

# COVID-19 Lending Initiatives

## Program overview






### COVID-19 Lending Initiatives




Within the context of the initiatives taken by the Ministry of Development & Investments to combat the adverse effects caused by COVID-19 in the Greek market, the Hellenic Development Bank enacted two separate lending programs in order to provide liquidity and relief to Greek companies affected by the crisis.

#### Summary of available programs and key attributes

The first lending program, “Business Financing – Entrepreneurship Fund II”, mainly aims to address the financing needs of small and medium enterprises (SMEs) while the second lending program, “Business Financing under Greek State guarantee” aims to provide liquidity to both SMEs and large corporates.

- **Business Financing – Entrepreneurship Fund II**, has a committed budget of EUR 1.3bn, 40% of which is administered by the Entrepreneurship Fund II and 60% by the banks it is designed to assist SMEs with eligible NACE codes to cover their working capital needs or to realize their investment plans by subsidizing 100% of the interest payments for the first two years of the loan and 40% of the interest payments from the second year until maturity.
- **“Business Financing under Greek State guarantee”** aims to provide financing of EUR 7bn to SMEs and larger businesses. The Greek State will provide a guarantee for 80% of the nominal value of the loan issued, through the Guarantee Fund that is an independent financing unit under the supervision of the Hellenic Development Bank.

 Loan attributes	 Business Financing – Entrepreneurship Fund II	 Business Financing under Greek State guarantee
<b>What is it?</b>	EUR 1.3bn program that provides interest free financing to small and medium sized businesses affected by COVID-19 by subsidizing 100% of the interest payments for the first two years of the loan and 40% of the interest payments from the second year until maturity.	EUR 7bn program on which the Hellenic Development Bank will provide guarantees through the Guarantee Fund for loans towards SMEs and large corporates. The cap lending amount will not exceed in total 32% of each bank’s existing loan portfolio for SMEs and 24% of each bank’s loan portfolio for large businesses. The loans to be provided will be working capital facilities and non convertible bond loans.
<b>Application period</b>	The application submission starts at 28.04.2020.	The application submission starts within May 2020.
<b>Deadline</b>	The application submission deadline is 05.05.2020.	The application submission deadline is at 31.12.2020.
<b>Threshold</b>	<ul style="list-style-type: none"> <li>— Up to EUR 500 000 for working capital financing.</li> <li>— Up to EUR 1 500 000 for investment plan financing.</li> </ul>	Should not exceed 25% of the borrower’s revenue or 200% of the borrower’s personnel expenses (including employees working as subcontractors) for the fiscal year 2019.

