

2022

Annual Report



TAIWAN SMEG

Small & Medium Enterprise Credit Guarantee Fund of Taiwan

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✿ The 2023 Award Ceremony for Financial Institutions and Manager Outstanding in Implementing Guaranteed Financing

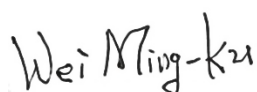
Message from Chairman and President

Taiwan SMEG actively participated in the government policies on relief and revitalization, promoting industry, digital and energy transformation and the 2050 net-zero emission targets. We implemented various credit guarantee schemes to assist SMEs obtaining funds and continuously enhanced services qualities and risk management to support SMEs. This achieved the mutual beneficial relationships among SMEs, financial institutions and Taiwan SMEG, and meanwhile achieved the mission directed by the government, which is to assist SMEs in obtaining loans smoothly. In 2022, Taiwan SMEG assisted the enterprises in obtaining over NT\$1.4 trillion funds, successfully executing government policies for economic development. As a result, Taiwan SMEG was awarded “Outstanding Contribution Award” by the Central Bank and received the certificate of appreciation by the Ministry of Labor. In terms of guarantee performance in 2022, Taiwan SMEG provided credit guarantees to 299,513 enterprises, with the outstanding loan amount totaling over NT\$ 1.6 trillion.

As the green and sustainable development has become a universally recognized issue on the international stage, Taiwan SMEG is committed to assist the SMEs in aligned with ESG principles. Through the seminars, Taiwan SMEG invited the government, industrial and financial sectors to come together and discuss how to enhance the corporate governance, social responsibilities, and sustainability. Furthermore, Taiwan SMEG presented the ESG-related credit guarantee programs which facilitate SMEs’ access to ESG activities, together with the financial institutions.

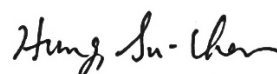
Taiwan’s SMEs are known for their vibrant and flexible nature, marked by innovation approaches. Some of these enterprises, often called hidden champions in various industries, are the foundation to Taiwanese economic growth and development, and a stabilizing force in society. In response to recent global economic challenges from geopolitical tension, supply chain reconstruction, raising interest rates and high inflation across nations, the Executive Yuan has greenlit a collaborative effort between Ministry of Economic Affairs and other relative department to implement various projects to increase the competitiveness among SMEs. Over a span of five years, a budget of 95 billion NTD will be used to enhance Taiwan’s economic resilience, nurturing a new generation of SMEs with enhanced international competitiveness.

In 2023, Taiwan SMEG will continue to support the steady development of SMEs by cooperating with the government to promote credit guarantees for national development goals including Taiwan's Pathway to Net-Zero Emissions in 2050, Program for Promoting Six Core Strategic Industries, startups and micro SMEs, digital and energy transformation, and development of ESG. We will promote the economic vitality of Taiwan's SMEs by providing them with financial support and consultation. We will also build a friendly and reliable financing environment to help them to overcome challenges and grow sustainably. In doing so, we will promote economic development and social stability across Taiwan.



Chairman

Wei Ming-ku



President

Hung Su-chen

(September, 2023)

