

ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER DCFTA INITIATIVE EAST – GUARANTEE FACILITY

Indicative Terms and Conditions of the Guarantee

Important Disclaimer

This summary term sheet is for information purposes only. This document is an outline of the principal terms and conditions for the product described herein, which are subject to change and non-exhaustive.

This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Fund (“EIF”), the European Investment Bank (“EIB”) or any other person to enter into one or more transaction(s). Any finance commitment by EIF or EIB can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. Neither EIF nor EIB acts as adviser to you or owes you any fiduciary duty or duty of care. EIF and EIB act solely in their own respective commercial interest in entering into any financial instrument with you. Neither EIF nor EIB makes any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

Overview of the Guarantee

The guarantee (the “**Guarantee**”) shall be issued by EIB (the “**Guarantor**”) and implemented and managed by EIF (the “**Transaction Agent**”) for the benefit of the **Financial Intermediary**. It shall partly cover the credit risk associated with underlying debt financing (such as loans and leases) to SMEs (“**SME Transactions**”) included in the guaranteed portfolio (the “**Portfolio**”). Eligible SME Transactions shall be covered at a guarantee rate of maximum 70% per loan up to a maximum guarantee of 25% for the Portfolio.

The Guarantee shall constitute a direct financial guarantee and shall cover losses (relating to unpaid principal and interest) incurred by the Financial Intermediary in respect of each defaulted eligible SME Transaction, as further specified below.

The origination, due diligence, documentation and servicing of the SME Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures.

Eligible SME Transactions will be automatically covered, by way of submitting inclusion notices on a bi-annual basis until the end of the relevant Inclusion Period.

Indicative Terms of the Guarantee	
Target Region	DCFTA East Countries: Ukraine, the Republic of Moldova and Georgia. This list may be amended, restated, supplemented or substituted from time to time by the Transaction Agent and the Guarantor jointly.
Structure	<p>The Guarantee shall be a capped first loss portfolio guarantee providing credit risk coverage on a loan by loan (or lease by lease) basis for the creation of a portfolio of eligible SME Transactions.</p> <p>The Guarantee shall cover Losses incurred by the Financial Intermediary in respect of each defaulted eligible SME Transaction in accordance with the Guarantee Rate and subject to the Guarantee Cap Amount.</p> <p>Losses covered by the Guarantee in respect of the Portfolio of eligible SME Transactions shall in aggregate not exceed the Guarantee Cap Amount agreed in the guarantee agreement between the Guarantor, the Transaction Agent and the</p>

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	<p>Financial Intermediary (the “Guarantee Agreement”). The recoveries on the underlying debt instruments will be shared <i>pari passu</i> by the Financial Intermediary and the Guarantor in the same proportion of the default cover. The Financial Intermediary shall pay a guarantee premium calculated on the basis of the guaranteed part of the outstanding principal amounts of the performing SME Transactions included in the Portfolio.</p> <p>The Financial Intermediary shall maintain an economic exposure of at least 20% of the outstanding principal amount of each SME Transaction included in the Portfolio, and it shall not enter into any credit support, guarantee or other transfer of risk arrangements with respect to such portion (provided that any collateral, security or guarantee payable to the Financial Intermediary that qualify as recoveries under the relevant Guarantee Agreement shall not be taken into account for this purpose).</p> <p>EIF, as Transaction Agent, shall implement and manage the Guarantee Agreement for the benefit of the Guarantor (including, but not limited to, by managing the contractual relationship with the Financial Intermediary and paying out and receiving any amounts under the Guarantee Agreement on behalf of the Guarantor).</p>
<p>Governing Law and Language</p>	<p>The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England and submitted to the jurisdiction of the courts of England or such other governing law and jurisdiction including (without limitation) arbitration as the Guarantor and Transaction Agent determine.</p>
<p>Guarantee Currency</p>	<p>The Guarantee shall be typically denominated in EUR. The currency of SME Transactions included in the Portfolio can be EUR, USD, Ukrainian hryvnia (UAH), Moldovan leu (MDL) and Georgian lari (GEL). If SME Transactions are denominated in a currency other than EUR, and Losses or Loss Recoveries are denominated in a currency other than EUR, the FX mechanism described below shall be applied.</p>
<p>Availability Period</p>	<p>Typically 24 months from the date of signature of the Guarantee Agreement, or such other period as determined by the Guarantor and the Transaction Agent.</p> <p>During the Availability Period, eligible SME Transactions may be included by the Financial Intermediary in the Portfolio for coverage under the Guarantee. Such inclusion of SME Transactions shall occur automatically upon receipt by the Transaction Agent of an inclusion notice submitted by the Financial Intermediary on a semi-annual basis. For the avoidance of doubt, the SME Transactions so included shall be deemed to be covered by the Guarantee from the date of the signature of such SME Transactions.</p>
<p>Financial Intermediaries</p>	<p>Financial or credit institutions or guarantee institutions duly authorised to carry out lending, leasing or guarantee activities under the applicable regulatory framework, established and operating in one or several of DCFTA East Countries. Such institutions shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may be subject, and shall not be established in a Non-Cooperating Jurisdiction and shall not be in an exclusion situation as further described in the Annex I to the Call.</p>

