

Figures of the European Guarantee Sector
providing a half-yearly trend indication on the
evolution of the guarantee activity in Europe

AECM SCOREBOARD H1 2019



Foreword

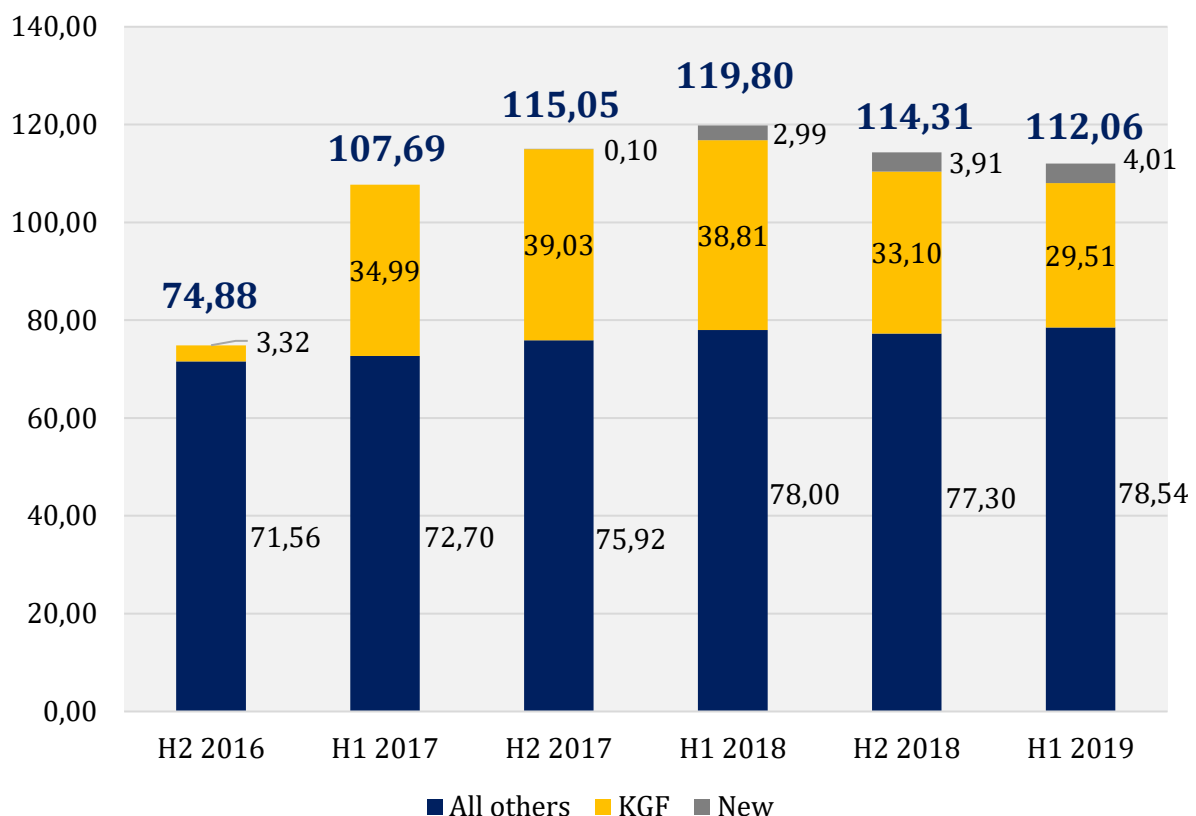
The AECM Scoreboard for the figures of the first half-year of 2019 is the result of a joint effort of AECM members and the General Secretariat, where 44 out of 48 member organisations supported the creation of this overview and provided the Secretariat with data regarding their past six months' activities. The Scoreboard will further provide both, an analysis of the current level of guarantee activities as well as an assessment of the evolution of AECM members' data over past semesters.

Evolution of the guarantee activities

a. VOLUME of outstanding guarantees (cf. Annex Table I)

In the first semester of 2019 the **guarantee activities of AECM members experienced a slight decrease and reached a level of more than EUR 112 billion** (see Diagram 1). This represents a **decrease of 2.0%** with respect to the previous semester and of 6.5% with respect to the first semester of 2018.

