AECM STATISTICAL YEARBOOK 2018

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aecm
EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

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I FOREWORD

This year, AECM's annual statistical publication changes its name and thereby takes account of the inclusion of the results of the Guarantee Activity Survey. It will from now on be branded "AECM Statistical Yearbook" not only presenting factual developments in the past but also the expectations of our members for the future.

The spring 2019 economic forecast of the European Commission draws an overall positive picture of the business development in the European Union. In 2019 and 2020 the gross domestic product is expected to grow in all EU member states, but slower than in 2018. The EU GDP growth is forecasted at 1.4% in 2019 and 1.7% in 2020 after 2.1% in 2018.

Notwithstanding negative expectations for the global trade and growth due to protectionist measures and the risks deriving from a potential no-deal Brexit, Europe is expected to continue growing thanks to domestic factors, such as the highest ever employment rate, rising wages, muted inflation, favourable financing conditions and supportive fiscal measures in some member states. It remains to be seen, how this macro-developments will translate into AECM members' guarantee activity.

According to our Scoreboard survey, AECM members are doing quite well. The development of the activity of guarantee institutions is very stable. AECM member organisations all together are supporting SMEs with a total amount of EUR 124.9 billion of guarantees. Compared to the year 2017, approximately the same level had been reached, the growth rate amounting to -0.6%. The new guarantee production is significantly higher than in the years before 2017. The number of supported SMEs continues its growth path and reaches 3.1 million. More details are delivered in section III.

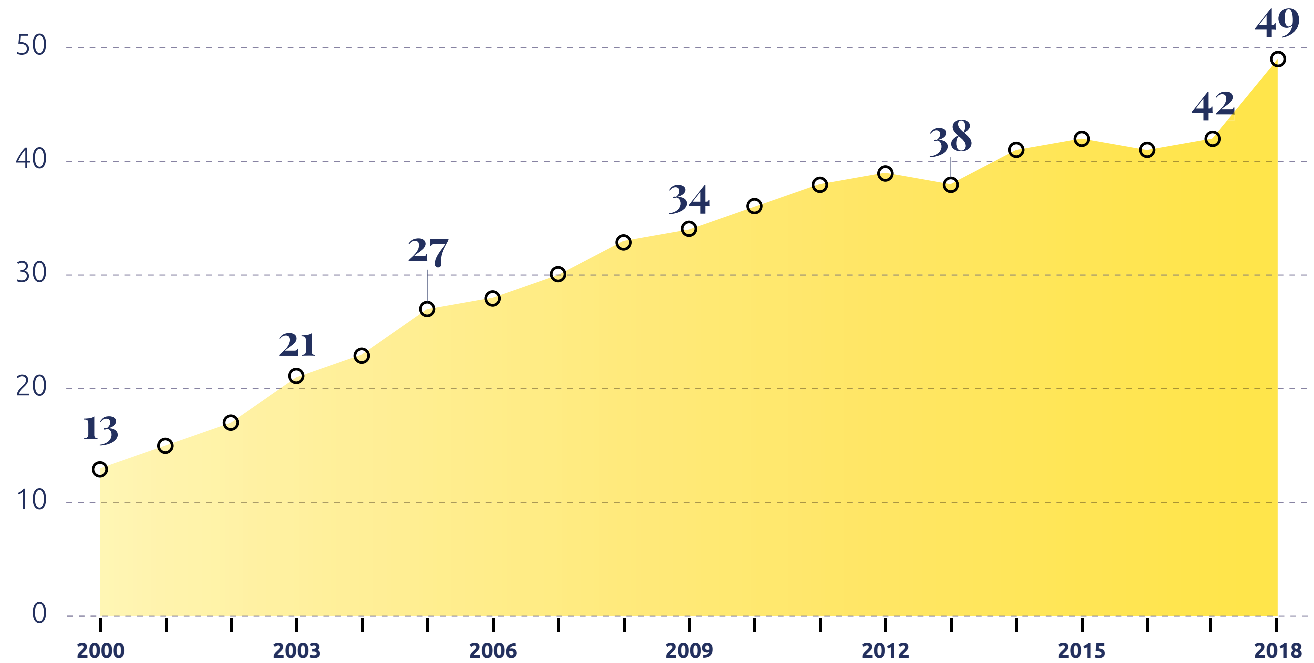
The results of our Guarantee Activity Survey reveal that AECM members are mainly optimistic about the future development of their guarantee activities. 94.5% expect either an increase or a stabilisation of their activities. Furthermore, AECM members evaluate SMEs business prospects largely positive but less positive than in previous years. The detailed analysis of the results can be found in section IV.

EUR 125 BILLION OF OUTSTANDING GUARANTEE VOLUME

II AECM MEMBERS

In the past year, the **positive evolution of AECM's membership base** continued. In 2018, the AECM family welcomed seven new full members: the Municipal Guarantee Fund for SMEs of Sofia from Bulgaria, Finnvera from Finland, Européenne de Cautionnement from France, the Kosovo Credit Guarantee Fund and Mutualité des p.m.e. from Luxembourg joined AECM at the Annual Event in Warsaw in June 2018. TMEDE from Greece was accepted as a member in October 2018 and the Azerbaijan Mortgage and Credit Guarantee Fund in December 2018, both by written procedure. To our great regret, the Slovenian member RRA-GIZ left AECM in December 2018 due to their internal budgetary planning. As a result, AECM counted 49 members on 31st December 2018 and 48 since 1st January 2019. A list with all current AECM members is attached in the annex of this document.

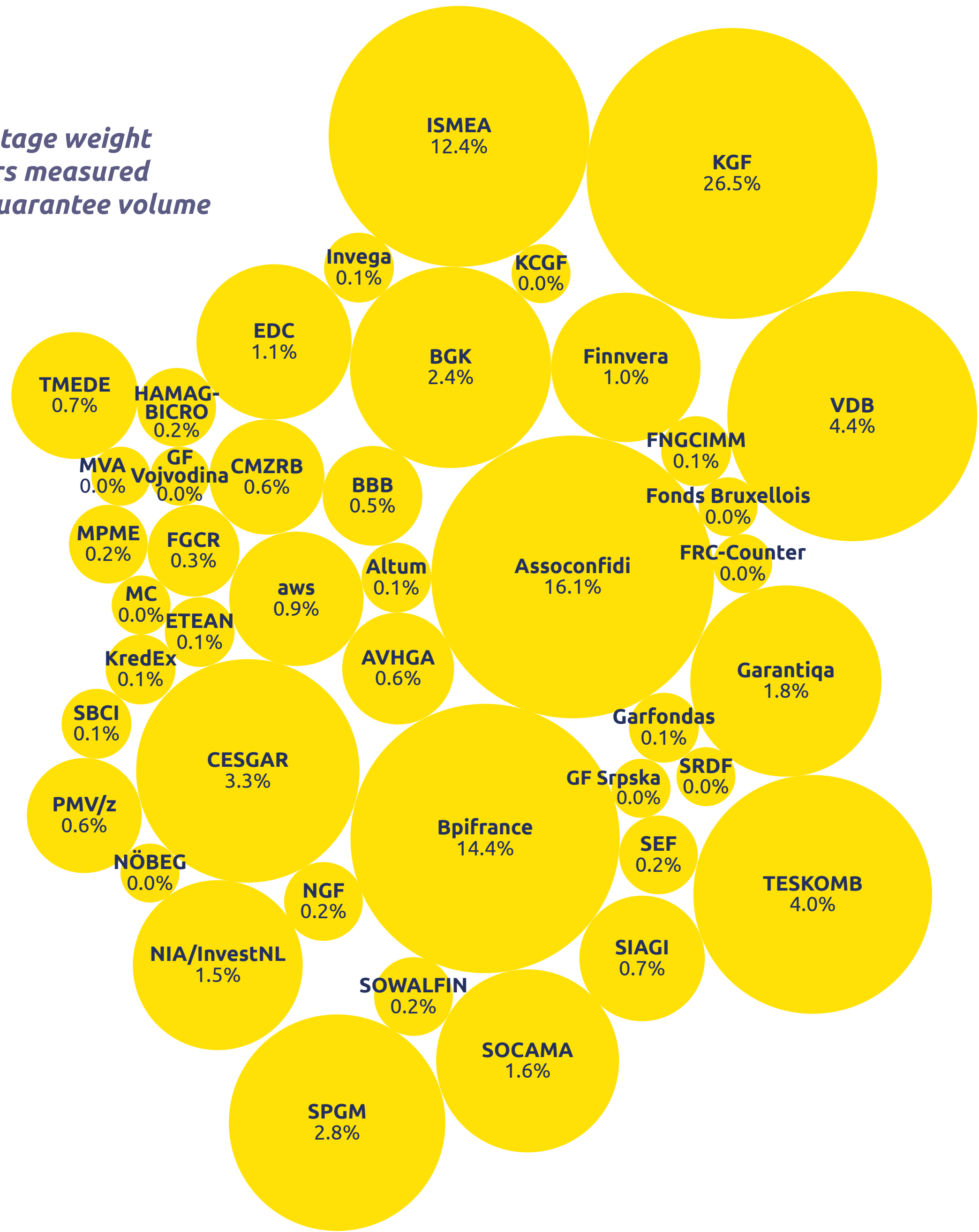
GRAPH 1: ***AECM Membership development***



In 2018, the Chairman and the General Secretariat of AECM continued their ongoing efforts to grow the membership base of AECM. Concerning possible future adhesions, it has been decided at the board of directors meeting in November 2018 in Brussels, that only guarantee institutions based in geographical Europe can become a full AECM member. Nonetheless, guarantee institutions outside of Europe have the possibility to become an AECM partner.

48 MEMBERS FROM 29 EUROPEAN COUNTRIES

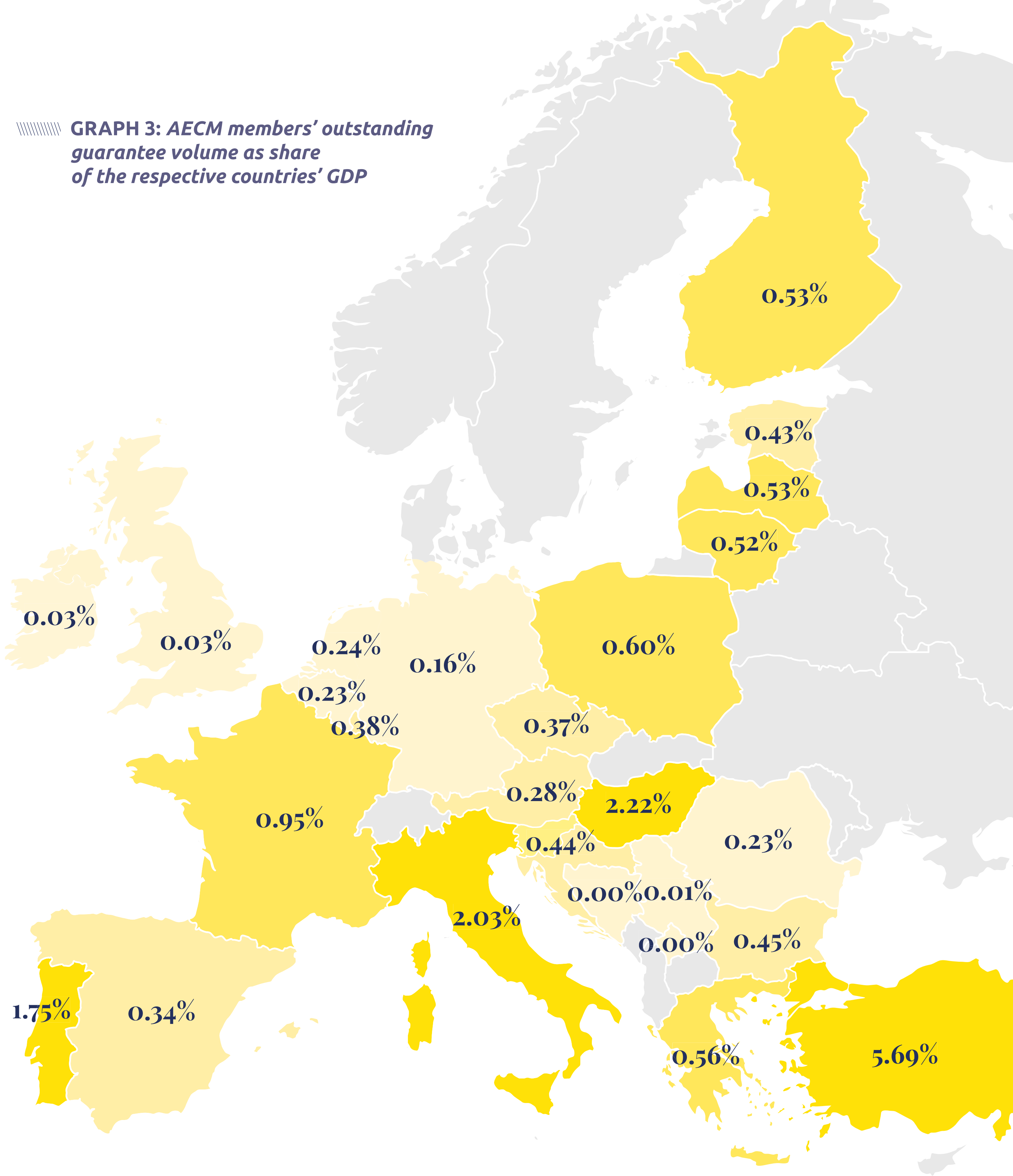
GRAPH 2: ***Percentage weight of AECM members measured by outstanding guarantee volume***



The highest **share of total AECM outstanding guarantees** is hold by KGF/Turkey with 26.5%, down from its peak in 2017 (31.1%). KGF is followed by Assoconfidi/Italy with 16.1%, Bpifrance/France with 14.4% and ISMEA/Italy with 12.4%. However, a vast majority of 30 out of 42 responding members has a share of less than 1%.

In an attempt to measure the relative relevance of AECM members activity for their respective national economy, we calculated the **percentage of the outstanding guarantee volume as share of GDP**. Not surprisingly, we observe the highest share with 5.7% in Turkey, followed by 2.2% in Hungary, 2% in Italy and 1.8% in Portugal. The share of the overall AECM members' outstanding guarantee volume in the GDP of AECM countries is 0.8%. The map below illustrates the individual countries' results.

GRAPH 3: ***AECM members' outstanding guarantee volume as share of the respective countries' GDP***



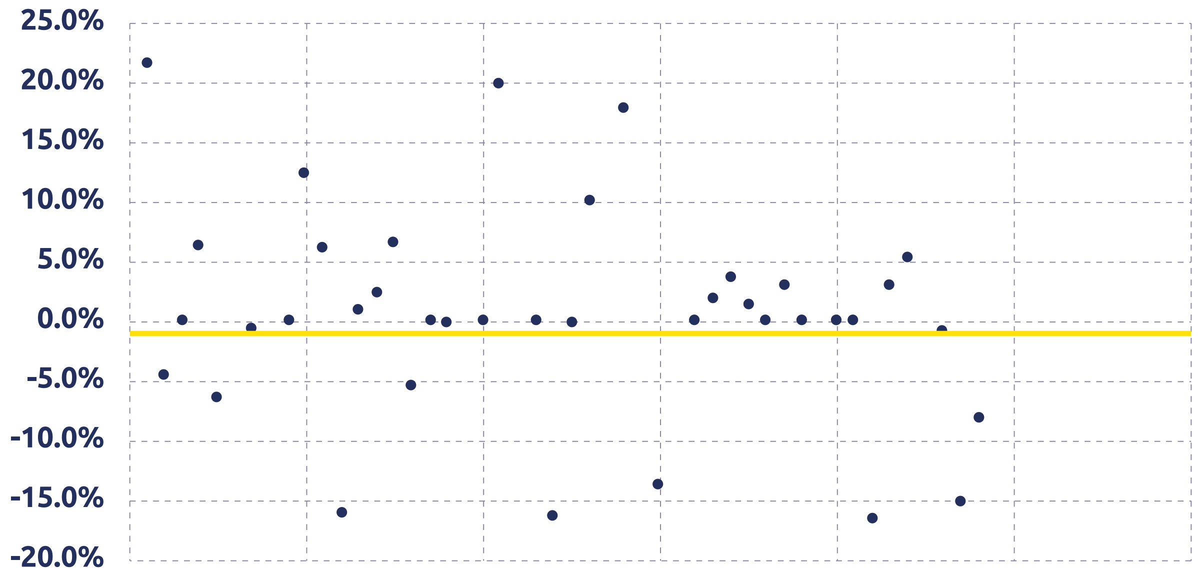
III SCOREBOARD SURVEY

1. OVERALL BUSINESS - 2018

OUTSTANDING GUARANTEES

The **outstanding guarantee volume** of AECM members as of 31st December 2018 amounted to **EUR 124.9 billion** which represents a stabilisation of the activity (**-0.6%** vis-à-vis 2017).

