Global Credit Data
by banks for banks

Observed Recovery Rates Dashboard - Medium-Sized Enterprises

May 2022

Banks recover 80% from Medium-Sized Enterprises defaults

Key Findings

- **For medium-sized enterprises defaults (up to 50mm € exposure) the recovery rate is on average 80% of the amount lent.**
- **During the last downturn (GFC) recovery rates were 8% lower compared to non downturn times.**
- **Recovery patterns last 1.3 years on average, reaching 1.6 years during downturn years.**

Seniority and Collateral

Seniority and collateral are observed as affecting recoveries. Secured recovery is higher than unsecured, particularly where a strong (primary) collateral is held.

Region

GCD data has its strongest database in Europe and North America. GCD members receive country level data for deeper analysis.

Industry

Granular industry groups are available to GCD member banks and are condensed here into key industry groupings. The differences are mainly explained by the availability of real estate collateral.

Recoveries and Losses in Crisis Times

Higher numbers of defaults and lower recoveries are observed during the financial crisis starting in 2008. The peak of defaults was in year 2009 which was the worst year of the crisis. As workouts take more than one year the 2008 defaults were being recovered in that worst year and hence show the lowest recovery. In the graph below estimated recoveries for yet unresolved defaults have been included (green curve) providing first insights into the Covid-19 crisis impact.

Note on Terms Used (see Appendix for more details)

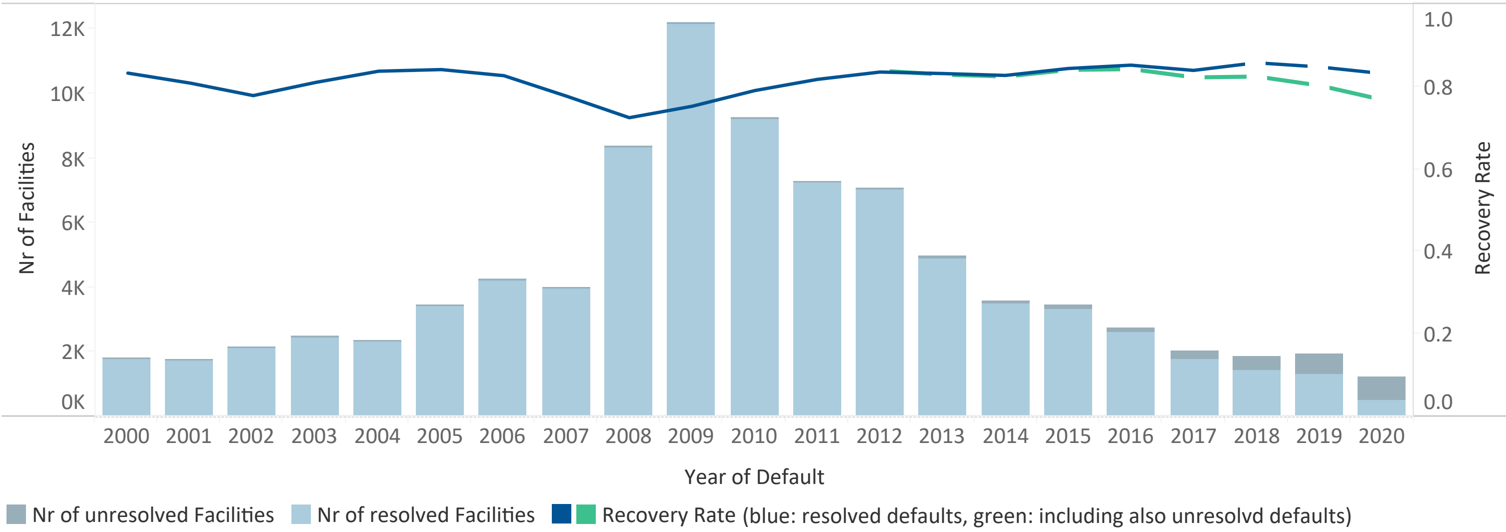
Medium-Sized Enterprises are corporates with exposure at default between 150k and 50mm €. The exposure is used as a proxy when the turnover is not available.