Diagram 1: Development of the outstanding guarantee volume in billion EUR



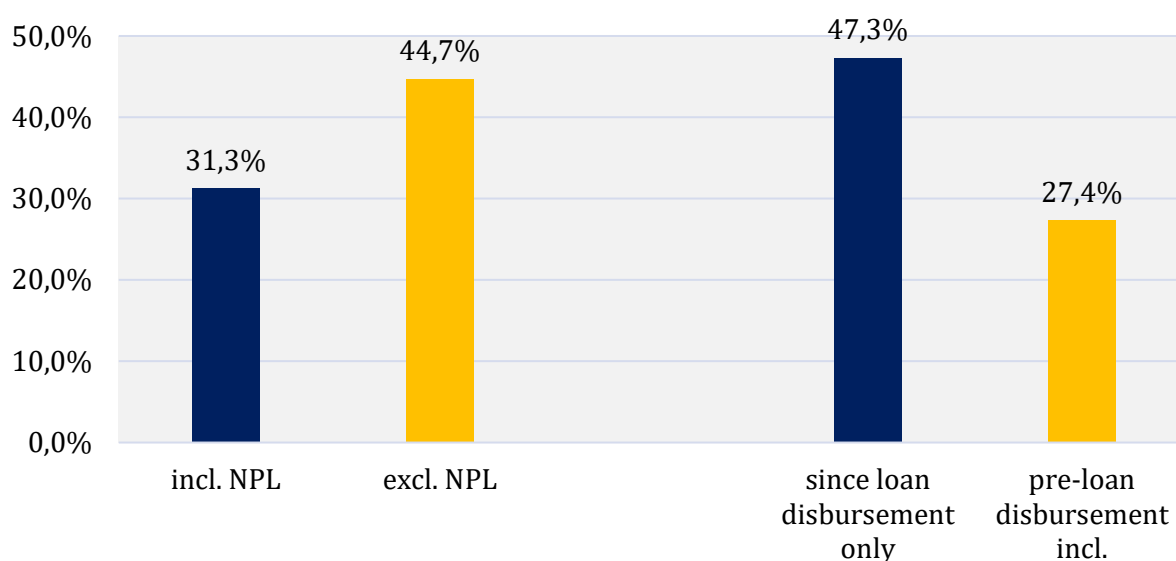
The diagram above shows a strong increase of the volume of outstanding guarantees in 2017 due to the huge expansion of one of AECM's Turkish members KGF, which was due to the implementation of a Portfolio Guarantee System (PGS) in Treasury backed bank loan guarantees. Since 2018, however, KGF's volumes decrease mainly due to the

depreciation of Turkish lira toward euro. In grey, you can observe the volume of organisations that joined AECM since 2017, à savoir SBCI/Ireland in 2017 and Sofia Fund/Bulgaria, Finnvera/Finland, EDC/France, KCGF/Kosovo, MPME/Luxembourg, TMEDE/Greece as well as MCGF/Azerbaijan in 2018.

In the first semester 2019, for the first time we introduced a clearer definition of the outstanding guarantee volume: *Total risk exposition, i.e. liability to pay in case of default of the guaranteed beneficiary, of your organisation on 30/06/2019. Newly generated guarantees during the observation period are to be included in the outstanding guarantees volume. The outstanding guarantees volume comprises expressively only guarantees and not the guaranteed loan volume.*

This definition is very broad and needs refinement at both ends, for which, however, a common understanding could not be reached. At the beginning of the guarantee, 26 members defined the outstanding guarantee volume *including guarantees from the moment on when the underlying loan has been disbursed (only active guarantees)*, whereas twelve members defined it *including guarantees after granting the guarantee but before the underlying loan has been disbursed*. At the end of the guarantee, 29 members reported the outstanding guarantee volume *including guarantees until the moment of disbursement of the guarantee (including NPL)* while eleven members reported it *including guarantees until the moment of the calling of the guarantee (excluding NPL)*. Please see the distribution of the use of alternative definitions for clarity in diagram 2 below.

Diagram 2: Data definition



In general, a **majority of AECM members registered positive growth rates** with respect to the previous semester can be observed. As can be seen in Diagram 3, 26 AECM members grew in the first semester of 2019, whereas 16 members faced a decrease. However, two of the increases and one of the decreases are situated in the range from -1 to 1% and can therefore be classified as stabilisation. Diagram 4 gives an overview about the distribution of growth rates. It is clearly visible that a vast majority of half-yearly growth rates are situated between -5 and +5% and hence indicate a very healthy development.

