



Economic Stabilisation Fund

Factsheet on the standard product 'guarantee for bank loans'

Objective

The purpose of the Economic Stabilisation Fund (ESF) is to stabilise companies in the real economy by helping them to overcome liquidity bottlenecks and by creating a policy environment conducive to strengthening the capital base of companies whose failure would have a significant impact on the economy, technological sovereignty, security of supply, critical infrastructure or the labour market.

The Economic Stabilisation Fund addresses the financing needs of companies which meet the size criteria under Article 16(2) Stabilisation Fund Act (*Stabilisierungsfondsgesetz – StFG*) or the exemption criteria under Article 21(1) sentence 2 of the of the Act, if the volume of the liabilities to be insured exceeds € 5 million.

To this end, the Economic Stabilisation Fund provides, inter alia, guarantees for loans from credit institutions authorised in the European Union.

In the case of loans granted by these banks to companies in the real economy, guarantees are generally provided in the form of pro-rata default guarantees at the conditions outlined below.

In principle, guarantees can only be granted under the Economic Stabilisation Fund if

- the KfW Special Programme cannot be applied or the financing needs cannot be covered by (further) KfW financing,
- the financing needs are not covered by the guarantee programmes of the Länder or the Federal Government's high-figure guarantee programme (parallel Federal/Länder guarantees), or
- the ESF provides a guarantee in parallel with a recapitalisation.

Eligibility

Companies in the real economy are eligible to apply.

In principle, companies are eligible for assistance if they have met at least two of the following three criteria in the two financial years prior to 1 January 2020:

1. a balance sheet total exceeding €43 million
2. sales revenues exceeding 50 million euros
3. a workforce of more than 249 employees on an annual average

Only companies may apply which have on or at least temporarily after 31 December 2019, not been classed as an undertaking in difficulty as defined by the European Union (definition according to Article 2 point 18 of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain

categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union - OJ L 187, 26 June 2014, p. 1).

Applications

Financing may be requested for bank loans for investments and working capital.

Guarantee for bank loans

Guarantees may only be granted for loans that can be expected to be repaid within the loan term under normal economic development or where there is sufficient probability of successful follow-up financing.

Guarantees are granted for loans and lines of working capital.

The amount is limited to a maximum of twice the amount of the wage and salary payments including social security contributions or 25% of the borrower's sales revenues in 2019 or, alternatively, the comprehensibly planned financing requirements for the next 12 months.

The maximum term of the guarantee is 5 years.

The ESF provides guarantees in the form of modified proportional default guarantees with a maximum of 90% coverage of the default on the principal claim plus interest.

For the loan guarantee to be granted, the borrower must furnish all collateral that he/she can reasonably be expected to provide and which is economically reasonable.

Collateral to be provided serves to secure the entire loan; the provision of special collateral for the lender's share of the risk is not permitted.

Default is deemed to have occurred if and to the extent that illiquidity has been proven and no significant proceeds from the realisation of the borrower's assets and any collateral provided are to be expected in the foreseeable future, even after enforcement measures have been taken, no later than 12 months after the due date of unpaid interest and/or principal. The lender must submit a statement of account of the default. As a matter of principle, the ESF will make advance payments on the guarantee debt subject to reservation.

A guarantee commission is to be paid for the acceptance of a guarantee. The guarantee commission in the first year is at least 0.5% of the (remaining) guarantee amount, in the following two years 1.0% and thereafter 2.0%. These minimum rates are subject to individual risk-based surcharges.

Special conditions

During the term of guarantees provided under the ESF for 100 million euros or more, the borrower is prohibited from repurchasing his own shares and from paying dividends or other capital distributions.

During the term of such guarantees, no bonuses or other variable or comparable remuneration components may be granted to members of executive bodies or to executive directors, taking into consideration any remuneration received from other group companies. Likewise, no special payments in the form of share packages, gratuities or other separate remuneration in addition to

fixed salaries, other compensation components placed at the discretion of the company or severance payments that are not legally required may be granted.

Until at least 75 percent of the guaranteed amount has been definitively repaid, no member of the Executive Board may receive total compensation in excess of that member's base compensation as at 31 December 2019. For persons who become members of the company's Executive Board at the time of the measure or thereafter, the upper limit is the base compensation of members of the Executive Board at the same level of responsibility as at 31 December 2019.

The loan agreement to be concluded between borrower and lender must provide for information rights in favour of the ESF.

A shareholder contribution commensurate with the structures and financial circumstances is generally required.

In the case of group companies, a guarantee or other joint obligation on the part of the parent company is generally required.

Debt rescheduling is not permitted.

Regular repayments on bank loans are generally to be suspended until the end of 2021.

The company's existing lines of credit must generally be fixed until at least the end of 2022.

Combining ESF stabilisation measures with funding programmes

It is possible to combine a stabilisation measure from the ESF with funding programmes, to the extent that this is compatible with the requirements of EU state aid law.

State aid

The granting of guarantees by the ESF at the conditions described above is based on the 'COVID-19 measures of the Economic Stabilisation Fund' (state aid SA.56814) approved by the European Commission by letter dated 8 July 2020.

Legal entitlement

There is no legal entitlement to the stabilisation measure. The bodies under the Stabilisation Fund Act make their decisions in the due exercise of their discretion within the scope of the available funds.