

**ANNEX 1¹ to the Call for Expression of Interest No. JER-004/4 (Lithuania)
First Loss Portfolio Guarantee Financial Instrument, Call for EoI No. JER-004/4**

To:

European Investment Fund

Attention: Regional Business Development Unit
96 Boulevard Konrad Adenauer
L-2968 Luxembourg

EXPRESSION OF INTEREST

Call for Expression of Interest No.:

JER-004/4

Deadline for the submission of the Expression of Interest :

13 October 2010

Expression of Interest for First Loss Portfolio Guarantee Financial Instrument

Applicant submitting the Expression of Interest:

_____ , _____

**(company name,
registration number)**

Dear Sir or Madam,

Herewith we are submitting our Expression of Interest on behalf of (Applicant) in response to the Call for Expression of Interest No. JER-004/4 in the framework of JEREMIE initiative implemented through EIF acting as JEREMIE Holding Fund (“**JHF**”) in Lithuania. Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

The undersigned duly authorised to represent the (Applicant), by signing this form certifies/certify and declare(s) that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements.

The undersigned certifies/certify that the (Applicant) is not in one of the situations which would exclude it from taking part in this Call for Expression of Interest listed out in Appendices 4 and 5 to this Expression of Interest. The undersigned shall, upon request, provide all evidence to that extent.

Yours sincerely,

Signature(s):

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

Appendixes

Appendix 1 Applicant Identification

Appendix 2 List of Documents Attached

Appendix 3 Declaration of Absence of Conflict of Interest

Appendix 4 Statement Regarding Situations of Exclusion - 1

Appendix 5 Statement Regarding Situations of Exclusion – 2: Declaration of Compliance with Community and National Rules and Policies

¹ In case of consortiums or joint ventures to be completed by coordinating entity.

Appendix 1 to Expression of Interest

APPLICANT IDENTIFICATION²

1.1. Applicant identification

INFORMATION REQUIRED	
APPLICANT'S NAME	
CONTACT DETAILS	Address: Telephone: Fax: Email:
LEGAL FORM	
COMMERCIAL REGISTER , ETC. – REGISTRATION DETAILS	Denomination of register: Date of registration: Country of registration: Registration number:
VAT	Registration number or Statement of exemption issued by the national VAT authority dated.....enclosed under reference..... Issued by.....

1.2. Person authorised to submit the Expression of Interest on behalf of the Applicant and appropriate evidence of such authorisation

INFORMATION REQUIRED	
TITLE	Mr/Mrs/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
FUNCTION	
CONTACT DETAILS	Address: Telephone: Fax: Email:

1.3. Contact person (if different from 1.2)

TITLE	Mr/Mrs/other (delete or complete as appropriate)
NAME	Surname: Forename(s):
FUNCTION	
CONTACT DETAILS	Address: Telephone: Fax: Email:

² In case of consortiums or joint ventures to be completed by all participating entities.

**Appendix 2 to Expression of Interest
LIST OF DOCUMENTS ATTACHED**

1) Project proposal:³

a) Description of the Applicant:

- (aa) Description of the Applicant's institution (date of establishment, number of employees, shareholders etc.), legal status and applicable regulatory framework;
- (bb) Geographical area of operations and branch network in Lithuania;
- (cc) Description of Applicants governing and management bodies and corporate governance structure.

b) Information on the Applicant's present activities:

- (aa) Commitment to SME lending in Lithuania:
 - (i) Overall strategy of the Applicant in general and SME lending strategy in particular, positioning vis-à-vis competitors in SME lending segment, product range offered in the SME lending segment, expected impact of current market environment on SME lending (e.g. tighter lending criteria, etc);
 - (ii) Total volume and number of SME loans outstanding in each SME sub-segment (breakdown by micro, small and medium enterprises, if available) on a yearly basis for the last five financial years (including year to date data for the current financial year);
 - (iii) Total volume and number of new SME loans in each SME sub-segment (breakdown by micro, small and medium enterprises, if available) granted by the Applicant annually over the last five financial years (including year to date data for the current financial year);
 - (iv) Share of newly granted SME loans in the Applicant's total commercial lending portfolio, both in terms of volume and number (on an annual basis over the last five financial years – including year to date data for current financial year).
- (bb) Current pricing and collateral policy for comparable loans (in terms of maturity, purpose, etc.) to a similar target group, as per Table 1 below, including:
 - (i) Interest rate split into cost of funding and margin over cost of funding, and specifically the risk-related margin;
 - (ii) Up-front fees and any other non-interest payments.