Diagram 3: Number of in-/decreases

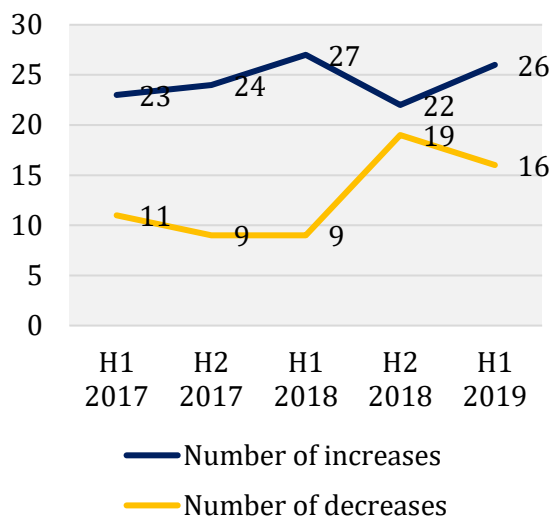
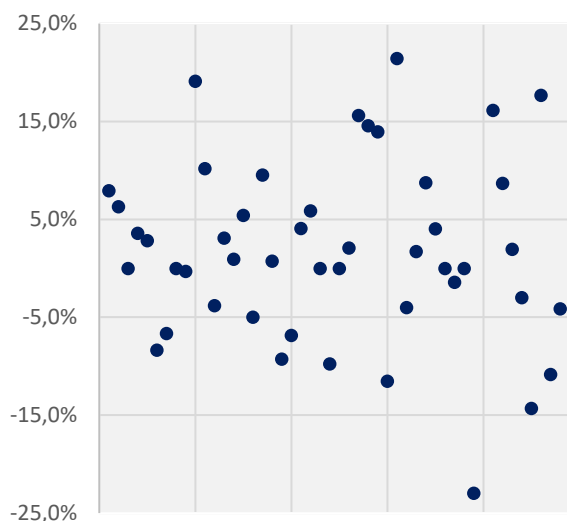


Diagram 4: Distribution of in-/decreases



The highest **absolute increase** was registered by TESKOMB/Turkey, +KEUR 880.121. The reason for this was the introduction of a government policy that increased the credit limits of all cooperatives. Therefore, they were able to significantly extend their activities. This was followed by an increase of +KEUR 321.459 of the ISMEA's/Italy outstanding guarantee volume, caused by good business conditions, strong market demand and favourable governmental policies. The bronze medal goes to BGK/Poland with an increase of KEUR 261.085. Besides business conditions and market demand, also internal or programmatic changes contributed to this strong increase. The highest **percentual increase** compared to the previous semester was registered by FRC-Counter/Romania, +130.1% and with regard to the first semester 2018 by KCGF/Kosovo, +85.6%.

Further remarkable changes can be observed for the following members:

- The outstanding guarantee volume of EDC/France increased by 9.5% due to strong market demand. EDC has developed new bank loan bonding activities over the past year.
- Garantiqa/Hungary registered a growth rate of 4.1%. This is thanks to the continuously prosperous economic environment. Anyways, the structure of the portfolio has shifted due to the state counter-guarantee limit that Garantiqa reached in the end of 2018. Because of that, restrictive measures were implemented which affected the portfolio of H1 2019. That is why the ratio of state counter-guaranteed outstanding volume slightly decreased. COSME counter-guarantees were preferred instead.
- AVHGA/Hungary experienced an increase of the outstanding guarantee volume of 5.9%. The reason for this strong rise is that COSME portfolio guarantees are very popular as well as increases in loans for rural development projects.
- The outstanding guarantee volume of SRDF/Slovenia decreased by 14.3% since under the current scheme, no new guarantees are issued. SRDF plans to open a new scheme in the second half of 2020.

- In Spain, CESGAR had an increase of 1.9% which is due to continued rise in market demand in line with the economy and the good solvency of Spanish Mutual Guarantee Societies (MGS).

Most members mentioned market demand as driver of the positive or negative growth they registered. The second most mentioned reason are business conditions. Only few members justify the development of their outstanding guarantee volume by government policies or internal, organisation or programmatic changes (see diagrams 5 and 6 below)

