

Conditions for the extraordinary proportional small loan guarantee

The purpose of the extraordinary proportional small loan guarantee is to enable new financing for enterprises 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.

The guarantee meeting the terms of service is provided by a bank or lessor under an authorisation granted by KredEx. The bank and the lessor ensure that upon issuing the guarantee or changing the guarantee contract on behalf of KredEx, the applicant's correspondence to the below terms can be certified. The bank or lessor shall be obliged to keep the documents proving compliance with the terms and conditions.

State aid is involved in using the service, the provision of which is guided by section 3.3 of the 19 March 2020 notification of the European Commission titled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" (hereinafter the temporary state aid framework), and state aid permission SA 57028 that was granted on 28 April 2020.

Conditions for an enterprise	<ul style="list-style-type: none">– An enterprise¹ with fewer than 50 employees, with an annual turnover of less than EUR 10 million.– The enterprise has been entered into the commercial register of the Republic of Estonia and the required data have been submitted to the commercial register.– The enterprise was not a company in difficulty² as at 31 December 2019.– An enterprise's estimated gross debt and EBITDA³ ratio is, together with the additional loan, less than 7 pursuant to the EBITDA of the reporting year that ended in 2018 or 2019.– As at 12 March 2020, the enterprise has no overdue non-deferred debts to credit institutions or tax arrears on national taxes, or these have been deferred.– The enterprise has no unfiled tax declarations or annual reports by the deadline of applying for the loan.– The enterprise shall notify KredEx if it has received aid due to the crisis caused by the spread of the coronavirus that causes the COVID-19 disease from another measure on the account of funds from the 2020 supplementary state budget, from other state budget funds, or from a local authority.
Extent of a KredEx guarantee	<ul style="list-style-type: none">– 100% of the loan to be guaranteed, but not more than EUR 100,000 per enterprise. With related enterprises, the limit applies to the group of enterprises as a whole.– The extent of the guarantee to lease obligations shall be calculated from the amount without VAT.– The maximum total liability of KredEx before a bank or lessor under the service "Extraordinary proportional small loan guarantee" is limited,

¹ Pursuant to the Commercial Code, an enterprise is a company (a general partnership, limited partnership, private limited company, public limited company or commercial association) or a natural person who offers goods or services for a charge in his or her own name and for whom the sale of goods or provision of services is a permanent activity. The conditions set out for an enterprise in the terms of service are applicable to the enterprise and the enterprises related to it. Upon defining related enterprises, the bank and the lessor are guided by their relevant internal regulations.

² 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). A small or medium-sized enterprise that has been operating for less than 3 years is not considered to be in difficulty. An enterprise that has been operating for more than 3 years cannot have lost over half of its share capital (nominal value + share premium). An enterprise is in difficulty in any case, if bankruptcy or liquidation proceedings have been brought against them.

³ Earnings before interest, taxes, depreciation, and amortisation.

