
COVID-19: Guarantee scheme for corona loans to large companies

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The Danish Government has announced a new guarantee scheme to facilitate emergency financing to Danish companies facing a Corona virus liquidity crunch. Below, we have listed certain key questions and considerations in respect of the guarantee scheme based on the information available on the schemes so far.

The COVID-19 outbreak has caused many companies to scramble for cash, because sales vanish while fixed expenses such as labor, rent and advertising remain. To help fill the liquidity gap, the Danish Government has announced separate guarantee schemes to back loans by banks for (1) large companies and (2) small and midsized companies.

As of today, only the guarantee scheme for large companies is open for applications, and only this scheme is dealt with below. Kromann Reumert will publish an update on the guarantee scheme for small and midsized companies when the scheme has been established.

Guarantees for large companies are issued and administered by the Danish Growth Fund (*Vækstfonden*).

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1. Which companies are eligible for a guarantee under the scheme?

Based on information available from the Danish Growth Fund's [fact sheet](#), a company which meets the following criteria is eligible for a guarantee under the scheme regardless of its line of business:

- The company must be registered with the Danish Business Authority (*CVR*) or the Faroe Islands Business Authority (*Skràseting Føroya*).
- The company must be a 'large company' as defined by the EU, meaning that it must satisfy one or more of the following criteria: (i) 250 full-time employees (ii) net revenues of more than EUR 50 m, or (iii) assets worth more than EUR 43 m.
- The company must be creditworthy. Whether a company is creditworthy or not is assessed in accordance with general rules on credit assessments adopted by the financial institution that provides the loan for which security is needed. The credit assessment must be included in the financial institution's application under the guarantee scheme (see heading 7 below on the application process).
- If, as of 1 January 2020, the financial institution providing the Corona loan to the company has reported objective indications of credit impairment with respect to an existing loan, the company will not be eligible for a guarantee under the scheme.

2. What kind of loans are eligible for a guarantee under the scheme?

Only loans ('Corona loans') that meet the following criteria are eligible for a guarantee under the scheme:

- The loan must be issued by a financial institution (including leasing companies).
- The loan must be finally approved by the relevant financial institution's credit committee etc.
- The loan must be newly issued for the purpose of funding a loss of revenue

caused by the COVID-19 outbreak (i.e. the guarantee scheme cannot be used to secure existing loans).

- The loan must be priced on the basis of a realised or expected loss of revenue of more than 30 % over a minimum period of 14 days from 1 March 2020 to 30 September 2020 (see heading 3 below on calculation of a realised/expected loss of revenue).

3. How is a realised/expected loss of revenue calculated?

As set out above, loans eligible for a guarantee under the scheme must be raised in respect of a certain 'loss period' of at least 14 days from 1 March 2020 to 30 September 2020. The loss of revenue must amount to more than 30 % during the 'loss period'.

The realised loss of revenue during such 'loss period' is calculated as the difference between:

- the company's turnover in the realised part of the 'loss period', and
- the company's turnover in the same period in 2019 less any compensation for losses received from other government schemes, insurance or the like.

The expected loss of revenue is calculated as the difference between:

- the company's expected turnover in the future part of the 'loss period', and
- the company's turnover in the same period in 2019 less any expected compensation for losses received from other government schemes, insurance or similar.

If there are no accounting figures for the company's turnover in the relevant period in 2019, the financial institution can estimate the company's loss of revenue on the basis of its budgeted revenue.

If a guarantee has been issued under the scheme on the basis of an expected loss of

revenue, and this expected loss of revenue is not realised, the guarantee already issued will be written down by 70% of the unrealised expected loss of revenue.

When calculating the loss of revenue, any loss compensation which the company expects to receive from another government scheme established as a result of COVID-19 must be deducted.

4. What are the terms of the guarantee?

A guarantee under the scheme has a term of up to 7 years and covers up to 70 % of a financial institution's exposure under the Corona loan.

The guarantee cover is written down on a straight-line basis during the term of the guarantee.

The Danish Growth Fund has published a standard form of guarantee. The form and the terms of the guarantee are non-negotiable.

5. What are the costs of the guarantee?

A guarantee under the scheme is subject to the following fees:

- An upfront fee (in Danish: *stiftelsesprovision*) of 0.25 % of the amount of the guarantee cover.
- An annual guarantee fee calculated as a percentage of the amount of the Corona loan. The guarantee fee will be determined on the basis of the company's current credit rating as determined by the financial institution issuing the Corona loan.

6. Can the same company obtain more than one guarantee under the scheme?

Yes, the same company can obtain more than one guarantee under the scheme, but a company cannot obtain more than one guarantee for loans covering loss of revenue in the same period.

7. How to apply for a guarantee under the scheme?

Guarantees under the scheme are applied for on the Danish Growth Fund's website by the financial institution issuing a Corona loan. The Danish Growth Fund cooperates with all Danish banks and financial institutions.

Kromann Reumert is available to answer any questions and discuss the opportunities offered by the new guarantee scheme, including to review your existing financing arrangement to ensure that it permits Corona loans and guarantees.

[Corona Guarantee - Pricing](#)

[Corona Guarantee - Application Form](#)

[Corona Guarantee - Guarantee Terms](#)

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