About Taiwan SMEG

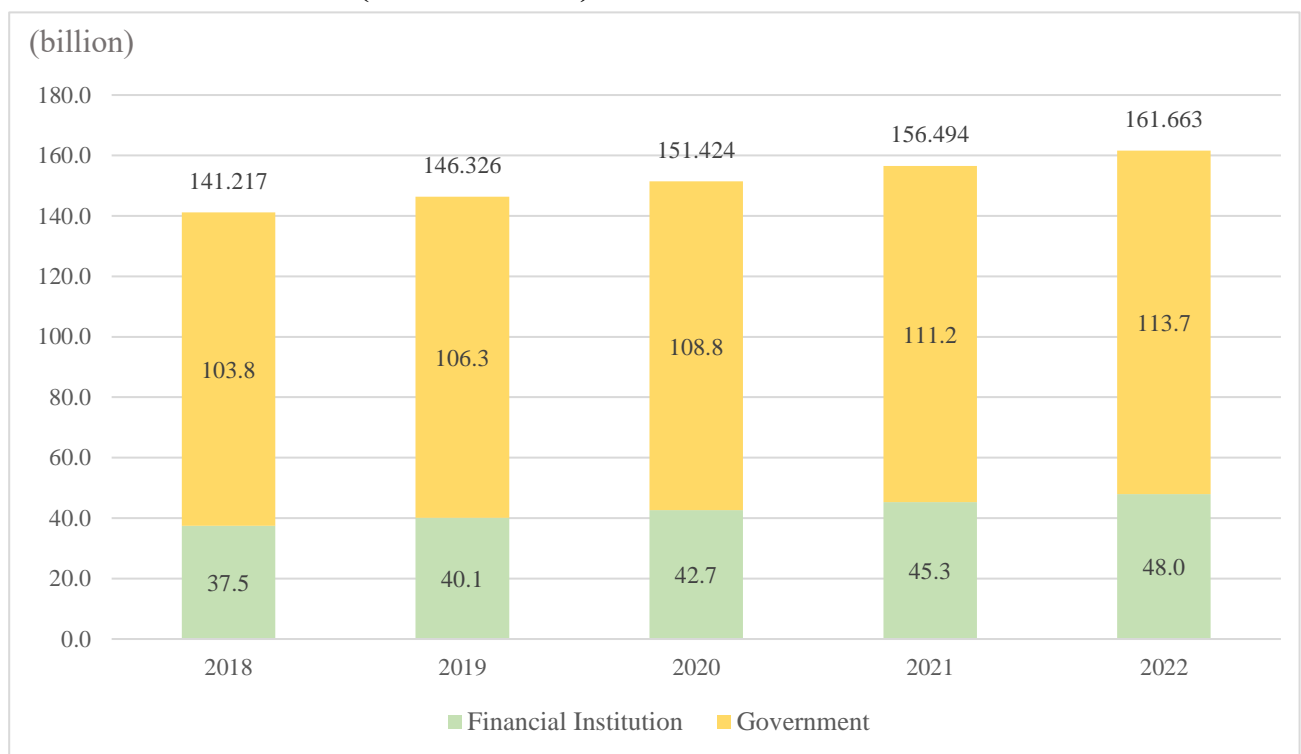
Objective

The objective of the Taiwan SMEG is to provide credit guarantees to those small and medium enterprises (hereafter referred to as “SMEs”) in normal operation but short of collateral for external financing. With guarantees provision, the Taiwan SMEG helps these enterprises to smoothly secure financing from financial institutions (hereafter referred to as “FIs”). The operation of Taiwan SMEG is in line with the government’s financial and economic policies to assist SMEs.

Sources of Funds

Funds of the Taiwan SMEG come mainly from donations made by the central government, local governments, and contracted FIs. Up to the end of 2022, donations received have totaled NT\$161.7 billion, 70% of which are from the central and local governments and 30% from the contracted FIs. As of the end of 2022, Taiwan SMEG’s net worth totaled NT\$83.3 billion. The sources of funds in recent 5 years are shown in the following chart.

- **Sources of Funds (Accumulated)**



Milestones

1974	Taiwan SMEG was established as a non-profit organization.
1979	The Liaison Offices in Taichung City and Kaohsiung City, renamed as Service Centers in Taichung and Kaohsiung afterwards, were established.
2003	<ol style="list-style-type: none"> 1. The supervising agency of Taiwan SMEG was changed from the Ministry of Finance to the Ministry of Economic Affairs. 2. Portfolio Guarantee was introduced, which features fulfilling guarantee responsibilities within the total amount of payment risk for respective contracted FI set up in advance. It streamlines guarantee processing procedures and helps contracted FIs conduct guaranteed financing based on self-management.
2004	Direct Guarantee was launched to help those SMEs having ability of R&D, business management, or market development apply for credit guarantees directly to Taiwan SMEG.
2005	The virtual Torchbearer Institute, renamed as Taiwan SMEG Institute afterwards, was established as a platform for SMEs to share and exchange experiences.
2006	The Co-guarantee project was introduced, under which the leading public and private companies from various industrial sectors donate funds to cooperate with Taiwan SMEG. It aims to enlarge the guarantee targets and reduce guarantee risks. Government agencies and local governments joined the project afterwards.
2011	Service Center in Tainan was established.
2013	Both of the amount guaranteed and the loan supported by the credit guarantee broke the NT\$1 trillion mark.
2017	Service Center in Hualien was established.
2019	Preferential Credit Guarantee Project for Micro Business Loans of Hundred-Billion was launched to help SMEs secure financing from FIs.
2020	Various relief and revitalization credit guarantee programs supported and funded by government agencies were implemented to help SMEs suffering from the COVID-19 pandemic.
2021	AI Client Service was launched to provide prompt online inquiring services.
2022	Awarded “Outstanding Contribution Award” by the Central Bank

State of the Operations

Overall Performance

From its inauguration in 1974 to the end of 2022, Taiwan SMEG has offered credit guarantees on 10.39 million cases, which is NT\$18,176.5 billion in amount. With the credit guarantees, Taiwan SMEG's clients have obtained a total of NT\$24,001.5 billion in various forms of credit from FIs. The outstanding credit covered by guarantees posted NT\$1,354.2 billion as of the end of 2022.