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Agreed Volume	<p>The aggregate amount of principal of the SME Transactions (the relevant amount for a Revolving SME Transaction being the Credit Limit Amount) that may be included in the Portfolio, as agreed for each relevant Guarantee¹.</p> <p>The Agreed Volume will correspond to a percentage of the Maximum Volume (typically 75%) that may be increased up to the Maximum Volume at the Guarantor's and Transaction Agent's discretion depending on successful ramp-up of the Portfolio by the Financial Intermediary.</p> <p>For the avoidance of doubt, a volume of the Portfolio below the Agreed Volume shall not affect the legal validity of the Guarantee.</p> <p>At any time during the Availability Period, the Agreed Volume may be reduced by EIF if the Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the Guarantee Agreement.</p>
Maximum Volume	<p>The maximum size of the Portfolio (typically denominated in EUR regardless of the denomination of the SME Transactions included in the Portfolio).</p>
Actual Volume	<p>The aggregate amount of the principal committed to be available under eligible SME Transactions (the relevant amount for a Revolving SME Transaction being the Credit Limit Amount) included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <ul style="list-style-type: none"> i) if any eligible SME Transaction is prepaid and/or repaid, then this shall not reduce the Actual Volume; ii) if an SME Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such SME Transaction shall not be taken into account for the calculation of the Actual Volume; and iii) the Actual Volume may in no circumstances exceed the Agreed Volume. <p>In case the Portfolio consists of eligible SME Transactions denominated in EUR, USD and/or a local currency, for the purpose of the calculation of Actual Volume, SME Transactions denominated in USD and the local currency will be converted into EUR at the Relevant FX Rate.</p>
Guarantee Rate	<p>The Guarantee Rate shall not exceed 70%.</p>
Guarantee Cap Rate	<p>The Guarantee Cap Rate shall be determined by the Guarantor and the Transaction Agent for each Guarantee on a case-by-case basis and shall not exceed 25%.</p>
Guarantee Cap Amount	<p>For each Guarantee the maximum aggregate amount of guarantee coverage is calculated based on the Actual Portfolio Amount, the Guarantee Rate and the Guarantee Cap Rate as follows:</p> <p>Guarantee Cap Amount = Actual Portfolio Amount x Guarantee Rate x Guarantee Cap Rate.</p>

¹ In case of leases, the references to the 'principal amount' shall deem to refer to the 'capital amount', which means at any time the amount financed by the Financial Intermediary to the SME under an SME Transaction, i.e. the net purchase price of the leased asset reduced by the amount of a down payment thereunder.

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Guarantee Fee	35 bps per annum.
Guarantee Fee Amount	Means the amount payable bi-annually in arrears by the Financial Intermediaries, calculated as the product of: 1. the aggregate daily average of the outstanding performing SME Transactions during the calendar semester; 2. the Guarantee Rate; and 3. the Guarantee Fee divided by 360.
Losses	The Guarantee covers Losses incurred by the Financial Intermediary at the Guarantee Rate, subject to the Guarantee Cap Amount, where Losses mean: i. Principal and/or interest amounts ² (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the last payment past due) due, payable and outstanding at such time following occurrence of either a SME Transaction Default or a SME Transaction Acceleration, and ii. Any reduction in principal or interest amounts (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days) payable as a result of an SME Transaction Restructuring. The Losses are covered until the earlier of (i) 18 December 2031 and (ii) a date specified in the Guarantee Agreement.
SME Transaction Default	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement that (i) the Financial Intermediary considers at any time (acting reasonably in accordance with its internal procedures) that an SME has not met its payment obligations under such SME Transaction (without recourse by the Financial Intermediary pursuant to any guarantee or security rights granted by the Financial Intermediary); or (ii) an SME has failed to meet any payment obligation under the relevant SME Transaction which has continued for at least 90 consecutive calendar days.
SME Transaction Acceleration	Means, in respect of an SME Transaction, and unless otherwise specified in the specific terms of the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such SME Transaction which has entitled the Financial Intermediary to demand payment of any amounts owed to it prior to their contractually due date and the Financial Intermediary has exercised such right (or is prevented from exercising such rights solely by application of mandatory laws and regulations preventing or staying the exercise of such right).
SME Transaction Restructuring	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that the Financial Intermediary, acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of such SME Transaction such that the

² In case of leases, the references to the 'principal amount' shall mean the amount financed by the Financial Intermediary under a lease, which is the purchase price of an asset leased by the Financial Intermediary, reduced by any down-payment amount paid by the SME. The references to the 'interest amount' shall deem to refer to "lease interest amount", which shall mean the interest amount charged by the Financial Intermediary to the SME at the rate set out in the relevant SME Transaction documentation.

