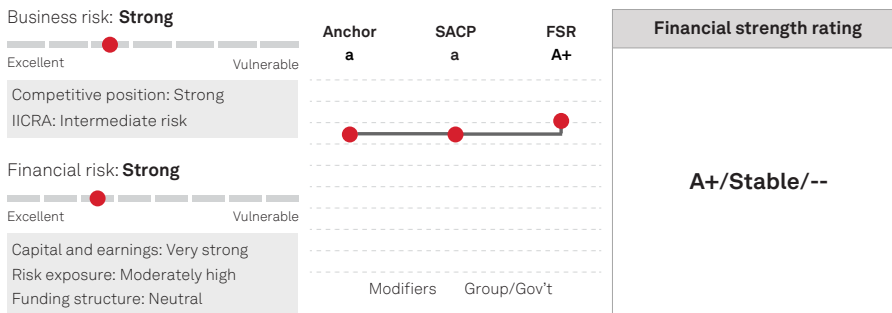


# Seoul Guarantee Insurance Co.

July 13, 2025

This report does not constitute a rating action.



FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

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## Credit Highlights

### Overview

#### Key strengths

Solid market presence as a comprehensive guarantee-insurer in Korea with strong pricing power.

Very strong capitalization.

Significant government ownership and high likelihood of support, if needed.

#### Key risks

Less geographic diversification than global peers'.

Financial performance highly sensitive to economic downturns.

**Seoul Guarantee Insurance Co. (SGIC) will maintain its strong presence in Korea's guarantee-insurance market.** The company exercises pricing power as the only comprehensive (multi-product) guarantee-insurer in the country. It provides a wide range of guarantee and credit insurance products to individuals and enterprises across various industries through its controlled branch and online distribution channels. These strengths will likely underpin its business stability over the next two years. The insurer had a solid 24% share of outstanding guarantees provided in Korea's financial system as of end-2024.

**We expect SGIC to maintain very strong capital and earnings over the next two years.** The insurer's moderate business growth and broadly stable investment allocations will support its excellent capital adequacy over our forecast period. Our assessment of SGIC's capital and earnings considers the insurer's high outstanding guarantee exposure relative to its shareholders' equity, at about 93x as of end-2024. That said, the sensitivity of guarantee-

insurance business to economic and market downturns dilutes this capital strength to some degree.

**We see a high likelihood of extraordinary government support for SGIC in case of need.** We believe the insurer will continue to undertake a very important policy role in supporting small and midsize enterprises (SMEs) as well as the stability of the housing market by providing guarantee insurance in Korea.

We anticipate SGIC will maintain strong links with the Korean government through its majority shareholder, Korea Deposit Insurance Corp. (KDIC), at least over the next two years. While the government plans to privatize SGIC, the sell-down of its stake will happen gradually over several years, in our view. KDIC owns 83.85% of the insurer as of end-March 2025, after divesting a 10% stake during SGIC's IPO in the same month.

## Outlook

The stable rating outlook on SGIC reflects our view that the Korea-based insurer will benefit from a high likelihood of extraordinary support from the government, if needed, over the next two years. This is despite its ongoing privatization.

We expect SGIC to maintain a strong business presence as the only comprehensive guarantee-insurer in Korea. In our view, the insurer will maintain a strong financial risk profile during this period with moderate premium growth.

### Downside scenario

We view a downgrade of SGIC as unlikely over the next two years. That said, we may lower the ratings if:

- We believe the government will lose its controlling stake in SGIC amid the insurer's ongoing privatization or the government opens the guarantee-insurance market to other large domestic property and casualty (P/C) insurers, undermining SGIC's link with, or public role for, the government; and
- SGIC's profitability deteriorates significantly, possibly due to weakened underwriting standards or aggressive overseas expansion, or its capital adequacy weakens substantially during a significant economic downturn in Korea.

### Upside scenario

We view an upgrade of SGIC as highly unlikely over the next two years.

## Assumptions

- Korea's real GDP to grow by 0.6% in 2025 and 1.9% in 2026, down from 2.0% in 2024.
- Policy rate in Korea to decline to 2.0% at end-2025 after the Bank of Korea lowered it to 2.50% in May 2025 from 3.0% at end-2024.
- Unemployment rate to inch up to about 3.0% in 2026, from 2.8% in 2024 and 2025.

Note: S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the

world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly.