- **Credit Guarantee Service Statistics**

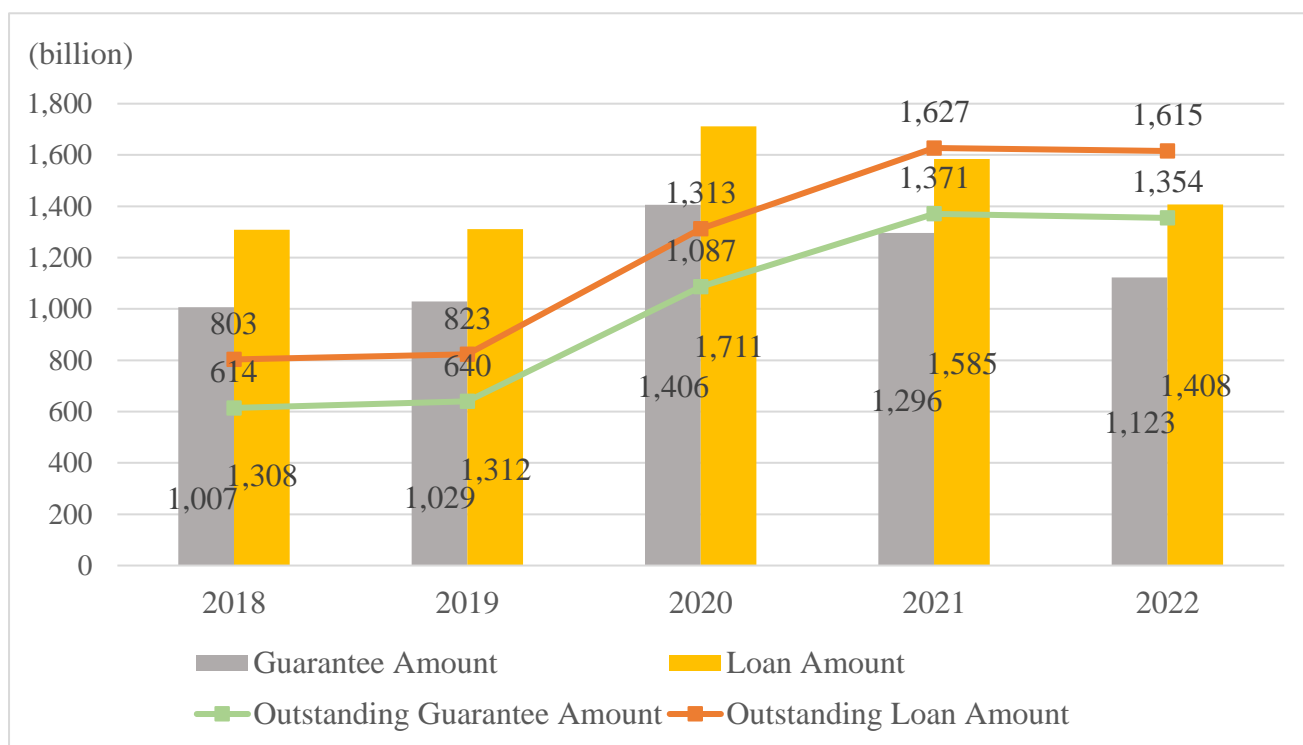


Table 1 Guarantee Performance – Programs Supported by SME Fund

Amount Unit: NT\$ million

Type of Credit Guarantee	Outstanding Guarantee Amount	Percentage
Total guaranteed loans within the limit of NT\$150 million		
General Purpose Loans	249,345.65	18.41%
Expanded Credit Guarantee Project for Micro Loans	83,159.04	6.14%
Loans for Raw Materials	45,020.12	3.32%
Guarantee for Contract Performance	18,887.95	1.39%
Loans for Supply Chain Enterprises	5,620.75	0.42%
Policy-oriented Loans	2,930.78	0.22%
Micro Entrepreneur Loans	1,428.14	0.11%
Export Loans	1,141.15	0.08%
Direct Guarantee for Fostering Enterprise Innovation	324.58	0.02%
Nature Disasters Reconstruction Loans for SMEs	188.99	0.01%
Loans for Knowledge-based Enterprises	91.77	0.01%
Guarantees on Issuing Commercial Papers	58.51	0.00%
Other guaranteed loans within the limit of NT\$150 million	137.71	0.01%
Guaranteed loans within additional loan amount		
Preferential Credit Guarantee Measures for the Golden Award of Credit Guarantee	78,317.40	5.78%
Loans under Portfolio Guarantee	69,240.66	5.11%
Loans for Young Entrepreneurs and Start-ups	67,327.91	4.97%
Preferential Credit Guarantee Measures for National Development	9,737.52	0.72%
Loans for Accelerating SMEs Investing in Taiwan	4,891.22	0.36%
Preferential Credit Guarantee Measures for SMEs investing in Taiwan	2,807.15	0.21%
Credit Guarantee Project for Turnover Loans (An Hsin Project)	2,693.93	0.20%
Preferential Credit Guarantee Measure for the Support Award of Youth Entrepreneur, Startups and Micro Entrepreneurs	2,559.94	0.19%