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	amount of principal scheduled to be paid, or any interest amount due, by the relevant SME is reduced, in order to improve the collectability of the claims arising from the relevant SME Transaction.
Payment Demands	The Guarantor (acting through the Transaction Agent) shall pay any amounts claimed by the Financial Intermediaries within 60 calendar days of the relevant Payment Demand date. Payment Demands shall be: a) in respect of Losses relating to SME Transactions included in the Portfolio, such Losses having been reported to the Transaction Agent by not later than the third Report Date following the calendar semester in which such Losses have been incurred; b) sent during a specific period as further specified in the Guarantee Agreement.
Events of Default under the Guarantee	Standard events of default (including, but not limited to, non-payment, breach of agreement, repudiation, unlawfulness and insolvency). The occurrence of an event of default, if it has not been remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an “Early Termination”).
Latest SME Transaction Maturity Date	Means the latest day on which an SME Transaction in a Portfolio is scheduled to be repaid by the relevant SME in accordance with the scheduled repayment provisions of the documentation governing such SME Transaction (including as a result of any amendment to the terms of such SME Transaction).
Termination Date	The Guarantee shall terminate on the earlier of: (i) six months following the Latest SME Transaction Maturity Date; (ii) the date on which an Early Termination (if any) has occurred; (iii) the date (if any) on which the Guarantor and the Transaction Agent are no longer liable to make further payments to the Financial Intermediary and has no further claims under the Guarantee; and (iv) 18 December 2031.

SMEs and Eligibility Criteria

SME	Any micro, small or medium-sized enterprise that qualifies as an SME under the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) as amended from time to time.
SME Transaction	A debt financing provided by a Financial Intermediary to an SME.
Revolving SME Transaction	An SME Transaction in the form of a loan (which shall include an overdraft line of credit and exclude any credit or loan resulting from utilisation of credit card limits or in the form of purchase of receivables, whether on a recourse or non-recourse basis) to an SME that can use, on a revolving basis, the financing available for a specified period through one or more drawdowns and repayments up to the Credit Limit Amount, including by settling obligations arising from a letter of credit.
Credit Limit Amount	The maximum principal amount that a Financial Intermediary commits under a Revolving SME Transaction without any repayments by the SME.

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<p>Rollover of Revolving SME Transactions</p>	<p>Any entry into a new agreement with a new maturity and the same SME to replace an existing Revolving SME Transaction but without repayment in full by the SME of amounts outstanding under the existing Revolving SME Transaction, shall be treated as an extension of the maturity of the existing Revolving SME Transaction (and not as the entry into a separate Revolving SME Transaction).</p>
<p>Conversion of Revolving SME Transactions</p>	<p>If, without repayment in full by the SME of amounts outstanding under a Revolving SME Transaction, the terms of such Revolving SME Transaction included in the Portfolio are modified to the effect that the relevant SME Transaction no longer takes the form of a Revolving SME Transaction, including by way of entry into a new contractual agreement or the execution of a contractual amendment then, subject to the other provisions of the Guarantee Agreement, the resulting SME Transaction shall continue to be included in the Portfolio and shall remain covered by the Guarantee (and shall not be treated as a separate SME Transaction) in accordance with the terms of the relevant Guarantee Agreement.</p>
<p>Eligibility Criteria</p>	<p>SME Transactions shall comply with the criteria set out below and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement (collectively, the “Eligibility Criteria”). The SME Transaction Eligibility Criteria shall be met at all times. The SME Eligibility Criteria shall only be met on the signing date of the the relevant SME Transaction. The additional Eligibility Criteria, if any, shall be met as specified in the specific terms of the relevant Guarantee Agreement.</p> <p><i>SME Eligibility Criteria</i></p> <p>The SME shall comply with each of the following eligibility criteria. It shall:</p> <ul style="list-style-type: none"> i) be an SME; ii) be, deemed potentially economically viable at the time of the support of the EU contribution; iii) not have a substantial focus on one or more restricted sectors (which determination shall be made by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant SME) listed on EIF’s website: http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm; iv) be established and operating in a DCFTA East Country; v) not be established in a Non-Cooperating Jurisdiction; vi) not be to its knowledge in a Exclusion Situation, except if it is a natural person; vii) do not conduct as part of their business activities illegal activities according to applicable legislation; viii) be acceptable as a counterparty to the Financial Intermediary, in accordance with its internal policies and guidelines; ix) in the case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards.

