PROTOCOL OF SID BANK ON STATE AID IN THE FORM OF PUBLIC LOANS

granted in accordance with the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak

SID – SLOVENSKA IZVOZNA IN RAZVOJNA BANKA, D.D., LJUBLJANA,

Having regard to Slovenian Export and Development Bank Act,[1]

Having regard to the third paragraph of article 108 of the *Treaty on the Functioning of the European Union*[2] and to the *Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union* in particular its Chapter II on Procedure regarding notified aid,

Having regard to *Monitoring of State Aid Act*[3]*,*

Having regard to governmental *Decree on data submission and on the reporting of granted state aid and de minimis aid*[4],

Having regard to *Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak*[5] (hereinafter referred to as: Temporary Framework),

Having regard to Commission Decision on *State Aid SA.57724(2020/N) – Slovenia COVID-19: Zero interest and soft loans scheme*[6] and its subsequent written explanations of the text of the said decision[7],

Having regard to Commission Decision *SA.60415 Slovenia, COVID-19 Modifications to SA.56999, SA.57143, SA.57782 amended by SA.58471, SA.57724 and SA.57558*[8]*, prolonging Zero interest and soft loans scheme* until 30.6.2021,

Having regard to Commission Decision *SA.62041(2021/N) – Slovenia*[9] approving modification of the *Zero interest and soft loans scheme*, like prolongation of the scheme until 31 December 2021, increase of aid ceilings under section 3.1 of Temporary Framework and increase of the budget of the scheme,

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[1] Official Gazette, no. 56/08, 20/09, 25/15, 61/20

[2] OJ C 202, 7.6.2016

[3] Official Gazette, No 37/04

[4] Official Gazette, No 61/04, 22/07, 50/14

[5] OJ C 91I, 20.3.2020, p. 1–9; OJ C 112I, 4.4.2020, p. 1–9; OJ C 164, 13.5.2020, p. 3–15; OJ C 218, 2.7.2020, p. 3; OJ C 340I, p. 1-10 and OJ C 34, 1.2.2021, p. 6–15

[6] Brussels, 8.7.2020, C(2020) 4783 final

[7] See particularly e-mails from Mr. Andreas Bergmann, Policy Officer, Directorate-General for Competition State Aid: Financial Institutions I, dated: 9 July 2020 15:11, 23 July 2020 10:28, 24 July 2020 23:20 and 16 November 2020 12:11.

[8] Brussels, 8.1.2021, C(2021) 151 final

[9] Brussels, 11.3.2021, C(2021) 1745 final

Whereas:

(1) Slovenia had to declare a state of epidemic from 12 March 2020 to 15 May 2020 and again since 19 October 2020 to date due to an increase in the number of cases of coronavirus infections. A number of measures have been introduced on the closure of shops and other services, the halt of public transport, the ban of public gatherings etc.

(2) The epidemiological situation in Slovenia in the final quarter of 2020 was among the worst in the euro area, and required the long-lasting tightening of containment measures, which triggered a sharp decline in economic activity, mainly services. Many sectors, most notably services, were also subject to partial or complete shutdowns for several months because of the epidemic. The chances of a stronger rebound in economic activity in the early part of year 2021 are small, as the epidemiological situation at home and in the rest of Europe remains unfavourable. This has been reflected in Bank of Slovenia's latest projections, which compared with those in June 2020 are lower for 2020 and 2021. GDP is expected to decline by 7.6% in 2020, followed by only 3.1% growth in 2021.[10]

(3) The European Commission has recognized that COVID-19 outbreak poses the risk of a serious downturn affecting the whole economy of the EU, hitting businesses, jobs and households. There is a disruption of supply chains, lower consumer demand and the negative effect of uncertainty on investment plans and the impact of liquidity constraints for undertakings. The sock causes a temporarily EU-wide market gap in the field of external debt financing and justifies well-targeted public support to ensure that sufficient liquidity remains available in the markets to counter the damage inflicted on healthy undertakings and to preserve the continuity of economic activity during and after the COVID-19 outbreak. Affordable access of business to external debt financing in the aftermath of COVID-19 outbreak is crucial to preserve viability of undertakings, and/or on their ability to make investments necessary for the revival of the economy.[11]

(4) SID bank public mandate and mission is to support the economically viable projects where market gaps have been observed.[12] With this regard SID bank's duty is to update its loan programs, including ones supported by European Structural and Investment Funds (ESIF), to make affordable external debt financing available to undertakings in the aftermath of COVID-19 outbreak as made possible by newly adopted set of state aid rules and amendment of ESIF rules[13], providing exceptional flexibility for Member states in response to the COVID-19 outbreak.

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[10] Macroeconomic Projections for Slovenia, BANK OF SLOVENIA, December 2020, available at https://bankaslovenije.blob.core.windows.net/publication-files/macroeconomic-projections-for-slovenia-december-2020.pdf

[11] See references in footnotes no. 5 and 13.

