006	1,683	121,000,000	71,895
2007	2,130	166,000,000	77,934
2008	2,137	206,000,000	96,397
2009	7,830	584,000,000	74,585
2010	6,654	753,000,000	113,165
2011	5,869	1,002,000,000	170,728
TOTAL	30,287	3,050,000,000	100,706

PORTFOLIO GUARANTEE

OBJECTIVE AND CONCEPT

DEFINITION

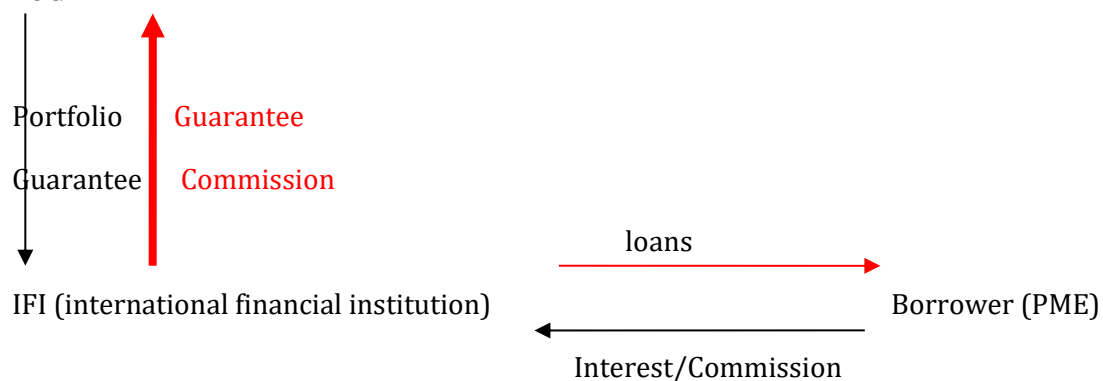
Loans of working capital and financing of equipment

Overcrowding and decentralization of credit access in favor of SME

Financial mechanism which guarantees SME credits totality defined by the financial institution which appears in the agreement between FOGAPI and the financial institution

Portfolio model

FOGAPI



CHARACTERISTICS

Credit coverage: until 62, 5% of the credit capital balance.

Provisions: FOGAPI establishes credit provisions to his protection / Motion SBS N. 808-2003

Amortization loan: 20%, Unless the nature of the credit can be canceled at an opportunity (for example, agricultural credits)

Effective coverage: 50% of the capital balance

Due: When the creditor becomes insolvent

Insolvency: After a certain period defined by International Financial Institution

MARKET ENTRY STRATEGY

- it became a guarantee product which overcrowds and decentralizes the guarantee and hence, the credit (loans)
- product which shares, minimizes or reduces credit risk but does not remove it
- It pursued the interest of using the different financial institution offices network at national level

The product is structured according the financial market requests: micro and small enterprises sector.

- A cost/ benefit evidence is elaborating according to the financial institution portfolio qualifications to demonstrate the benefits of provisions that would obtain when assuming FOGAPI the risk of counterpart
- Elaboration and provision of a control and monitoring software of the FOGAPI guarantee
- Overcrowding and decentralization guarantee requires adjustments for new request from the financial market :
 - ✓ Portfolio guarantee under modality of ‘ estimated or expected loss’
 - ✓ Channeling loan operations pre-approved with FOGAPI guarantee

ADVANTAGES OF PORTFOLIO GUARANTEE

1. Reducing, sharing and diversifying credit risks of FOGAPI
2. Recovering payments and reducing delinquency level indicators
3. Boosting volumes and increase of transactions
4. FOGAPI assumes the counter-part credit guarantee. Therefore assumes the provision / Res SBS n. 808-2003
5. No need of contribution fee to participate at FOGAPI guarantee
6. The international financial institution reimburse FOGAPI when recovering payments without cost
7. Improves funding by improving his loan capacity
8. Protect its main asset: credit portfolio
9. Allow the developments of new technologies to reach PME different credit sectors

INCONVENIENTES OF PORTFOLIO GUARANTEE

- More financial costs for the guarantee emitted in charge of FOGAPI
- More administrative costs for collection, control and monitoring under FOGAPI, despite the software supplied for the acquisition of the portfolio guarantee.

IMPACT

Today, 26% of the FOGAPI guarantees are portfolio guarantees

Evolution of the portfolio guarantee

Year	Number of transactions	Credits disbursed	Credit average
2001	44,441	60,000,000	1,350
2002	52,769	74,000,000	1,402
2003	65,515	98,000,000	1,496
2004	59,472	84,000,000	1,412
2005	47,255	64,000,000	1,354
2006	82,384	121,000,000	1,469
2007	87,150	119,000,000	1,365
2008	83,369	128,000,000	1,535
2009	73,715	109,000,000	1,479
2010	77,802	112,000,000	1,440
2011	68,591	99,000,000	1,443
TOTAL	742,463	1,068,000,000	1,438