Table 1 - Current policy: collateral and interest rate charged on SME loans

Loans awarded on the basis of standard collateral requirements	EUR denominated loans	Local currency denominated loans
Standard collateral	Requested level of collateral (%)	
	Interest rate	
	<i>of which, Risk-related margin</i>	

c) Information on the implementation of the Financial Instrument by the Applicant:

- (aa) General implementation strategy (e. g. how the Financial Instrument will be promoted regionally and nationwide, publicity strategy, procedures for allocation of loans, etc);
- (bb) The proposed size of the portfolio of Eligible Loans to be originated during the Availability Period;
- (cc) Indicative industry, geographical breakdown and SME size of the loans to be granted under the Financial Instrument with the objective of forming a new, well diversified portfolio, also taking into consideration the specific features of the Financial Instrument as described in Annex 2;

³ SME related data and information to be provided in accordance with the definition of SMEs as presented in section 1 "Definitions and Interpretation", under Call for EoI, page 2.

- (dd) Indicative average expected maturity of the newly granted loans under the Financial Instrument, taking into consideration the provisions of Annex 2 and the objective to provide longer loan maturities to Eligible SMEs;
- (ee) Lending criteria, proposed pricing and collateral requirements, including the proposed minimum and maximum pricing (i.e. pricing to be submitted in ranges) to be applied on the new loan portfolio to be established under this Financial Instrument - submitted in accordance with the table that follows - and other terms and conditions to be applied to the loans covered by this Financial Instrument, taking into consideration the provisions of Annex 2 and the objective to provide better financing terms to Eligible SMEs. The information submitted herein by the Applicant, as per Tables 2 and 3 below, will be assessed on a comparative basis according to the Quality Assessment Criteria (Annex 2, Part II, section 2) and will become a contractual obligation for the Applicant, if selected.

Table 2 - Proposed collateral and interest rate to be charged on the new SME loans covered by the Financial Instrument.

Loans to be awarded on the basis of reduced collateral requirements (guarantee rate 80%, max. cap rate 20%)		EUR denominated loans	Local currency denominated loans
Reduced collateral	Requested level of collateral (%)		
	Interest rate		
	<i>of which, risk-related margin</i>		

Table 3 - Proposed fees to be applied on the new SME loans covered by the Financial Instrument:

Nature of fees	Value	Single payment	Monthly	Annual	Comments, remarks
Administration fee		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Fee for the loan granting, loan maturity extension, increase in the loan amount		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Fee for amendment of terms under the loan agreement terms		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other fees, if any (please provide details)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

- (ff) Estimate of the expected timing for initiation of operations following the signature of the Operational Agreement and also estimate of the full commitment of the Financial Instrument to Eligible SMEs. Applicants are requested to submit a time table (on the basis of Table 4) indicating the expected amount of loans committed to SMEs on a quarterly basis.

Table 4 – Timetable

Quarter (after signature)	Q1	Q2	Q3
Loans committed to SMEs, EUR m				

The offer will form part of the Quality Assessment Criterion 2.1.3, presented in Annex 2, Part II, section 2. EIF will seek to include binding Portfolio volume targets in the finalised Operational Agreement with the selected Applicant.

Please note that EIF will request Financial Intermediaries to use their best efforts and commit to the following time schedule:

- Due diligence with EIF, including provision of information for due diligence: within 15 business days after such notice from EIF;
- Legal negotiation to be completed within 20 business days after being notified by EIF of selection.

EIF reserves the right to extend these deadlines.

(gg) Description of the origin of the sources used to finance the new loans (e.g. Applicants own resources raised in the capital markets through bond issues);

