



FAQ – LIQUIDITY GUARANTEE FOR LARGE CORPORATES

EKF Denmark’s Export Credit Agency

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Purpose and coverage

What is a Liquidity Guarantee?	A liquidity guarantee can be used by financial institutions granting new lines of credit, loans or guarantee facilities to export companies that have experienced or expect to experience a decline in turnover of at least 30% as a result of the COVID-19 (coronavirus) pandemic.
Who can apply for a Liquidity Guarantee?	Banks, leasing companies and guarantee institutions, etc. (<i>“financial institutions”</i>), registered for EKF's Working Capital Guarantee scheme. Contact EKF if your institution has not yet registered for the scheme.
What does a Liquidity Guarantee for Large Corporates cover?	Liquidity Guarantees cover 70% of any loss incurred by the financial institution on a line of credit or loan granted to the export company.
What is a Large Corporate?	A company/group with: More than 250 employees (FTEs) <u>and/or</u> Turnover in excess of DKK 372 million and a balance sheet total in excess of DKK 320 million p.a.
What is an export company?	An export company is a business in which 10% of annual turnover in 2019 was generated by export trade. Export trade includes direct exports, sales to Danish exporters and turnover from foreign tourists in Denmark.
Are there any sectors/industries not covered by the Liquidity Guarantee scheme?	Yes. EKF is not permitted to issue guarantees for businesses within primary production, e.g. within agriculture, fishing, aquaculture, horticulture, etc. The Liquidity Guarantee can be used for companies that process foods, such as slaughterhouses, etc.
When is the closing date for applying for a Liquidity Guarantee?	Applications for a Liquidity Guarantee must be submitted to EKF by 15 January 2021.



Terms

<p>Is there a cap on the size of the guarantee?</p>	<p>EKF can guarantee no more than an amount corresponding to the company's actual and forecasted loss of turnover in the period from 1 March 2020 to 30 January 2021.</p> <p>The maximum Liquidity Guarantee will, however, be reduced to the highest of the following three amounts if it is lower than the decline in turnover:</p> <ul style="list-style-type: none">○ double the company's annual payroll expenses for 2019 or most recently available year, or, for new companies, the payroll expenses estimate for the first two years of operation, <i>or</i>○ 25% of the company's total turnover in 2019 <p>Guarantees cannot be provided for amounts exceeding the company's liquidity requirement, including investment requirement, in the period from the application date and 18 months onwards as recorded in the company's cash flow forecast.</p>
<p>How is the company's loss of turnover calculated?</p>	<p>The loss of turnover is determined as the difference between the company's actual and forecasted turnover for the period upon which a guarantee application is based, and turnover in the same period in 2019.</p> <p><i>Example:</i> In the period 1 March 2019 to 1 April 2019, a company's turnover was DKK 10,000,000. The company's actual and forecasted turnover in the period from 1 March 2020 to 1 April 2020 was DKK 5,000,000.</p> <p>The company's loss of turnover is 50%.</p>
<p>For what period is the company required to document loss of turnover?</p>	<p>The company must be able to substantiate that it has suffered or expects to suffer a decline in turnover of at least 30% as a result of the COVID-19 pandemic for the entire or part of the period from 1 March 2020 until 30 January 2021.</p> <p>The period in which the loss is claimed as suffered must be at least 14 days in duration. The period upon which the company has based its loss of turnover must be specified when applying for a Liquidity Guarantee. The loss of turnover must be documentable for the period taken as the basis for calculation of the loan amount.</p> <p>Applications may be made for a period ending before 30 January 2021, as this will then be the period for which documentation must be submitted.</p>



	It is also possible to submit multiple applications, since a guarantee cannot be obtained for the same period twice.
How is turnover determined for a large corporate that budgeted for substantial growth or for which no financial statements are available for the corresponding period in 2019?	<p>Where turnover in the relevant period in 2019 does not provide a true and fair impression of the turnover that the company was likely to have realised after 1 March 2020, the financial institution should calculate the company's loss of turnover on a discretionary basis informed by the company's budgeted turnover.</p> <p><i>Examples:</i></p> <p>1) In the period 1 March 2019 to 30 September 2019, a company had zero turnover, as its projects had been postponed. For the period 1 March 2020 to 30 September 2020 it budgeted for turnover of DKK 10,000,000 based on booked orders. However, those orders were deferred due to the pandemic, so the company's turnover for the period is expected to be reduced to DKK 2,000,000. The loss of turnover is more than 30% of the budgeted turnover.</p> <p>2) The company was established as at 1 October 2019. The loss of turnover in the period 1 March 2020 to 30 September 2020 is expected to be more than 30% of the budgeted turnover.</p>
What is the effect of the large corporate having international branches or subsidiaries, for example?	<p>The company's turnover, balance sheet total, etc. are determined with reference to Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC).</p> <p><i>Example:</i></p> <p>If the company wholly owns a subsidiary in Germany, turnover in the German subsidiary will be included in the calculation of the turnover.</p>
Will the financial institution be held accountable for accurate calculation of actual and/or forecasted loss of turnover?	The financial institution is accountable for all the financial information submitted in support of an application and for subsequent administration of an EKF Liquidity Guarantee.
<p>Will the guarantee be reduced if the actual loss of turnover is less than the loss of turnover notified to EKF in support of the application for a Liquidity Guarantee?</p> <p>If so, will the guarantee then be reduced on a Krone-for-Krone basis?</p>	<p>If the actual loss of turnover turns out to be lower than notified in the application, the amount guaranteed will be reduced.</p> <p><i>Example:</i></p> <p>The company is expecting future loss of turnover of more than 30% relative to the same period in 2019, totalling DKK 1,000,000. The financial institution grants a line of credit or loan of DKK 1,000,000, of which DKK 800,000 is covered by the Liquidity Guarantee. On 31 December 2020, EKF receives reporting indicating that the fall in turnover was "only" DKK 700,000. The total loss of turnover is still more than 30%, but the Liquidity Guarantee is reduced so that it only covers 80% of DKK 700,000, which is DKK 560,000. This coverage then applies for the residual term of the guarantee.</p>