Diagram 5: Reasons for positive growth over previous semester

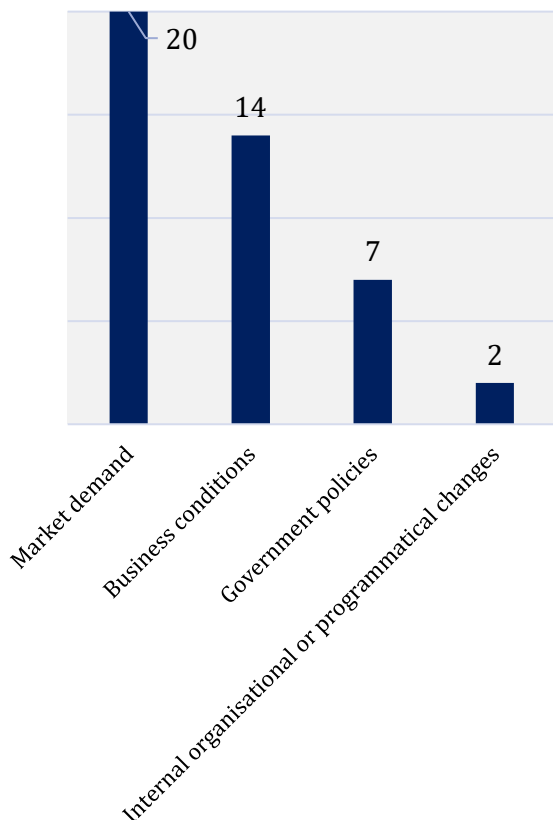
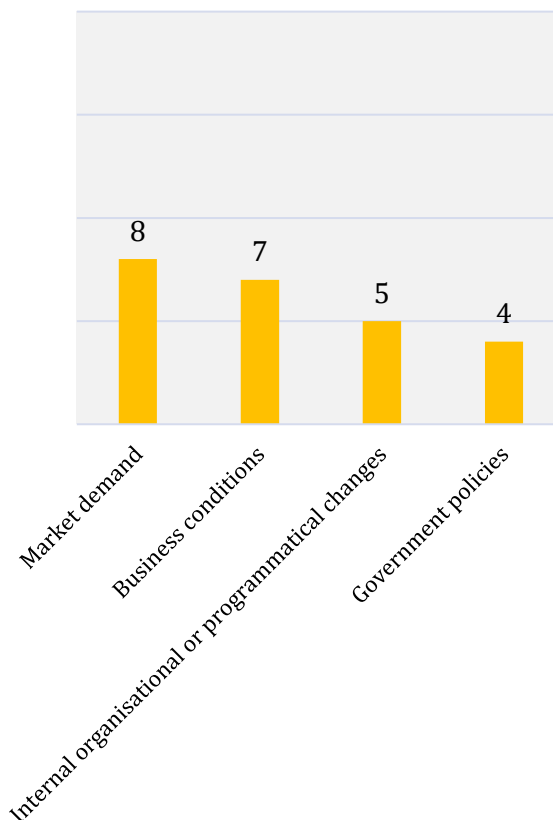