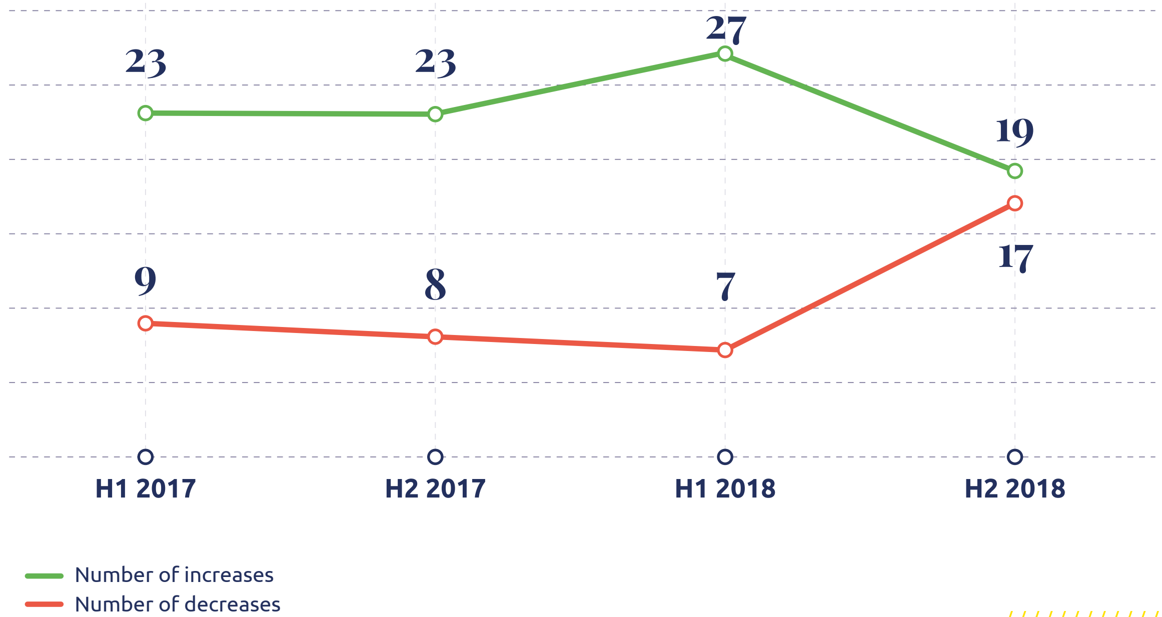
GRAPH 4: ***Distribution of growth rates in outstanding guarantee volumes, annual change between 2017 and 2018***



One can see in Graph 4 that most members' growth rates are between around 0 and 10%. The highest percentual annual increase has been registered in Kosovo where KCGF experienced an expansion of 152%, but also volumes of MC/Luxembourg (+113.3%) and SRDF/Slovenia (+100.9%) more than doubled. Growth rates of more than 20 % have furthermore been registered by NGF/Bulgaria (+45.3%), Invega/Lithuania (+43.7%), Sowalfin/Belgium (+27.6%), AVHGA/Hungary (+26%) and aws/Austria (+21.5%). The highest absolute increases could be observed for ISMEA (+EUR 1.4 billion), Garantiqa/Hungary (+EUR 365.1 million) and aws (+EUR 188.9 million). The highest absolute decrease was registered for KGF (-EUR 5.9 billion corresponding to -15.2%). It is, however, important to note that accounted in Turkish Lira, KGF registered a 13% increase, that, however, has been turned into a euro loss due to the 25% fall of the exchange rate of the Turkish Lira with respect to the Euro. If we exclude both Turkish AECM members KGF and TESKOMB from the calculation of the annual growth rate, we observe a considerable increase of 6.4% (instead of the slight decrease of 0.6%). 73.5% of this increase, however, derives from the accession of six[1] new members in 2018.

Having a look at **semestrial growth rates**, it is interesting but also worrying to see that the amount of negative growth rates doubled and represents nearly half of all growth rates. This is the worst negative/positive growth rates distribution since its first calculation during the first semester 2017.

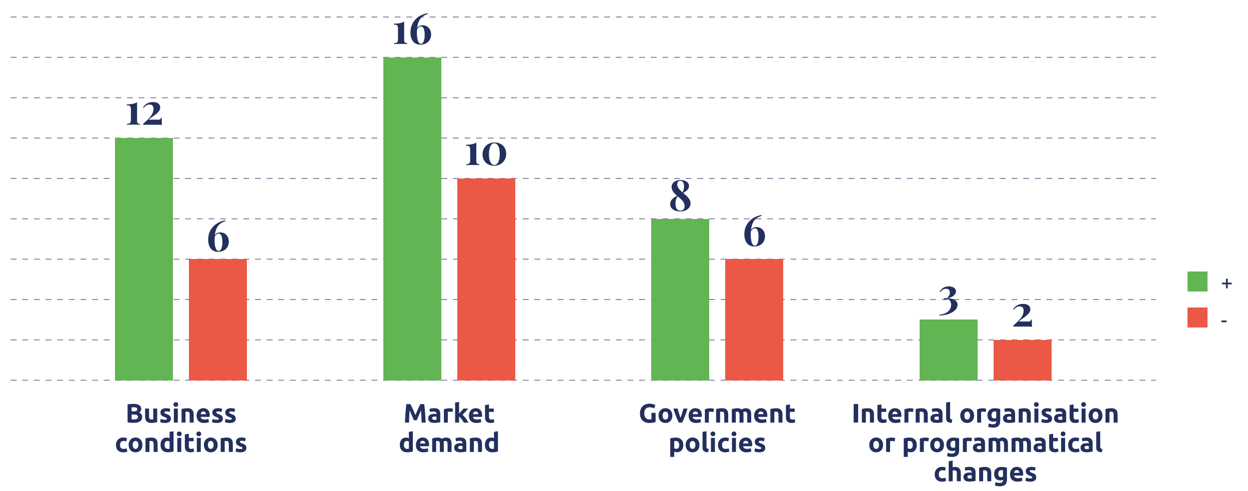
GRAPH 5: ***Number of half-yearly in-/decreases in the outstanding guarantee volume***



[1] The seventh new member did not provide data.

In the present Scoreboard survey we asked our members about the **reasons for the half-yearly development of the oustanding guarantee volume** during the second semester 2018. The result is presented in Graph 6 below.

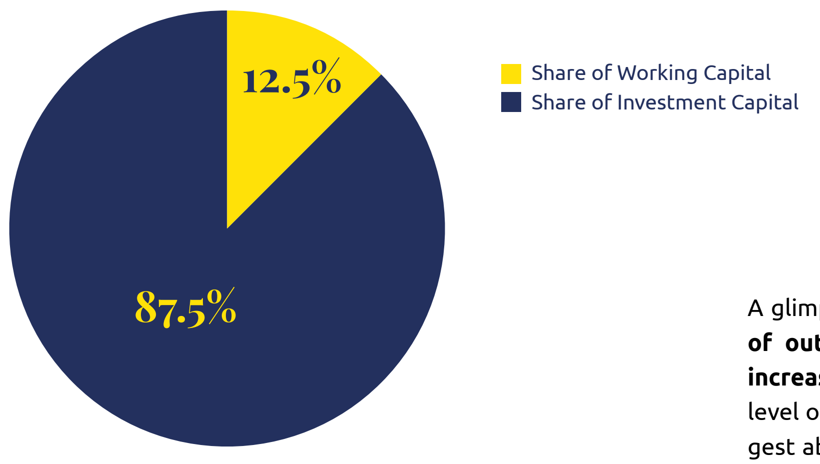
GRAPH 6: *Reasons for the portfolio development*



Most members that registered positive growth rates mentioned “market demand” and “business conditions” as the main reasons for this development. However, “market demand” was also the most often mentioned reason for negative growth rates. “Internal, organisational or programmatic changes” was the least often mentioned reason both for positive and for negative developments, suggesting that external factors are largely prevealing. Members furthermore stated the competition among credit institutions, the increase in banks’ demand for guarantees and the implementation of EU programmes as reasons for positive development. Negative developments were also justified by the exchange rate development and by the disuse of portfolio guarantees.

For the first time we asked members to **distinguish between their outstanding guarantees for working capital and for investment capital**. 26 out of 43 respondents (accounting for 38.1% of the total outstanding guarantee volume) reported on this distinction. As can be seen in Graph 7 below, the vast majority of guarantees are granted to secure investment capital loans (87.5%) mirrowing the strong long-term orientation of AECM members. The analysis of the weighted average, however, does not show the full picture. There are also eight members with more than 50% of their outstanding guarantees granted for working capital loans. Five of them have even a percentage above 70% working capital.

GRAPH 7: *Distinction between guarantees for working capital and for investment capital*

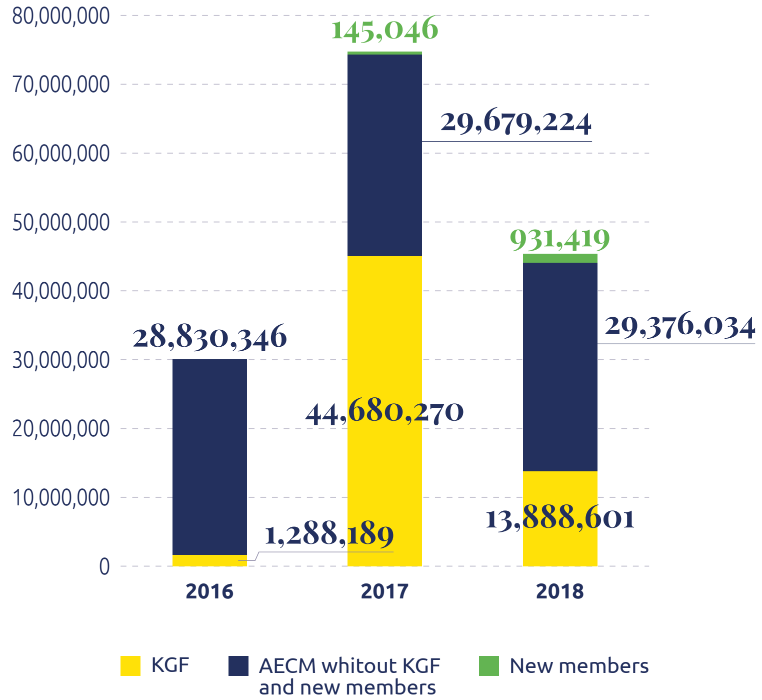


A glimpse at the development of the **number of outstanding guarantees** shows a strong **increase of 9.4%** reaching a new peak at the level of more than 3.3 million units. The strongest absolute increase has been registered by KGF (+138,578) and Bpifrance (+101,812).

NEWLY GRANTED GUARANTEES

The **volume of newly granted guarantees** in 2018 is significantly lower than in the previous year (-39%). This is due to the exceptional increase of the KGF volume in 2017. Compared to 2016, the 2018-value of EUR 45.1 billion is well above. As can be seen in Graph 8 below, new KGF production still represents a significant part of the overall AECM members new production in 2018.

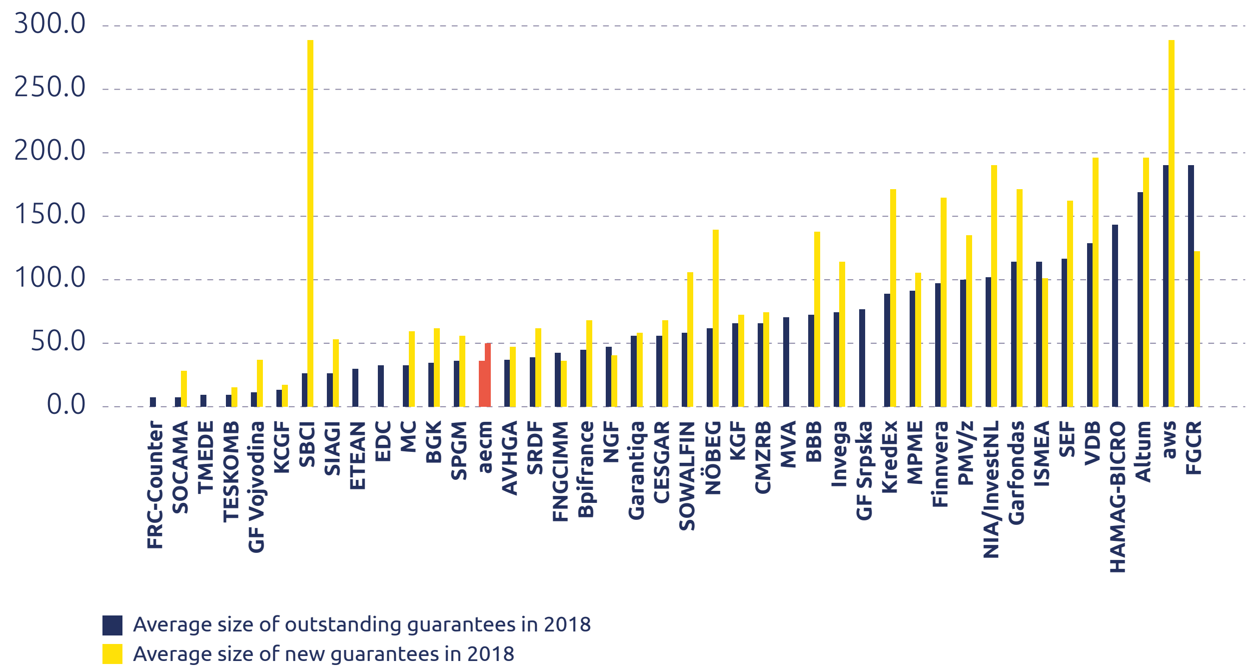
GRAPH 8: *Composition of the volume of newly granted guarantees (in KEUR)*



The **number of newly granted guarantees** also decreased, but only by 10.5%, suggesting a decrease in the average size of newly granted guarantees.

The following graph shows the distribution of average outstanding and average new guarantees among AECM members.

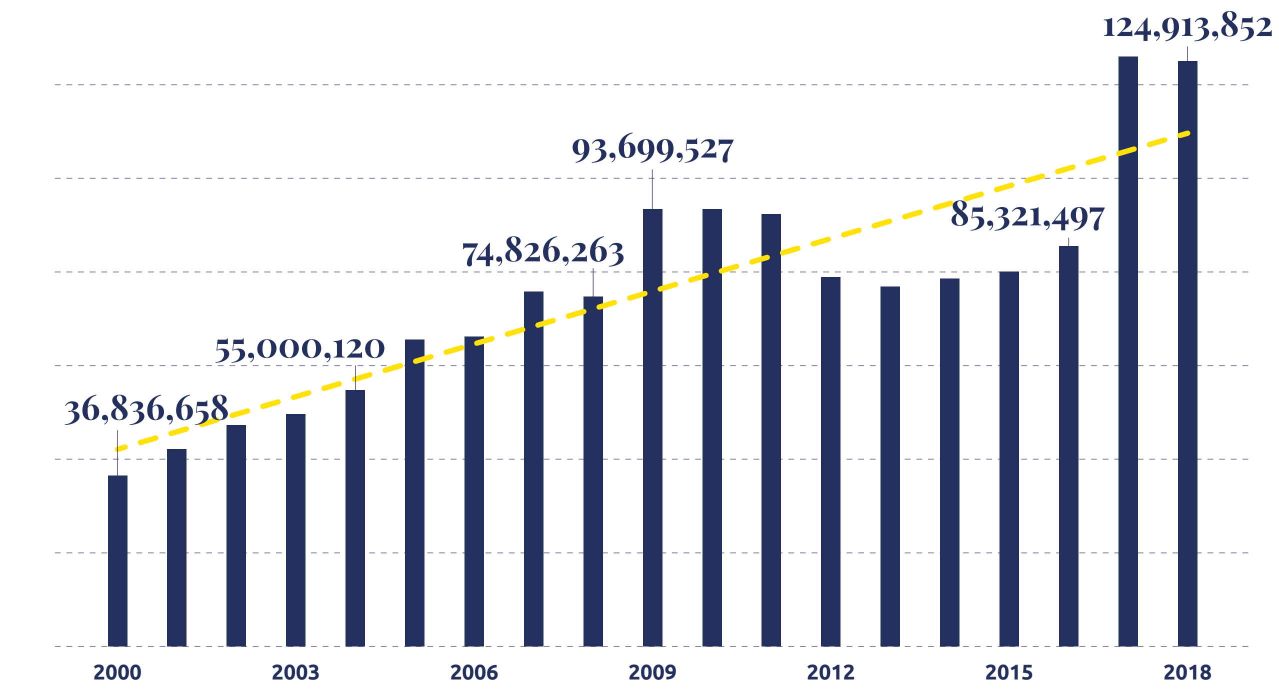
GRAPH 9: *Average guarantee size of individual AECM members (in KEUR)*



Concerning the decomposition in working and investment capital, one can observe that there is an indication for an increasing share of guarantees for working capital loans. 1/3 of newly granted guarantees are in the area of working capital and 2/3 in the area of investment capital. However, it is important to note that this distinction is applicable to only 29% of the overall volume of newly granted guarantees.