<p>Will EKF cancel the guarantee if the actual loss of turnover turns out to be lower than 30%?</p>	<p>If the financial institution has provided inaccurate or misleading (bad faith) information in support of a Liquidity Guarantee application, EKF <u>may</u> decide that the guarantee is to be revoked in its entirety.</p> <p>The actual loss of turnover must be determined not later than 12 months after the Liquidity Guarantee was issued.</p>
<p>Is it permissible to use any proceeds of a loan secured by a Liquidity Guarantee to reduce a temporary increase in a credit limit granted before the loan covered by a Liquidity Guarantee was secured?</p>	<p>Yes. However, it is a condition that the temporary increase was granted after 1 March 2020, since only expenses after that date could have been covered by a loan secured by a Liquidity Guarantee.</p>
<p>Can a Liquidity Guarantee be issued for loans to Danish-owned subsidiaries abroad?</p>	<p>No. The applicant company must be registered in the Danish Central Business Register (hold a Danish CVR no.)</p>
<p>If the financial institution does not hold the entire customer account, can a loan be taken out with multiple banks under a Liquidity Guarantee?</p>	<p>Yes, but not for the same turnover loss period.</p>
<p>Can the scheme be combined with other COVID-19 relief measures from the Danish state, e.g. a COVID-19 guarantee from Vaekstfonden, the Danish state's investment fund?</p>	<p>When determining the loss of turnover to be calculated for the purpose of applying for a Liquidity Guarantee, the financial institution and the company are required to deduct received/and or anticipated compensation for coverage received under other state relief measures, insurance policies or the like.</p> <p>If the financial institution has received a COVID-19 guarantee from Vaekstfonden for the company, then EKF's Liquidity Guarantee cannot be used for that same company.</p>

Credit rating

<p>How is borrower creditworthiness determined?</p> <p>Is it all borrowers for which there is no objective indication of value/credit impairment?</p>	<p>Creditworthy borrowers are generally borrowers to which the financial institution is willing to offer or extend an existing loan facility, and which the financial institution thus rates as being a financially viable undertaking over the long term.</p> <p>A customer's creditworthiness is thus not based on objective indication of value/credit impairment.</p>
<p>Is a borrower who has an objective indication of value/credit impairment on the application date eligible for a Liquidity Guarantee?</p>	<p>Yes. The only requirement at the time of application is that the financial institution is willing to increase that customer's credit facility.</p> <p>Please note, however, that prospective borrowers will under no</p>



	circumstances be eligible for a Liquidity Guarantee if the borrower was already in financial difficulty as at 31 December 2019 .
Is a borrower who has an objective indication of value/credit impairment as at 31 December 2019 eligible for a loan secured by a Liquidity Guarantee?	Yes, the critical factor is not whether the borrower had an objective indication of value/credit impairment as at 31 December 2019, but whether the borrower was in financial difficulty as at that date.
What counts as a company in financial difficulty?	<p>A company is defined as being in financial difficulty if the company is unable, by its own financial means or such means as it might obtain from its owners/shareholders and creditors, to halt the losses, which, without the intervention of public authorities would almost certainly result in the business being discontinued in the short or medium-term.</p> <p><i>Example of an SME, which, per definition, is in financial difficulty:</i> In the case of a limited liability company (e.g. an A/S or ApS), where more than half of the subscribed capital has disappeared, and more than a quarter of that capital has been lost within the last twelve months.</p> <p>The definition of what constitutes financial difficulty is in accordance with Commission Recommendation No. 651/2014.</p>
If a company is not in financial difficulty as at 31 December 2019, but subsequently suffers financial difficulty, is that company eligible for a Liquidity Guarantee?	Yes.
Is it permissible for the financial institution or the company to cover the 20% of the risk entailed by the credit facility/loan, which the Liquidity Guarantee does not cover?	No. A Liquidity Guarantee covers 80% of the bank's loss after any marketable collateral, etc. has been realised if the company becomes insolvent.
Does EKF require any specific collateral for the credit/loan?	No.
Is the financial institution permitted to establish new collateral for its existing commitment concurrently with and/or after the date on which a new loan is granted under a Liquidity Guarantee?	Yes.