Diagram 6: Reasons for negative growth over previous semester

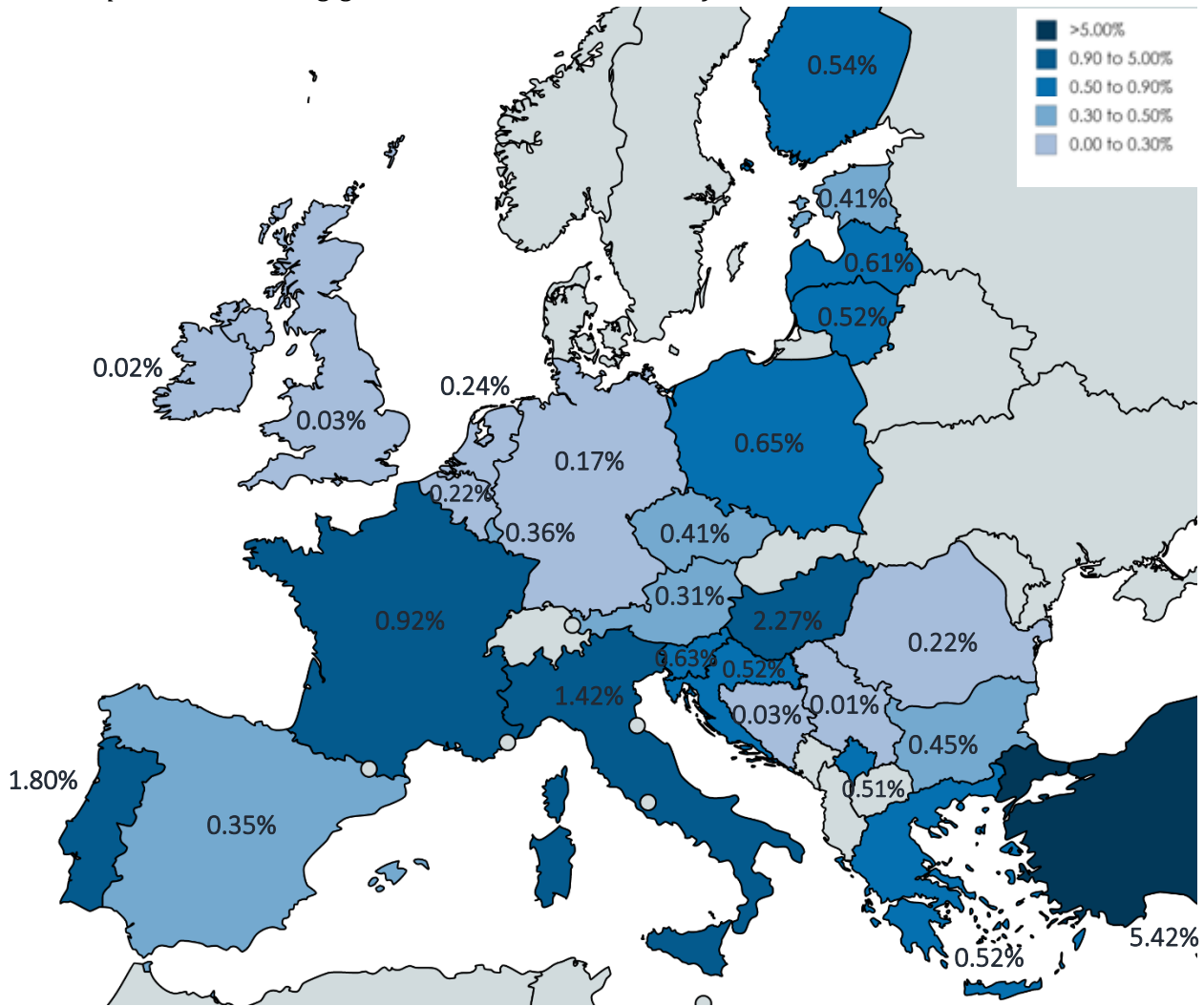


The highest outstanding guarantee volume is since the first semester of 2017 that of KGF/Turkey with around EUR 29.5 billion on 30th June 2019. The average outstanding guarantee volume remains stable at around EUR 2.5 billion. The same applies for the median volume of outstanding volume that amounts to EUR 285.5 million.

In order to get an understanding of the importance that the guarantee instrument plays in the respective national economies in Europe, we calculated the percentage of the outstanding guarantee volume of AECM members as a share of the gross domestic product (as of end 2018) in their respective countries. Below, Graph 1 shows a strong focus on the Mediterranean region. The highest share could be observed in Turkey with 5.42%, followed by Hungary with 2.27% and Portugal with 1.80%¹.

¹ GDP data taken from Eurostat for 2018. For Azerbaijan, Bosnia and Herzegovina, Kosovo and Russia, no share could be calculated due to the unavailability of GDP data on Eurostat.

Graph 1: Outstanding guarantee volume as share of GDP



b. NUMBER of outstanding guarantees (cf. Annex Table II)

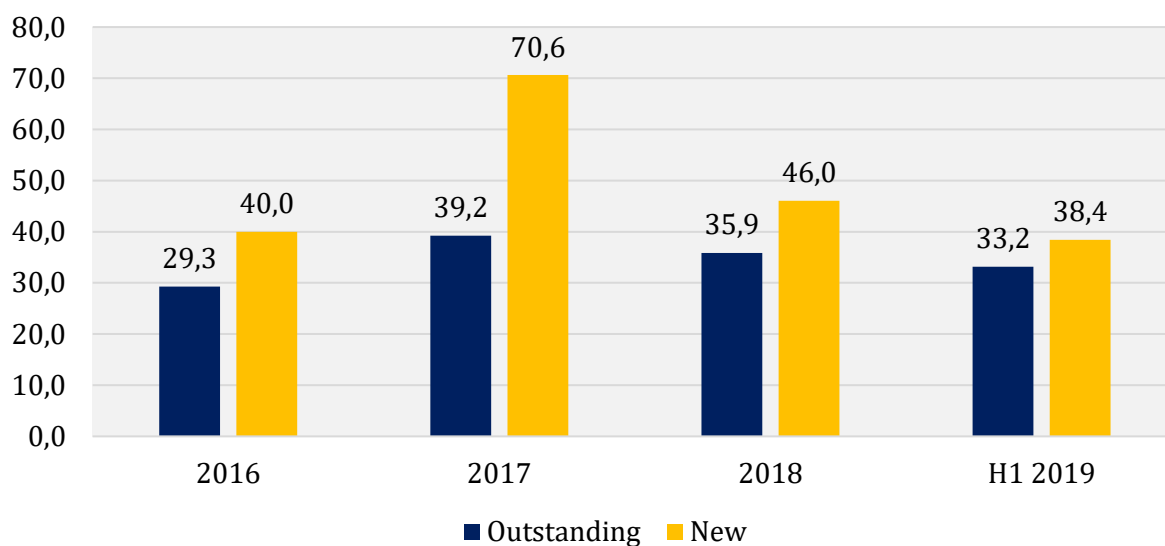
The total **number of outstanding guarantees in AECM members' portfolios is substantially increasing** by 6.0% over the previous half year, which is carrying forward the positive trend in recent semesters (+2.7% in H2 2018, +5.6% in H1 2018, +4.6% in H2 2017). In the current semester, a level of nearly 3.38 billion units has been reached. Whereas 19 members experienced an increase in the number of outstanding guarantees over the past half year, 20 members faced a decrease. The highest amount was registered by Assoconfidi/Italy with 787.049 units². Significant changes can be observed among others for TESKOMB/Turkey (+27.5%), KCGF/Kosovo (+23.7%) and KGF/Turkey (+20.4%).