 Loan attributes	 Business Financing – Entrepreneurship Fund II	 Business Financing under Greek State guarantee
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>— Businesses with a National Assigned Classification code (NACE) included in the sectors impacted by COVID-19.</li> <li>— Businesses that do not have outstanding tax or social insurance obligations.</li> <li>— Businesses that do not exceed the aid limit set by the De Minimis Regulation.</li> <li>— A guarantee securing that the businesses receiving the loan will maintain the same number of employees registered in ERGANI up to 19.03.2020 during the first two years from the issuance of the loan.</li> <li>— A number of banks require specific criteria over and above the aforementioned regarding the maximum number of employees, revenue and assets that an eligible business should have.</li> </ul>	<ul style="list-style-type: none"> <li>— Businesses that are registered, operate and invest in Greece.</li> <li>— Businesses that are considered creditworthy according to the credit policy and internal processes of lending institutions.</li> <li>— Businesses that do not have outstanding debt obligations exceeding 90 days upon the application date or at 31.12.2019.</li> <li>— Businesses that have not been penalized under paragraph 1 of Article 40 of Law 4488/2017.</li> </ul>
<b>Restrictions</b>	<p>Not eligible if the organization:</p> <ul style="list-style-type: none"> <li>— Has a pending reimbursement order due to a prior Commission decision declaring the current aid illegal and incompatible in the Common Market.</li> <li>— Has joined ETEAN Programs or Funds which have expired or are still in force and have outstanding debts exceeding 90 days in them.</li> <li>— Is active in the financial services sector, the public sector, fishing and aquaculture, primary production of agricultural products, production and trade of weapons, the carbon production industry, media and communications, road freight transport sector for third parties where the requested aid concerns the acquisition of road freight transport vehicles and the processing and marketing of agricultural products.</li> <li>— Is in difficulty according to Regulation 1407/2013 and in accordance with point 18 of Article 2 of Regulation 651/2014.</li> <li>— Is listed in the stock market.</li> </ul>	<p>Not eligible if the organization:</p> <ul style="list-style-type: none"> <li>— Has a pending reimbursement order due to a prior Commission decision declaring the current aid illegal and incompatible in the Common Market.</li> <li>— Has joined ETEAN Programs or Funds which have expired or are still in force and have outstanding debts exceeding 90 days in them.</li> <li>— Is active in the financial services sector, the public sector, the production and trade of weapons, the gambling sector, the GMO food sector.</li> <li>— Is in difficulty according to Regulation 1407/2013 and in accordance with point 18 of Article 2 of Regulation 651/2014.</li> <li>— Is involved in illegal activities according to national regulation.</li> <li>— Receives the loan to repay current debt obligations and credit lines, dividends, repurchase shares and participate to mergers and acquisitions.</li> </ul>
<b>Use of funds</b>	<p>Operating expenses, expenses regarding the company's cash conversion cycle and VAT expenses. The verification of the nature of expenses with supporting documentation is not necessary.</p>	<p>Working capital requirements.</p>
<b>Interest rate</b>	<p>The interest rate will remain stable and should not exceed 8% during the first 2 years whereas it will be 100% subsidized. This subsidy will be covered entirely by funds from the Entrepreneurship Fund II, however the levy from Law 128/75 will not be covered by the subsidy.</p> <p>After the second year, the interest payments will be covered by the business and the interest rate will be set by the bank according to its credit policy and the general terms of the program.</p>	<p>The interest rate is covered by the debtor and can be agreed as fixed or floating depending on the pricing policy followed by each lending institution, taking into account the passing mechanism of the benefit resulting from the guarantee to the debtor.</p> <p>The interest rate is charged with the levy from Law 128/75 (0.60%), if considered applicable in each financing agreement.</p>
<b>Tenure</b>	<p>2 – 5 years for working capital financing. 5 – 10 years for investment plan financing.</p>	<p>5 years both for working capital and non convertible bond loans.</p>
<b>Payment schedule</b>	<p>The payment schedule is flexible and depends on the lending institution issuing the loan.</p>	<p>The payment schedule is flexible and depends on the lending institution issuing the loan.</p>
<b>Grace period</b>	<p>The grace period for working capital financing is up to 24 months and the grace period for investment plan financing is up to 36 months.</p>	<p>The grace period will be determined by the lending institution issuing the loan.</p>
<b>Applying for multiple loans</b>	<ul style="list-style-type: none"> <li>— More than one applications for working capital financing can be submitted, however the total amount of loans received should not exceed the threshold of EUR 500 000.</li> <li>— A company can receive proceeds from multiple loans for working capital and investment purposes, however the total amount of the loans received should not exceed EUR 1 500 000.</li> </ul>	<ul style="list-style-type: none"> <li>— The companies will be eligible to submit more than 1 application.</li> </ul>

Loan attributes	Business Financing – Entrepreneurship Fund II	Business Financing under Greek State guarantee																
<b>Lender considerations</b>	<p>The maximum loan amount should not exceed:</p> <ul style="list-style-type: none"> <li>— 50% of the borrower's revenue as reported in the E3 or annual VAT return or periodical VAT return forms of the fiscal year preceding the application date, or 50% of orders for the current year.</li> <li>— 50% of orders for the current year or 80% of the credit purchases, for newly established companies.</li> <li>— If the aforementioned amounts cannot be deducted, it should not exceed 100% of the borrower's own funds</li> </ul>	<ul style="list-style-type: none"> <li>— The guarantee is valid for 5 years and covers the total tenure of loan until full settlement of all obligations resulting from the loan.</li> <li>— The application to call in the guarantee by the lending institution can be submitted until 31.12.2026, or by 31.12.2025 in case of overdue payments from the debtor.</li> <li>— The borrower should pay a guarantee commission fee depending on the amount of loan. The amount increases gradually as it is dependent upon the duration of the loan as presented below:</li> </ul> <table border="1" data-bbox="1165 414 1549 544"> <thead> <tr> <th colspan="4">Guarantee commission fee</th> </tr> <tr> <th>Type</th> <th>Year 1</th> <th>Year 2 - 3</th> <th>Year 4 - 5</th> </tr> </thead> <tbody> <tr> <td>SMEs</td> <td>0.25%</td> <td>0.5%</td> <td>1%</td> </tr> <tr> <td>Large businesses</td> <td>0.5%</td> <td>1%</td> <td>2%</td> </tr> </tbody> </table> <p>The commission is charged in total during the first disbursement of the loan and is subsidized from the Guarantee Fund up to a specific amount according to the sector of operation for each business.</p> <ul style="list-style-type: none"> <li>— In case extra liquidity is required, the loan amount could increase exceeding the criteria set by the program in order to cover the liquidity needs from the starting date of the loan and during the first 18 months for SMEs and the first 12 months for large businesses.</li> <li>— The loan amount of each borrower should not exceed 10% of the agreed available portfolio between the lending institution and the Hellenic Development Bank.</li> </ul>	Guarantee commission fee				Type	Year 1	Year 2 - 3	Year 4 - 5	SMEs	0.25%	0.5%	1%	Large businesses	0.5%	1%	2%
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### Useful information for lending institutions