- 2) Information on the Applicant's IT systems, reporting mechanisms, monitoring procedures and controls, currently utilised in its normal activity (also to be utilised for the implementation of the Financial Instrument);
- 3) Annual reports for the last three financial years, including audited financial statements (only in electronic format i.e. scanned copies of signed audited financial statements);
- 4) Certified copy of banking license or other requisite license or, if not available, other proof of the Applicant's authorisation allowing for the implementation of the Financial Instrument in Lithuania;
- 5) In the case where a Financial Intermediary and/or its mother company is externally rated, information on the actual external rating of the Applicant and/or its mother company including the relevant rating report(s) from at least one of the following rating agencies: (i) Moody's Investor Service Limited, (ii) Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or (iii) Fitch Ratings Ltd. Further, information on any change of the rating within the last two years;
- 6) Appropriate evidence of the representative's authorisation to act for and on behalf of the Applicant (signatory powers);
- 7) Declaration on absence of conflict of interest as per template provided in Appendix 3, duly signed;
- 8) Statement regarding situations of exclusion - 1 as per template provided in Appendix 4, duly signed;
- 9) Statement regarding situations of exclusion - 2 as per template provided in Appendix 5: Declaration of compliance with Community and National rules and policies, duly signed.

The pre-selected Applicants will be requested to submit additional information to complement their Expression of Interest before or during the due diligence process. This will indicatively include inter alia:

A. Detailed information on the Applicant's operating principles and procedures applied to SME lending:

- (i) Origination;
- (ii) Risk assessment procedures (internal rating / scoring system);
- (iii) Loan approval procedures;
- (iv) Collateral requirements (valuation, haircuts);
- (v) Monitoring and early warning signals;
- (vi) Recovery procedures (what steps are taken and when; which departments are involved);
- (vii) Risk management: methods utilised for loss forecasting, provisioning and credit risk management on portfolio level;
- (viii) Summary of changes to the Financial Intermediary's operating principles and procedures due to the current financial crisis.

B. Information on the Applicant's total lending portfolio over the last 5 financial years:

- (i) Composition and concentration of the outstanding loan portfolio;
- (ii) Non-performing loans (outstanding non-performing loans /outstanding loan amount) as of the end of each financial year and year to date data for the current year) for the past five financial years - both in terms of number and volume;
- (iii) Annual defaults, net losses and bad debt provisions;
- (iv) Recoveries and recovery periods.

Appendix 3 to Expression of Interest

DECLARATION OF ABSENCE OF CONFLICT OF INTERESTS

The undersigned declares that neither (i) the Applicant nor (ii) he/she/they personally as authorised representative(s) of the Applicant have a direct or indirect interest of such a nature and scale that may affect the performance of the tasks assigned to the Applicant under any Operational Agreement referred to in the Call for Expression of Interest No. JER-004/4.

The undersigned is/are aware that a conflict of interest could arise in particular as a result of economic interests, political or national affinities, family or emotional ties, or any other relevant connection or shared interest.

The Applicant will inform EIF, without delay, of any situation constituting a conflict of interest or which could give rise to a conflict of interest.

Furthermore, the Applicant and the undersigned in his/her/their capacity as duly authorised representative(s) of the Applicant confirm to have read the EIF Anti-Fraud Policy and declare not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the Operational Agreement and not to have granted nor to grant, not to have sought nor to seek, not to have attempted nor to attempt to obtain, and not to have accepted nor to accept, any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to signing of the Operational Agreement.

Yours sincerely,

Signature:

Stamp of the Applicant's (if applicable):

Name and position in capitals:

Applicant's name:

Place:

Date (day/month/year):

Appendix 4 to Expression of Interest

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 1

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Expression of Interest and accordingly declare(s) that the (Applicant):

- i) has never been the subject of a conviction by final judgment for one or more reasons listed below:
 - participation in a criminal organisation, as defined in Article 2 (1) of the Council Joint Action 98/733/JHA⁴;
 - corruption, as defined in the Council Act of 26 May 1997 and in Article 3 (1) of the Council Joint Action 98/733/JHA;
 - fraud within the meaning of Article 1 of 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 interests⁵;
 - money laundering as defined in the Directives 2005/60/EC⁶ of 26 October 2005 and 2006/70/EC⁷ of 1 August 2006, and Directive 2001/97/EC of 4 December 2001⁸;
- ii) has not performed any act which may be qualified as illegal activity in the meaning of the terms of the EIF Anti-Fraud Policy;
- iii) is not bankrupt or is being wound up, where its affairs are not being administered by the court, where it has not entered into an arrangement with creditors, where it has not suspended business activities or is not in any analogous situation arising from a similar procedure under national laws and regulations;
- iv) is not the subject of proceedings for a declaration for bankruptcy, for an order for compulsory winding up or administration by the court or of an arrangement with creditors or of any other similar proceedings under national laws and regulations;
- v) is not “a firm in difficulty” within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty⁹;

⁴ Joint Action of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on making it a criminal offence to participate in a criminal organisation in the Member States of the European Union (Official Journal of the European Union L351 of 29.12.1998), as amended from time to time.

