

Credit Guarantee Institutions

April 2018

Credit Guarantee Institutions

- ◆ Credit Guarantee Institutions (CGIs) are financial institutions which facilitate lending by providing credit guarantees against the risk of default of issuers. These guarantees help these entities in raising debt from financial institutions. Thus, CGIs are vital source of financial assistance to these entities.
- ◆ Globally, most CGIs are mandated to promote business, financial markets and infrastructure development activities in their respective target markets – mainly less developed segments. Many institutions particularly focus on development of Small and Medium Enterprises (SMEs).
- ◆ CGIs are largely owned and funded by the government of the respective country or by the multilateral institutions. Given their developmental role, CGIs generally carry high credit risk against their portfolio. These are usually reliant on their owners equity and/or grants to run their operations.

Multilateral Investment Guarantee Agency (MIGA)

- ◆ MIGA was established in 1948, with the objective to promote foreign direct investment into developing countries.
- ◆ MIGA, a member of the World Bank Group, is owned and governed by its 181 member states.
- ◆ A Council of Governors and a Board of Directors representing member countries guide the programs and activities of MIGA.
- ◆ An Independent Evaluation Group (IEG) assesses MIGA's strategies, policies, and projects to improve the Agency's development results.

USD mln

| | FY16 | FY15 | FY14 | FY13 | FY12 |
|---|---------------|---------------|---------------|---------------|---------------|
| Outstanding Guarantees | 14,200 | 12,538 | 12,409 | 10,758 | 10,346 |
| Guarantees Issued (Gross Issuance in FS) | 4,258 | 2,828 | 3,155 | 2,781 | 2,657 |
| Equity | 989 | 971 | 971 | 911 | 905 |
| Outstanding Guarantees / Equity (X) | 14.4 | 12.9 | 12.8 | 11.8 | 11.4 |
| Net Guarantee Income | 86 | 79 | 73 | 66 | 62 |
| Investment Income | 23 | 24 | 53 | 34 | 37 |
| Expenses | (48) | (45) | (46) | (47) | (44) |
| Operating Income / (Loss) | 38 | 34 | 27 | 19 | 18 |
| Expense / Guarantee Income | 56% | 57% | 63% | 71% | 71% |

Small and Medium Business Credit Guarantee Fund of Taiwan (Taiwan SMEG)

- ◆ Taiwan SMEG, a non profit organization incorporated in 1974, provides credit guarantees to Small and Medium Enterprises (SMEs) operating in Taiwan.
- ◆ Paid-in capital of the Taiwan SMEG comes totally from donations made by the central government, local governments, contracted financial institutions and other agencies.

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Outstanding Guarantees | 29,912 | 31,643 | 36,090 | 35,336 | 31,363 | 26,703 |
| Equity | 1,906 | 1,832 | 1,823 | 1,739 | 1,781 | 1,497 |
| Investments | 273 | 157 | 152 | 167 | 130 | 106 |
| Outstanding Guarantees / Equity (X) | 15.7 | 17.3 | 19.8 | 20.3 | 17.6 | 17.8 |
| Investments / Outstanding Guarantees | 0.9% | 0.5% | 0.4% | 0.5% | 0.4% | 0.4% |
| Investments / Equity | 14.3% | 8.6% | 8.3% | 9.6% | 7.3% | 7.1% |
| Guarantee Income | 110 | 113 | 117 | 117 | 105 | 96 |
| Investment Income | 30 | 33 | 31 | 29 | 28 | 23 |
| Expenses | (280) | (290) | (257) | (311) | (232) | (151) |
| Net Income / (Loss) | (6) | 2 | (47) | (101) | (38) | 30 |
| Expense / Guarantee Income | 254.9% | 256.6% | 219.6% | 266.1% | 220.1% | 157.5% |

Credit Guarantee Corporation of Tokyo (CGCT)

◆ CGCT was established in 1937 by Tokyo Prefectural Government and the Tokyo City Government (together, now the Tokyo Metropolitan Government). CGCT helps the Small and Medium Enterprises (SMEs) operating in Japan in fund-raising