2. OVERALL BUSINESS - LONGTERM DEVELOPMENT

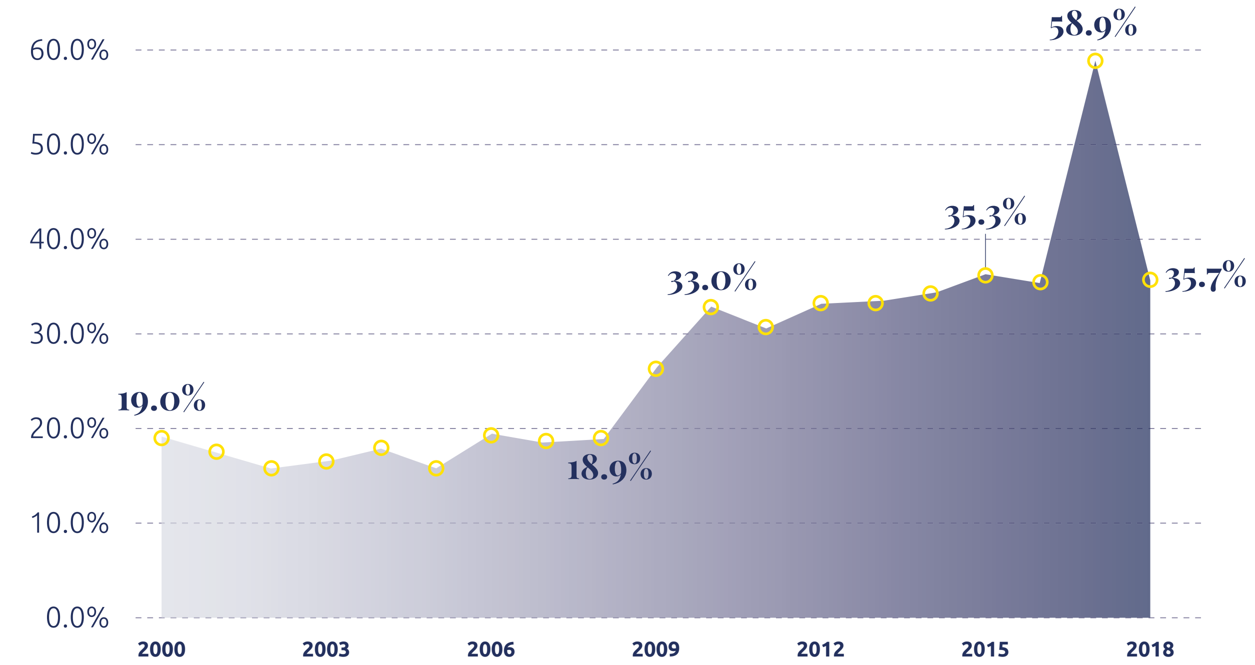
GRAPH 10: ***Development of AECM members' outstanding guarantee volume (in KEUR)***



The graph above shows how the overall outstanding guarantee volume of AECM members evolved since 2000. The steady upward trend (see linear yellow trend line) is somehow parallel to the increase in the membership base. Remarkable points are the upper dip during the economic and financial crisis between 2009 and 2011 as well as the strong upward shift between 2016 and 2017. The latter shift can largely be explained by the rise in guarantee volumes of KGF that saw an individual increase of more than 1000% (cf. AECM Scoreboard H2/2017) due to a promotional programme put in place by the Turkish government. In 2018, the level reached in 2017 could be maintained despite a considerable decrease in the KGF value that is due to a 25% decrease of Turkish Lira towards the Euro.

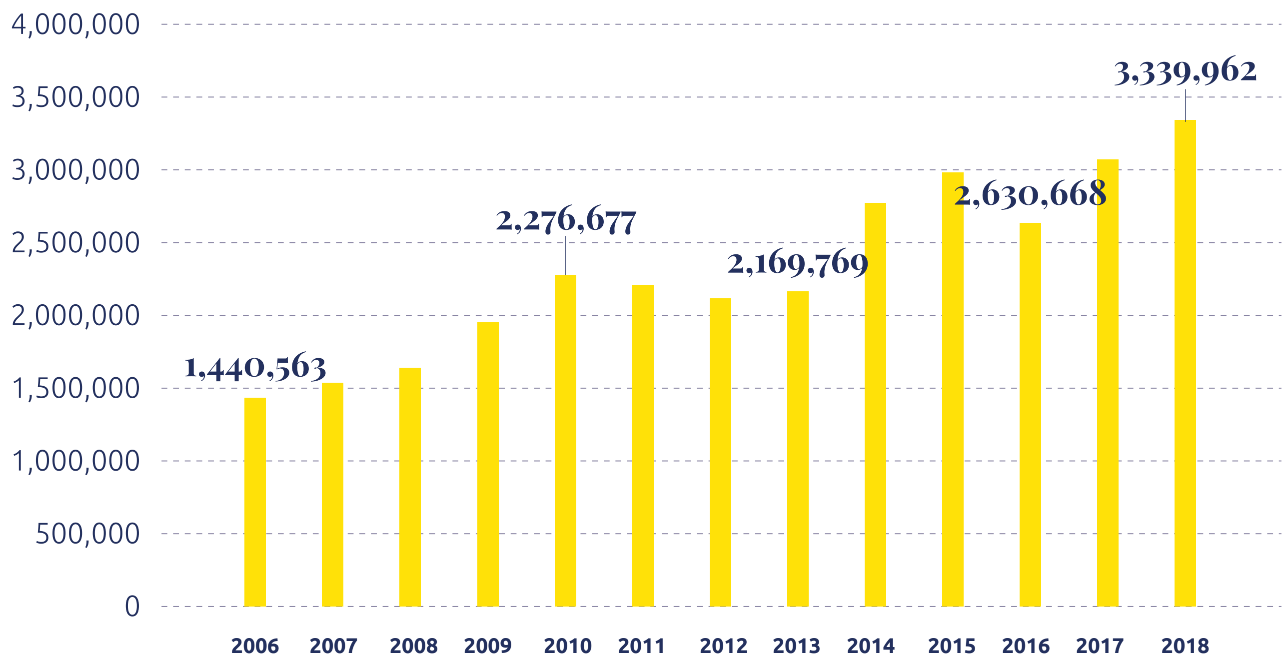
The new guarantee volume of all AECM members grew from EUR 7 billion in 2000 to about EUR 14 billion in 2008. It then dipped up to EUR 30.8 billion (2010) during the financial crisis and remained at the level of EUR 25 to 30 billion until another peak in 2017 (EUR 74 billion). This last peak was mainly caused by the huge increase of KGF's new guarantee production. In 2018, EUR 44.5 billion new guarantees were produced by AECM members. As can be seen in the graph below, new guarantees share of the total portfolio increase from a level slightly below 20% in the noughties (2000 to 2009) to a level of around 35% since the economic crisis (only with the notable exception of 2017).

GRAPH 11: ***Volume of newly granted guarantees as share of portfolio***



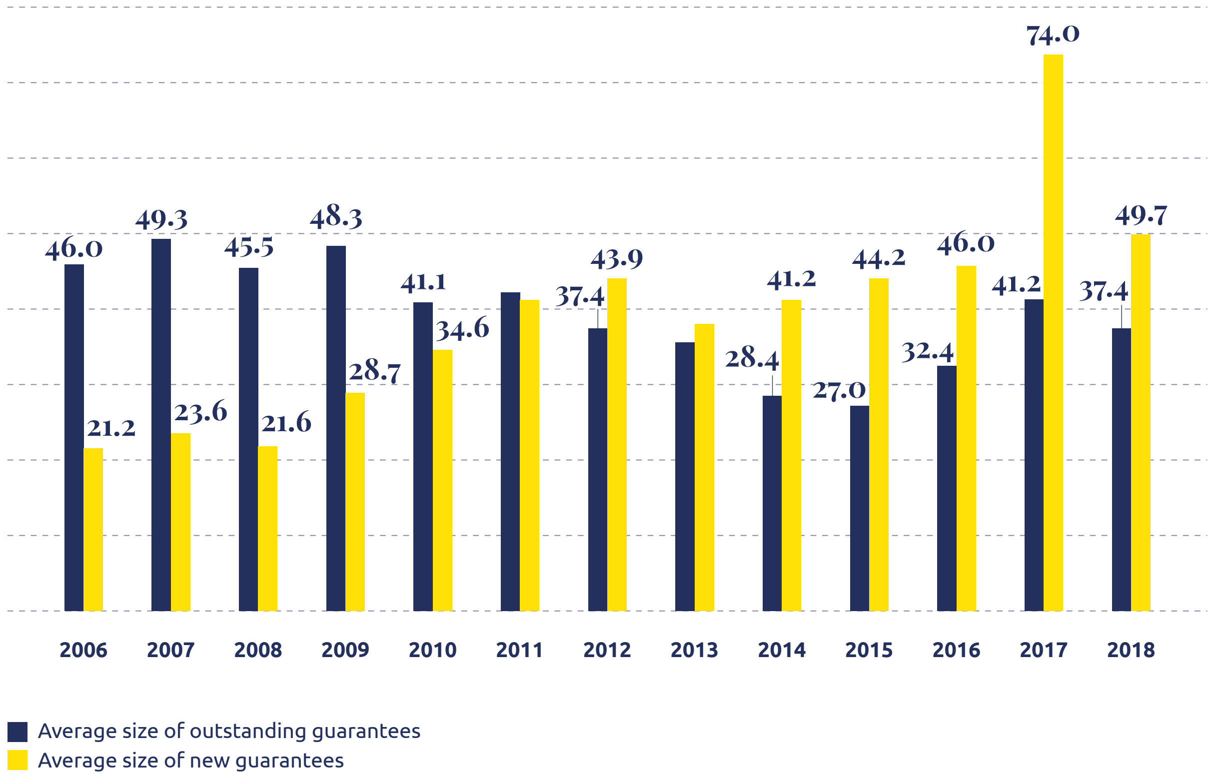
As can be seen in the graph below, the number of outstanding guarantees more than doubled between 2006 and 2018. In 2018, the highest level ever has been reached at more than 3.3 million guarantees.

GRAPH 12: ***Number of outstanding guarantees (in units)***



The average size of guarantees in the portfolios of AECM members was relatively high in the years 2006 to 2009 (between KEUR 45 and 50). The average size of new guarantees in the same period were considerably lower at a level of KEUR 20 to 30. This difference led to a decline in the average size of outstanding guarantees down to KEUR 27 in 2015. However, the average size of new guarantees increased since 2009 up to KEUR 49.7 in 2018 (with a short peek of KEUR 74 in 2017 due to the huge expansion of KGF volumes). These higher values for new guarantees resulted in an increasing average size of guarantees in portfolio since 2016, reaching KEUR 37.4 in 2018. The graph below illustrates the described development. The higher average size of newly granted guarantees indicate a potential future rise in the average size of outstanding guarantees.

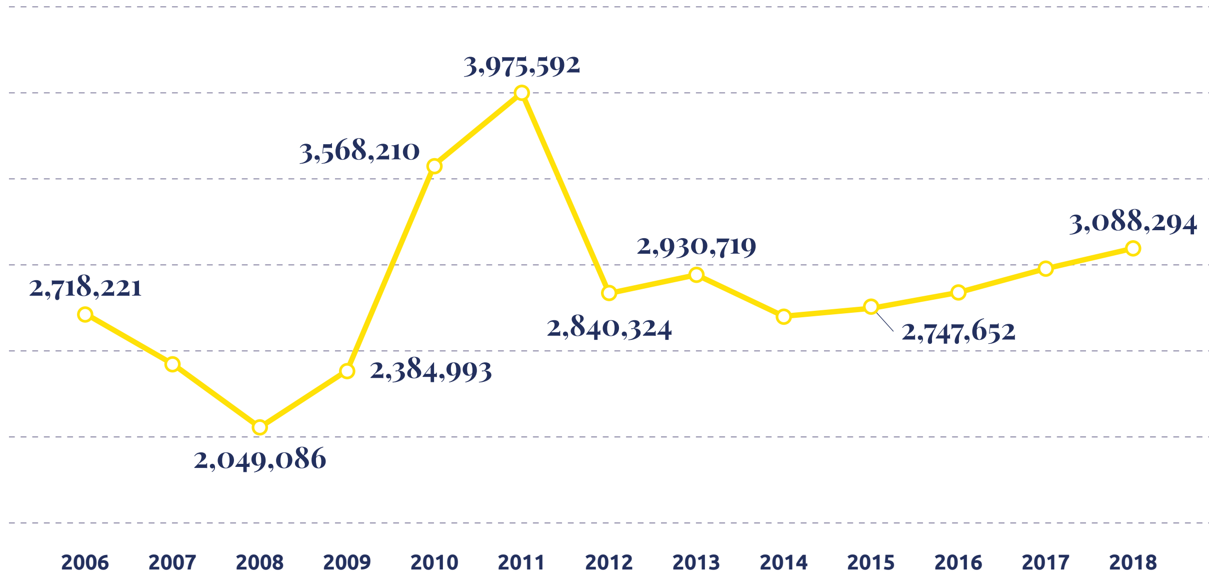
GRAPH 13: ***Average size of outstanding and newly granted guarantees (in KEUR)***



3. SME SUPPORT

In 2018, the number of **SMEs supported by AECM members** reached with nearly **3.1 million** its highest level since the peak during the economic and financial crisis (in 2011). The development since 2006 can be observed in the graph below.

GRAPH 14: ***Number of supported SMEs (in units)***

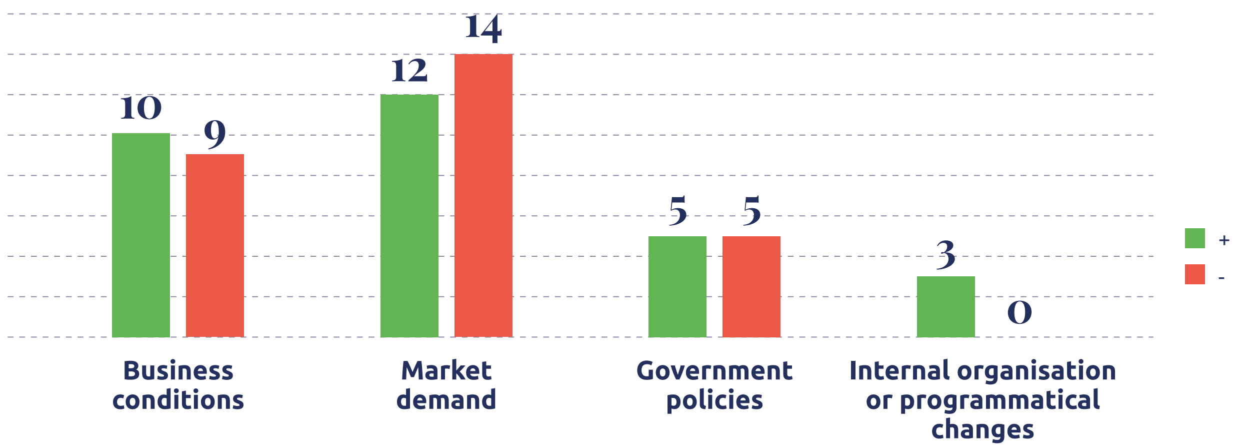


The overall growth rate on AECM level was 3.6% with respect to the previous year. Nevertheless, developments at the individual members level are very diverse, ranging from +62.5% to -83.5%. The highest absolute increase has been registered by KGF (+31,406), followed by ISMEA (+13,079) and CESGAR/Spain (+3,887).