⁵ Council Act of 26 July 1995 drawing up the Convention on the protection of the financial interests of the European Communities (Official Journal of the European Union C316 of 27.11.1995), as amended from time to time.

⁶ Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (Official Journal of the European Union L309 of 25.11.2005), as amended from time to time.

⁷ Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of ‘politically exposed person’ and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis (Official Journal of the European Union L214 of 4.8.2006), as amended from time to time.

⁸ Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering (Official Journal of the European Communities L 344 of 28.12.2001), as amended from time to time.

⁹ Communication from the Commission – Community Guidelines on State aid and restructuring firms in difficulty (Official Journal of the European Union C 244 of 1.10.2004), as amended or substituted by future Community guidelines from time to time.

- vi) no member of its senior management has been convicted as a consequence of a judgment which has the force of *res iudicata*, in accordance with the legal provisions of the country of any offence concerning its professional conduct;
- vii) no member of its senior management has been guilty of grave professional misconduct;
- viii) has fulfilled obligations relating to the payment of social security contributions in accordance with the legal provisions of the country in which it is established;
- ix) has fulfilled obligations relating to the payment of taxes in accordance with the legal provisions of the country in which it is established and in the countries where it operates, as applicable;
- x) is not found to have provided serious misrepresentation in supplying the information required in accordance with the Call for Expression of Interest or has supplied such information.

The Applicant and the undersigned in his/her/their capacity as duly authorised representative of the Applicant commit to provide all evidence to the above, upon request by the JHF or EIF.

Signature:

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

Appendix 5 to Expression of Interest

STATEMENT REGARDING SITUATIONS OF EXCLUSION - 2

DECLARATION OF COMPLIANCE WITH COMMUNITY AND NATIONAL RULES AND POLICIES

The undersigned certifies/certify that the (Applicant) is not in any of the situations which would exclude it from taking part in this Call for Expression of Interest and accordingly declare(s) that the (Applicant):

- i) Complies with all Community and National rules and policies in relation to Competition and confirms its willingness and readiness to undertake its responsibility for ensuring that loans originated under this Financial Instrument respect the provisions of the *De Minimis Regulation*¹⁰ (as specified in Annex 2);
- ii) Complies with all Community and National rules and policies in relation to the goal of protecting and improving the environment and promoting sustainable development;
- iii) Complies with all Community and National rules and policies in relation to gender equality and non-discrimination;
- iv) Confirms its willingness and readiness to respect the information and publicity provisions applicable to this Financial Instrument.

Yours sincerely,

Signature:

Stamp of the Applicant's (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

¹⁰ Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid (Official Journal of the European Union L379 of 28.12.2006, p.5), as amended, (the "**De Minimis Regulation**").

ANNEX 2 to the Call for Expression of Interest No JER-004/4

First Loss Portfolio Guarantee Financial Instrument: Description and Selection Criteria

Part I: Description of the Financial Instrument

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

1 Rationale

The purpose of the Financial Instrument is to support loans to Eligible SMEs by providing credit risk protection (in the form of a first loss portfolio capped financial guarantee) in order to reduce the particular difficulties that SMEs face in accessing finance because of the lack of sufficient collateral in combination with the relatively high risk they represent.

2 Presentation of the Financial Instrument

The guarantee (the “**Guarantee**”) shall be issued by EIF acting through the JEREMIE Holding Fund (“**JHF**”) for the benefit of a Financial Intermediary. It shall partly cover the credit risk associated to underlying, newly extended, eligible loans to SMEs (“**Eligible Loans**”) included in the guaranteed portfolio (the “**Portfolio**”).

In order to ensure an alignment of interest between the Financial Intermediary and the JHF, Eligible Loans shall be covered by EIF at a guarantee rate of 80%, subject to a maximum liability in respect of loan losses expressed as a guarantee cap amount (the “**Cap Amount**”) calculated on a portfolio basis as a percentage of the portfolio (the “**Guarantee Cap Rate**”).

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 Loan up to the Cap Amount.