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	<p>A Financial Intermediary may verify compliance with the SME Eligibility Criteria on the basis of a representation by the SME, provided that the Financial Intermediary has no basis for believing that such representation is untrue, misleading or incorrect.</p> <p><i>SME Transaction Eligibility Criteria</i></p> <p>SME Transactions shall comply with each of the following eligibility criteria:</p> <ul style="list-style-type: none"> i) the SME Transaction shall be newly originated; ii) the purpose of the SME Transaction shall be: (1) investment in tangible or intangible assets, (2) working capital, or (3) finance for any other lawful purpose supporting the business of SMEs; iii) the SME Transaction shall be any type of debt financing, including investment loans, revolving facilities (including overdrafts, but excluding credit cards), subordinated loans, participating loans, convertible loans, bonds, letters of credit, leasing or bank guarantees; iv) SME Transactions may be issued for the purpose of re-financing existing debt financing that have not reached legal maturity. Such re-financings may be included in the Portfolio for an amount up to 20% of the Agreed Portfolio Volume, subject to the following conditions: <ul style="list-style-type: none"> • re-financing shall not be allowed for debt transactions which are (i) more than thirty (30) days past due or (ii) in non-performing loan or default status within applicable national banking rules; • SME Transaction that includes re-financing shall be subject to a new credit assessment and its financial sustainability shall be verified (including, if applicable, collateral revaluation); • that the SME Transaction after re-financing benefits from lower interest rates; • unless it has a minimum remaining maturity (under the re-financed agreement) of twelve (12) months, benefit from a longer maturity (compared to the remaining loan maturity of the existing debt finance) and/or an increase of the amount of financing; and • the collateral arrangements under the SME Transaction shall not be stricter than as applied to the re-financed debt; v) The SME Transaction initial principal amount shall not exceed the lower of (i) EUR 5,000,000 (or equivalent amount in local currency) and (ii) 10% of the Maximum Portfolio Volume; vi) The SME Transaction shall have a fixed repayment schedule or be a Revolving SME Transaction; vii) The minimum contractual maturity of SME Transactions shall be six (6) months (rounded up to the nearest full calendar month, and including the relevant grace period (if any)); viii) The maximum contractual maturity of SME Transactions that are not Revolving SME Transactions shall be one hundred twenty (120) months (rounded down to the nearest full calendar quarter, and including the relevant grace period (if any)); ix) The maximum contractual maturity of Revolving SME Transactions, including the renewal of such transactions, shall be sixty (60) months (rounded down to the nearest full calendar quarter, and including the
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	<p>relevant grace period (if any));</p> <ul style="list-style-type: none"> x) The SME Transaction shall not be affected by an Irregularity or Fraud; xi) Currency: an SME Transaction has to be denominated in EUR, USD or in the relevant local currency; xii) The SME Transaction shall not support activities constituting pure financial transactions (such as trading in financial instruments). <p>The breach of any of the eligibility criteria shall result in an exclusion of the relevant SME Transaction(s) from the Portfolio save as specified in the “Exclusion Process”.</p> <p>The Financial Intermediary shall offer more favourable features to the SMEs than it would have without the Guarantee, including (without limitation) (a) an increased maturity, (b) a reduction of the interest rate of the SME Transaction (the interest rate shall be justifiable with regard to underlying credit risks), and/or (c) reduction of the collateral requirements applicable to the SME Transactions (the collateral requirements shall be justifiable with regard to underlying risks).</p>
<p><i>Exclusion Situations</i></p>	<ul style="list-style-type: none"> (a) The SME is on the signing date of the document(s) evidencing the relevant SME Transaction bankrupt or being wound up, is on the signing date of the document(s) evidencing the relevant SME Transaction having its affairs administered by the courts, in this context, has during the last five (5) years from the date of signing of the document(s) evidencing the relevant SME Transaction entered into an arrangement with creditors, has on the signing date of the document(s) evidencing the relevant SME Transaction suspended business activities, is on the signing date of the document(s) evidencing the relevant SME Transaction the subject of proceedings concerning those matters or is on the signing date of the document(s) evidencing the relevant SME Transaction in any analogous situation arising from a similar procedure provided for in national legislation or regulations; (b) During the last five (5) years from the signing date of the document(s) evidencing the relevant SME Transaction, the SME or persons having powers of representation, decision-making or control over it has been convicted of an offence concerning its professional conduct by a judgment which has the force of res judicata, which would affect its ability to implement the SME Transaction. Alternatively, where such judgments exist, the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment; (c) During the last five (5) years from the signing date of the document(s) evidencing the relevant SME Transaction, the SME or persons having powers of representation, decision-making or control over it has been the subject of a judgment which has force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the Union’s financial interests. Alternatively, where such judgments exist the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment; (d) As of the signing date of the document(s) evidencing the relevant SME Transaction, the SME is guilty of misrepresentation in supplying information required for selection as a SME or fails to supply this information; and (e) As of the signing date of the document(s) evidencing the relevant SME