Loans for SME's Obtaining Domestic Investment Capital	1,582.42	0.12%
Preferential Credit Guarantee Project for Export Loans	1,490.40	0.11%
Loans for Assisting SMEs with Investment in New Southbound Countries	1,235.16	0.09%
Loans for SMEs' Participating in Public Construction	113.28	0.01%
Other guaranteed loans within the additional loan limit	188.54	0.01%

Table 2 Guarantee Performance by Industry in 2022

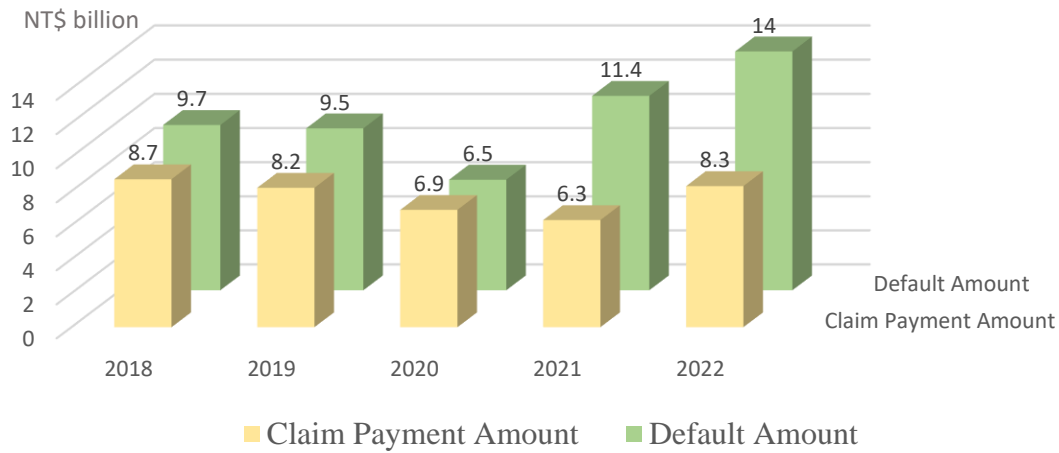
Amount unit: NT\$ million

Type of Industry	Outstanding	
	Guarantee Amount	Percentage
Agriculture, Forestry, Fishing and Animal Husbandry	6,336.49	0.47%
Mining and Quarrying	1,135.63	0.08%
Manufacturing	340,832.71	25.17%
Electricity and Gas Supply	6,098.05	0.45%
Water Supply and Remediation Activities	8,187.36	0.60%
Construction	159,094.88	11.75%
Wholesale & Retail Trade	495,659.15	36.60%
Transportation and Storage	51,694.94	3.82%
Accommodation and Food Service Activities	68,102.34	5.03%
Information and Communication	14,946.34	1.10%
Real Estate Activities	10,013.10	0.74%
Professional, Scientific and Technical Activities	26,598.34	1.96%
Support Service Activities	18,736.47	1.38%
Education	2,918.83	0.22%
Human Health and Social Work Activities	2,411.69	0.18%
Arts, Entertainment and Recreation	8,347.69	0.62%
Other Service Activities	15,240.12	1.13%
Personal Loan and Others	117,822.08	8.70%
Total	1,354,176.21	100.00%

Default and Claim Payment

In 2022, Taiwan SMEG's default amount reached a total of NT\$14 billion, and the claim payment amount was NT\$8.3 billion. The default and claim payment amount in recent five years are shown as the following chart.

