

SECOND ANTI-CORONA PACKAGE - GUARANTEE SCHEME FOR NEW BANK LOANS

On 1 May 2020 the Additional Liquidity to the Economy to Mitigate the Effects of the COVID-19 Infectious Disease Epidemic Act (the "**Act**") came into force. It aims to facilitate the provision of liquidity by banks through the incentive in form of a State guarantee in the amount of up to EUR 2 billion.

The Act governs guarantees of the Republic of Slovenia for the loans that companies take from banks and savings banks with their registered office in Slovenia. Companies that qualify as micro, small and medium-sized enterprises ("**SMEs**") or large companies (save for financial institutions) having their registered office in Slovenia are eligible borrowers for State guarantee. SMEs are enterprises which employ less than 250 employees, with annual turnover not exceeding EUR 50 million and / or annual balance sheet total not exceeding EUR 43 million.

The guarantee will be given for the following **loan agreements**:

- concluded between 12 March 2020 and 31 December 2020;
- the loan maturity is no longer than 5 years;
- the purpose of the loan is to finance the core business activity of the borrower, in particular for the financing of new or the completion of already undertaken investments, working capital or repayment of obligations under loan agreements concluded between 12 March 2020 and 1 May 2020;
- the loan is not intended for the financing of affiliated companies or companies established abroad.

Companies will be in a position to obtain a liquidity loan of up to 10% of their turnover in 2019 and not exceed the amount of their labor costs in 2019.

The Republic of Slovenia assumes a guarantee obligation only for **borrowers** which:

- are not considered to be in difficulty as of 31 December 2019;
- are facing liquidity problems after 31 December 2019 due to business reasons related to the consequences of the COVID-19 epidemic in the territory of the Republic of Slovenia;
- have settled all their taxes and duties as of 31 December 2019 unless these were legally deferred, or the company was allowed to pay them in installments;
- are not active or registered in a country that is listed in the EU list of non-cooperative jurisdictions for tax purposes (e.g. Cayman Islands, Fiji and Seychelles) and do not have an owner/shareholder from one of these countries;
- are included in the system of compulsory multilateral offsetting under the Act on Prevention of Late Payments; and
- as of 12 March 2020 are not deemed to be a debtor in default.

The **loan application** must contain:

- (i) the latest financial statements of the borrower;
- (ii) a description of the borrower's business situation due to the consequences of COVID-19, including the amount of total turnover in 2019 and the amount of its labor costs in 2019;
- (iii) the requested loan amount and maturity;
- (iv) the purpose of the loan;
- (v) if any, information on the amount of the borrower's liabilities arising from deferral under the Intervention Measure Act on Deferred Payments of Borrowers' Obligations; and
- (vi) a statement that the loan will be used to finance the main business activities, namely for the financing of new or completion of already undertaken investments, working capital or

the repayment of obligations under loan agreements concluded between 12 March 2020 and 1 May 2020.

Duration and amount of the State guarantee – the guarantee may not exceed the maturity of the loan (maximum of 5 years), including potential subsequent extensions. The guarantee for the loan covers:

- 80% of the loan amount granted to SMEs;
- 70% of the loan amount granted to large enterprises.

Republic of Slovenia's guarantee premium – the borrower shall pay an annual guarantee premium, which shall increase proportionally with the duration of the loan:

- (i) for SMEs, 0.25 % for the first year of the outstanding principal, 0.50 % for the second and the third year and 1 % for the fourth and the fifth year;
- (ii) for large enterprises, 0.50 % of the outstanding principal for the first year, 1 % for the second and the third year and 2 % for the fourth and fifth year.

Prohibition of distribution of dividends and other payments – from the date of the loan application until the expiry of the guarantee period, the borrower may not:

- distribute profits / pay out dividends;
- grant business performance bonuses to the management;
- acquire its own shares;
- fulfill any financial liabilities owed to its affiliated companies or shareholders.

Termination of the State guarantee – the State guarantee is terminated if:

- (a) the bank violated the Act when concluding the loan agreement;
- (b) the borrower provided false information in the loan application;
- (c) the bank has not informed SID Banka of the commencement of insolvency proceedings against the borrower at the latest before 14 days prior to the expiry of the deadline for the notification of claims.

If the guarantee is terminated due to the provision of false information in the loan application, the bank has a recourse claim against the borrower.

SID Banka is authorized to perform all operations related to the realization of guarantees, the monitoring and the implementation of all necessary measures for the enforcement of recourse claims and for the verification of the fulfilment of conditions under the Act. Already prior to a debtor's default a bank may offer to SID Banka to purchase the receivable (in the part covered by the guarantee) for compensation in the nominal amount of the outstanding secured loan principal. The State fulfills the obligations under the guarantee from the State budget or by transferring SID Banka bonds or government bonds issued by the Republic of Slovenia.

The Act also provides that, from 13 March 2020 until the declaration of the end of the epidemic, the tenants of business premises or premises owned by the Republic of Slovenia and municipalities whose economic activities are prohibited or significantly limited, are exempt from payment of a part of the rent (but not of the operating costs).

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