[12] See reference in footnote no. 1

[13] See *Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilize investments in the healthcare systems of Member States and in other sectors of their economies in response to the*

(5) The aim of updating SID bank loan programs to Temporary Framework is to provide undertakings, especially SMEs, whose activities have been significantly affected by the COVID-19 outbreak with sufficient liquidity. Likewise the updating of SID bank loan programs is aiming at fostering investment of undertakings in both tangible and intangible assets.

(6) This Protocol forms part of a comprehensive overall package of measures adopted by the Government of Republic of Slovenia and aims at ensuring that sufficient liquidity remains available in the market to counter negative impacts inflicted upon undertakings by the COVID-19 outbreak and to preserve the continuity of economic activity during and after the outbreak. The Protocol is complementary to the existing measures while focusing on ensuring affordable access of undertakings to external debt financing in the aftermath of COVID-19 outbreak.

HAS ADOPTED THIS PROTOCOL:

TITLE I

SUBJECT MATTER, DEFINITIONS AND COMMON PROVISONS

Article 1

Subject matter

This Protocol regulates the conditions that have to be respected by on-lending institution if the soft loan is given within SID bank loan program under section 3.1 or section 3.3. of Temporary Framework.

Article 2

Definitions

For the purposes of this Protocol, the following definitions apply:

(1) 'agricultural products' means all products listed in Annex I to the Treaty on Functioning of European Union[14] with the exception of the products of the fisheries and aquaculture sector;
(2) ‘applicant’ means undertaking that has submitted an application to the on-lending institution;
(3) 'application’ means a formal request to get a soft loan;

COVID-19 outbreak (Coronavirus Response Investment Initiative), OJ L 99, 31.3.2020, p. 5–8*; Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak*, OJ L 130, 24.4.2020, p. 1–6.

[14] OJ C 202, 7.6.2016, p. 333–335

(4) 'Block Exemption Regulations' means any of the following regulations: *Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty* (hereby referred to as: General Block Exemption Regulation)[15], *Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union*[16] and *Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union*[17]*;*

(5) 'de minimis aid' means aid under any of the de minimis Regulations;

(6) 'de minimis Regulations' means any of the following regulations: *Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid*[18]*, Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector*[19]*, Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector*[20] and *Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest*[21]*;*

(7) 'ESIF' means European Structural and Investment Funds;

(8) 'eligible undertaking' means undertaking who fulfills all the conditions set in Article 3 of this Protocol;

(9) 'financial intermediary' means credit institutions selected by SID bank to carry out latter's loan programs;

(10) 'final beneficiary' means an eligible undertaking whose application for a soft loan has been approved by on-lending institution;

(11) 'fishery and aquaculture sector' means sectors as defined in Article 2(1) of *Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector*[22]*;*

(12) 'large enterprises' means undertakings not fulfilling the criteria laid down in Annex I General Block Exemption Regulation;

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[15] OJ L 187 26.6.2014, p. 1
[16] OJ L 193, 1.7.2014, p. 1
[17] OJ L 369, 24.12.2014, p. 37
[18] OJ L 352, 24.12.2013, p.1
[19] OJ L 352, 24.12.2013, p. 9
[20] OJ L 190, 28.6.2014, p. 45
[21] OJ L 114 of 26.4.2012, p. 8
[22] OJ L 190, 28.6.2014, p. 45

(13) 'MEO principle' means market economy operator principle as interpreted by European Court of Justice;
(14) 'Ministry of Finance' means ministry of finance of Republic of Slovenia;
(15) 'on-lending institution' means SID bank or financial intermediary that is deciding on application;
(16) 'primary production of agricultural products' means production as defined in Article 2(5) of *Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union*[23],
(17) 'processing and marketing of agricultural products' means any act as defined in Article 2(6) and Article 2(7) of *Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union*[24];
(18) 'SID Bank' means SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana (hereinafter referred to as: the SID bank) which is a national promotional bank 100% owned by the Republic of Slovenia;
(19) 'SID bank loan programs' means loan programs determined by SID bank and carried out either by SID bank itself or by financial intermediaries;
(20) 'SME' means undertaking fulfilling the criteria laid down in Annex I of the General Block Exemption Regulation;
(21) 'soft loan' means a loan with a below-market rate of interest which funding is backed up by public sources. If the loan to the final beneficiary is co-funded by ESIF sources and there is no first-loss piece to be borne by ESIF sources, while the other part of the loan funded by the on-lending institution is priced along MEO principle the soft loan is considered to be only that part of the combined loan that is funded by ESIF sources. In all other cases the whole combined loan approved on the basis of this Protocol is considered to be a soft-loan;
(22) 'undertaking in difficulty' means an undertaking that was on 31 December 2019 already in difficulty within the meaning of the General Block Exemption Regulation (article 2(18)).

