

VDB / Germany

Increase of outstanding volume by 4.8% (in H1 2020) with respect to previous semester

35,000 supported SMEs in portfolio (H1 2020)

New Production in H1 2020 **increased by 35%** with respect to H1 2019

Already mid-March 2020, the Federal Ministries of Economics and Finance presented measures that foresaw extensions of the framework conditions for default guarantees for the **German Guarantee Banks**.

These include:

- Increase of the guarantee ceiling to MEUR 2.5 (from previously MEUR 1.25)
- Increase in the counter-guarantee by the Federal Government
- Various measures to speed up decision-making, e.g. thanks to own decision competence for amounts up to KEUR 250
- Shortly after the adoption of the first favourable conditions, a guarantee coverage of 90% was enabled

The measures support all commercial small and medium-sized enterprises (SMEs) and the liberal professions across all sectors.

If liquidity assistance, e.g. from KfW or the state development banks, is needed to bridge the "corona crisis", the **guarantee banks** can provide this in combination with financing from the main bank. The companies and their business models should have been economically viable before the crisis broke out. For example in the case of the **Guarantee Bank Baden-Württemberg**, these liquidity loans allow for a redemption grant of 10% and they impose promotional conditions according to the RGZS (risk-based interest rate system) setting maximum interest rates and thereby allowing for final borrower interest rates of 1%.

In addition, the institutes are often involved in other aid programmes of the regional governments, e.g. with **100% guarantees for specific target groups**.

A large proportion of the requests have already been submitted online via the new financing portal (<https://finanzierungsportal.ermoeglicher.de>) of the **guarantee banks**, especially from very small enterprises. Contact can also be established through the house bank, a chamber or an advisor.

The longer the crisis lasts, the clearer it becomes that also equity products are needed to bridge the economic gap: At the end of the year, more attention is paid to corporate balance sheets. The corona crisis is consuming equity as an important buffer. The partners of the **guarantee banks**, the **Mittelständische Beteiligungsgesellschaften (SME-oriented investment companies, MBG)**, are offering silent participations. The participations are part of the economic equity, which can have a positive influence on the rating of the company. In the exemplary case of the **SME-oriented investment company Baden-Württemberg**, the classic participations, which are counter-guaranteed by the federal and state governments range from KEUR 50 to MEUR 1. The Corona aid package aims to temporarily increase the maximum amount to MEUR 2.5 and to speed up the decision-making process the power of decision from the federal to the regional governmental level. In addition, it should also be possible to finance working capital of up to MEUR 1 and the equity parity normally required will be abolished. Furthermore, a combination with the KfW fast loan shall be temporarily permissible. The **micromezzanine fund** will also allow micro-participations of between KEUR 10 and 50.

With the new **Mezzanin-BW programme**, the MBG Baden-Württemberg offers new opportunities for equity financing. Interested companies can obtain financing in the form of silent participations of up to KEUR 800. Under the programme, MBG can acquire investments totalling up to MEUR 20. Through **Mezzanin-BW**, MBG also provides pure working capital financing in addition to the usual investment projects.

More information on measures of the **German Guarantee Banks** can be found under the following link:
<https://www.vdb-info.de/>

Latest update: 3rd December 2020

