

Corporate Schuldscheindarlehen (SSD): Default rates remain low, trend towards green products, five VÖB members as market leaders

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Page 1/2

Berlin – Corporate Schuldscheindarlehen (SSD) is an attractive investment opportunity for investors, characterized by low default rates and a growing trend towards "green" products. This conclusion is drawn by an evaluation conducted by the Federal Association of German Public Banks (VÖB) among the leading arrangers in the German SSD market. According to the report, the **five VÖB member institutions** - BayernLB, DZ Bank, Helaba, LBBW and NORD/LB – dominated the market with a **share of 86.5 percent in 2023**.

Key findings from 2017 to 2023:

- **VÖB institutions lead the market:** The five institutions mentioned successfully arranged SSDs worth **over 142 billion euros, holding** approximately 84 percent of the market during the review period. The **SSDs have been arranged for companies that have a good or very good rating** and have a very broad industry diversification. The figures for the individual years can be found in the table below.
- **High credit quality:** The SSDs maintained a **low average failure rate of 0.27%**, derived from the default rates of transactions carried out between 2017 and 2023, relative to the market volume arranged by the VÖB banks. This low default rate corresponds to **investment-grade** risk, offering investors a high level of security and stability.
- **Trend towards sustainable products:** There has been a notable shift towards green and ESG-linked SSDs, in recent years. Since 2021, **more than a third of** all SSDs arranged by the VÖB market leaders have incorporated **sustainability or ESG criteria**.

Iris Bethge-Krauß, Managing Director of the VÖB, stated: "I am very pleased that the market leaders in this segment are among our member institutes. SSDs play an important role in the financing of German SMEs. The VÖB banks are particularly well represented here. Our association will continue to actively support them in this."

SSDs are a form of debt financing, primarily for medium-sized companies. It is a loan that is concluded between a company and usually several institutional investors (such as banks and savings banks, insurance companies or pension funds). The terms usually vary between two and ten years, with fixed or variable interest rates. SSDs are not traded on an exchange and can be tailored to meet the specific needs of the company and the investor. Compared to other forms of financing, the cost of issuing an SSD is very low.

Press:

Phone: 030 8192-202

E-mail: presse@voeb.de

Internet: www.voeb.de

Table: Volume, market share and default rate of the promissory note loans arranged by the six VÖB market leaders

Year	Total arranged market volume (in € million)	Arranged volume of VÖB market leader (in € million)	Market share of VÖB market leader (in %)	Defaults (in €million)	Default rate (%)
2017	28.001	23.539	84,1	115	0,49
2018	22.690	18.349	79,9	40	0,22
2019	27023	20.990	77,7	233,5	1,11
2020	19.450	17.268	88,8	-	-
2021	18.315	15.561	85,0	-	-
2022	31.274	26.899	86,0	-	-
2023	22.507	19.468	86,5	-	-
	169.260	142.074	83,8%	388,5	0,27%

¹ Source: Own calculation based on information from the banks (BayernLB, DZ Bank, Helaba, LBBW and NORD/LB) as well as Bloomberg

Explanation: For the purposes of this calculation, the following two events shall qualify as default triggering events: (1) a write-down of the SSD during the term or at maturity in the context of a borrower's insolvency, taking into account only the actual loss ratio and not the nominal value of the SSD, and (2) a waiver of the SSD in the amount of the corresponding instalment.

The Federal Association of German Public Banks, VÖB, is an umbrella association of the German banking industry. It represents the interests of 61 members, including the state banks and the development banks of the federal and state governments. The VÖB's member institutions have total assets of around 3,029 billion euros, which represents about a quarter of the German banking market. The public banks assume their responsibility for small and medium-sized enterprises, companies, the public sector and private customers and are firmly rooted in their home regions in all parts of Germany. With 58 percent, the ordinary VÖB member banks are the market leaders in municipal financing and also provide around 22 percent of all corporate loans in Germany. The development banks in the VÖB provided promotional loans of 64 billion euros in 2023. The VÖB is the only banking industry association to act as an employers' association for its member institutions. The tasks under collective bargaining law, in particular the conclusion of collective agreements, are carried out by the collective bargaining association of public banks. It has around 60,000 employees of VÖB member institutes. For more information, see www.voeb.de

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