The **average number of outstanding guarantees increased to 76.796** from 74.120 in the second semester of 2018. The **average guarantee size** slightly decreased from EUR 35,900 per guarantee to EUR 33,200 over the first semester 2019. In parallel, the average size of a newly granted guarantee decreased significantly from EUR 46,000 to 38,400 over the first semester 2019. The higher level of guarantee sizes of new guarantees suggests

² Recurrent data from H2 2018.

an increase in the average size of outstanding guarantees in the upcoming years. The development of the average guarantee size can be seen in diagram 7 below.

Diagram 7: Average guarantee size (in KEUR)



The on average largest guarantees (outstanding) were issued by MCGF/Azerbaijan (EUR 312,400 per guarantee), FSECA/Russia (EUR 239,400 per guarantee) and aws/Austria (EUR 204,500). The on average smallest guarantees (outstanding) were issued by the three mutual guarantee societies SOCAMA/France (EUR 8,300 per guarantee), TMEDE/Greece (EUR 9,400) and TESKOMB/Turkey (EUR 9,700 per guarantee).

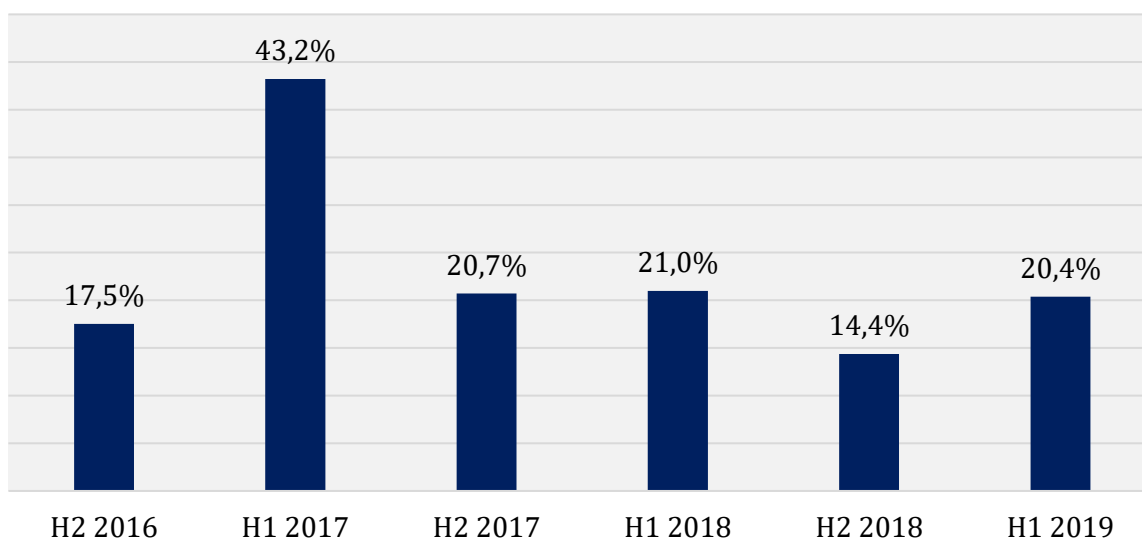
The on average largest new guarantees at an amount of EUR 343,000 were issued in Austria by aws and the smallest at an amount of EUR 14,300 in Turkey by TESKOMB.

c. VOLUME of newly granted guarantees (cf. Annex Table III)

The **growth in newly granted guarantees over all AECM members amounted to 39.0% compared to the previous semester but decreased by 9.1% with regard to the first semester of 2018. It reaches a level of more than EUR 22.8 billion in the first semester of 2018.** This corresponds to 20.4% of the outstanding guarantee volume, being in line with the shares observed in previous semester as can be seen in diagram 8 below³. The highest shares were registered by BGK/Poland with 51.9%, MCGF/Azerbaijan with 42.3% and by Garantiqa/Hungary with 41.6%. The highest amount of new guarantees has been granted by KGF/Turkey with more than EUR 7.8 billion, followed by TESKOMB/Turkey with more than EUR 2.3 billion and Bpifrance/France with around EUR 2.2 billion.

Diagram 8: Development of the share of newly granted guarantees in the outstanding portfolio

³ The exceptionally high share in the first semester 2017 was due to the large increase of KGF's activity.