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding at default.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

Primary Collateral is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

		Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Grand Total		84,069	80%	1.3
Secured	Primary	34,497	84%	1.5
Secured	Secondary	26,377	77%	1.3
Secured	Total	60,874	81%	1.4
Unsecured	Senior	20,238	80%	1.2
Unsecured	Subordinated	431	55%	2.1
Unsecured	Other	2,526	82%	1.8
Unsecured	Total	23,195	79%	1.3
Africa & Middle East		1,264	82%	1.6
Asia & Oceania		3,595	79%	0.8
Europe		51,451	81%	1.4
Latin America		1,938	68%	1.8
North America		25,814	81%	1.2
Agriculture		4,361	86%	1.2
Communications		1,426	78%	1.5
Construction		8,803	80%	1.4
Hotels and Restaurants		3,133	79%	1.5
Manufacturing		16,776	81%	1.1
Mining		712	80%	1.2
Real Estate		9,961	83%	1.5
Social/Health Services		3,622	75%	1.7
Other Services		11,008	79%	1.3
Transportation		3,197	81%	1.1
Utilities		546	83%	1.2
Wholesale/Retail Trade		15,389	79%	1.2
Other		5,135	81%	1.9
Downturn 2007-2009		24,619	75%	1.6
Non Downturn		59,450	83%	1.2



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Observed Recovery Rates Dashboard - Small-Sized Enterprises

May 2022

Banks recover 67% from Small-Sized Enterprises defaults

Key Findings

- **For small-sized enterprises defaults (up to 150,000 € exposure) the recovery rate is on average 67% of the amount lent.**
- **During the last downturn (GFC) Recovery Rates were 11% lower compared to non downturn times.**
- **Recovery patterns last 1.3 years on average, reaching almost 1.6 years during downturn years.**

Seniority and Collateral

Seniority and collateral are observed as affecting recoveries. Secured recovery is higher than unsecured, particularly where a strong (primary) collateral is held.

Region

GCD data has its strongest database in Europe. GCD members receive country level data for deeper analysis.

Industry

Granular industry groups are available to GCD member banks and are condensed here into key industry groupings. The differences are mainly explained by the availability of real estate collateral.

Recoveries and Losses in Crisis Times

Higher numbers of defaults and lower recoveries are observed during the financial crisis starting in 2008. The peak of defaults was in year 2009 which was the worst year of the crisis. As workouts take more than one year the 2007 defaults were being recovered in that worst year and hence show the lowest recovery. In the graph below estimated recoveries for yet unresolved defaults have been included (green curve) providing first insights into the Covid-19 crisis impact.

Note on Terms Used (see Appendix for more details)

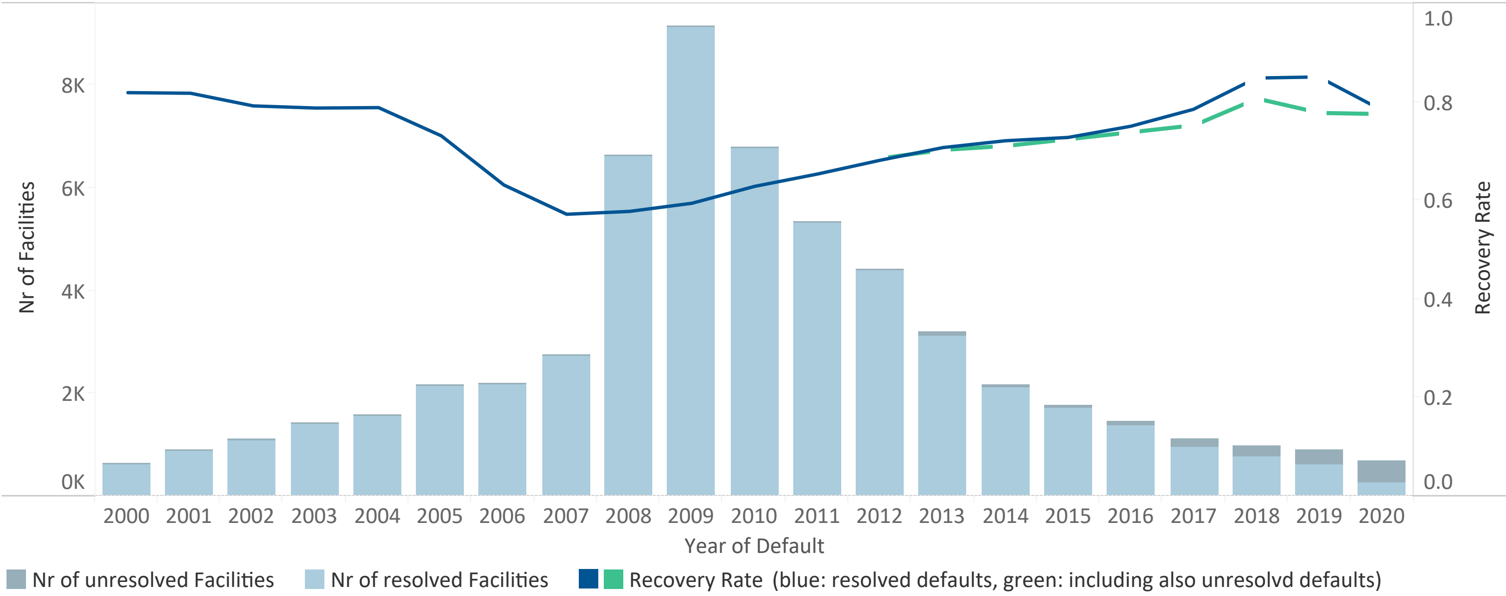
Small-Sized Enterprises are corporates with exposure at default up to 150k. The exposure is used as a proxy when the turnover is not available.

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding at default.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

Primary Collateral is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

		Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Grand Total		55,099	67%	1.3
Secured	Primary	10,454	78%	1.3
Secured	Secondary	19,170	65%	1.4
Secured	Total	29,624	69%	1.3
Unsecured	Senior	15,363	63%	0.9
Unsecured	Subordinated	83	60%	2.0
Unsecured	Other	10,029	64%	1.9
Unsecured	Total	25,475	63%	1.3
Africa & Middle East		2,533	58%	1.0
Asia & Oceania		2,979	86%	0.5
Europe		39,841	67%	1.5
Latin America		820	64%	1.3
North America		8,925	60%	1.2
Unknown		1	0%	
Agriculture		1,257	74%	1.1
Communications		1,130	63%	1.3
Construction		6,177	67%	1.2
Hotels and Restaurants		2,457	66%	1.3
Manufacturing		8,428	70%	1.1
Mining		267	70%	1.0
Real Estate		2,712	75%	1.3
Social/Health Services		1,314	71%	1.9
Other Services		10,591	64%	1.3
Transportation		3,365	67%	1.2
Utilities		296	67%	1.1
Wholesale/Retail Trade		12,145	64%	1.2
Other		4,960	65%	2.2
Downturn 2007-2009		18,503	59%	1.6
Non Downturn		36,596	70%	1.2



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Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.

More from Global Credit Data

This dashboard draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total. Find more information on our website.

Explore our other dashboards. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types: Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

GCD has continously reinforced a framework that is used to measure and monitor data quality as required by global regulations (BCBS239).

About

Established in 2004 as a non-profit association, GCD's Mission is to help banks understand and model credit risks. Membership has grown to 50+ member banks across Europe, Africa, North America, Asia and Australia. Activities include pool credit loss data, directly from banks' books.

GCD operates pooled databases on a "give to get" basis, meaning that members who supply high quality data and receive detailed data in return. The robustness of GCD's data collection infrastructure helps place the GCD databases as the global standard for credit risk data pooling.

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