The **number of new SMEs supported** decreased by 8.3%. However, this decrease only reflects the normalisation of the situation after the huge increase of KGF's activity in 2017. If we exclude the KGF value, the algebraic sign changes and we see an increase of 8.3%.

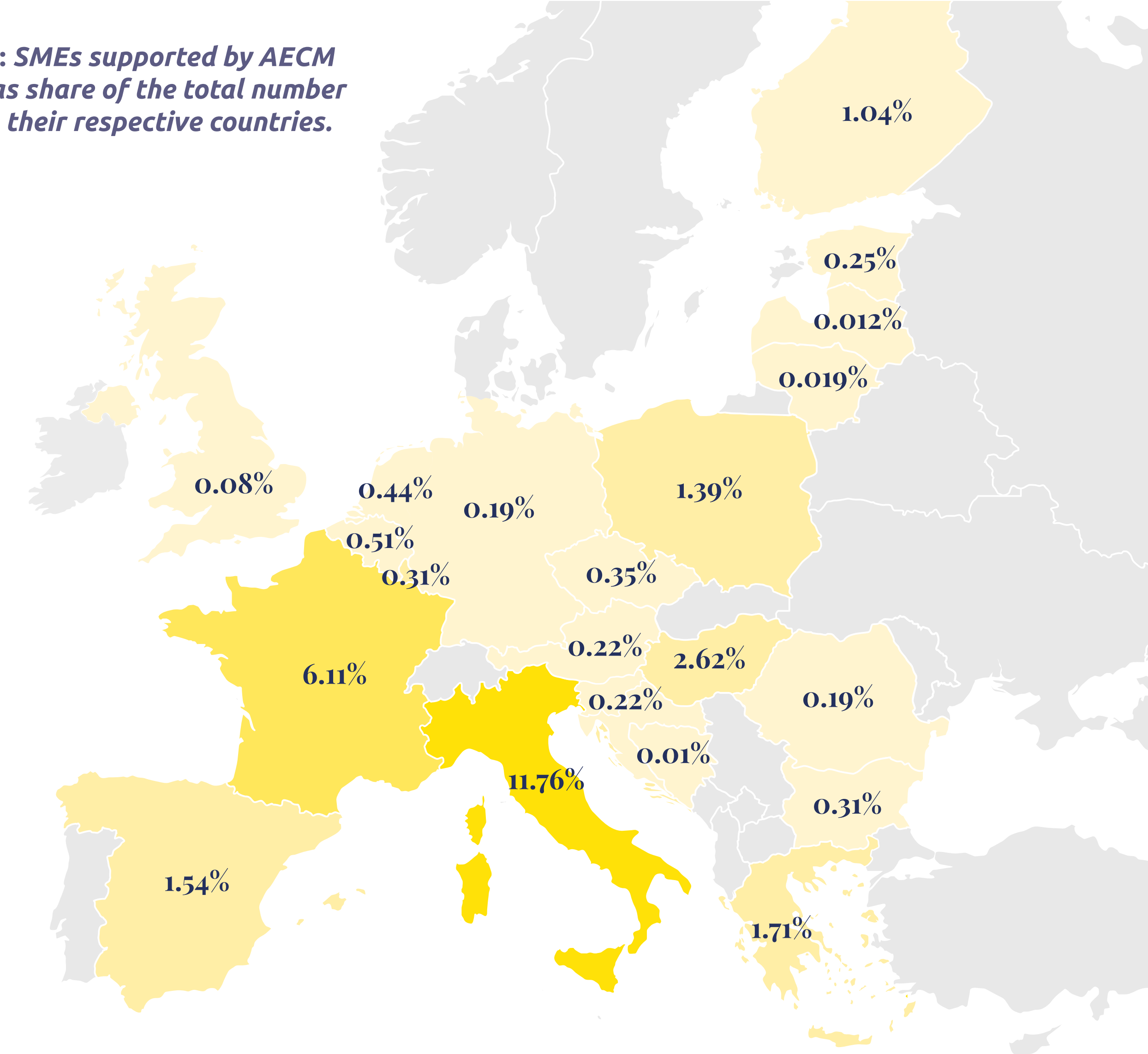
The reason that is mentioned by most members both for a positive and for a negative development is "market demand". As is the case also for the development of the outstanding guarantee volume, "internal, organisational or programmatic changes" are only mentioned by a minority of AECM members as a reason for a growing stock of SMEs supported (see graph 15 below).

GRAPH 15: ***Reasons for the development of the number of supported SMEs***



In order to get an idea about the **outreach of our member organisation to the SME sector**, we put the number of supported SMEs in the portfolios of our members as of 31st December 2018 in relation to the total number of SMEs[2] within their respective home countries. As a result, we observe that the outreach of AECM members in Italy is the greatest. Assoconfidi and ISMEA reached in 2018 11.8% of all Italian SMEs. Italy is followed by France, where Bpifrance, EDC, SIAGI and SOCAMA together reached out to 6.11% of all French SMEs. The bronze medal goes to Hungary and our Hungarian members AVHGA, Garantiqa and MVA (2.6%).

GRAPH 16: ***SMEs supported by AECM members as share of the total number of SMEs in their respective countries.***



4. DEVELOPMENT OF COUNTER-GUARANTEES

Twelve AECM members reported about their activities in the area of counter-guarantees. The development in this area is very stable and positive. Over the year 2018, the counter-guarantee activity increased by 1.3%, following an increase of 0.7% in 2017. However, growth rates are positive only thanks to the adhesion of two new members, Finnvera/Finland and EDC/France. Overall, AECM members granted counter-guarantees at an amount of around EUR 4.8 billion. More than 90% of this amount is concentrated on the Iberian peninsula (nearly EUR 2.4 billion by SPGM/Portugal and nearly EUR 1.9 billion by CESGAR).

New counter-guarantee production fell by 2.4% to a level of slightly less then EUR 1.5 billion in 2018.

Whereas the **number of counter-guarantees** in portfolio increased by 2.1% in 2018 to 158,553, the number of the new production fell by 10.2% to 35,591. The average size of a counter-guarantee in portfolio is KEUR 30.2 vis-à-vis an average size of new counter-guarantees of KEUR 42.1.

[2] This data is not available for all AECM member countries. This is the reason why some countries are left out.

5. EU FINANCIAL INSTRUMENTS

AECM members are an important counterpart of the European Union and the European Investment Bank Group in the implementation of EU financial instruments. Many of them are using EU funds to counter-guarantee for their guarantee activity. In the following, we take a look at the individual programmes.

COSME

As of 31st December 2018, the European Investment Fund implemented a total amount of EUR 1.1 billion under the COSME Loan-Guarantee Facility, 27.5% of which were granted through the intermediation of 18 AECM members (or their members). More than 97% of the AECM members' share was granted in form of counter-guarantees.

AECM members used these EUR 306.2 million of COSME counter-guarantees to grant guarantees at an amount of about EUR 5.1 billion . This implies a leverage ratio at AECM level of 18.4[3]. Most heavy COSME users are SOCAMA with more than EUR 2.05 billion, followed by CESGAR with EUR 1.14 billion and CMZRB/Czechia with around EUR 0.46 billion.

ERDF

The second most used EU programme by AECM members is the European Regional Development Fund. Six AECM members granted guarantees at the amount of EUR 611.1 million under this programme, EUR 444.8 of which belong to the CMZRB portfolio and EUR 107.3 of which belong to the Invega/Lithuania portfolio.

InnovFin

At the end of 2018, eight AECM members granted guarantees at an amount of EUR 234.6 million under the InnovFin programme. Here, aws is in the lead with an amount of EUR 121.3 million followed by CESGAR with EUR 70.7 million.

Other EU programmes

CESGAR reported that it grants EUR 48.4 million under the Cultural and Creative Sector facility (CCS). KCGF uses funds from the Instrument for Pre-Accession Assistance (IPA) and has an outstanding guarantee volume of EUR 11.8 million under this programme. KredEx covers a guarantee volume of KEUR 710 by the European Social Fund (ESF) and Garfondas/Lithuania grants guarantees at the height of KEUR 15 under the European Agricultural Fund for Regional Development (EAFRD). No member reported to use the EU Programme for Employment and Social Innovation (EaSI) or the European Maritime and Fisheries Fund (EMFF). The following graph illustrates the use of EU programmes by AECM members.

GRAPH 17: ***Use of EU Financial Instruments by AECM members***

[3] Three members did not report the volume of their outstanding guarantees under COSME and are therefore neither included in the total amount of COSME guarantees nor in the calculation of the AECM level leverage ratio.

6. AGRICULTURAL GUARANTEES

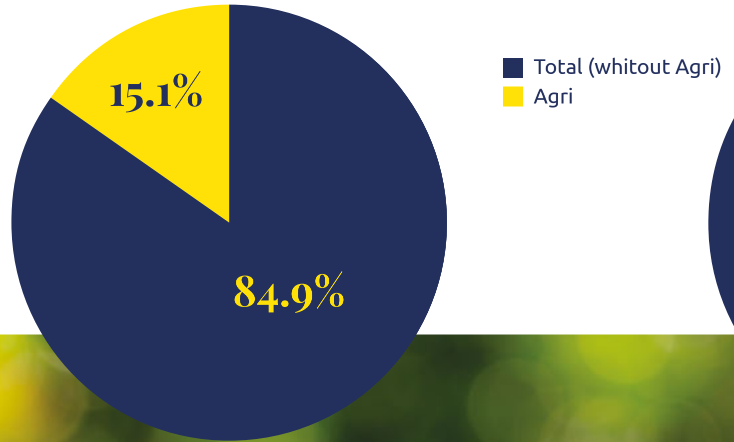
Turning to the agricultural sector, it has to be noted that currently 25 out of 48 AECM members are active in agriculture guarantee activities.

Some of the AECM members for the first time in 2017 provided us with relevant data for guarantees in the agricultural sector and in the current edition of the annual 'Statistical Yearbook' 2018 we would like, for the first time, to share with you the evolution of agricultural data.

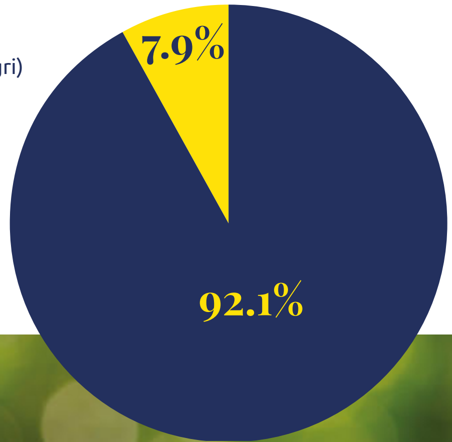
As Graphs 17a and 17b below show, the part of **outstanding agricultural guarantees** represents more than EUR 18.8 billion which represents 15.1% of the overall volume of outstanding guarantees. Newly granted agricultural guarantees in 2018 amount to nearly EUR 3.6 billion representing 7.9% of all newly granted guarantees. If comparing this data with data from the previous year in terms of outstanding volume it can be observed that the growth rate of outstanding agricultural guarantees over the previous year is 12%. The current outcome can largely be explained by the improved business conditions, higher market demand as well as more favourable government policies.

On the contrary, the **total volume of the newly granted guarantees** decreased by 6.2% in comparison to the year 2017.

GRAPH 17A: ***Volume of outstanding agricultural guarantees as a share of the overall outstanding guarantee volume***



GRAPH 17B: ***Volume of newly granted agricultural guarantees as a share of the overall volume of newly granted guarantees***



In parallel to the Scoreboard survey, we carried out a specific survey among the five guarantee schemes that are exclusively active in agriculture. The following presentation refers to the results of this specific survey.

In regard of granting guarantees to agricultural firms, there are some guarantee institutions that have their strategic focus on agriculture, as part of governmental measures helping the food sector due to its special economic features. These members of AECM are: SPGM member Agrogarante, AVHGA, FGCR/Romania, Garfondas and ISMEA.

These specific features need different solutions from financiers' side. The most important factors – non-exhaustively – are the following:

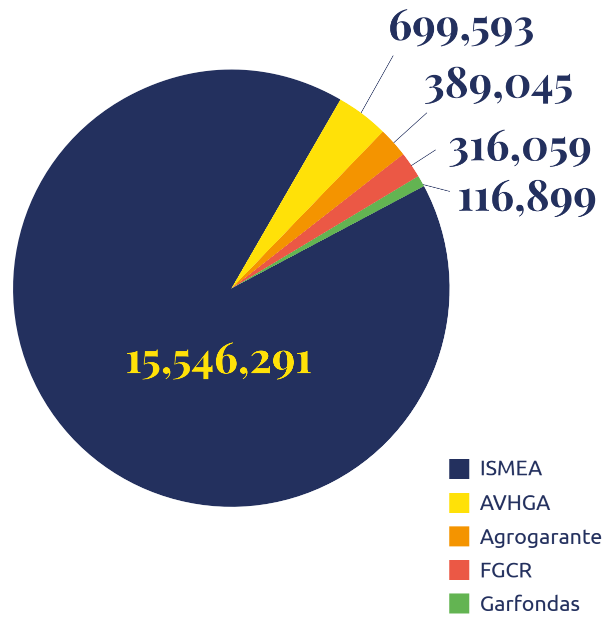
- Agricultural production is strongly dependent on external factors, such as weather conditions or volatility of world prices both on input and output side (price-taker role).
- State aid rules are much stricter in agriculture than in general. While agricultural firms generally have higher demand for external finance, the possibility of preferential financing is limited: the most commonly used 'de minimis' is eight times scarcer in agriculture than in other sectors, leaving small room for better financing conditions.
- Liquidity issues are relatively common due to the high capital need of production and/or the long production cycle, which means that costs occur continuously, while revenues are received only at the end of the cycle as a lump sum.
- In several countries and subsectors, the share of direct payments under the first pillar of EU's Common Agricultural Policy is high in the income of agricultural producers, resulting in the enterprises' severe dependence on these funds. Similarly, grants under CAP's second pillar – rural development – can be important tools in regard of the modernisation of the sector. Adequate financing of these investments is crucial.
- Food production is a technology and asset intensive industry. This means that investment need is generally high, the ongoing digital revolution towards the precision economy and innovations generates further large-scale investments.
- Access to finance is often difficult due to poor liquidity situation and lack of bankable collaterals, or when bankable assets are already pledged by mortgage.

Focusing on agriculture does not necessarily mean that all the operations are connected to agricultural firms, but the primary target group is food producing enterprises/farms. As healthy alimentation of humanity is a growing challenge, food production is a top priority – guarantee institutions (and also banks) need to develop and maintain a holistic approach to ensure support for the whole process, integrating – among others – primary production, food processing, food trade and supply, provide of relevant machinery etc.

Besides, four out of five agriculture-oriented guarantee institutions (Agrogarante, AVHGA, FGCR, Garfondas) also promote rural development. Like the Common Agricultural Policy (CAP), agriculture goes beyond itself and it is expected to contribute to maintaining rural lifestyle, rural employment, local economic development, maintaining rural/local culture etc. Supporting agriculture is only complete with the complex development of rural areas[4].

Picking up on the agricultural-oriented schemes, Graph 18 shows the breakdown of total portfolio by each member. ISMEA accounts for 91.1% of the outstanding guarantee volume of the agriculture-oriented institutions.