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	Transaction, the SME is, to its knowledge, listed in the central exclusion database, established under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database.
Fraud	Includes, without limitation, as set out in Article 1 in the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests (OJ C 316, 27.11.1995, p.49), fraud affecting the European Union's financial interests ³
Irregularity	Shall have the meaning as set out in Article 1.2 in Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p.1) ⁴
Exclusion Process	<p>At any time, the Transaction Agent or the Guarantor may (but shall not be obliged to) verify whether an SME Transaction included in the Portfolio is an eligible SME Transaction or a non-eligible SME Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Guarantee Agreement.</p> <p>If a Financial Intermediary becomes aware that an SME Transaction is or becomes an ineligible SME Transaction the Financial Intermediary shall include such information in the immediately following Report delivered to the Transaction Agent. The Transaction Agent may at any time upon becoming aware of the same (except if it has already been notified thereof by the Financial Intermediary as set out above) notify the Financial Intermediary of the same by sending an exclusion notice identifying such non eligible SME Transaction.</p> <p>If an SME Transaction does not comply with Eligibility Criteria it shall be excluded from the Portfolio (and shall not be covered by the Guarantee) as of the date on which it became a non eligible SME Transaction.</p> <p>However if an eligible SME Transaction is or becomes a non eligible SME Transaction as a result only of events or circumstances beyond the control of the Financial Intermediary after a payment demand relating to such SME Transaction was served by the Financial Intermediary to the Transaction Agent such SME Transaction shall be deemed to be covered by the Guarantee for the purpose of such payment demand.</p> <p>Similarly if an eligible SME Transaction becomes a non eligible SME Transaction as a result only of events or circumstances beyond the control of the Financial Intermediary but before a payment demand relating to such SME Transaction was</p>

³ Fraud affecting the EU's financial interests shall consist of:

- (a) in respect of expenditure, any intentional act or omission relating to:
- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
 - non-disclosure of information in violation of a specific obligation, with the same effect,
 - the misapplication of such funds for purposes other than those for which they were originally granted;
- (b) in respect of revenue, any intentional act or omission relating to:
- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
 - non-disclosure of information in violation of a specific obligation, with the same effect,
 - misapplication of a legally obtained benefit, with the same effect.

⁴ Any infringement of a provision of European Union law resulting from an act or omission by a an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union or budgets managed by it, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Union, or by charging an unjustified item of expenditure.

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	<p>served by the Financial Intermediary to the Transaction Agent , then such SME Transaction shall be deemed to be covered by the Guarantee if the Financial Intermediary accelerated payment of all amounts owed to it under such SME Transaction no later than on the Report Date immediately following the date on which it became aware thereof. However if the Financial Intermediary does not proceed to the acceleration of such SME Transaction within the timeframe specified above then this SME Transaction shall be excluded from the Portfolio as of the date on which it became a non eligible SME Transaction.</p> <p>The Actual Volume shall be reduced following an exclusion from the Portfolio by the aggregate principal amount of the SME Transactions so excluded.</p>
<p>Right of Clawback by EIF</p>	<p>The Transaction Agent and the Guarantor will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances as set out in the Guarantee Agreement, including any amounts paid under the Guarantee in excess of the Loss, and any excess amount paid as a result of an exclusion of an SME Transaction from the Portfolio.</p>
<p>Adjustment of the Actual Volume</p>	<p>In respect of each eligible SME Transaction included in the Portfolio, if on the date which is (such date, the “Adjustment Date”):</p> <ol style="list-style-type: none"> 1. the end of a disbursement period (when amounts cease to be available for utilisation by an SME), 2. the date on which the commitment made available for utilisation under an eligible SME Transaction is cancelled, <p>but in any case no later than on the Termination Date the committed amount of principal has not been fully drawn or utilised by an SME (in the case of the Revolving SME Transaction, letters of credit or bank guarantees meaning the Credit Limit Amount for Revolving SME Transactions or the relevant limit for letters of credit and bank guarantees), the Actual Volume shall be adjusted to reflect the actual amount of principal drawn or utilised by the relevant SME. The Financial Intermediary shall reflect any such adjustment in the Report immediately following such Adjustment Date.</p> <p>If the Actual Volume is adjusted pursuant to this section or the section “Exclusion Process” as described above (the amount of reduction of the Actual Volume, the “Adjusted Portion”), the Financial Intermediary may include one or more further eligible SME Transactions in the Portfolio up to the aggregate of Adjusted Portions and to the extent that the Actual Volume does not exceed the Agreed Volume and if such inclusions are made until the earlier of (i) the Termination Date and (ii) the third Report Date following the Adjustment Date or the date on which a Party has been effectively notified that the SME Transaction shall be an excluded SME Transaction.</p> <p>The replacements shall be made pursuant to the terms described in the Availability Period section above.</p>
<p>Relevant FX Rate</p>	<p>Means</p> <ol style="list-style-type: none"> (i) the relevant foreign exchange reference rate displayed by the European Central Bank from time to time on its website (www.ecb.int for the time being) and which is based on the daily consultation procedure between central banks within and outside the European System of Central Banks, or, if such rate is not or is no longer available at the relevant time; (ii) the relevant foreign exchange reference rate displayed by the relevant national central bank or, if such rate is not or no longer available at the relevant time, or