**Seoul Guarantee Insurance Co.--Key Metrics**

(Bil. KRW)	2022a	2023a	2024a	2025f	2026f
S&P Global Ratings capital adequacy*	AAA	99.99%	99.99%	99.99%	99.99%
Insurance revenue**	2,082	2,086	2,088	2,100-2,500	2,200-2,600
Net income	564	416	211	200-250	250-300
Return on equity (%)	10.7	8.2	4.1	2.9-4.9	3.7-5.7
Net investment yield (%)	2.4	2.4	2.7	2.5-2.7	2.5-2.7
P/C: net combined ratio (%)†	67.2	80.1	92.4	91-93	88-90
Return on revenue (%)	38.5	21.5	10.9	8.5-13.5	10.5-15.5
Financial leverage including pension deficit as debt (%)	0.8	0.8	0.9	0.8-1.1	0.8-1.1
EBITDA fixed-charge coverage (x)	128.8	96.2	53.3	50.0-60.0	60.0-70.0

Data and forecasts from 2023 onward are based on Korean International Financial Reporting Standards (K-IFRS) 17 and data prior to 2023 is based on K-IFRS 4. \*S&P Global Ratings Capital adequacy refers to the relevant confidence level at a point in time. \*\*Gross premiums written under IFRS 4 prior to 2023. †Net combined ratio under IFRS17 is 'insurance service expenses net of reinsurance revenues' divided by 'insurance revenues net of reinsurance expenses'. KRW--Korean won. a--Actual. f--Forecast. N/A-- Not available.

**Business Risk Profile**

SGIC's position as the only comprehensive guarantee-insurance company in Korea will continue to underpin its strong competitive presence. Korea's guarantee industry has a wide range of providers, including cooperatives, banks, and guarantee funds, that the government operates. While other guarantee providers are typically subject to regulations to serve specific market segments, SGIC is not subject to such regulations.

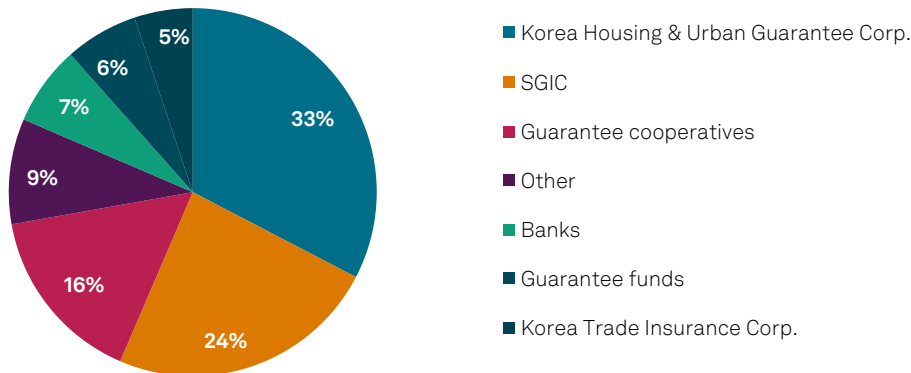
SGIC provides a wide range of guarantee and credit insurance products, including contract bonds, bid bonds, loan payment bonds, and mortgage credit insurance. These products help individuals to meet their financing needs, and enterprises to conduct business. The insurer had a solid 24% share of total outstanding guarantees provided in Korea as of end-2024, placing it as second-largest in the guarantee insurance market.

We expect SGIC to continue operating under intermediate insurance industry and country risk conditions, given that the insurer predominantly operates in Korea. It derived about 95% of its insurance revenue in 2024 domestically and we expect the contribution to remain largely stable over the next two years. The remainder was mainly from SGIC's overseas inward reinsurance business covering worldwide general P/C risks as part of its business diversification.

SGIC will likely leverage its leadership in the domestic guarantee insurance market to gradually expand its overseas business. The insurer has operations in Vietnam, the U.S., United Arab Emirates, Indonesia, and China through its subsidiary, and branch or representative offices. We expect the pace of overseas expansion to be gradual. This is based on its record of cautious strategic planning and execution.

### SGIC has a strong presence in Korea's guarantee insurance market

Market shares based on outstanding guarantees in 2024



Source: S&P Global Ratings.

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SGIC's pricing power will support its business stability over the next two years, in our view. The insurer's pricing power stems from its unique market position and strong controlled distribution channels. SGIC mainly uses its own branches and online distribution, which help to keep its acquisition costs low.

We believe SGIC will focus on improving its profitability over the next two years, following an acute deterioration in 2024. This recovery will be supported by the insurer's tightened underwriting and claims management. In addition, the government's fiscal support measures targeting small businesses, households, and the construction sector will likely support a rebound in domestic demand. Combined with lower domestic interest rates, these measures should ease financial strains on borrowers and contribute to a decline in the insurer's bond claims.

