

# KGF / Turkey

**New production is 2.5 times** the one in H1 2019

More than **340,000 supported SMEs** (+10.1%) in portfolio (H1 2020)

The **average guarantee size is 44.5** in H1 2020

**Kredi Garanti Fonu (KGF)** is one of our two Turkish members and one of the largest AECM members (it was the largest from 2017 to 2019). During the pandemic, **KGF** rolled out extensive support programmes through putting pre-established state-backed guarantees mechanism into use with tailor-made and pinpoint solutions to help SMEs to overcome economic impacts of the crisis.

The first programme was the **Business Continuity Support** that offered guaranteed loans to cover working capital needs in return for meeting the requirement of maintaining current employment levels. The guarantee covers 80% of a loan of maximum mTRY 125 (mEUR 13.7). The maximum maturity was 3 years with half a year grace period option. **KGF** charges a one-off guarantee fee of 0.75%. In the case of a loan restructuring before 31st December 2020 (closure of the scheme) no fee was charged. The commission of the bank was capped at 0.75% as well.

Secondly, **KGF** offered the **Operating Expenses Support programme**, also funded by The Ministry of Treasury and Finance. The maximum term of a guarantee under this scheme was 1 year with a maximum of 3 months grace period. The coverage rate was 80% and the maximum loan amount mTRY 62.5 (mEUR 6.9). There has been a strict control over the use of loans borrowed to ensure that beneficiaries indeed spent to cover their operating expenses. **KGF** charged a one-off fee of 0.5%. Like **Business Continuity Support**, the scheme was open until end-2020.

The third programme carried into action has been the **Cheque Repayment Support**, resembling the first two programmes in terms of loan amounts and maturities but specifically conditioning that the loans to be spent on covering already issued business cheques of the beneficiaries.

Whereas all the above programmes target SMEs and non-SMEs, the **Micro SMEs Lifetime Loan** exclusively targeted SMEs. It is aimed to finance the working capital needs of the firms, to reduce the negative economic effects of the pandemic and to...

...maintain their current employment levels. The 80% guaranteed loans of maximum kTRY 25 (kEUR 2.7) had a maximum term of 3 years with a grace period of 6 months. For these loans, **KGF** did not seek any additional collateral other than the collaterals required by the bank. The one-off commission was 0.75% and the banks' commissions were capped at 0.75%.

On the other hand, **KGF** exceptionally provided guarantees for retail loans first time in its entire history under the programme **Major Needs Support**. The maximum loan amount was kTRY 10 (kEUR 1.1). It was aimed to provide financing support through loan guarantees to face problems that may occur in the financial situation of the citizens.

Bigger tickets could be guaranteed under the **Turkey Investment and Development Bank Credit Support Package** where the maximum loan amount was mTRY 312.5 (mEUR 34.6). Business loans had a maximum duration of 5 years, with a maximum grace period of 1 year. The maturity of investment loans was a maximum of 10 years, with a maximum grace period of 3 years. The one-off **KGF** commission was 0.5% and the bank commission was capped at 1%.

A total of 11 separate precautionary support programmes, including the above detailed, have been implemented collectively during 2020 under the general policy of the government namely "Economic Stability Shield". Owing to its ongoing scheme which includes 30 banks representing 99% of the banking sector in Turkey, **KGF** has been able to structure and initiate pandemic support programmes promptly.

The **Tourism Support Programme** was the last one launched in 2020 which is also open for applications currently. It aims to ensure coverage of all fixed expenses and cash needs of enterprises operating in the tourism sector, especially the wages and rent payments and thus to reduce the negative impact of the pandemic on cash flows and to protect their production and employment capacities. Under this scheme, loans with a maximum amount of mTRY 40 (mEUR 4.4) can be covered at a rate of 80%. The maximum guarantee term is 3 years with a grace period of 1 year, provided that it does not exceed 1st November 2021. Under the **Tourism Support Package**, the following products can be guaranteed: Cash Loan (loans to be used in instalments or revolving, overdraft account which is closed to cash withdrawal, murabaha products) and Non-Cash Loan (corporate credit card, direct debit system, supply chain finance, purchase guarantee letter, guaranteed check). The one-off guarantee fee is 0.5% and the bank commission for each loan extension is limited to 0.5%.

All the programmes presented above are financed in virtue of doubling of the national budget spared for Credit Guarantee Fund scheme from bTRY 25 to bTRY 50 and increasing the guarantee portfolio volume from bTRY 250 to bTRY 500 (bEUR 55) by the same token.

More information on **KGF** measures can be found under the following link: <https://www.kgf.com.tr/index.php/en/>

Latest update: 28<sup>th</sup> January 2021