According to the Guarantee Fund, lending institutions are required to meet specific terms and conditions in order to be eligible to grant loans under guarantee from the Hellenic Development Bank.

<b>Who is eligible?</b>	Lending institutions with at least 1 branch in Greece and the intention to create a loan portfolio of over EUR 100 million if they are registered as commercial or over EUR 10 million if registered as cooperatives.
<b>How is the cap amount calculated?</b>	"Loan portfolio GBV" x "Guarantee rate from HDB" x "Cap rate"
<b>What is the cap rate for each portfolio?</b>	<p>The maximum cap rate the loan portfolio guaranteed by the Greek State is as follows:</p> <ul style="list-style-type: none"> <li>— 40% for SMEs and self-employed</li> <li>— 30% for large businesses</li> </ul>
<b>How is the guarantee rate determined?</b>	The guarantee rate from HDB is 80%. The lending institution will maintain a 20% exposure on each loan portfolio in order to avoid a conflict of interest issue.
<b>What constitutes a credit event?</b>	<ul style="list-style-type: none"> <li>— The loan payments overdue exceed a period of 90 days.</li> <li>— A denouncement of the loan agreement by a third party that provides the lending institution with the right to pursue the collection of the amount owed or a denouncement of the loan agreement by the lending institution.</li> </ul>
<b>When does a lending institution make a guarantee call?</b>	The lending institution can make a guarantee call for settlement of a loan amount outstanding following a credit event. The guaranteed amount will be transferred within 60 days from the request in a designated account specified within the context of the agreement between HDB and the lending institution.

## How we can help

In view of the recent initiatives taken by the Ministry of Development & Investment to provide liquidity to heavily affected sectors and restart the Greek economy, we have designed certain tools that utilize KPMG's international network and expertise reinforced by a dedicated team of experienced professionals in loan origination and execution ready to deliver the highest level of service for banks. The tools we have designed aim at supporting the participating banks to easily review, underwrite and approve applications with full transparency and audit capabilities.

Provide clear guidance on approval criteria and eligibility checks	Increase speed through clear communications and automated processes	Assist on the evaluation and selection of the right borrower
<p>Due to the favorable loan terms offered, banks are expected to see record high branch, web and phone traffic in response to the loan application procedure. In this context we can assist you with the development of:</p> <ul style="list-style-type: none"> <li>— Guides on the requirements for review and approval of supporting documentation.</li> <li>— Customer check eligibility programs that can speed up the approval process.</li> </ul> <p>This can help reduce traffic volume that takes valuable time away from other activities.</p>	<p>Let customers know the steps you are taking to make sure that their applications are being handled as quickly and transparent as possible. We can automate post application processes by offering:</p> <ul style="list-style-type: none"> <li>— Integration with Core Servicing System to load existing borrower data and automate any loan modification updates.</li> <li>— Full digitization of post application submission activities with API integrations.</li> <li>— Actionable insights with reports and dashboards to manage volumes.</li> </ul>	<p>Both programs are expected to surpass the committed budget. Therefore, the banks should carry out a comprehensive assessment to select the most reliable borrower. We can support you during this process by providing the following services:</p> <ul style="list-style-type: none"> <li>— Assist with borrower evaluation and selection.</li> <li>— Support the credit assessment process based on the specific policy of each bank.</li> <li>— Performance reporting of COVID-19 loans to the government authorities.</li> </ul>

## Contact us



**Marina Kapetanaki**  
Partner,  
Head of Deal Advisory

T: +30 210 6062344  
M: +30 6937083741  
E: [mkapetanaki@kpmg.gr](mailto:mkapetanaki@kpmg.gr)



**Dimitrios Lambropoulos**  
Partner,  
Deal Advisory

T: +30 210 6062242  
M: +30 6936526794  
E: [dlambropoulos@kpmg.gr](mailto:dlambropoulos@kpmg.gr)



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