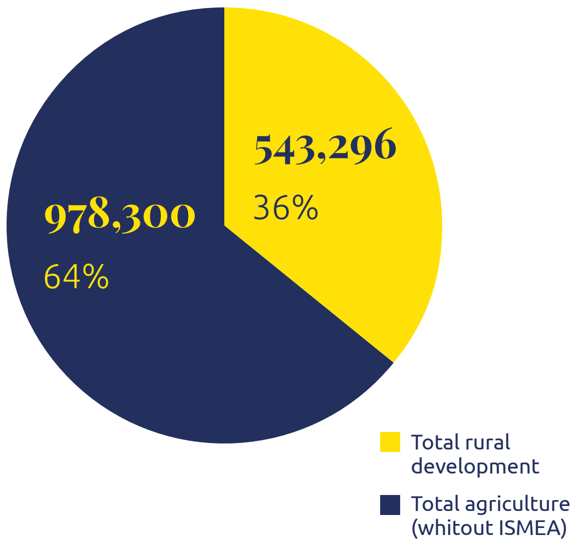
GRAPH 18: ***Volume of outstanding guarantees of the agriculture-oriented guarantee schemes at 2018 year-end***



[4] The first pillar of CAP provides direct payments to agricultural producers, and second pillar of CAP provides grants for rural development goals which often means non-agricultural activities.

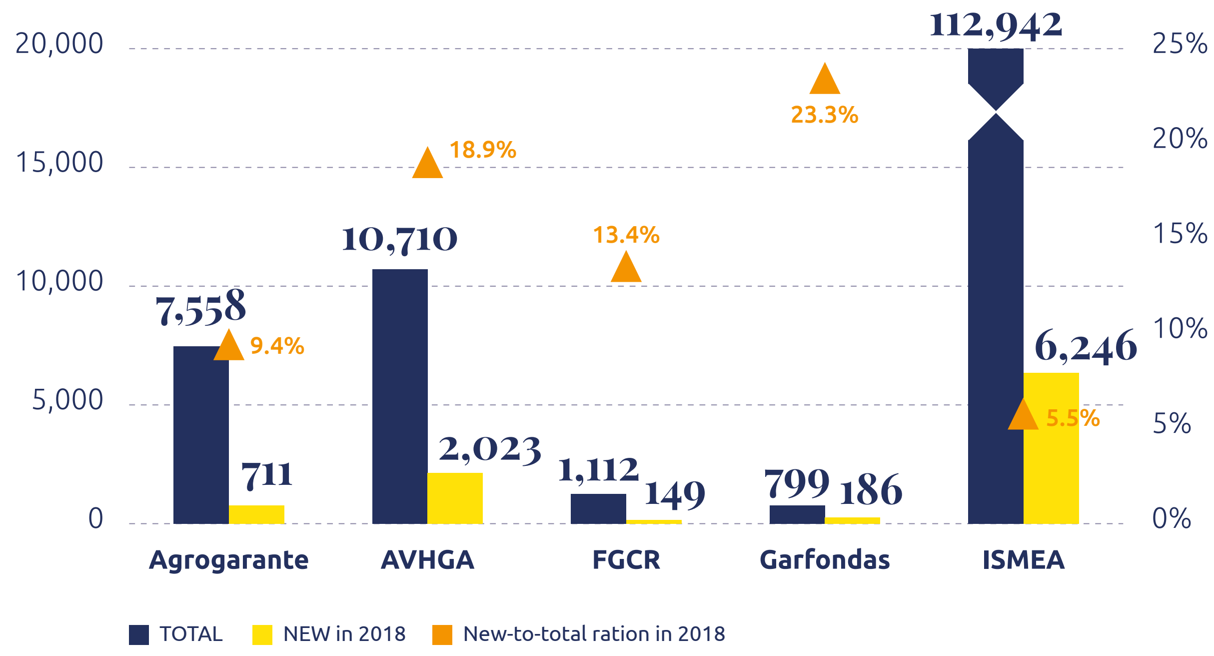
The **total outstanding amount guaranteed for rural development** amounts to EUR 543.3 million, representing 36% of the total volume of the aggregated portfolio of the four members active in rural development (Graph 19).

GRAPH 19: ***Distinction between outstanding guarantee volume in the area of agriculture and in the area of rural development (without ISMEA that only guarantees agricultural firms)***



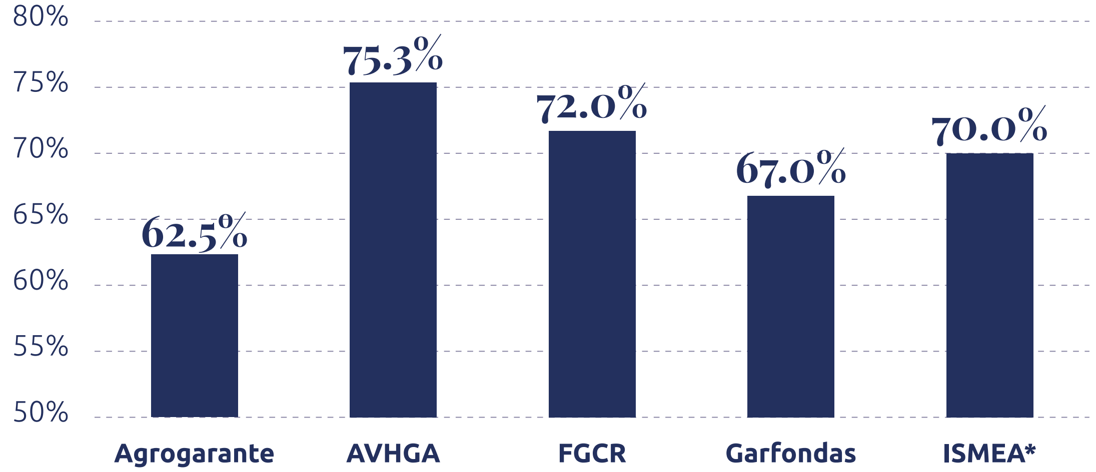
Speaking in terms of **SME beneficiaries** (Graph 20), it has to be noted that during the year of 2018, guarantees reached a total number of 133,121 SMEs, out of which 9,315 were new SME beneficiaries. As the high proportion of newly included SMEs shows, these guarantee institutions are effective in increasing their outreach – it is a key goal of their operation, as further referred to in Graph 22.

GRAPH 20: ***Total (at year-end) and newly included (during 2018) agricultural SME beneficiaries (in units)***



Further, graph 21 indicates the **guarantee rates**. One can remark that the guarantee coverage rate varies between 62.5% in case of Agrogarante and goes as far as 75.3% for the Hungarian member AVHGA.

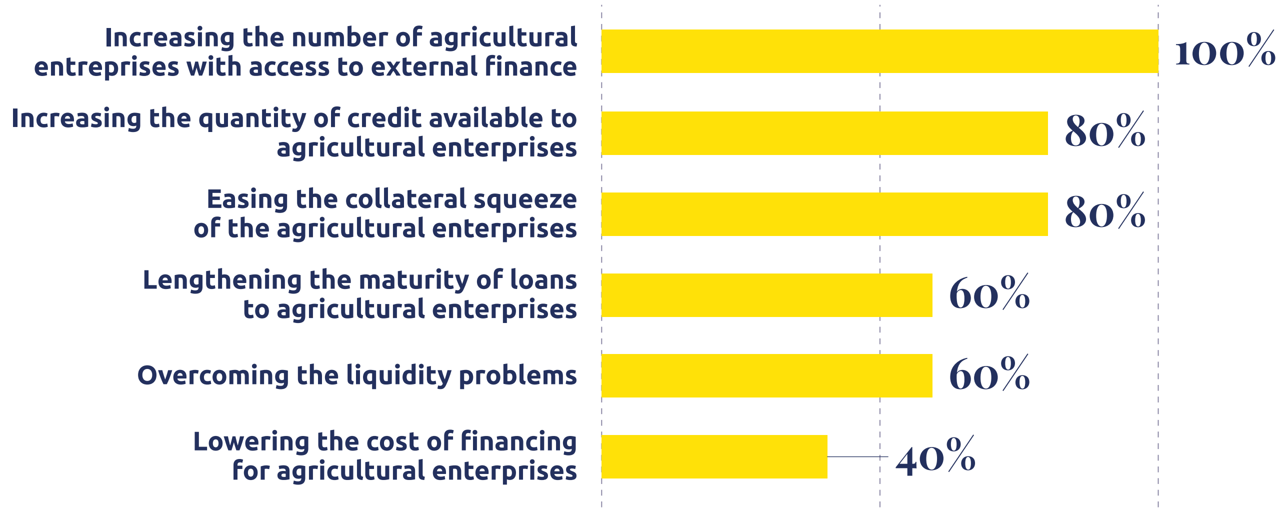
GRAPH 21: ***Average coverage rates of agriculture-oriented guarantee schemes***



*In case of ISMEA, no data was provided. The indicated data is the maximum guarantee rate.

In terms of **key goals for their activity**, as graph 22 shows, all agricultural-oriented guarantee institutions aim at increasing the number of agricultural enterprises with access to external finance. Most of the schemes aim also to increase the quantity of credit available to agricultural enterprises as well as to ease the collateral squeeze of them. Another goal is to lengthen the maturity of loans and to overcome the liquidity problems. Lowering the cost of financing is not usually considered to be a priority.

GRAPH 22: ***Key goals of the agriculture-oriented guarantee schemes***

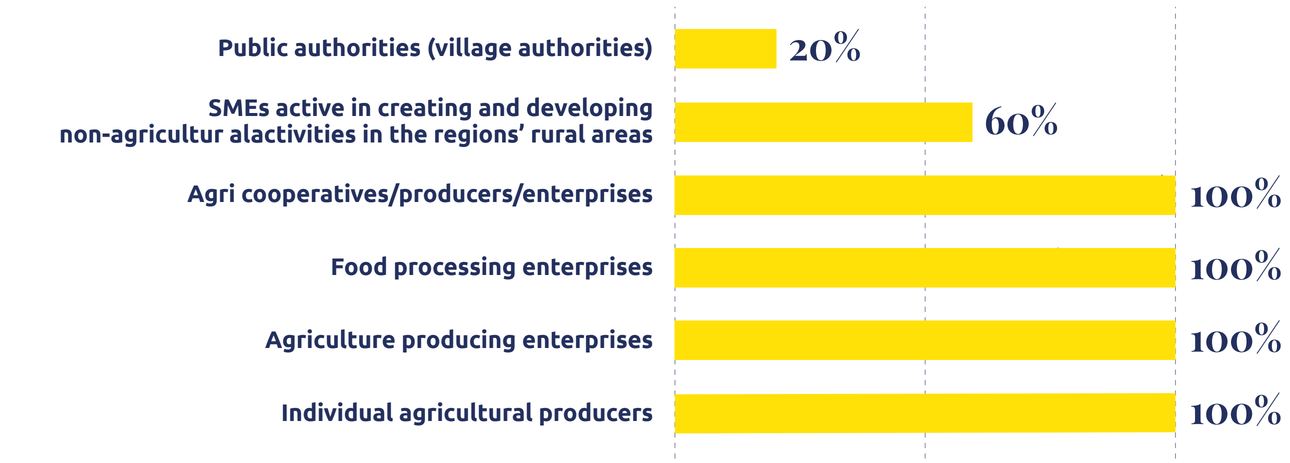


All agriculture-oriented schemes provide guarantees on a loan-by-loan basis. In addition, guarantees on portfolio basis are provided by three members: Agrogarante, AVHGA and ISMEA.

As for the counter-guarantee usage, two agriculture-oriented members use counter-guarantees as risk management technique. Both, Agrogarante and AVHGA receive counter-guarantee from the state. AVHGA has a COSME counter-guarantee in addition. The main advantages of counter-guarantees are the lower guarantee fees for borrowers and the enhanced risk-taking capacity of the guarantee schemes resulting in broader inclusion of weaker borrowers into the portfolio.

As regards the guaranteed borrowers, all five agriculture-oriented members offer guarantees to i) Individual agricultural producers, ii) Agriculture producing enterprises, iii) Food processing enterprises, iv) Agri cooperatives/producers/enterprises. Agrogarante, AVHGA and Garfondas offer guarantees also to v) SMEs active in creating and developing non-agricultural activities in the regions' rural areas. In case of FGCR, guarantees are also issued to public authorities (see Graph 23).

GRAPH 23: ***Borrower groups supported by agriculture-oriented guarantee schemes***

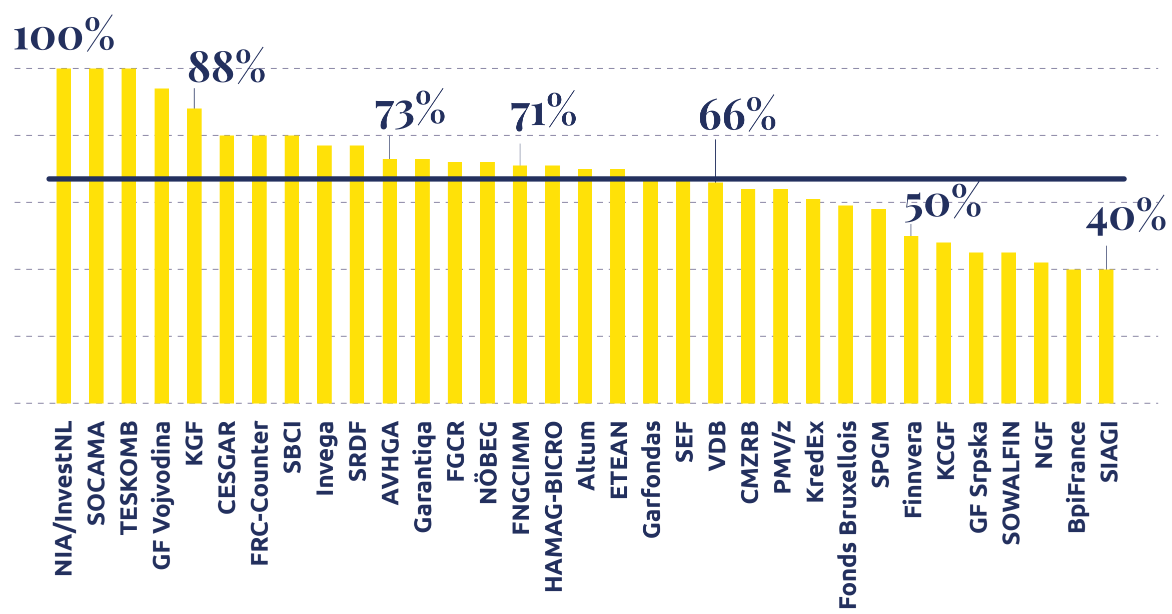


The data for this section has been collected with the support of those members that are focusing on the agricultural sector and we would like, at this point, to warmly thank all the members as well as their persons of contact for having provided us with the necessary data that allowed us to undertake this analysis.

7. COVERAGE RATE

AECM members were furthermore asked to report on their **maximum** (according to their statutes) **and their effective average coverage rates**. The coverage rate is defined as the total volume of guarantees granted or renewed in 2018 divided by the total volume of hereby generated bank loans. The range of maximum coverage rates goes from 40% to 100%. Eight members reported a maximum coverage rate of 100% and 86% of the respondents to this question reported a maximum coverage rate of 75% or more. The AECM average maximum coverage rate lies at 79.7%. The AECM average for the average coverage rates amounts to 66.6%. The distribution of average coverage rates over AECM members is depicted in the graph below.

GRAPH 24: ***Average coverage rates in 2018***

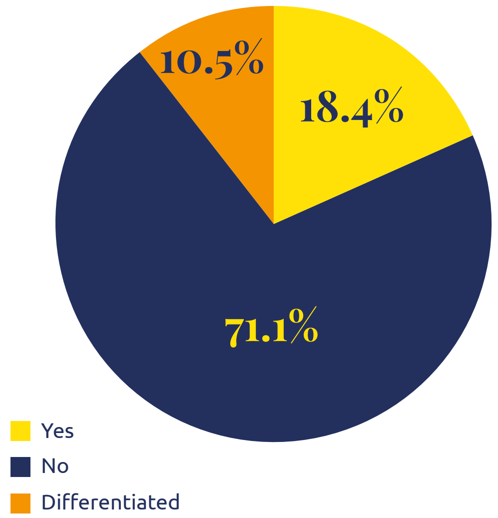


8. FURTHER ENQUIRIES

At the end of the H2 2018 Scoreboard survey we asked members whether they dispose of a banking licences and whether they use/offer specific product types.