| | USD mln | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
| Outstanding Guarantees | 29,105 | 31,515 | 37,769 | 45,697 | 57,847 | 68,316 |
| Guarantees Issued | 10,070 | 9,672 | 10,351 | 12,167 | 15,350 | 22,085 |
| Equity | 2,564 | 2,478 | 2,608 | 2,720 | 2,935 | 2,993 |
| Investments | 3,659 | 3,631 | 3,882 | 4,164 | 4,631 | 4,861 |
| Outstanding Guarantees / Equity (X) | 11.4 | 12.7 | 14.5 | 16.8 | 19.7 | 22.8 |
| Investments / Outstanding Guarantees | 12.6% | 11.5% | 10.3% | 9.1% | 8.0% | 7.1% |
| Investments / Equity | 142.7% | 146.5% | 148.8% | 153.1% | 157.8% | 162.4% |
| Default rate | 1.9% | 1.9% | 2.0% | 2.2% | 2.5% | 2.6% |
| Guarantee Income | 292 | 322 | 385 | 470 | 596 | 684 |
| Investment Income | 46 | 50 | 60 | 67 | 76 | 80 |
| Expenses | (259) | (270) | (309) | (349) | (415) | (421) |
| Net Income / (Loss) | 635 | 682 | 185 | 245 | 328 | 437 |
| Expense / Guarantee Income | 88.8% | 83.8% | 80.1% | 74.2% | 69.7% | 61.6% |

Korea Credit Guarantee Fund (KODIT)

◆ Korea Credit Guarantee Fund (KODIT), founded in June 1976, is a public financial institution. Its objective is to contribute in the development of Financial Industry and expansion in the Small and Medium Enterprises (SMEs).

| | USD mln | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Outstanding Guarantees | 41,083 | 41,950 | 41,200 | 40,700 | 38,600 | 39,500 |
| Guarantees Issued | 9,895 | 9,200 | 9,900 | 10,300 | 9,000 | 8,400 |
| Equity | 4,200 | 4,600 | 5,200 | 5,400 | 5,800 | 6,000 |
| Investments | 3,338 | 3,969 | 4,107 | 3,510 | 3,622 | 3,541 |
| Outstanding Guarantees / Equity (X) | 9.8 | 9.1 | 7.9 | 7.5 | 6.7 | 6.6 |
| Investments / Outstanding Guarantees | 8.1% | 9.5% | 10.0% | 8.6% | 9.4% | 9.0% |
| Investments / Equity | 79.5% | 86.3% | 79.0% | 65.0% | 62.4% | 59.0% |
| Default rate | 3.9% | 4.0% | 4.0% | 4.2% | 4.8% | 4.9% |

GuarantCo Limited (GuarantCo)

- ◆ GuarantCo incorporated in 2005 aims to i) support infrastructure projects in low income countries via guarantee provisions which in turn, enable the said projects to raise debt financing and, ii) development of local financial debt markets.
- ◆ The ultimate ownership of GuarantCo lies with five governments –four of which (United Kingdom, Sweden, Switzerland, and Australia) own through PIDG, and the Netherlands maintains its stake through FMO.

| | USD mln | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Outstanding Guarantees | 254 | 226 | 214 | 159 | 132 | 132 |
| Guarantees Issued | 191 | 108 | 115 | 60 | 29 | 18 |
| Equity | 256 | 238 | 241 | 181 | 130 | 95 |
| Investments | 213 | 213 | 198 | 48 | 50 | -00 |
| Outstanding Guarantees / Equity (X) | 1.0 | 0.9 | 0.9 | 0.9 | 1.0 | 1.4 |
| Investments / Outstanding Guarantees | 83.9% | 94.2% | 92.5% | 30.2% | 38.1% | 0.0% |
| Investments / Equity | 83.2% | 89.5% | 82.0% | 26.6% | 38.6% | 0.0% |
| Default Rate | 17.2% | 13.1% | 5.8% | 7.7% | 9.7% | 8.7% |
| Guarantee Income | 7 | 7 | 5 | 4 | 4 | 3 |
| Investment Income | 7 | 7 | 5 | 1 | 1 | 0 |
| Expenses | (8) | (8) | (6) | (6) | (4) | (4) |
| Net Income / (Loss) | (6) | (6) | (9) | (7) | (2) | (16) |
| Expense / Guarantee Income | 113.6% | 113.6% | 138.9% | 163.2% | 102.6% | 148.4% |

GuarantCo Limited | Peer Comparison

- ◆ GuarantCo is the youngest amongst the peers; Operations started in 2005. Credit Guarantee Corporation of Tokyo is the oldest amongst peers (formed in 1937).
- ◆ Total portfolio size is a fraction of peers. The company aims to increase portfolio size gradually while maintaining sound capitalization level.
- ◆ GuarantCo's leveraging is on the conservative side as compared to peers (outstanding guarantees/equity).
- ◆ Default rate of the portfolio is high as compared to peers. However, recent numbers indicate that the infection is on decline as CY17 infection ratio stands at 9.9%.

Credit Guarantee Institutions

Strengths

- ◆ Strong sponsors
- ◆ Sound capitalization
- ◆ Healthy liquidity

Challenges

- ◆ High credit risk exposure
- ◆ Lack of self sustainability

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