Article 3

Eligibility requirements for undertakings

In order to be eligible for soft loans under title II or title III of this Protocol the undertaking has to face sudden liquidity shortage due to COVID-19 outbreak, operate in the territory of Slovenia and shall not be

a) a credit institution or other entity that could be subject to the Directive 2014/59/EU on bank recovery and resolution[25] (e.g. financial institutions, credit institutions, investment firm, etc.);

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[23] OJ L 193, 1.7.2014, p. 1
[24] OJ L 193, 1.7.2014, p. 1
[25] OJ L 173, 12.6.2014, p. 190-348.

b) undertaking that has been granted unlawful aid in respect of which the Commission has adopted a negative decision with a recovery order and where no such recovery has taken place or
c) an undertaking in difficulty.

In addition to the eligibility requirements set up in the previous paragraph the undertaking shall fulfill any other requirements set up in accordance with this Protocol in a SID bank program, within which the undertaking has submitted its application.

Article 4
Soft loan purpose

The soft loan shall finance investment and/or working capital needs of the final beneficiary and shall not be conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of Republic of Slovenia.

Article 5
Deadline for application approval and signing the loan contract

The application shall be approved and the loan contract signed from the date this Protocol enters into force until 31 December 2021 at the latest.

Article 6
Calculation of aid element and the date of aid approval

Aid given by soft loan equals to the amount of soft loan principal expressed in EUR.

Aid shall be deemed granted on the date of application approval.

By signing the loan agreement final beneficiary ought to be informed about the amount of aid and the section of Temporary framework under which the aid is granted.

Article 7
Principles on financial intermediaries to pass on the advantages of the public funding to the final beneficiaries

If the soft loan is given to the final beneficiary within SID bank loan program run by financial intermediary the following mechanism ensuring that the financial intermediary passes on the advantages of the public funding to the final beneficiaries to the largest extent possible shall be applied:

- SID bank loan program shall be either open to all interested credit institutions in Slovenia or restricted to some of them on the basis of transparent, non-discriminatory, objective and competitive selection procedure;
- In any of the two approaches financial intermediary shall make legally binding commitment to pass on the advantages of the public funding to the final beneficiaries to the largest extent possible. In particular, financial intermediary shall make the commitment that the administrative fees for soft loans applied by the financial intermediary shall be in line with those applied for any other comparable loans granted by the same financial intermediary.
- The commitment shall form part of the contract signed between the SID bank as competent authority to manage the scheme and the selected financial intermediary. Undertakings shall be free to approach different financial intermediaries to find the lowest borrowing costs and thus spurring financial intermediaries to compete who offers borrowers the most attractive terms to win their business;
- If transparent, non-discriminatory, objective and competitive selection procedure is used the decisive selection criteria shall be the lowest credit risk margin for the part of the combined loan funded by the on-lending institution . The commitments concerning the said credit risk margin shall form part of the contract signed between the SID bank and the selected financial intermediary. These contractual commitments shall be verified through regular reporting and auditing done by SID bank. If the commitments are not respected the financial intermediaries shall be sanctioned;
- If SID bank loan program is open to all interested financial intermediaries active in Slovenia the financial intermediaries will provide SID bank with the reporting of all transactions with final beneficiaries, including the interest rate that the financial intermediary would have applied if *ceteris paribus* the loan had not been given within the SID bank loan program. If the differences in interest rates do not show that financial intermediary has passed on the advantages of the public funding to the final beneficiaries the financial intermediary in breach shall be sanctioned.

TITLE II

SCHEME UNDER SECTION 3.1. OF TEMPORARY FRAMEWORK

Article 8

Maximum amount and maturity of soft loan principal

The soft loan principal shall not exceed EUR 1.800 000 and shall have maturity no longer than eight (8) years. If the soft loan is approved to undertaking active in fishery and aquaculture sectors the principal shall not exceed EUR 270 000. If the soft loan is approved to undertaking active in the primary production of agricultural products the principal shall not exceed EUR 225 000.

If the soft loan is approved to undertaking is active in several sectors to which different maximum amounts of soft loan principal apply, it must be ensured, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of soft loan EUR 1.800 000 is not exceeded. Where an undertaking is active in the fishery and aquaculture sector and in the primary production of agricultural products only, the overall maximum amount of EUR 270 000 shall not be exceeded.

Article 9
Prohibited terms and conditions

Approval of a soft loan to undertakings active in the processing and marketing of agricultural products shall

a) not be tied to the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned or

b) be conditioned on not passing partly or entirely the loan advantages to primary producers.

Approval of a soft loan to undertakings active in the primary production of agricultural products shall not be tied to the price or quantity of products put on the market.