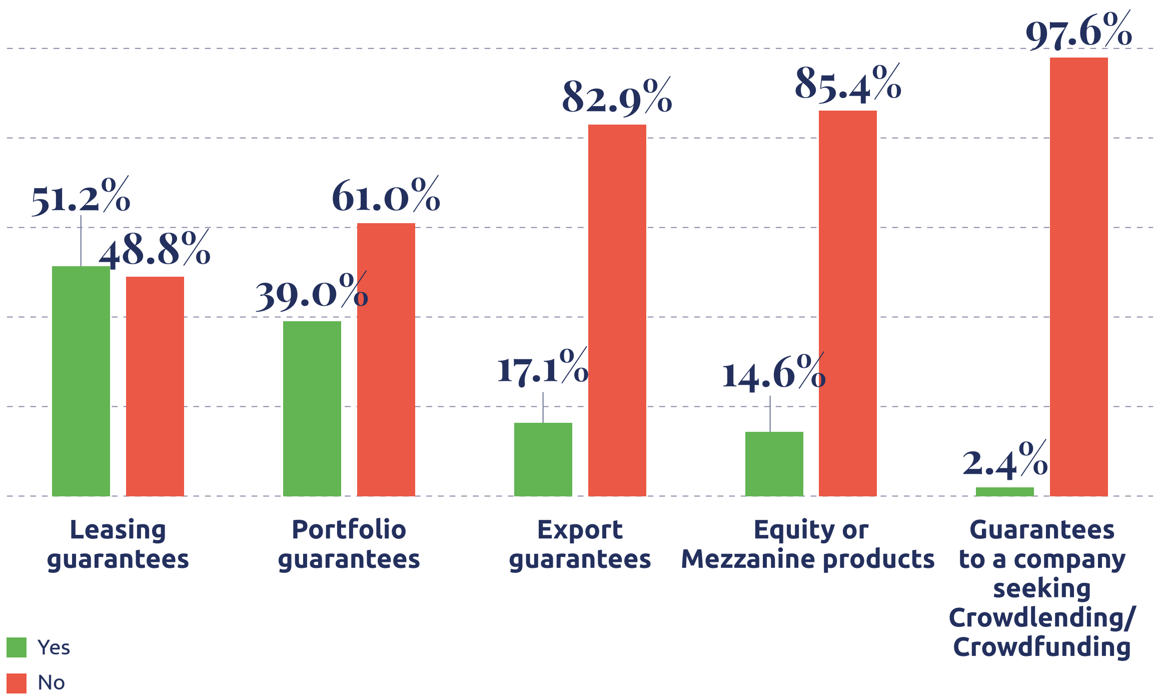
Concerning the question about the **banking license**, most members responded that they are not operating with such a license, but 18.4% do so.The detailed response structure can be seen in the pie diagram below.

GRAPH 25: ***Members with a banking license***



Concerning the **specific products**, the diagram below gives an overview of the use of these products by AECM members. While leasing products are offered by slightly more than half of the respondents, portfolio guarantees are used by 39%. Only one member (2.4%) reported to grant guarantees to companies seeking crowdfunding.

GRAPH 26: ***Use of specific products by AECM members***



IV THE GUARANTEE ACTIVITY SURVEY

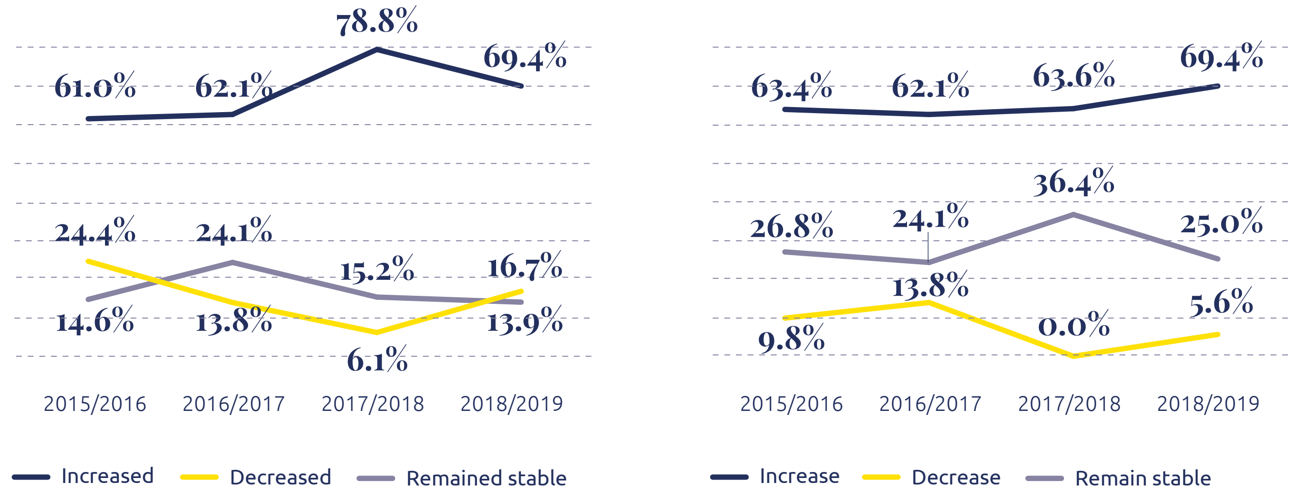
This year, the Guarantee Activity Survey (formerly known as "Chairmen's Survey") has been undertaken for the fourth time and for the first time it makes its way into the annual statistical publication of AECM.

The collection of qualitative statements on the assessment of the current situation as well as on the expectations of members on the future development allows us now – after four years – to supplement the description of our results with some further comparative analyses.

This year 36 out of 48 members replied to the survey which corresponds to a response rate of 75%.

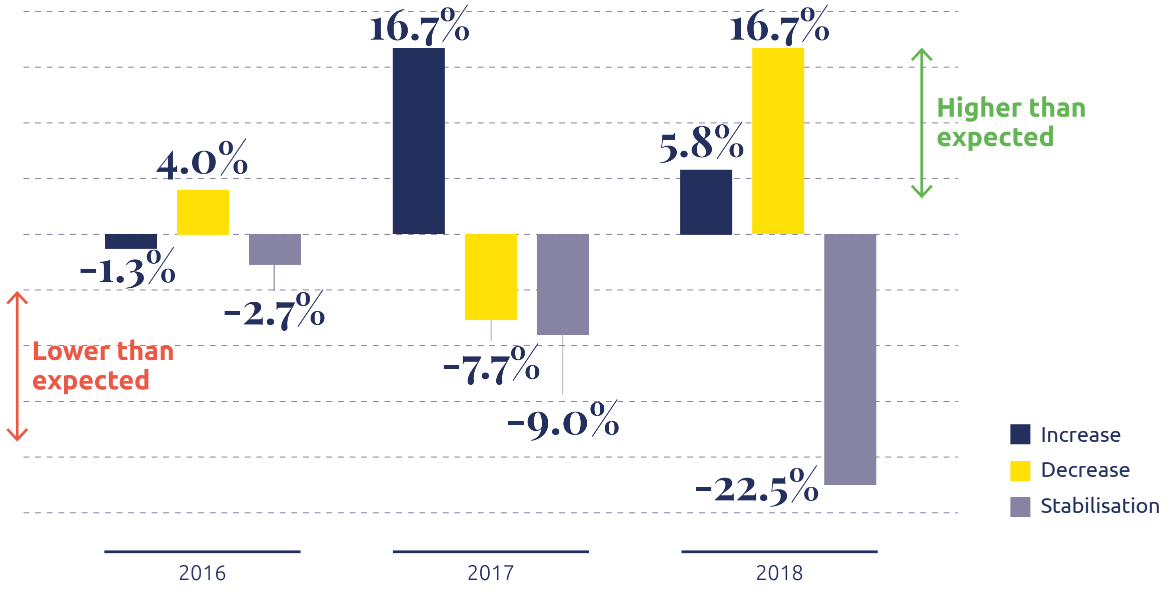
As in previous years, a large majority of the respondents observed an increase in the **demand for the guarantees** of their organisations. However, with respect to last year's survey, positive observations are nearly ten points less and negative observations more than ten points more important. The expectations for 2019 show a similar, albeit slightly more optimistic picture. Please have a look at the detailed results below.

GRAPH 27A & 27B: ***Observed (a, left) and expected (b, right) demand for guarantees (in terms of guarantee volumes or in terms of guarantee applications)***



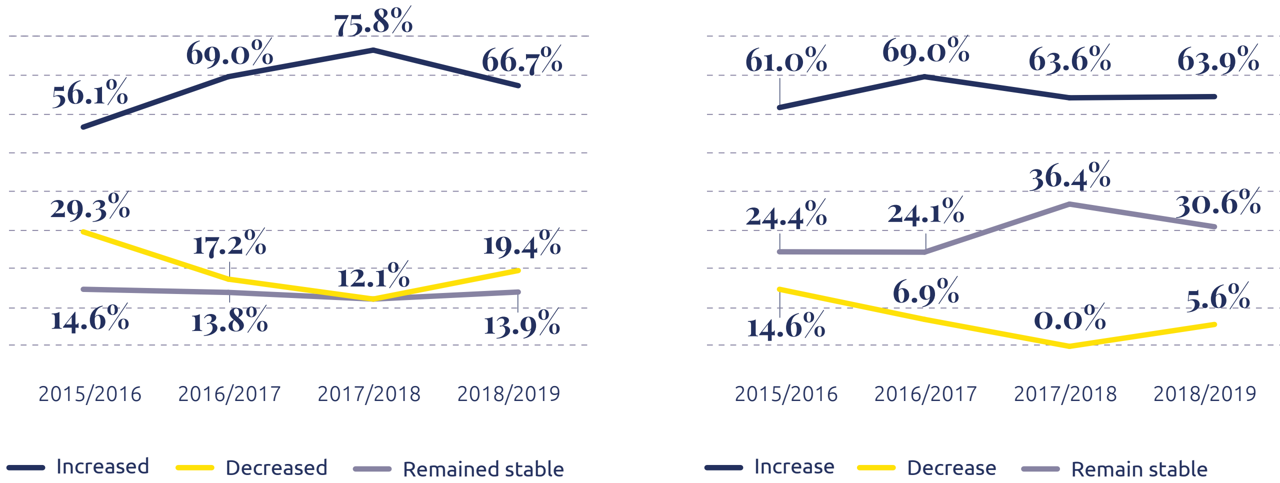
If we compare the observations one year ahead and the retrospective observations[5], we note that for 2016 predictions for the demand are very close to the effective observations in the following year. Concerning the year 2018, it can be seen that more members than expected experienced a decrease in the demand for their guarantees. The graph below shows the whole picture.

GRAPH 27C: ***Comparison of observations and expectations for guarantee demand***



Secondly, we enquired about the **observed and the expected effective guarantee activity** in terms of volume of granted guarantees. The results are quite similar to those for the first question. Expectations for 2019 are widely positive, but negative expectations are growing from 0% to 5.6%, as can be seen in more detail in the graphs below.

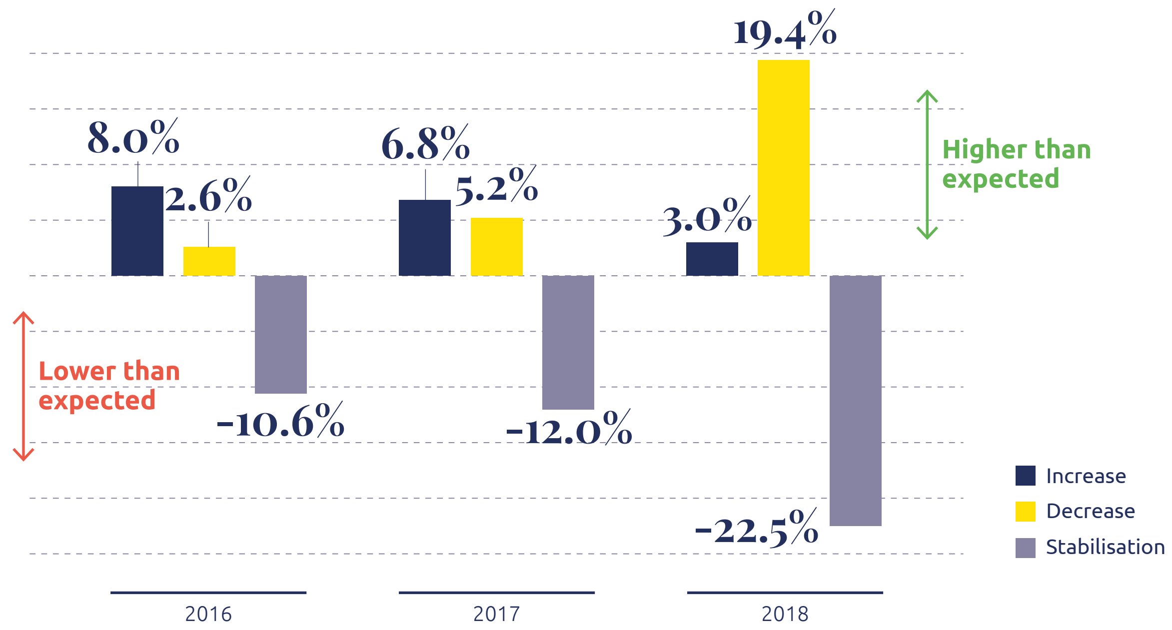
GRAPH 28A & 28B: ***Observed (a, left) and expected (b, right) guarantee activity in terms of volume of guarantees granted.***



[5] We calculated for the increase, for the decrease and for the stabilisation respectively the observation in year X minus the expectation for year X.

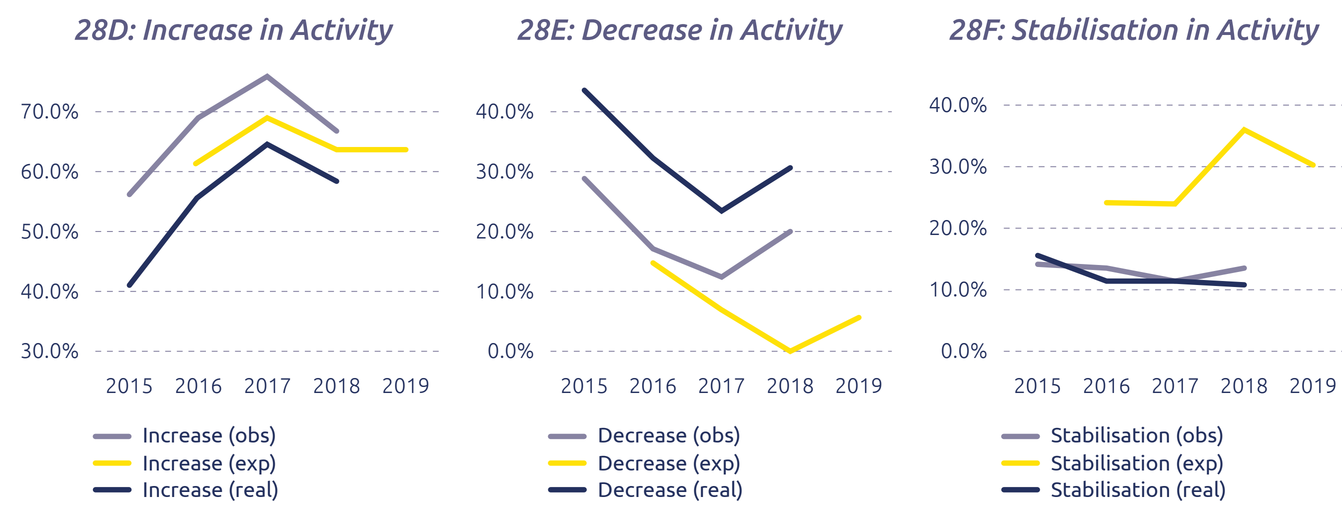
We proceed with the comparison of the expected to the observed guarantee activity. And again, we observe a similar result as for the demand. In 2018, the number of observed decreases was significantly higher than the number of negative expectations.

GRAPH 28C: ***Comparison of expectations and observations for the guarantee activity***



Data collected in the frame of the Scoreboard survey allow us to compare the expectations of AECM members not only with the qualitative observations of the same but also with the quantitative collected data for the development of the volumes of outstanding guarantees[6]. According to this analysis, positive expectations are higher than the real development, but they follow the same trend. Expectations seem to be a good predictor. Concerning the decreases, these are considerably higher in number as the expectations. They both follow the same trend, but expectations are lagging one period behind. It seems as if expectations were slightly too optimistic. When it comes to the stabilisation of the guarantee activity, we note that expectations for the stabilisation are significantly higher in number as effective stabilisations.