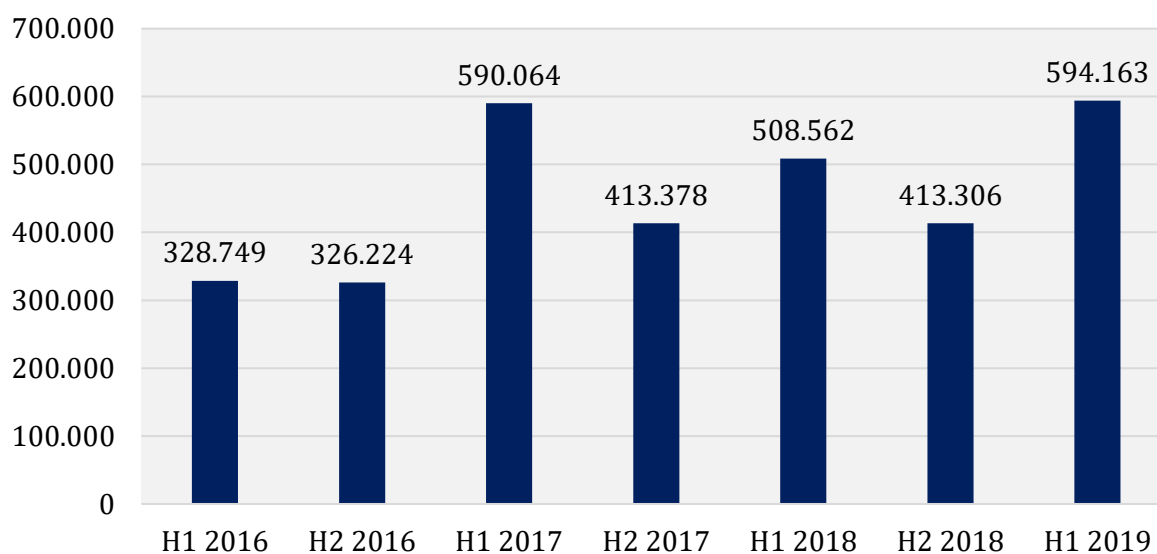


The **average amount of newly granted guarantees is EUR 507.6 million**. Whereas **22 members registered positive growth rates** in newly granted guarantees, 15 members faced a decline. Growth rates are very much dispersed, ranging from +121.6 to -100%. However, one should bear in mind that semestral growth rates are susceptible to be biased by seasonal fluctuation.

d. NUMBER of newly granted guarantees (cf. Annex Table IV)

The **number of newly granted guarantees increased significantly compared to H2 2018 (+43.8%) reaching a level of 594,163**. Also compared to the first semesters in 2018 (508,562) and 2017 (590,064), the production in the first semester 2019 is at a comparatively high level. The seasonal component that is very visible in the first semesters of 2017 and 2018 nearly disappeared, as can be seen in diagram 9 below. In total, 23 members registered a positive growth rate in numbers of newly granted guarantees, while 14 members faced a decline.

Diagram 9: Development of the number of newly granted guarantees



e. Total NUMBER of supported SMEs (cf. Annex Table V)

The total **number of SMEs supported by guarantees from AECM members increased by 6.2% attaining a level of more than 2.8 million**. The development over previous semesters can be seen in diagram 10 below. Whereas 18 members had a growing number of SME beneficiaries, 17 members had to register a drop. The average amount of SME beneficiaries per member has fallen from 65,039 in the first and 62,969 in the second semester of 2018 to now 62,385. The members with the highest number of supported SMEs are Assoconfidi/Italy with 787,049⁴, TESKOMB/Turkey with 527,997, KGF/Turkey with 281,054 and French mutual SOCAMA with its around 250,000 associates.

Diagram 10: Development of the number of supported SMEs



The following AECM members commented on the development of the number of their supported SMEs in portfolio as follows:

- AVHGA/Hungary reported on a better outreach via new products such as COSME portfolio guarantees that allowed to reach a 5.5% increase of its portfolio with regard to the previous semester.
- KCGF from Kosovo justified the strong increase of 230.3% of its SME portfolio over the first semester 2019 by an increase of the awareness for credit guarantee scheme benefits in Kosovo.
- Finnvera/Finland saw a decrease of 2.2% of the number of SMEs that were supported by Finnvera guarantees. This decrease was due to the EIF's implementation of counter-guarantees through the banking sector.

f. Total NUMBER of newly supported SMEs (cf. Annex Table VI)

Over the previous semester, the **number of newly supported SMEs increased by 30.1% to 395,488** which is also an increase with regard to its level of 332,352 in the first semester of the previous year (+19.0%). The highest number of newly supported SMEs