	<p>and does not exceed over 15% of the total sum of guarantees issued by the bank or lessor within the service.</p> <ul style="list-style-type: none"> – The guaranteed loans cannot be more than double the enterprise's wage costs in 2019, incl. social tax. – The guarantee is one of the aid measures prescribed in section 3.1 of the temporary framework, the total amount of which per one enterprise is limited to EUR 800,000 (to EUR 100,000 in the case of the primary production of agricultural products, and to EUR 120,000 in the aquaculture sector). To adhere to the aforementioned limitation, KredEx enters the state aid granted with the guarantee into the register before making the first disbursement to the enterprise. – The guarantee amount decreases in proportion to the decrease in the loan or lease amount. – The total sum of KredEx's extraordinary guarantees and KredEx's extraordinary loans for an enterprise and enterprises connected to it, together with other financial instruments enabled on the account of funds disbursed under the State Supplementary Budget Act 2020 (guarantees, loans, subscription to and purchase of bonds and convertible bonds, shares) for mitigating the effect of the crisis caused by the spread of the coronavirus that causes the COVID-19 disease and the emergency situation originating from this cannot exceed EUR 10,000,000 without a respective decision made by the Government of Estonia.
Guaranteed loans and their conditions	<ul style="list-style-type: none"> – A guaranteed loan for the purposes of these terms of service is a loan, loan limit, overdraft, or lease (excluding operational lease). – KredEx provides a guarantee for the new loan. – The intended purpose of the guaranteed loan is to finance any expenses made to overcome the temporary difficulties caused by the COVID-19 outbreak. – The grace period on the principal amount of the guaranteed loan may be up to 6 months. – The interest rate of the guaranteed loan cannot be higher than the 6-month EURIBOR + 4% per year (in the given context, the book value of EURIBOR is never lower than 0), and the contract fee cannot exceed EUR 150. – The loan guaranteed by KredEx cannot be subject to an early repayment fee or other additional fees, except for a commitment fee on the unused limit.
Additional support for an enterprise	<ul style="list-style-type: none"> – An enterprise may apply for a grant for financing costs from KredEx. The grant for financing costs is 2% of the loan amount for loan agreements with a term of at least 12 months. In the event that the term of the loan agreement is shorter than 12 months, the grant will decrease proportionally according to how much shorter than 12 months the loan agreement is. Applications for grants for financing costs can be submitted until 20 December 2020.
Collateral	<ul style="list-style-type: none"> – Collateral is the solidary guarantee of the enterprise's owners who are natural persons, who belong to the circle of owners of the enterprise either directly or through other companies, in the extent of 25% of the loan guaranteed with the KredEx guarantee. Requirement of a personal guarantee may be waived for those natural persons whose ownership in the enterprise is less than 10%. – The maximum extent of liability of guarantors is 100% of the loan guaranteed with the KredEx guarantee, if the enterprise commits even one of the following violations:

	<ol style="list-style-type: none"> 1. they do not use the loan guaranteed by KredEx for its intended purpose, or do not prove its use for the intended purpose at the request of the bank, lessor, or KredEx; 2. they have submitted false information in applying for the loan guaranteed by KredEx; 3. they have, without prior coordination with KredEx: <ol style="list-style-type: none"> a. paid dividends; b. repaid an owner's loan; c. paid management or other similar fees or fees unrelated to business to owners or third persons related to them (payment of wages in a reasonable amount is permitted); d. purchased or sold goods or services at a price different to the market price to owners or third persons related to them. <p>– Requirement of a personal guarantee may be waived if another form of collateral is set, the estimated result of the realisation of which is at least 50% of the loan amount guaranteed with a KredEx guarantee, or if all the following conditions have been fulfilled:</p> <ol style="list-style-type: none"> 1. the enterprise has commenced business activities before 2015; 2. the share of the enterprise's equity among its assets was at least 30% as at 31 December 2019; 3. as at 31 December 2019, the enterprise's equity was larger in amount than the loan guaranteed with the KredEx guarantee.
Validity of the guarantee	<p>– The guarantee is valid for up to 72 months.</p> <p>– The guarantee can be issued and modified within the temporary state aid framework until 31 December 2020. With effect from 01.01.2021, the state aid rules applicable to the modification of the guarantee shall apply.</p>
Fees related to the guarantee contract	<p>– There are no additional fees for the enterprise with the guarantee</p>

The guarantee shall not be issued for financing the following activities and enterprises

- Production, processing or marketing of tobacco (or related products).
- Acquisition of passenger cars.
- 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 undertakings, a portion of the premises may be leased out provided that rent receipts, except for those from subsidiaries or associated undertakings, do not exceed 30% of the enterprise's annual turnover.
- An enterprise operating in the field of gambling.
- Fields related to pornography, 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.

Disclosure

The loan amount is entered into the state aid register as state aid. Pursuant to the Regulation "General conditions of aid measures intended to mitigate the crisis related to the spread of the coronavirus causing the COVID-19 disease and the resulting emergency situation" of the Government of Estonia, KredEx will disclose the following data on its website regarding the aid:

1. name of the recipient of aid;
2. name of the measure;
3. amount;
4. duration of paying support or deadline for return of the financial instrument.



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