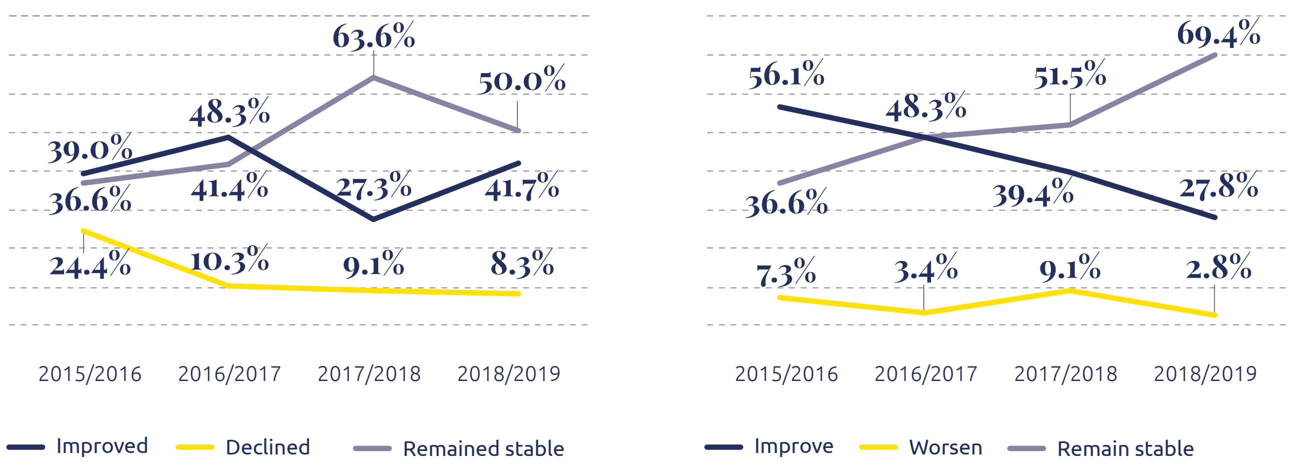
GRAPH 28D, 28E & 28F: ***Comparison of expected and observed developments in the guarantee activity with the effectively measured developments***



[6] Growth rates of more than +1% were counted as an increase, between -1% and +1% they were counted as a stabilisation and below -1% they were counted as a decrease. It is important to note that respondents to the Guarantee Activity Survey and the Scoreboard survey are largely overlapping but not identical. The results of the comparison therefore need to be taken with caution.

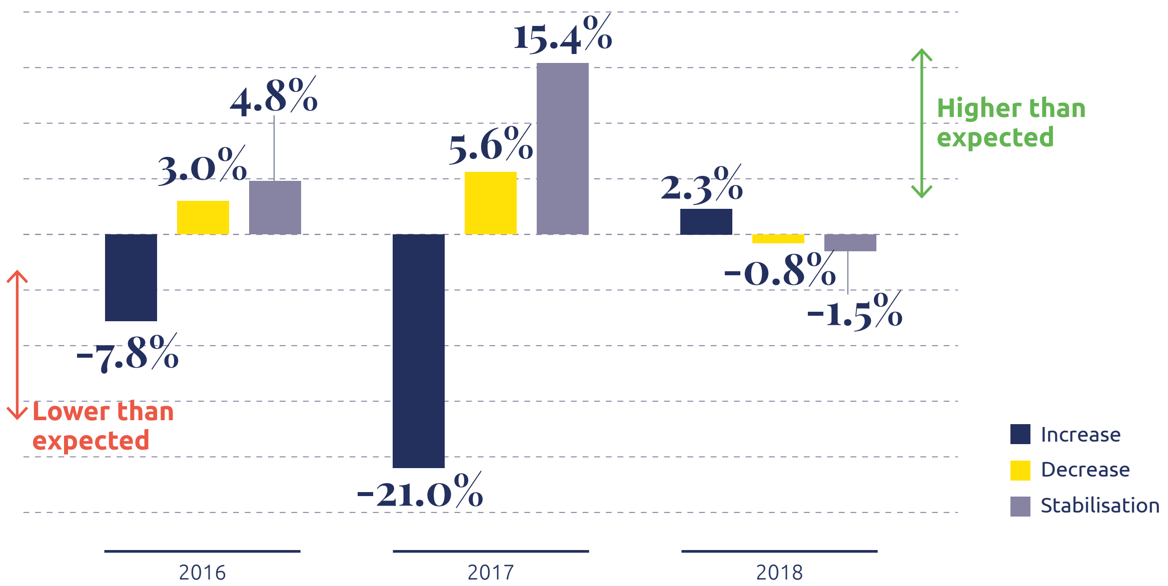
69.4% of AECM members expect the **bank financing for SMEs** to remain stable in 2019. One third of them even expect an improved access to bank financing. In the past four years, the expectation of a stabilisation has continuously grown as the expectation for an improvement has decreased. According to observations, the improvement of the access to finance is more widespread in 2018 than in 2017. Only 8.3% of the members observed a worsened access to bank finance.

GRAPH 29A & 29B: ***Observed (a, left) and expected (b, right) development of bank finance for SMEs***



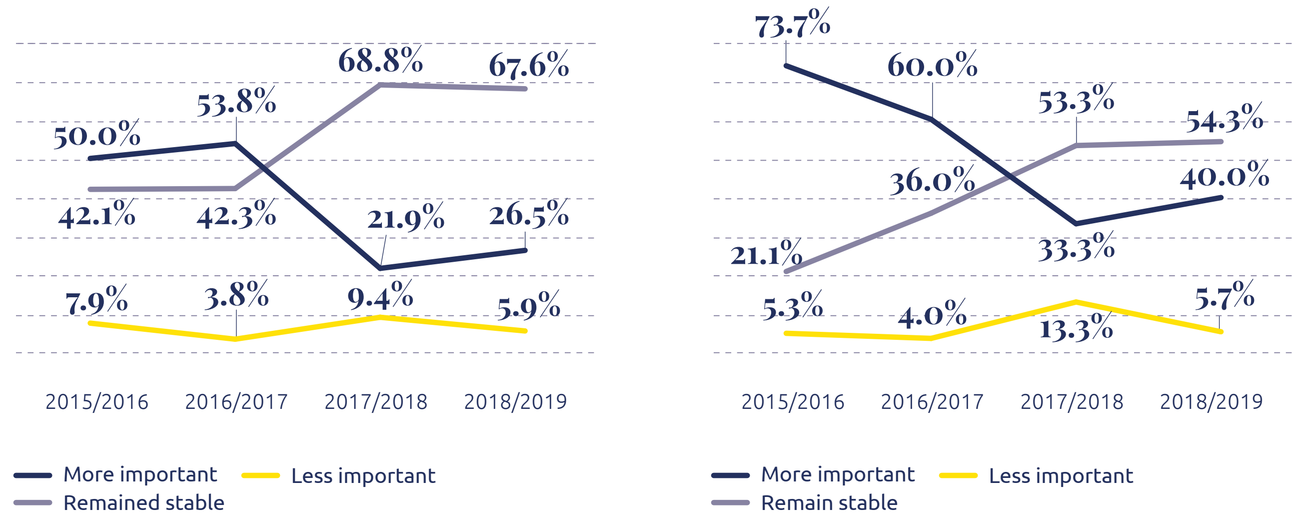
The comparison of observations and expectations reveals that members were too optimistic for the year 2017. In 2018, however, their expectations were very exactly met.

GRAPH 29C: ***Comparison of expectations and observations for the development of bank financing for SME***



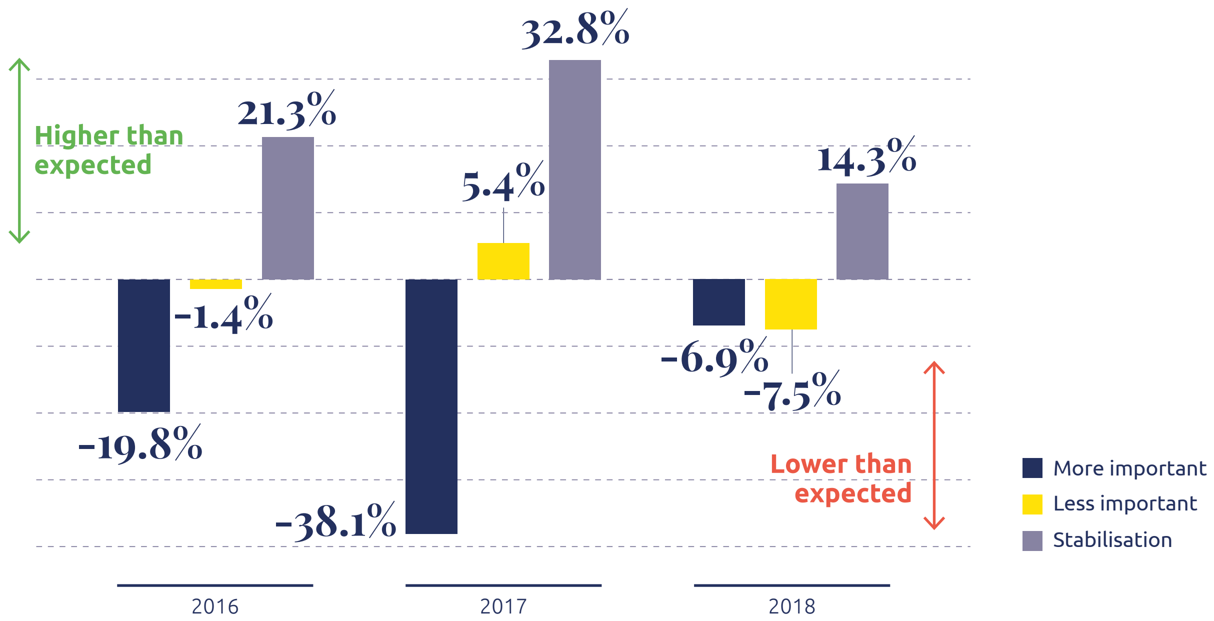
In the following, we have a look at what our members expect for **alternative financing instruments**, such as business angel financing or crowdfunding. Most members expect that alternative financing instruments become neither more important nor less important and 40% expect them to play a more important role in the future. Judging from the observation of AECM members, the use of alternative financing instruments is stagnating in the second consecutive year. In contrast, these were observed to become more important by a majority of members in 2015 and 2016.

GRAPH 30A & 30B: ***Observed (a, left) and expected (b, right) use of alternative financing instruments***



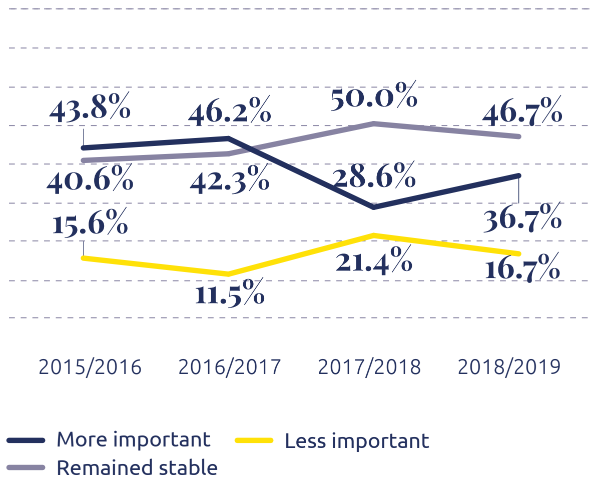
While in 2016 and in 2017 expectations for a more important role of alternative financial instruments were higher than the effective materialisation, expectations were largely met in 2018.

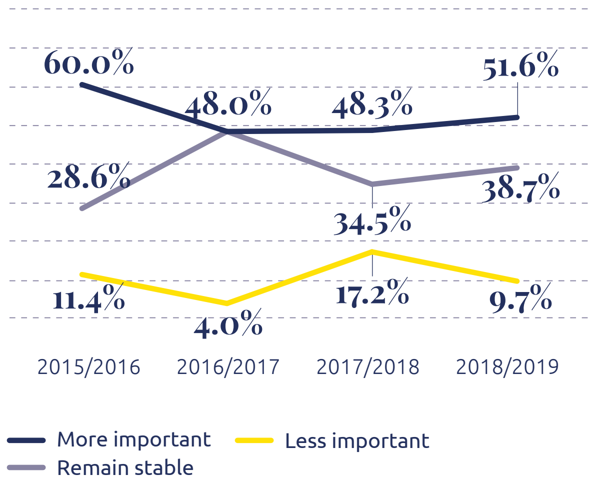
GRAPH 30C: ***Comparison of the expected and the observed role of alternative financing instruments***



A majority of AECM members expect the **utilisation of counter-guarantees by the EIF** by their organisation to become more important. The expectation of a decreasing use of these counter-guarantees fell from 17.2% in 2018 to 9.7% in 2019. In 2018, nearly half of the members observed that the use of EIF counter-guarantees remained stable and 36.7% even observed an increased use of these. For 16.7% of the respondents, EIF counter-guarantees become less important.

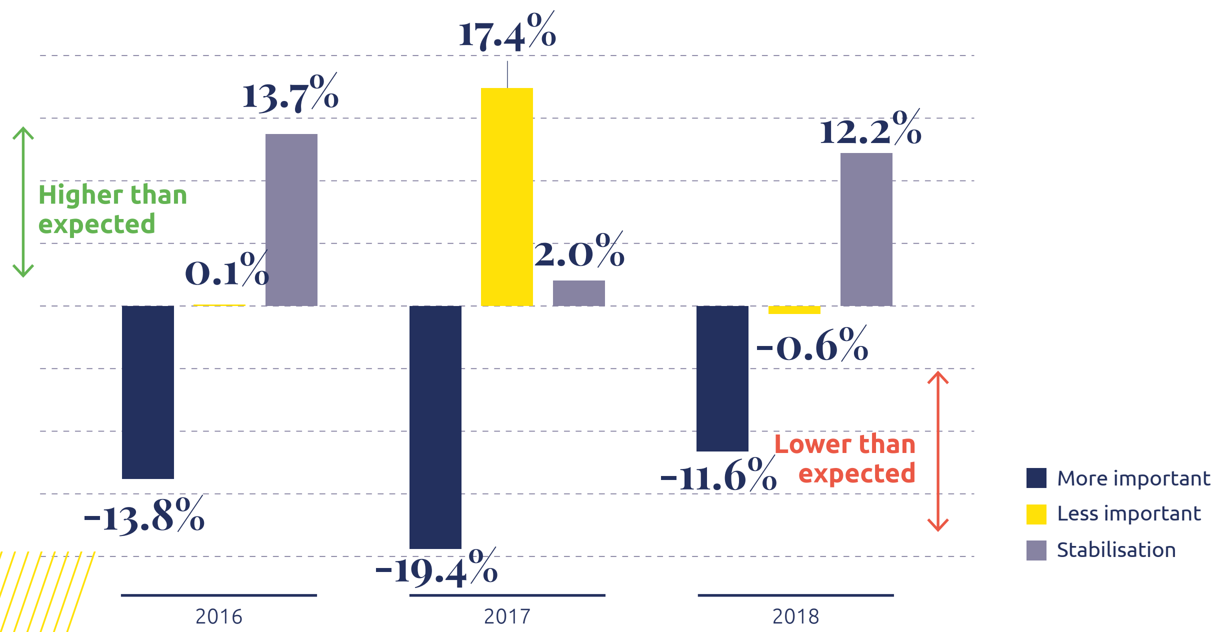
GRAPH 31A & 31B: ***Observation (a, left) and expectation (b, right) of the development of the use of EIF counter-guarantee by the respondents' respective institution***





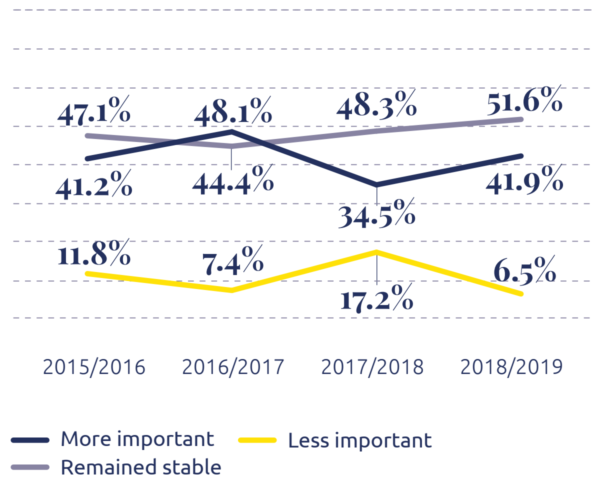
11.6% of the respondents did not see the use of EIF counter-guarantees increase as expected. The stabilisation, however, was effectively more widespread than expected.