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	<p>economically unreasonable at the relevant time as solely determined by the Transaction Agent,</p> <p>(iii) any replacement to such rate such as determined in a reasonable commercial manner by the Transaction Agent or the Financial Intermediary, as the case may be, which may include an actionable quotation for a currency exchange rate as of the relevant day of such conversion obtained by the entity conducting the conversion from a leading dealer in the relevant currency selected by the latter in good faith.</p>
FX Mechanism	<p>(a) If the Portfolio consists of eligible SME Transactions denominated in EUR, USD and a local currency, for the purpose of the calculation of the Actual Volume, the amount of principal of SME Transactions denominated in USD and a local currency shall be determined using the Relevant FX Rate to be specified in the Guarantee Agreement.</p> <p>(b) For the purpose of paying amounts claimed by the Financial Intermediary under the Guarantee, any amounts in respect of an SME Transaction shall be paid by the Transaction Agent in EUR. Where the amount claimed under the Guarantee is not denominated in EUR, the EUR equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Transaction Agent to the Financial Intermediary.</p> <p>(c) For the purpose of paying the Guarantee Fee and Loss Recoveries to the Transaction Agent (if applicable), any amounts in respect to an SME Transaction shall be paid to the Transaction Agent in EUR. Where the amount to be paid is not denominated in EUR, the EUR equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Financial Intermediary to the Transaction Agent.</p>

SME Transaction conditions

Credit Policy	<p>SME Transactions shall be originated and monitored and amendments and waivers shall be made, in compliance with the internal guidelines and procedures of the Financial Intermediary.</p>
Servicing and Loss Recoveries	<p>The Financial Intermediary shall perform the servicing of the Portfolio, including monitoring and recovery actions, in accordance with its internal guidelines and procedures.</p> <p>The Financial Intermediary shall take recovery actions (including the enforcement of any security) in relation to each defaulted eligible SME Transaction. Such recovery actions shall be in accordance with the Financial Intermediary’s internal guidelines and procedures.</p> <p>Loss Recoveries⁵ mean each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss. The Guarantor will rank pari passu with the Financial Intermediary with respect to Loss Recoveries, which shall be shared between the Guarantor and the</p>

⁵ In relation to SME Transactions which are leases, “Loss Recoveries” means each and every amount (including, in case assets leased to an SME are repossessed by the Financial Intermediary (i) any amount received by the Financial Intermediary as a result of the sale of such assets, and/or (ii) in case such assets are re-leased, the purchase price of such assets agreed with the new lessee), net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of Losses, where EIF has paid amounts under the Guarantee in respect of such Losses.

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	<p>Financial Intermediary pro rata to the Guarantee Rate.</p> <p>The Guarantor shall be entitled to its portion of the Loss Recovery up to the date on which the Financial Intermediary, acting in good faith and in commercially reasonable manner, determines in accordance with its internal guidelines and standard recovery procedures that the recovery period for the relevant SME Transactions shall be terminated.</p> <p>If Loss Recoveries are recovered or received by the Financial Intermediary in connection with a Loss for which a guarantee call has already been sent by the Financial Intermediary, the Financial Intermediary shall send to the Transaction Agent at any relevant time, but not later than 30 days of the end of each calendar quarter, a recovery notice with accompanying Loss Recoveries schedule and shall pay to the Transaction Agent any relevant amount, within three months of the end of each calendar quarter in which Loss Recoveries are recovered or received by the Financial Intermediary.</p> <p>If Loss Recoveries are recovered or received by the Financial Intermediary in connection with a Loss for which no guarantee call has been sent by the Financial Intermediary, the Financial Intermediary shall include such Recoveries in the guarantee call at the time it sends it. Any payment due from the Financial Intermediary to the Guarantor regarding such Recoveries shall be set off against any payment due by the Guarantor to the Financial Intermediary regarding such guarantee call.</p>
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Miscellaneous