Price and debt servicing

What does a Liquidity Guarantee cost?	<p>The premium is determined on a case-by-case basis according to the credit rating.</p> <p>Payment of the premium follows the repayment schedule for the underlying loan.</p>
How must the debt covered by the Liquidity Guarantee loan be serviced?	<p>The Liquidity Guarantee is written down continuously over the term of the loan and conforms to the bank's repayment schedule.</p> <p><i>Example:</i> The Liquidity Guarantee amount does not have to be reduced for the first 12 months. After this, the Liquidity Guarantee is written down continuously over 5 years.</p>
Is the financial institution permitted to determine the interest rate applied to a loan covered by a Liquidity Guarantee?	<p>The financial institution determines its rates for the loan covered by the Liquidity Guarantee, but EKF does expect the value of the Liquidity Guarantee to be reflected in the price.</p>
Is it possible to make instalment payments to reduce pre-existing facilities made available by the financial institution to the borrower if a new loan is granted under a Liquidity Guarantee?	<p>The financial institution's ordinary repayments schedule for servicing existing debts must be suspended minimum 5 months after the Liquidity Guarantee is issued in order that the company may maximise the benefit of the Liquidity Guarantee.</p> <p>This solely includes repayment of the principal, meaning that servicing of ordinary interest falling due for payment in that period is permissible.</p> <p>The above proviso does not apply to leasing and mortgage facility principals and interest for which repayments during this period are permissible. As regards mortgage amortisation payments, EKF does, however, require that repayment continues only if the beneficiary is another company – based on its CVR no. – than the lender.</p>
Is the financial institution permitted to amend the terms (interest rate, size of instalments, collateral, etc.) of any credit facilities pre-existing the loan covered by the Liquidity Guarantee at a later date?	<p>5 months after the Liquidity Guarantee is issued, the financial institution may make any such changes as it would have been permitted to make before the Liquidity Guarantee was granted, since the financial institution after this date and until the Liquidity Guarantee expires has access to make any such customary provisions that do not vary from how it would have acted in the absence of the Liquidity Guarantee.</p>
Can a Liquidity Guarantee be extended if the original coverage period was agreed as four years, and if at a subsequent date after 30 September 2020 there is a need to extend the guarantee period?	<p>There is the option to extend the term of the Liquidity Guarantee after it has been issued, but only up to a maximum of a six years in total, which is the standard coverage period. Any such extension is subject to a special application to EKF.</p>



Is there an option for early release from the Guarantee before it expires?	Yes – early repayment of the loan, which thereby terminates the Liquidity Guarantee, is penalty-free. The annual premium paid in advance of the year in which the Liquidity Guarantee is terminated, will, however, not be refunded either in whole or pro rata.
Can the proceeds of a loan from the credit facility secured by a Liquidity Guarantee be deposited in the company's current overdraft facility?	Yes. However, concurrent write-down of the overdraft facility's maximum is not permissible.
Will EKF require regular financial reporting from the borrower?	No. EKF is not to be kept informed on an ongoing basis. EKF is, however, entitled, in cases provided for in the terms of the Liquidity Guarantee, to request documentation from the borrower regarding certain calculations.
Can a Liquidity Guarantee be transferred to another financial institution?	The transfer of a Liquidity Guarantee to a new financial institution is subject to EKF's prior written authorisation.



Application process

How can a company access a Liquidity Guarantee?	The application starts with an email to EKF from the financial institution. Follow this link for a guide to the application process: https://www.ekf.dk/ekf-for-banker/samarbejdet-med-ekf/kautioner-trin-for-trin
What information does the financial institution have to send to EKF?	The financial institution must submit the company declaration signed by the company. EKF may request additional information and documentation as required.
What information does the company have to send to EKF?	The company must sign the company declaration and submit it to the financial institution.
Can a Liquidity Guarantee only be issued for wholly new credit facilities, loans or lender guarantee limits?	Yes, increases to pre-existing credit facilities, loans or guarantee limits are not permitted.
Where can I check the progress of my application?	On EKF-online, users enrolled under a bank can look up information about the bank's guarantee applications in progress and already granted guarantees.
Who can apply for a Guarantee?	You must be registered as a user to gain access to applying for a guarantee and signing into EKF-online. Contact EKF or your EKF-intermediary at the bank to gain access.
What is EKF-online?	Through EKF-online, users enrolled under a bank can look up information about the bank's guarantee applications in progress and already granted guarantees.