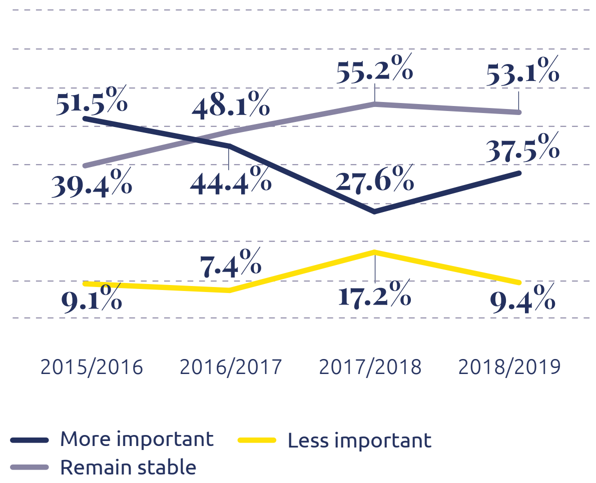
GRAPH 31C: ***Comparison of observed and expected use of EIF counter-guarantees***



Expectations of a more important use of **direct EIF guarantees** by banks in the respective countries of our members halved between 2016 and 2018. For 2019, however, 10% more AECM members expect an increased use of EIF direct guarantees and less members expect a decreasing use of those. These expectations largely reflect the observation of respondents in 2018.

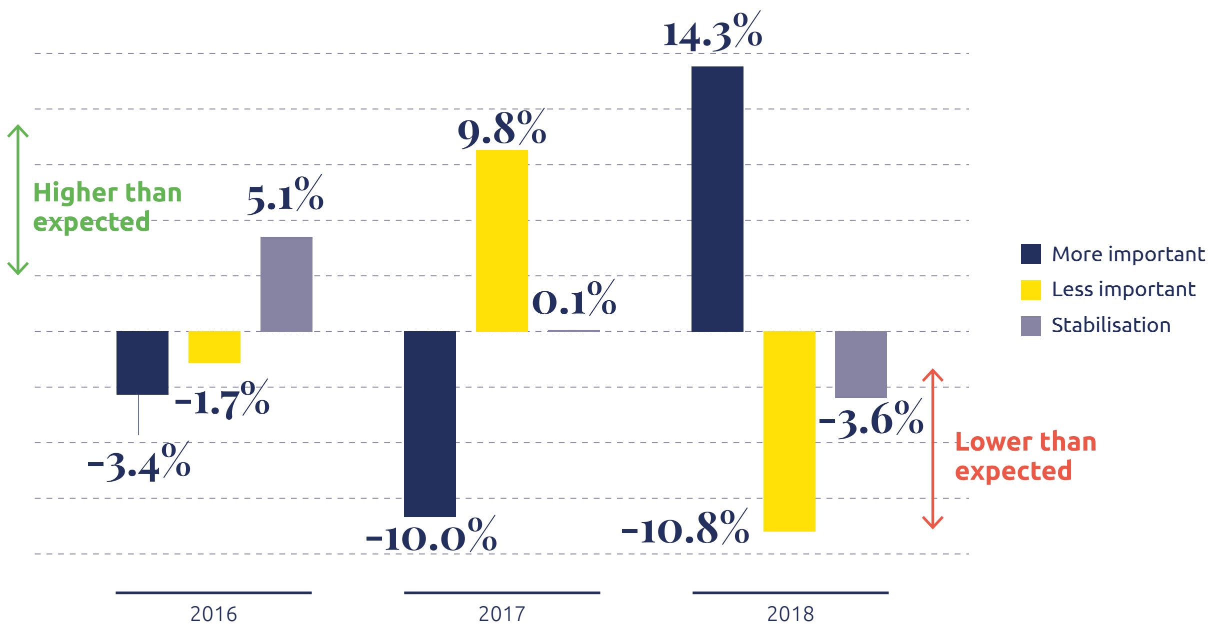
GRAPH 32A & 32B: ***Observation (a, left) and expectation (b, right) of the development of the use of direct EIF guarantees by banks***





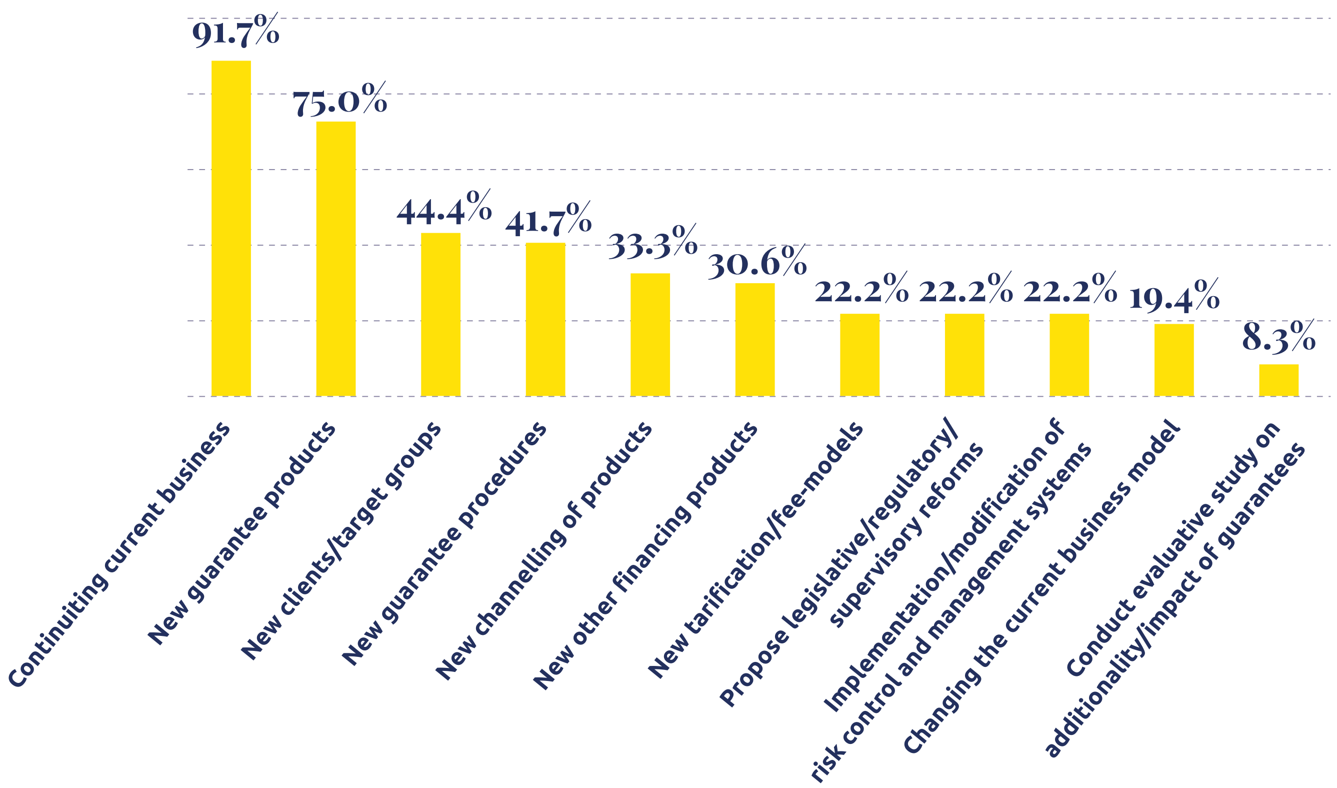
The comparison of observations and expectations reveals that respondents were much too optimistic for 2018. The observed increase in direct EIF guarantees was 14.3% more important than expected. Likewise, the observed decrease was 10.8% less important than expected.

GRAPH 32C: ***Comparison of observed and expected use of direct EIF guarantees by banks***



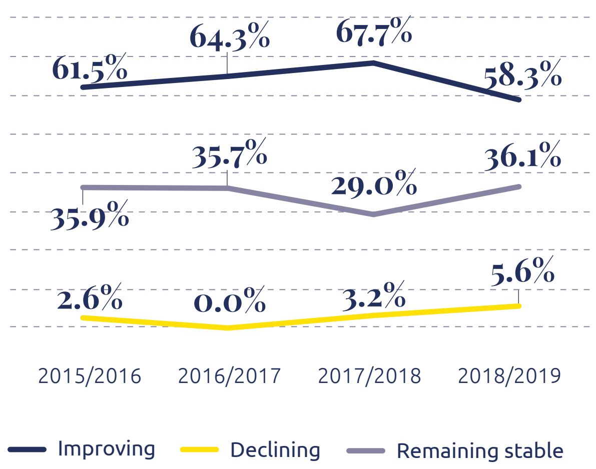
When asked about their **focus for the year 2019**, nearly all members mentioned “continuing current business” (91.7%), followed by ¾ of the members that will focus on new guarantee products. 44.4% of the respondents have the acquisition of new clients and target groups high on their agenda. 41.7% will implement new guarantee procedures. Only 22.2% of the members plan to be active on the political level proposing legislative, regulatory or supervisory reforms in 2019. The detailed results are depicted in the graph below.

GRAPH 33: *AECM members’ focus for the year 2019*



A majority (58.3%) of AECM members evaluate the **development of general business prospects for SMEs** in their respective countries as positive and only 5.6% evaluate them as declining. Despite this overall positive picture, it needs to be noted that the trend is negative and the evaluation in 2018/2019 is the most negative since we undertake this survey. However, the potential deterioration of SMEs’ business prospects in future, might offer guarantee institutions the opportunity to jump in and help them to get their access to finance.

GRAPH 34: *Evaluation of business prospects for SMEs*



In the frame of the Guarantee Activity Survey, members had also the opportunity to report on current developments within their organisations. These comments are summarised in what follows:

- **Finnvera** reported that they will sign a COSME LGF agreement at the latest in summer 2019.
- **Altum**/Latvia will increase the maximum guarantee amount from EUR 3 to 5 million and they will implement portfolio guarantees for study crediting. At the beginning of 2019, essential changes have been made to Altum’s agricultural guarantee programme.
- **KCGF** will also enter a partnership with COSME LGF. Furthermore, they started with the implementation of an Agro-window.
- **AVHGA** told us about their progress in the implementation and financing of EAFRD projects. Moreover, the Hungarian central bank started the new refinancing programme “Funding for Growth FIX” to boost investment loans.
- The new governmental programmes “IMM Invest” and “Start-up Nation Romania”, both dedicated to SMEs, will be implemented by our Romanian member **FNGCIMM**. In addition, since 2018, FNGCIMM is implementing an innovative solution, that allows for automatic analysis of application forms and connected files submitted by partners and customers, by converting printed text into machine encoded text, recognising various types of documents and extracting the relevant data, verifying eligibility criteria and, in case all conditions are met, proposing a favourable decision together with a draft contract. Using this new system, all FNGCIMM business processes, including files analysis previously being done by appointed employees, will become fully automatic with huge benefits in terms of efficiency, response time and transparency.
- **Invega** reported on new products such as export credit guarantees for large companies, guarantees on bond financing and guarantees on syndicated loans in the development process for 2019.
- **CESGAR** offers the new channel www.conavalsi.es and a securitisation fund in cooperation whit EIF and the public Spanish development bank ICO.
- **SEF**/Slovenia introduced new products for seed capital, voucher support for SMEs and for the support of high-tech SMEs. Moreover, they participate in a partnership with EIF together with neighbour countries within the project CeFOF (Central Europe Fund of Funds) for supporting SMEs for venture and private capital investments.
- **PMV/z** introduces a specific guarantee product for companies that will have problems due to Brexit.
- **FRC-Counter** is implementing the governmental programme «Invest in Yourself», which is destined for individuals who want to improve their education and life. FRC-Counter expects to receive and process more than 10.000 guarantee applications. Furthermore, FRC-Counter will start to implement the «Start-Up Nation Program» in which they counter-guarantee the guarantees issued by FNGCIMM. FRC-Counter expects to receive around 4.000 applications.
- **FGCR** reported on a new guarantee product for small loans granted to small farms and young farmers.
- **SOCAMA** launched a new product to finance the digital transformation of enterprises.
- **SRDF** closed its guarantee scheme in the first half of 2018. In order to open up the foreseen new scheme, the national ministry of finance requires SRDF to change its legal base first.
- **CMZRB** reported on a new ESIF guarantee product and also on a pilot programme covering guarantees for investment loans outside the EU.
- **SIAGI** tackles EIF direct guarantees.
- **NGF**/Bulgaria started a new product in 2019 granting individual guarantees in the fishery sector jointly with the National Agency for Fisheries and Aquaculture. Furthermore, it is foreseen to implement a new IT platform in 2019.
- The **Sofia Municipal Guarantee Fund for SMEs** implements the “Accelerator Startup Sofia 2019” in partnership with the Sofia Investment Agency and the programme Europe of the Municipality of Sofia.
- As many other AECM members, **SBCI** is preparing to become an implementing partner under InvestEU. According to SBCI, Brexit challenges will dominate the business landscape in Ireland for the foreseeable future.
- During 2019, **TMEDE** intends to enlarge its activities by introducing specialised coverage services customised to the risks faced by its engineers and technical company members, including in sectors such as Health and social security, Professional liability insurance.
- **Garantiqa** is developing e-contracts for credit institutions.

V METHODOLOGICAL NOTE

1. SCOREBOARD SURVEY

As in the previous years, we asked our members to report data on their outstanding and new credit volumes and numbers as well as on the number of SME beneficiaries. Some additional questions were also included in the online questionnaire. The survey ran from 8th February to 22nd March 2019 and we collected 42 out of 47 possible responses. Due to its considerable size, the missing response of Assoconfidi could not be neglected. This would have led to a distortion of the overall development of the AECM total values. That is why we use recurrent data. The other five missing members supposedly have very small guarantee volumes, so that their replies are marked with a n/a-tag.

Monetary values were reported in EUR and members that do not have the EUR as their national currency calculated the EUR values using the official ECB exchange rate of 31st December 2018 (respectively of 30th June 2018 for the new guarantee volume of the first semester 2018).

In order to calculate the share of our members' guarantee value of the GDP in their respective countries, we used the gross domestic product at market prices (current prices, in EUR) extracted from the Eurostat database. The calculation of the share of AECM members' number of supported SMEs of the amount of all SMEs in the respective countries, we used the number of enterprises that employ between 0 and 249 employees. Eurostat data is only available until 2016. That is why we use recurrent data for 2017 and 2018.

Data on COSME signatures as of 31st December 2018 derive from EIF.

2. GUARANTEE ACTIVITY SURVEY

As in previous years we asked our members about their perception of the guarantee activity during the past year and about their expectations for the coming year. This survey is undertaken in coordination with REGAR. 36 out of 48 members replied.

ANNEX LIST OF AECM MEMBERS

AUSTRIA
- aws
- NÖBEG

AZERBAIJAN
- MCGF

BELGIUM
- PMV/z
- Fonds Bruxellois
- SOWALFIN

BOSNIA AND HERZEGOVINA
- GF Srpska

BULGARIA
- NGF
- Sofia Fund

CROATIA
- HAMAG-BICRO

CZECHIA
- CMZRB

ESTONIA
- KredEx

FINLAND
- Finnvera

FRANCE
- SOCAMA
- SIAGI
- Bpifrance
- EDC

GERMANY
- VDB

GREECE
- ETEAN
- TMEDE

HUNGARY
- Garantiqa
- AVHGA
- MVA

IRELAND
- SBCI

ITALY
- Assoconfidi
- ISMEA

KOSOVO
- KCGF

LATVIA
- ALTUM

LITHUANIA
- Garfondas
- INVEGA

LUXEMBOURG
- MC
- MPME

NETHERLANDS
- NIA/InvestNL

POLAND
- BGK

PORTUGAL
- SPGM
- IAPMEI

ROMANIA
- FGCR
- FRGC
- FNGCIMM
- FRC-Counter

RUSSIA
- FSECA

SERBIA
- GF Vojvodina

SLOVENIA
- SEF
- SRDF

SPAIN
- CESGAR

TURKEY
- TESKOMB
- KGF

UNITED KINGDOM
- BBB

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