

## Extraordinary fixed guarantee conditions for existing loans

Valid from 27.03.2020

The purpose of the extraordinary fixed guarantee is to allow existing loans to have a longer than normal grace period (at least 6 months) and an extension of the maturity to provide liquidity to overcome the temporary difficulties caused by the COVID-19 outbreak. The guarantee enables one to secure the obligations of an enterprise, arising from loan and leasing contracts.

In order to qualify for an extraordinary fixed guarantee, the bank or the lessor submits an application to KredEx at [www.ekredex.ee](http://www.ekredex.ee) or provides a surety on the basis of an authorisation granted by KredEx to the bank or the lessor.

The bank and the lessor ensure that upon issuing the guarantee or changing the guarantee contract on behalf of KredEx, the applicant's compliance to the terms below can be certified in reproducible form. The bank or lessor shall be obliged to keep the documents proving compliance with the terms and conditions.

Requirements for loan applicants	<ul style="list-style-type: none"><li>– The company has been registered in the Commercial Register of the Republic of Estonia and the necessary reports have been submitted to the register.</li><li>– According to the financial forecast presented, the entrepreneur is sustainable and solvent in the long term.</li><li>– The company was not in difficulty as of <sup>1</sup> 31.12.2019.</li><li>– The company has no overdue debts (excl. the deferred ones) to the Tax and Custom Board or credit institutions, which have incurred before 01.01.2020.</li><li>– No bankruptcy or liquidation proceedings have been initiated against the company</li></ul>
Extent of a KredEx guarantee	<ul style="list-style-type: none"><li>– Up to 35% of the loan and lease to be secured, but no more than the sum of the payments of the principal amount of the loan or lease which will remain accessible to the company until 31.12.2021. The extent of the guarantee to lease obligations shall be calculated from the amount without VAT.</li><li>– The sum of the outstanding amounts of KredEx guarantee and the outstanding amounts of the principal amounts of the loans granted by KredEx to one entrepreneur and entrepreneurs related to it cannot exceed EUR 5 million.</li><li>– KredEx extraordinary guarantees and KredEx extraordinary loans<sup>2</sup> granted in accordance with the Notification from the European Commission of 19.03.2020 entitled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" are limited to an amount not exceeding double the salary cost of the entrepreneur for 2019 with social tax according to the company's annual report for 2019 or the Tax and Customs Board. On the basis of each decision of KredEx, the maximum guaranteed obligation is exceptionally authorised to amount to up to 25% of the entrepreneur's turnover in 2019 or to a justified 18-month liquidity requirement for a small and medium-sized entrepreneur<sup>3</sup> or to a justified 12-month liquidity requirement for a large entrepreneur<sup>4</sup> if it is less than twice the 2019 salary fund.</li><li>– The guarantee amount decreases in proportion to the decrease in the loan or lease amount.</li></ul>

<sup>1</sup>As defined in Article 2 (18) of Commission Regulation (EU) No. 651/2014 of 17 June 2014 (OJ L 187, 26.6.2014, p. 1).

<sup>2</sup> Where an entrepreneur uses similar services by the Rural Development Foundation, the restrictions shall apply jointly.

<sup>3</sup> A small- and medium-sized enterprise is an undertaking with less than 250 employees and an annual turnover not exceeding EUR 50 million and/or a total balance sheet not exceeding EUR 43 million, pursuant to EU Regulation 651/2014 Annex 1.

<sup>4</sup> A large enterprise is a company that is not a small or medium-sized enterprise.

Obligations guaranteed	<ul style="list-style-type: none"> <li>– Only existing liabilities, granted a total of at least 6 months of grace period from the granting of the grace period granted by the bank or a lessor as from 01.03.2020 in connection with the outbreak of COVID-19, shall be guaranteed. An extension of the maturity of an obligation without a repayment schedule shall be deemed to be a grant of grace period.</li> <li>– Loan, loan limit and overdrafts.</li> <li>– Leasing.</li> <li>– The guaranteed liability can only have one valid KredEx guarantee.</li> <li>– The interest rate of the guaranteed liability shall not be higher than 8% per year and the fee for the amendment of the contract shall not be higher than 1% of the amount of the guaranteed liability. A bank or lessor may not impose a higher interest rate than 150% of the interest rate applicable on 01.03.2020 on the liability to be guaranteed.</li> <li>– A guarantee for a liability shorter than 3 months is only permitted on the basis of a decision by KredEx on a case-by-case basis.</li> </ul>	
Validity of the guarantee	<ul style="list-style-type: none"> <li>– Guarantee is valid for up to 72 months.</li> <li>– The guarantee can be issued and amended until 31.12.2020. With effect from 01.01.2021, the state aid rules applicable to the amendment of the guarantee shall apply.</li> </ul>	
Contract fee	<b>The issuance of a guarantee shall be decided/guarantee contract prepared by the bank</b>	<b>The issuance of a guarantee shall be decided/guarantee contract prepared by KredEx</b>
	– There is no contract fee	– 0.4% of the guarantee amount, not less than EUR 30
Contract amendment fee	– There is no contract fee	– 0.2% of the guarantee balance, not less than EUR 30
Guarantee fee	<b>Small and medium-sized entrepreneurs</b>	– 1.5% of the guarantees outstanding balance per annum
	<b>Large entrepreneurs</b>	<ul style="list-style-type: none"> <li>– For guarantees up to 36 months, 1.5% of the guarantees outstanding balance per year</li> <li>– For guarantees longer than 36 months, 3% of the guarantees outstanding balance per year</li> </ul>
Fee for terminating the contract prematurely	– There is no fee for terminating the guarantee prematurely.	
Calculation of fees	– In the case of an overdraft and revolving loan limit, the fees are calculated on the portion of the limit secured with a guarantee.	

**The guarantee shall not be issued for financing the following activities and companies:**

- Primary production of agricultural products, fishery and aquaculture, or forest management;
- Financial and insurance companies (Section K of EMTAK);
- Production, processing or marketing of tobacco (or related products);
- Acquisition of transport vehicles or equipment used for road freight transport;
- The acquisition of passenger cars;
- The acquisition of commercial vehicles and mobile machinery is generally not permitted. Exceptions are only allowed on the basis of any decision by KredEx;
- Real estate development projects aimed at sale or lease. If real estate development is for an activity not related to own real estate development, including that of subsidiaries or associated companies, a portion of the premises may be leased out provided that rent

receipts, except for subsidiaries or associated companies, do not exceed 30% of the loan applicant's annual turnover;

- Export-related activities directly connected to the current expenditures of exported quantities, the establishment or functioning of a distribution network, or other operating costs arising from export, if de minimis aid is being granted with the issuance of a guarantee<sup>5</sup>;
- The direct or indirect owners of the applicant include entrepreneurs registered in low tax rate countries;
- An entrepreneur operating in the field of gambling;
- The purpose of financing is the use of domestic products instead of imported products;
- Fields related to pornography, gambling, illegal data downloads or the provision of illegal access to data networks;
- Research and development in healthcare aiming to clone humans or develop genetically modified organisms for research or treatment purposes.

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<sup>5</sup> De minimis aid information and the State Aid register can be found at <http://www.fin.ee/riigiabi>