SGIC's net income dropped 49% to Korean won (KRW) 211 billion for 2024. This was largely from a sharp decline in underwriting profits amid weak property markets and slow economic growth. Elevated bond claims related to credit insurance on jeonse deposits (lump-sum refundable deposits for housing rental) and construction surety bonds weighed on the combined ratio, which rose to about 92% in 2024 and an estimated 97% in the first quarter of 2025, from about 80% in 2023. A combined ratio of less than 100% indicates an insurer is making underwriting profits.

## Financial Risk Profile

SGIC will likely sustain very strong capital and earnings over the next two years. The insurer's capital adequacy will remain excellent over the forecast period, based on our risk-based capital model. Moderate business growth and broadly stable investment allocations—with a bias to high-quality fixed income securities—will underpin this. That said, SGIC's outstanding guarantee exposure is sizable, at 93x relative to its shareholders' equity as of end-2024. This can expose the insurer to greater vulnerability in times of economic downturn than we assume in our capital model.

We project SGIC's insurance revenue will increase modestly by about 3% annually over the next two years. This will be underpinned by the insurer's continuing efforts to grow its guarantee

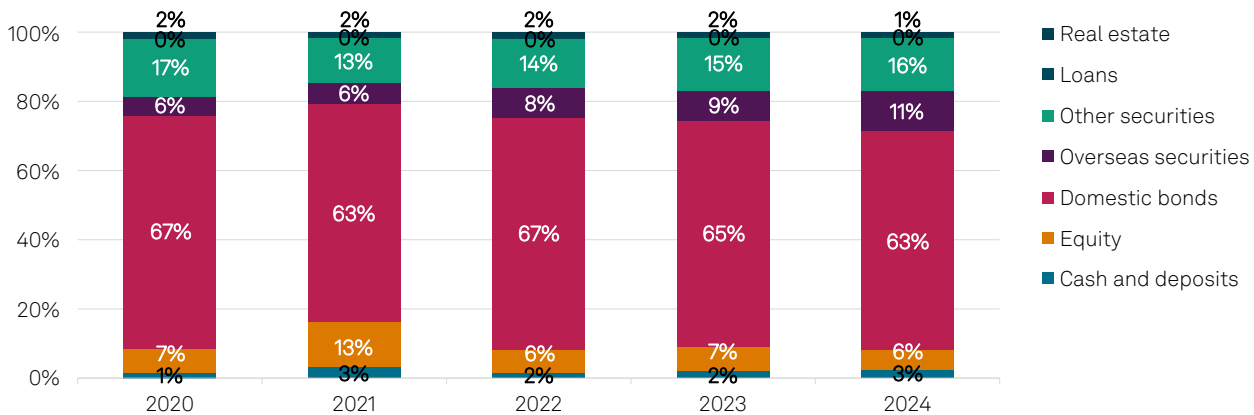
business, such as contract and payment bonds. SGIC is also strengthening its online channels with digital innovations to improve customer reach and operating efficiency. It will also continue to improve pricing adequacy based on its tightening underwriting guidelines.

We believe SGIC could sustain high dividend payout ratios in the next two years. The insurer plans to pay about KRW200 billion of cash dividends annually until 2027 based on its shareholder return policy announced during the IPO in February 2025. In 2024, SGIC paid about KRW200 billion as dividends, equivalent to about 95% of its annual net profit.

We expect SGIC to maintain appropriate levels of capital and liquidity with a sufficient buffer. The insurer's regulatory solvency ratio based on Korea Insurance Capital Standards (K-ICS) stood at about 414% as of end-March 2025. This far exceeded that of most domestic P/C insurers and the regulatory minimum requirement of 100%.

We assess SGIC's risk exposure as moderately high, given the high susceptibility of its guarantee-insurance business to economic downturns. SGIC's policy role in providing guarantee insurance to SMEs and individuals with mid-to-low credit profiles could heighten volatility in its financial performance and capital position, in our view.

**SGIC's investment asset allocations will likely be broadly stable**



Overseas securities mostly consist of bond investments. Data from 2023 onwards based on K-IFRS 17 and 9. Data prior to 2023 based on K-IFRS 4 and IAS 39. Source: S&P Global Ratings.

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We expect SGIC to maintain a largely stable investment portfolio consisting mainly of high-quality fixed-income securities for the next two years. Relatively high-risk assets, including alternative investments, loans, properties, and equities, accounted for about 17% of the insurer's total invested assets as of end-2024. The SGIC has a good record of managing stable investment asset quality over the past few years.