- **Default and Claim Payment**



Client Services

I. Client services for SMEs

Taiwan SMEG provides immediate care and assistance to the SMEs with weakened or deteriorated credit status after guaranteeing them. In 2022, 3,323 guaranteed SMEs were cared for, helping them to overcome their operational difficulties and maintain normal operations, stabilize employment, and promote social stability.

1. For guaranteed SMEs

Special personnel are assigned by Taiwan SMEG to manage the guaranteed SMEs. In 2022, 1,885 SMEs were proactively contacted by phone to understand whether they were affected by the COVID-19 pandemic and whether they had encountering in financial difficulties, and then to provide timely assistance to guaranteed SMEs to obtain funds smoothly.

Moreover, when imports of Taiwanese food were temporarily suspended in mainland China (a total of 2,056 domestic enterprises were affected), about 457 affected guaranteed SMEs were proactively cared for, and assistance was provided to those SMEs in need of funds to tide over difficulties through loan extension or revitalization loan utilization.

2. For SMEs with weakened credit status

Taiwan SMEG proactively tracks and cares for guaranteed SMEs with weakened credit status. Based on their risk level, Taiwan SMEG through email, phone, or on-site visits to provide care service. Taiwan SMEG contacted 830 SMEs in 2022 through these methods, and 99% of these SMEs were able to continue normal operations.

Taiwan SMEG also actively participates in debt negotiation meetings between SMEs and banks, assisting guaranteed SMEs in easing their financial burden and avoiding business interruption. This allows SMEs to continue operating and navigate through difficult times.

3. For SMEs with credit deterioration

For the SMEs in deterioration, Taiwan SMEG will proactively provide services of care and assistance, and take various measures to reduce SMEs financial burden and operational impacts.

4. Promoting activities

- (1) In order to promote deeper interactions with local entrepreneurs, Taiwan SMEG held 4 forums in Taipei, Taichung, Kaohsiung and Hualien, and invited successful guaranteed enterprises to share openly their experiences and knowledge. Meanwhile, the forums also invited the representatives of the Ministry of Economic Affairs and the local financial institutions, together provided consulting services for the participants.



- (2) Taiwan SMEG held a series of online forums to introduce the credit guarantee measures related to startups, innovation and green financing, as well as provided guidance for entrepreneurs to obtain resources in different counties and cities. These forums invited outstanding entrepreneurs to share their knowledge, and financial advisors to provide professional guidance on how to effectively utilize financial statements to obtain operating funds from contracted FIs.

II. Interactive activities

1. Interactions with public sections

- (1) Taiwan SMEG, The General Chamber of Commerce and Chunghwa Telecom jointly established a platform to combine credit guarantee, resource matching and communication technology integration services. Thereby to assist the SMEs in digitalization and operational effectiveness.
- (2) To strengthen the interactions with the local communities, Taiwan SMEG actively visited local governments, counseling institutions, industrial and commercial groups. Taiwan SMEG also participated in the activities held by financial institutions to raise publicity.

2. Interactions with financial institutions

- (1) To strengthen mutual communications with the contracted FIs, Taiwan SMEG held the experience exchange conference to discuss the recent initiatives of

credit guarantee measures, COVID-19 relief measures, digitalization of operations, and the support and assistance for SMEs. This event invited the representatives of the contracted FIs to share their opinions, which were served as important reference to improve the operations of credit guarantees.