<p>Reporting</p>	<p>Financial Intermediaries shall provide the Transaction Agent within 30 calendar days after the end of each calendar semester (the ‘Report Date’) with semi-annual information in a standardised form, including among others, information on the SMEs covered by the Guarantee, new eligible SME Transactions provided and eligible SME Transaction amounts outstanding (the ‘Report’).</p> <p>An indicative reporting template is presented in appendix to this document.</p> <p>Other reporting may be required from the Financial Intermediary as per specific schedule to the Guarantee Agreement (including, without limitation, Financial Intermediaries and the relevant SMEs covered by the Guarantee shall agree to provide the Transaction Agent and the Guarantor with all relevant information as may be reasonably requested).</p>
<p>Monitoring and Audit</p>	<p>Financial Intermediaries and the relevant SMEs covered by the Guarantee shall agree to allow and to provide access to documents and premises related to the relevant Guarantee for the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIB, EIF, any other European Union institution or European Union body which is entitled to verify the use of the Guarantee in the context of DCFTA Initiative East Guarantee Facility and any other authorised bodies duly authorised under applicable law to carry out audit or control activities. To that effect, the Financial Intermediaries shall ensure the inclusion of appropriate provisions in each agreement with the SMEs.</p>
<p>Compliance with Laws</p>	<p>The Financial Intermediary shall comply in all respects with all applicable laws and regulations (whether national laws and regulations or laws and regulations of the European Union) and environmental and social legislation, including</p>

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	<p>multilateral environmental and human rights agreements and treaties, as appropriate.</p> <p>The Financial Intermediary shall include in the documentation applicable to each eligible SME Transaction included in the Portfolio, representations, warranties and undertakings for the purpose of ensuring that each such eligible SME Transaction shall comply at any relevant time with the Eligibility Criteria in accordance with the Guarantee Agreement.</p>
Non-Cooperating Jurisdiction	<p>Any jurisdiction classified as “non-compliant” by the Organisation for Economic Cooperation and Development (OECD) and its Global Forum on Transparency and Exchange of Information for Tax Purposes, from time to time, unless otherwise notified by the Transaction Agent.</p>
Publicity	<p>Financial Intermediaries shall be required to explicitly inform each SME that the financing provided has benefitted from the support of the European Union under the DCFTA Agreement Initiative East, which information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter and it shall be duly acknowledged by the SME.</p> <p>Financial Intermediaries shall also be required to include in any press release and in any publication that the Financial Intermediary may choose to make with regard to the Guarantee the statement referred to above, including the Union Emblem. Instead of issuing a press release, the Financial Intermediary may choose alternative ways of communication in which case the same visibility requirements shall apply, whenever possible.</p> <p>Financial Intermediaries shall also be required to follow the guidelines described in <i>The Use of the EU Emblem in the Context of EU Programmes and in Non-EU Countries – Guidelines for beneficiaries and other third parties</i> when displaying the Union Emblem, as set out on the following website: http://ec.europa.eu/dgs/communication/services/visual_identity/pdf/use-emblem_en.pdf</p>
Transfer	<p>The Financial Intermediary shall not be entitled to assign or transfer any of its rights or obligations under the Guarantee Agreement without the prior written consent of the Guarantor and the Transaction Agent.</p>
Publication	<p>The European Commission, the Guarantor and the Transaction Agent shall each be entitled to publish from time to time on its website, or produce press releases containing, information on Financial Intermediaries and SMEs supported under the Guarantee, including the name, nature and purpose of the DCFTA Initiative East Guarantee Facility and the following additional information:</p> <ul style="list-style-type: none"> (i) a list of Financial Intermediaries with whom the Guarantor and the Transaction Agent concluded a Guarantee Agreement, containing for each Financial Intermediary the name and address of the Financial Intermediary, as well as an indication of the amount guaranteed in EUR; (ii) a list of SMEs which receive financial support that exceeds the threshold of EUR 60 000, containing for each SME the name and address and type of financial support received under the Guarantee Facility. Any Financial Intermediary and SME may, prior to receiving financial support under the Guarantee Facility, declare in writing (including by a representation in the relevant agreement) that the publication requirements set out above risks