SGIC could increase its overseas investments, although at a gradual pace, in our view. The insurer's overseas investments comprise mainly investment-grade bonds of financial institutions or corporates based in developed markets. We consider its sensitivity to foreign exchange movements as limited, given the hedging strategy using foreign exchange swaps. That said, an increase in hedging costs could lower investment yields, especially amid heightened financial market volatility.

SGIC will likely continue to adequately manage risks and proactively formulate its business strategy, in coordination with the government via KDIC. The insurer utilizes various risk models that are in accordance with K-ICS, the local regulatory capital framework effective from 2023. Its risk appetite is set by incorporating its risk-adjusted return, business growth plans, and capital adequacy.

SGIC's financial leverage will likely remain low, reflecting its proactive capital management strategies. It had a small amount of outstanding commercial papers of about KRW40 billion as of end-2024, less than 1% of its shareholders' equity.

## Other Credit Considerations

### Governance

SGIC's ability to adjust and control the execution of its strategies is in line with peers', despite its policy roles. In general, the insurer's strategic plans are consistent with its capabilities, taking into account market conditions. As a government-owned and highly regulated entity, SGIC maintains a stable governance structure.

### Liquidity

SGIC has good access to liquidity sources. The insurer also holds sufficient liquid assets, in our view. It had a liquidity ratio of about 1.7x as of end-2024. We do not expect SGIC to face constraints in meeting its obligations over the next two years, given the good quality of its fixed-income securities-based asset portfolio and good operating performance.

### Government support

With SGIC undertaking a policy role by providing guarantee insurance to SMEs and the lower-income population, we see a high likelihood of timely and sufficient extraordinary support from the Korean government in the event of financial distress. We base our ratings approach on the insurer's very important role for, and strong link with, the Korean government.

SGIC carries out policy roles through memoranda of understanding with the Ministry of SMEs and Startups as well as other government agencies. The insurer provides surety bonds such as performance bonds and payment bonds to help SMEs and individuals with mid-to-low credit profiles conduct business in various industries such as construction and retail.

Policy-related products that SGIC provides include guarantees on Saitdol loans. The insurer, together with regulators and domestic lenders, jointly launched these products in 2016. SGIC provides guarantees for the loans so that retail borrowers with low to midrange credit scores can access loans at low interest rates. In addition, SGIC provides guarantees on loans and deposits for jeonse (lump-sum refundable deposits for housing rental). These are important for the stability of the housing market as part of the government's key policy agenda.

We believe that, as a majority owner of SGIC, KDIC will continue to influence SGIC's business strategy. It can achieve this by participating in shareholders' and board of director meetings, as well as through contracts for its business operations. As of end-March 2025, KDIC owned 83.85% of SGIC.

The government will likely remain a significant majority shareholder in SGIC for at least the next two years. This is despite the government's plans to privatize SGIC over the long-term. KDIC reduced its stake in SGIC by 10% during the IPO in March 2025 and plans to divest an additional

## Seoul Guarantee Insurance Co.

33% by the end of 2027, subject to market conditions. The remaining 51% will likely be gradually sold down over the long term. The purpose of the IPO and ongoing sell-down is to expedite the insurer's repayment of public funds to the government.

### Environmental, social, and governance

Environmental, social, and governance (ESG) credit factors have no material influence on our credit rating analysis of SGIC. The insurer's ESG risk factors are broadly in line with the overall insurance industry in Korea.

SGIC has set up ESG-related management committees to oversee its ESG strategies. The structure should help the insurer further enhance its long-term ESG planning and identify areas of focus in the coming years.

While SGIC undertakes policy roles, it also operates as a profit-seeking enterprise. We view social factors as a neutral consideration for the insurer.

### Related Criteria

- [Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions](#), Nov. 15, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

### Related Research

- [Economic Outlook Asia-Pacific Q3 2025: Resilience May Vary](#), June 23, 2025
- [Insurance Brief: Korea Insurers To Focus On Capital Quality As Solvency Rules Evolve](#), May 7, 2025
- [Korea 'AA/A-1+' Ratings Affirmed: Outlook Stable](#), April 15, 2025
- [Insurance Industry And Country Risk Assessment: Korea Property/Casualty](#), Dec. 23, 2024

#### Ratings Detail (as of July 14, 2025)\*

##### **Seoul Guarantee Insurance Co.**

##### Financial Strength Rating

*Local Currency* A+/Stable/--

##### Issuer Credit Rating

*Local Currency* A+/Stable/--

##### Holding Company

None

##### Domicile

Korea, Republic of

**Ratings Detail (as of July 14, 2025)\***

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\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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