Soft loan to undertakings active in the fishery and aquaculture shall not concern any of the objectives related to aid referred to in Article 1, paragraph (1) (a) to (k), of *Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector*[26].

[26] OJ L 90, 28.6.2014, p. 45

TITLE III

SCHEME UNDER SECTION 3.3. OF TEMPORARY FRAMEWORK

Article 10

Minimum interests rates and maximum maturity of soft loans

Soft loans for large enterprise shall be granted with interest rates (all-in) per annum which are at least equal to the interest rates as set-out in the table below:

Loan maturity-M (years)	M ≤1	1<M ≤2	2<M≤3	3<M≤4	4<M≤5	5<M≤6	6<M≤7	7<M≤8
interest rates (bps)	20,00	50,00	60,00	105,00	130,00	145,00	270,00	320,00

Soft loans for SMEs shall be granted with interest rates (all-in) per annum which are at least equal to the interest rates as set-out in the table below:

Loan maturity-M (years)	M ≤1	1<M ≤2	2<M≤3	3<M≤4	4<M≤5	5<M≤6	6<M≤7	7<M≤8
interest rates (bps)	10,00	16,00	18,00	38,00	48,00	55,00	170,00	220,00

Article 11

Maximum amount of soft loan principal

Soft loan principal shall not exceed:

a) double the annual wage bill of the final beneficiary (including social charges as well as the cost of personnel working on the undertaking's site but formally in the payroll of subcontractors) for 2019 or for the last year available. If undertaking is created on or after 1 January 2019, the maximum amount of soft loan shall not exceed the estimated annual wage bill for the first two years in operation; or

b) 25% of the final beneficiary's total turnover in 2019.

If the undertaking performs an activity for which it has been determined by a governmental or municipal decree that the provision of services or the sale of goods is temporarily prohibited due to a virus epidemic (e.g. health, tourism, culture, retail and transport sectors) the amount of the soft loan principal may be increased to cover liquidity needs of the undertaking from the moment of approving the soft loan for the coming 18 months for SMEs and for the coming 12 months for large enterprises. The liquidity plan may include both working capital and investment costs. The liquidity needs are established through self-certification by the final beneficiary.

TITLE IV
CUMULATION, REPORTING AND BUDEGT OF THE SCHEMES

Article 12
Cumulation

Aid granted under this Protocol may be cumulated with de minimis aid and/or with aid under the Block Exemption Regulation; in such a case, the provisions of the relevant Regulations shall be respected.

Aid granted under Title II of this Protocol may be cumulated with other aid granted under section 3.1 of the Temporary framework until the overall aid received by the undertaking[27] does not exceed the relevant maximum amount of soft loan as defined under article 8 of this Protocol.

Aid granted under Title III of this Protocol shall not be cumulated with aid granted for the same underlying loan principal under section 3.2 of the Temporary framework and vice versa.

Aid granted under Title III of this Protocol may be cumulated with aid under section 3.2 and section 3.3 of Temporary Framework for different loans provided the overall amount of loans per final beneficiary does not exceed the thresholds set out in Article 11 of this Protocol.

On-lending institution shall establish compliance with cumulation requirements through written self-certification by the applicant concerning the state aid the undertaking has received under section 3.1, 3.2 or section 3.3 of Temporary Framework as relevant and de minimis aid or state aid under Block Exemption Regulations for the same costs.

[27] 'undertaking' includes, for the purpose of this provision, all enterprises having at least one of the following relationships with each other:

a) one enterprise has a majority of the shareholders' or members' voting rights in another enterprise
b) one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise
c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
d) one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise

Enterprises having any of the relationships referred to in points (a) to (d) through one or more other enterprises shall also be considered to be a single undertaking.

Article 13
Reporting

SID bank shall report to Ministry of Finance by filling in electronic form as published on the web side of Ministry of Finance and sending it to the said ministry via e-mail in accordance with Decree amending the Decree on data submission and on the reporting of granted state aid and de minimis aid.

Article 14
Record keeping

Detailed records shall be kept regarding the approval of every soft loan for 10 years upon its approval. Such records shall contain all information necessary to establish that the conditions set out in this Protocol were observed.

Upon the request of Ministry of Finances or European Commission these records shall be provided to them in a due time.

Article 15
Budget of the aid schemes

The overall size of all the soft loans granted by SID bank or channeled through financial intermediaries in accordance with this Protocol shall not exceed the budget of EUR 222.000.000 namely EUR 114.000.000 under Title II of this Protocol and EUR 108.000.000 under chapter III of this Protocol.

Article 16
Entry into force

This Protocol shall enter into force on the date the European Commission decides not to raise objections to its aid schemes on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union and after the first day of its publication on SID bank's web side.

Done in Ljubljana, 16. 3. 2021.

Management Board of SID bank

Member	*President*
Goran KATUŠIN	Sibil SVILAN, M. Sc.