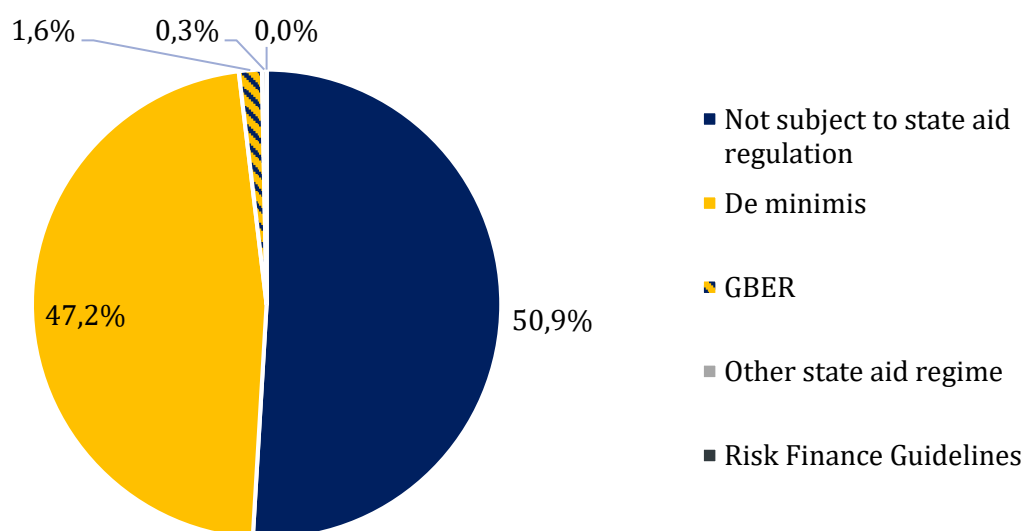
⁴ Recurrent data from 31st December 2018.

was registered by KGF/Turkey with 114.879 which represents also the largest absolute increase with regard to the previous semester. 22 members showed a positive development of new SME beneficiaries and 12 members registered a drop. The average amount of SME beneficiaries per member increased to 8,789 in H1 2019.

g. Distribution of volumes under different state aid regimes (cf. Annex Table VII)

In the first semester, we asked members for the first time about the distribution of their volumes to different state aid regimes. This shall give us an indication to how to focus our lobbying activities in this area. 25 members representing 32.2%⁵ of the total outstanding guarantee volume of AECM members reported on the distribution of their volume. As a result, slightly more than half of the classified volumes (50.9%) was not subject to state aid regulation and 47.2% was treated under De minimis. Other state aid regimes are currently of minor importance for those members that classified their volumes. The exact results are depicted in diagram 11 below.

Diagram 11: Distribution of volumes under different state aid regimes



⁵ Only volumes reported by members situated in EU member states have been taken into account.

Methodological note

44 out of 47 Members⁶ sent their replies to our Scoreboard survey between the 24th September 2019 and 10th December 2019. These results were verified, made plausible and analysed by the AECM secretariat. The members of the Working Group Statistics and Impact approved the final results.

Recurrent data were used in the cases of NGF/Bulgaria and Assoconfidi/Italy, where only data as of 31st December 2018, but not as of 30th June 2019 were available. Also, data on SMEs supported by Bpifrance/France and TMEDE/Greece are recurrent data from 31st December 2018. Other members that did not provide data on the first semester 2019 were left out and missing data was marked by “n/a”.

Volumes that are not denominated in EUR were converted to EUR by applying the official ECB exchange rates of 28th June 2019. Volumes of MCGF/Azerbaijan, however, were converted according the official European Commission exchange rate of 1st July 2019.

A correction of past data has been done following the communication of updated data by Sofia Fund/Bulgaria and Assoconfidi/Italy.

Two of AECM’s members changed their names: Former ETEAN from Greece will be called HDB (Hellenic Development Bank) in future and RVO (Rijksdienst voor Ondernemend Nederland) from the Netherlands will no longer be called NIA/ InvestNL.

⁶ 47 out of 48 AECM members were asked to reply to the Scoreboard survey. IAPMEI/Portugal is exempted in order to prevent double counting of the volume of IAPMEI and SPGM, both Portugal.

About AECM

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 29 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure⁷. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs access to finance. The broader social and economic impact of this activity include the following:

- Job creation and preservation of jobs by guaranteed companies
- Innovation and competition: crowding-in of new ideas leading to healthy competition with established market participants
- Structure and risk diversification of the European economy
- Regional development since many rural projects are supported
- Counter-cyclical role during crises: during the financial crisis guarantee volumes jumped up since guarantee institutions continued to support SMEs while commercial banks were retreating from risk taking⁸

SME guarantees generally pursue a long-term and our members, if public, private, mutual or with mixed ownership structure, have a promotional mission rather than dividend expectations.

AECM's members operate with counter guarantees from regional, national and European level. At the end of 2018 AECM's members had about EUR 125 billion of guarantee volume in portfolio, thereby granting guarantees to around EUR 3 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

AECM - European Association of Guarantee Institutions

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⁷ OECD (2006). The SME finance gap. Vol. 1. Theory and evidence.

For an overview of market failures in SME lending and mitigation techniques: OECD (2018). Financing SMEs and entrepreneurs 2018. An OECD Scoreboard, OECD Publishing, Paris.