

Information leaflet

Deficiency Guarantees for loans by the
German Federal State of Mecklenburg-Vorpommern

SMEs and large companies

August 2020

Objective of the promotion instrument

To support the acquisition of bank financing, the German Federal State of Mecklenburg-Vorpommern endorses deficiency guarantees on behalf of commercial companies. By this, the state aims at the further development of its economy and the creation of sustainable competitive structures.

Who can be supported?

The federal state supports **commercial companies** of all sectors: producing, service and trading companies. A commercial unit, production site or a head office in Mecklenburg-Vorpommern is a necessary pre-condition for the support of a company.

What can be supported?

Among others the following **measures** are supported by public guarantees:

- Investments, without any exclusion of cost types
- Working capital loans (inventories, receivables, orders)
- New/ reorganised set up of financings
- Succession plans, MBOs, MBIs, spin offs
- Financing of subsidiaries/ establishment of a group independent financing

All **forms of financing** (cash and guarantee facilities, leasing, factoring) can be guaranteed. For further information regarding form and scope of the public guarantee see number 5. Guarantee guideline ("Bürgschaftsrichtlinie" of May 3rd 2012 – IV 130 –) www.pwc.de/lb-mv, see *Downloadcenter*.

Related guarantee programs

Public guarantees are assumed to support commercial companies. Prior to this program the following related guarantee programs are to be used:

- **Companies in the agricultural sector** can accordingly be promoted under the Agriculture Guarantee guideline ("Bürgschaftsrichtlinie – Landwirtschaft" of May 27th, 2014 – VI 300 –).
- Companies, that are classified as a **firm in difficulty** in terms of the EU-Community guidelines on state aid for rescuing and restructuring firms in

difficulty (2014/C 249/01), can be promoted according to the Restructuring Guarantee guideline ("Sanierungs-Bürgschaftsrichtlinie" of January 12th 2015 – SanBürgRL M-V –).

For all other commercial companies, that do not fulfil the before mentioned conditions of the related guarantee programs, this information leaflet is valid.

Combination with other promotion programs of the federal state or the Federal Republic of Germany

The combination with other promotion programs is possible. Compliance with the aid ceiling, set by the EU, should be checked out as early as possible, assisted by the financiers and the federal state.

Who can apply for public guarantees?

- a) Banks and savings banks, insurance-, leasing- and factoring companies – **lenders** – can apply for public guarantees, as they are seated in the European Economic Area.
- b) In the run-up to a lenders' application, also **companies** can apply for a preliminary assessment ("Vorprüfung") of their venture. The preliminary assessment procedure results in a notice to the company, where the scope and possible conditions of a later guarantee are outlined. At any time the preliminary assessment can be transferred into a guarantee application procedure according to a) by an application of a lender.

Guarantee amount and duration

Public guarantees are granted up to a maximum of 80 % of the underlying credit. The mirroring 20 % deductible is taken by the lender. The credit volume amounts to a maximum of € 24.9 million, given an 80 % guarantee.

Working capital loans are guaranteed for a duration of up to 8 years. Investment loans have a maximum duration of 15 years and real estate financings of up to 20 years. For working capital loans the public guarantee will be progressively reduced (straight-line) after the mid-term point. Exemptions from this rule of degression are possible for large volume individual projects.

Information leaflet

Deficiency Guarantees for loans by the
German Federal State of Mecklenburg-Vorpommern

SMEs and large companies

August 2020

Collateralisation

Depending on the credit structure, guaranteed credits can be collateralised either subordinatedly or equally to other credits in place. A separate collateralisation of the minimum 20% deductible in the guaranteed credit is not allowed.

Fees

A one-time **handling fee** is charged for a guarantee application procedure. For guaranteed amounts of up to € 2.5 million the handling fee amounts to 0.3% of the guaranteed amount. For guaranteed amounts exceeding € 2.5 million the handling fee is 0.25% of the guaranteed amount. "Guaranteed amount" is defined as follows: up to 80% of the guaranteed credit plus 10% additionally guaranteed interest and costs.

The handling fee is in the range of at least € 2,000 and at most € 25,500.

The handling fee for a **preliminary assessment procedure** is € 10,000. This fee is generally set off against the handling fee for a (timely) guarantee application procedure.

The **recurring guarantee fee** amounts to 1% p.a. of the guaranteed amount (standard remuneration rule). In case of an otherwise occurring exceedance of the aid-ceiling, set by the EU, the recurring fee might be adjusted above standard remuneration. This could happen in case of a cumulation of state aids resulting of several timely promotions.

Details can be read in appendix 2 "fee instructions" of the Guarantee guideline ("Bürgschaftsrichtlinie" of May 3rd 2012 – IV 130 –) www.pwc.de/lb-mv, see *Download-center*.

Application

Applications can be made to the mandatary of the Federal state of Mecklenburg-Vorpommern: PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Werderstraße 74b, 19055 Schwerin. The application form is available at www.pwc.de/lb-mv. Applications by companies for a preliminary assessment ("Vorprüfung") can be delivered free-form.

Legal regulation

The relevant provision for public guarantees is the Guarantee guideline „Richtlinie zur Übernahme von Bürgschaften des Landes Mecklenburg-Vorpommern (**Bürgschaftsrichtlinie**)", as amended, available at www.fm.mv-regierung.de or www.pwc.de/lb-mv.

In terms of **state aid law**, the guarantees of the federal state are based on the relevant exemption rules of the EU. A separate approval of guarantees is not required. For further information see www.pwc.de/lb-mv.

Imputation on bank equity

According to Basel III / German Solvency Regulation (SolvV) guarantees of the Federal state of Mecklenburg-Vorpommern are recognised fully risk reducing to the bank's equity.