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	<p>harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union, on the basis of a written justification.</p> <p>In the context of the European Commission’s controlling and monitoring activities only, the Financial Intermediary acknowledges and agrees, and shall procure that each SME acknowledges and agrees, that the European Commission may directly request further explanations from the Financial Intermediary or SME in case of objection to the publication as set out above.</p> <p>In addition, such publication shall not be required if it would be illegal under the applicable laws and regulations. Furthermore, where the SME is a natural person, prior consent to publication may not be made a condition for receiving financial support under the Guarantee Facility.</p>
Record keeping	<p>The Financial Intermediary shall undertake to maintain or be able to produce all the documentation related to the implementation of the Guarantee Agreement for a period of seven (7) years following the Termination Date.</p>
Additional requirements	<p>The Guarantee Facility is funded by EU funds and it is therefore subject to regulation and requirements, some of which have already been presented in this document. It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to the Guarantee Facility with all requirements will be provided to, and discussed with, the selected Financial Intermediary during the contractual negotiations process.</p> <p>The Financial Intermediary shall also undertake to comply with (i) any additional reporting requirements which enable the the Transaction Agent and/or the Guarantor to comply with their reporting requirements vis-à-vis the European Commission in respect of the Guarantee Facility, (ii) any audit and evaluation requirements applicable to the Guarantee Facility and (iii) applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate.</p> <p>Each Guarantee Agreement may contain additional currently prevailing policy clauses including (without limitation) clauses relating to integrity, fraud and corruption, procurement and anti-money laundering provisions.</p>

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APPENDIX

INDICATIVE REPORTING TEMPLATE

PART A - A1 FINAL RECIPIENTS

A.1.1	A.1.2	A.1.3	A.1.4	A.1.5	A.1.6	A.1.7	A.1.8	A.1.9	A.1.10	A.1.11	A.1.12	A.1.13	
Final Recipient ID	Name	Address	Postal Code	Place	Region (NUTS level 2)	Country	Date of establishment	Sector	Number of employees	Total turnover (EUR)	Total assets (EUR)	Financial Recipient internal scoring/rating (Rating Class)	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Optional

PART A - A2 NEW FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	A.2.1.1	A.2.2	A.2.3	A.2.5	A.2.5.1	A.2.5.2	A.2.5.3	A.2.5.4	A.2.6	A.2.7	A.2.8	A.2.11
Final Recipient ID	Final Recipient Transaction ID	Final Recipient Transaction Type	Currency	Purpose	Principal amount	Purchase price	Down payment	Reference Rate	Interest rate margin	Maturity (months)	Grace period (months)	Signature date	Amortization profile
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

A.2.13	A.2.14	A.2.14.1	
Collateralisation Rate	Publication of Final Recipient	Natural person	Comments
Mandatory	Mandatory	Mandatory	Optional

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PART B - LIST OF INCLUDED FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	B.1	B.2	B.3	B.4
Final Recipient ID	Final Recipient Transaction ID	Cumulative disbursement	Outstanding principal amount	End of disbursement	Total outstanding principal amount (performing)
Mandatory	Mandatory	Mandatory	Mandatory	(Y/N) Mandatory	Mandatory

PART D - REPAID FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	D.1
Final Recipient ID	Final Recipient Transaction ID	Repayment date
Mandatory	Mandatory	Mandatory

PART E - EXCLUDED FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	E.1	E.2
Final Recipient ID	Final Recipient Transaction ID	Event date	Event type
Mandatory	Mandatory	Mandatory	Mandatory

PART F - MODIFICATIONS

A.1.1	A.2.1	F.2	F.3
Final Recipient ID	Final Recipient Transaction ID	Old value of the parameter to modify	New value of the parameter to modify

F.2 = any fields in table A1, A2, B, D, E, F with old values
 F.3 = any fields in table A1, A2, B, D, E, F with new values

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PAYMENT DEMAND SCHEDULE

A.1.1	A.2.1	A.2.2	C.1	C.2	C.3	C.4	C.6	C.7
Final Recipient ID	Final Recipient Transaction ID	Currency	Event date	Event type	Defaulted principal amount	Unpaid interest covered	Recovery date	Recovery amount
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

LOSS RECOVERY SCHEDULE

A.1.1	A.2.1	C.5	C.6	C.7
Final Recipient ID	Final Recipient Transaction ID	Recovery payment currency	Recovery date	Recovery amount
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

**PART H-
CONVERTED
FINANCIAL
RECIPIENT
TRANSACTIONS**

H.1	A.1.1	A.2.1	A.2.2	A.2.4	A.2.5	A.2.6	H.2	A.2.11
Converted Final Recipient Transaction reference	Final Recipient	Final Recipient Transaction reference	Currency	Principal amount	Maturity (months)	Grace Period	Final Recipient Transaction conversion date	Payment frequency
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory