# MDB / Malta

**Outstanding guarantee volume** of **mEUR 149.4** (in H1 2020)

**283 SMEs** under the auspices of **MDB** (H1 2020)

**New Production** in H1 2020 is **mEUR 146.4** (98% of its portfolio)

The Maltese Government has allocated a fund of mEUR 350 for the **Malta Development Bank (MDB)** to develop the **Covid19 Guarantee Scheme (CGS)**, with the purpose of guaranteeing loans granted by commercial banks in Malta to meet new working capital requirements of businesses facing cashflow disruptions due to the effects of the COVID-19. The **CGS** shall enable the commercial banks to leverage a portfolio of up to mEUR 777.8 in new working capital loans to support all types of businesses in Malta. The **CGS** covers 90% of each facility, capped at 50% of the actual portfolio volume.

In view of the credit enhancement and substantially reduced credit risk exposure provided by the **CGS**, the advantages should be passed on to the final beneficiaries including in the form of : higher volume of finance, lower collateral requirement, and lower interest rates.

Eligible working capital costs under the **CGS** include salaries, rental costs, energy and water bills and fuel, unpaid invoices due to a decrease in revenues, acquisition of material and stock for continuation of business, expenses directly related to contracts which were cancelled or postponed because of the present situation and maintenance costs. Restructuring or rescheduling of existing facilities cannot be covered.

Businesses of any size and type can apply for loan amounts that can go up to mEUR 2 for SMEs and mEUR 5 for larger entities, higher amounts reaching a maximum of mEUR 25 are possible with ad-hoc approval by **MDB**, depending on the firm's size, wage bill and turnover. Under the **CGS**, businesses can also benefit from improved access to liquidity, at lower interest rates. The interest rate is to be determined by the intermediating commercial bank which would need to give an interest rate reduction to beneficiaries of at least 1% on the average lending rate as compared to similar facilities prior to the introduction of the guarantee scheme. The guarantee fee for SMEs is 0.15% for loans of up to 4 years and rises in time from 0.25% to 1% for loans of 5 to 6 years.

The guarantee covers loan terms of minimum 18 to maximum 48 months. The term can increase to 72 months, subject to additional terms and conditions. In addition, the **CGS** will provide the much-needed breathing space for businesses by providing a six-month moratorium on both the interest payments as well as on capital repayments. The moratorium period can be extended by the commercial banks to one year on a case-by-case basis. Guarantees under this scheme can be issued until 30th June 2021.

Following the launch of the **CGS**, the **MDB** launched a complementary **COVID-19 Interest Rate Subsidy scheme (CIRSS)** as an additional measure to further soften the terms of working capital loans extended by banks under the **CGS**. Through **CIRSS**, businesses benefit from a subsidy of up to 2.5% on the interest rate charged by banks during the first two years of working capital loans guaranteed by the **CGS**. The borrower has to pay an interest rate of at least 0.1% on the loan, net of the guarantee fee. Such subsidies are funded by Government and are expected to amount to mEUR 40.

The **MDB COVID-19 Small Loans Guarantee Scheme (SLGS)** is intended to support smaller businesses in taking out loans under the **CGS** without the need to provide high levels of soft collateral in the form of personal guarantees. Through the **SLGS**, the **MDB** provides additional protection to the banks by subordinating its rights to those of the banks in respect of the 10% of the loan which is not covered by the 90% guarantee under the **CGS**. In return, commercial banks are prohibited to request soft collateral in excess of 20% of the loans extended to SMEs. The **SLGS** applies to loan contracts of up to kEUR 250.

More information on **MDB** measures can be found under the following link: https://mdb.org.mt/en/Pages/default.aspx

Latest update: 10th December 2020

The **average guarantee size** is **kEUR 441.9** in H1 2020