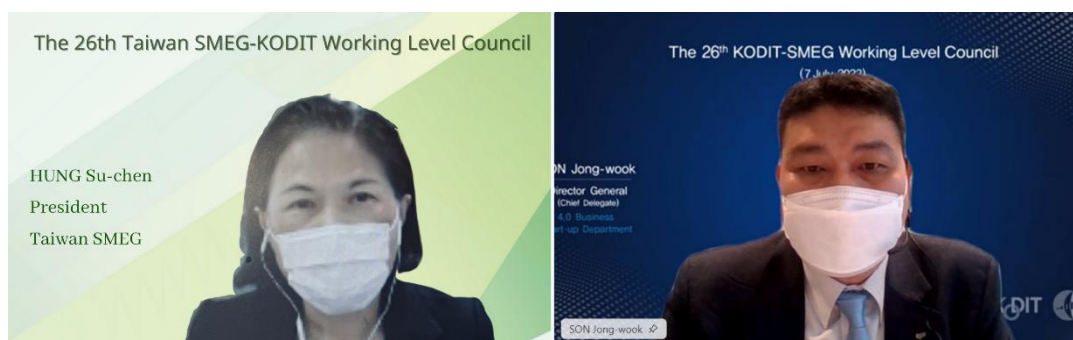
(2) Taiwan SMEG held diversified courses online for contracted FIs to lecture on credit guarantee information.

3. Interactions with foreign institutions

(1) In April, Taiwan SMEG hosted the 1st Working Level Meeting with the Korea Technology Finance Corporation (KOTEC), focusing on SMEs and ESG issues.



- (2) In July, Taiwan SMEG hosted the 25th Working Level Council (online) with the Korea Credit Guarantee Fund (KODIT), focusing the theme of measures to assist startups.



- (3) In August, Taiwan SMEG participated in the seminar on intellectual property financing of APEC.
- (4) In September, Taiwan SMEG participated in the 30th ACISC Training Program held by the Credit Guarantee Fund of Mongolia (CGFM). The main theme was the “Post-pandemic SME credit guarantee landscape and resolution strategies for non-performing guarantees”



- (5) In November, Taiwan SMEG attended in the 34th ACSIC Conference held by Korea Credit Guarantee Fund (KODIT), with the main theme of “The Great Journey: How to Enhance SME Financing for Resilient and Sustainable Growth”.



- (6) In November, Taiwan SMEG renewed the Memorandum of Understanding (MOU) with Korea Technology Finance Corporation (KOTEC).



Financial Statements

Balance Sheet of Dec. 31, 2022

Unit: NT\$

Assets	
Current assets	91,071,190,440.46
Cash & cash equivalents	4,841,582,138.46
Current investments in debt instrument without active market	61,214,663,673.00
Current available-for-sale financial assets	2,836,094,010.00
Current held-to-maturity financial assets	1,520,414,855.00
Accounts receivable	3,291,726.00
Other current financial assets	19,829,734,064.00
Other current assets	825,409,974.00
Non-current assets	35,670,256,019.50
Capital funds	333,957,800.00
Non-current available-for-sale financial assets	518,477,345.00
Non-current held-to-maturity financial assets	13,079,459,436.00
Non-current investments in debt instrument without active market	21,457,480,000.00
Property, plant and equipment	272,955,780.50
Intangible assets	5,111,475.00
Other non-current assets	2,814,183.00
Total Assets	126,741,446,459.96
Liabilities & Net worth	
Liabilities	37,318,572,670.00
Current liabilities	705,729,955.00
Advance receipts	483,882,382.00
Other payables	221,847,573.00
Non-current liabilities	36,612,842,715.00
Reserve for losses on guarantee	16,774,523,398.00
Accounts under custody	19,829,734,064.00
Other non-current liabilities	8,585,253.00
Net worth	89,422,873,789.96
Capital funds	333,957,800.00
Endowment funds	74,250,955,308.00
Other funds	2,469,255,000.00
Surplus (loss)	12,649,651,735.96
Equity adjustments	
Unrealized gains (losses) on available-for-sale financial assets	(280,946,054.00)
Total Liabilities & Net worth	126,741,446,459.96

Income Statement for the Year Ended Dec. 31, 2022

Unit: NT\$

Revenues

Guarantee fee revenue	\$3,186,950,551.00
Recovery of bad debts	1,852,665,991.00
Donation revenue	2,699,457,216.00
Interest revenue	871,768,070.00
Foreign exchange gains	62,212,734.00
Gain on investment	179,096,519.00
Miscellaneous revenue	27,338,734.00
Total Revenues	8,879,489,815.00

Expenses

Provision for losses on guarantee	(4,095,364,779.00)
Business & administrative expenses	(724,694,466.00)
Losses on disposal of property, plant and equipment	(1,204,891.00)
Investment fee expenses	(533,536.00)
Miscellaneous expenses	(955,218.00)
Total Expenses	(4,822,752,890.00)
Net surplus (net loss)	4,056,736,925.00



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