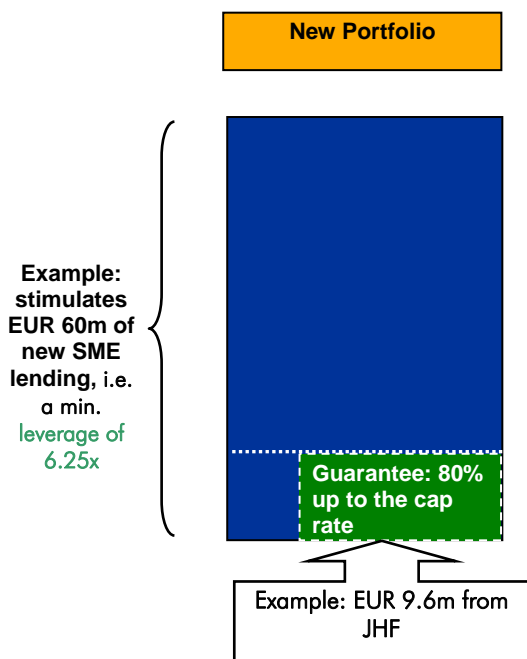
The origination, due diligence, documentation and servicing of the Eligible Loans shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures.

In this context, the Financial Intermediary shall have the sole direct client credit relationship with each SME.

Eligible Loans (according to pre-defined eligibility criteria on a loan-by-loan and portfolio level) will be automatically covered, by way of submitting inclusion notices on a quarterly basis.

The Guarantee Fee will be set as a one-off upfront fee at 1% of each SME loan commitment times the Guarantee Rate.

3 The Financial Instrument



4 Indicative Summary of Transaction Terms

These indicative terms are an outline of the principal terms and conditions for the Financial Instrument described herein, which are subject to change and non-exhaustive.

When used in this paragraph 4, the term “EIF” means EIF acting through the JHF.

Structure	First loss portfolio capped direct financial guarantee providing credit risk coverage on a loan by loan basis for the creation of a portfolio of Eligible Loans. The Guarantee shall cover losses incurred by the Financial Intermediary in respect of each defaulted Eligible Loan in accordance with the Guarantee Rate. Losses covered by the Guarantee in respect of the Portfolio of Eligible Loans shall in aggregate not exceed the Cap Amount agreed in the Operational Agreement between EIF and the relevant Financial Intermediary. The credit risk retained by the Financial Intermediary shall be 20% of the Portfolio (on a <i>pari passu</i> basis with EIF).
Governing law and language	The terms of the Financial Instrument shall be in the English language and the Financial Instrument is envisaged to be governed by the laws of England.
Guarantee Currency	The Cap Amount shall be expressed in EUR. All amounts to be paid by or to EIF under the Guarantee will be paid in EUR.
Availability Period	Typically 24 months from the date of signature of the Operational Agreement. During such Availability Period, Eligible Loans may be included by the Financial Intermediary in the Portfolio for cover. Such inclusion of Eligible Loans shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a quarterly basis. For the avoidance of doubt the Eligible Loans so included shall be deemed to be covered by the Guarantee from the date of the signature of such Eligible Loans. The underlying Eligible Loans to be covered by the Guarantee shall be: (i) Eligible Loans entered into within the Availability Period; or (ii) Eligible Loans not entered into before the end of the Availability Period but approved during the Availability Period and in respect of which amounts have been drawn for the first time by SMEs within 6 months from the end of the Availability

	Period.
Agreed Portfolio Volume	The maximum aggregate amount of newly originated Eligible Loans to be covered by the Financial Instrument, as agreed in the Operational Agreement.
Actual Volume	The aggregate amount of the principal committed to be available under newly originated Eligible Loans included in the Portfolio from time to time, provided that, for the avoidance of doubt: <ul style="list-style-type: none"> i) if any loan is prepaid and/or repaid, then this shall not reduce the Actual Volume; and ii) if a loan is excluded from the Portfolio as a result of the exclusion process described below, then such loan shall not be taken into account for the calculation of the Actual Volume.
Guarantee Rate	The Guarantee Rate shall be 80% of each loss covered by the Guarantee.
Guarantee Cap Rate	A percentage of the Actual Volume. The Guarantee Cap Rate shall be up to 20% (subject to downward adjustment following EIF's assessment of the risk profile of the portfolio).
Cap Amount	Expressed in Euro amount, set in the Operational Agreement, at which the obligation to pay under the Guarantee is capped, which is the maximum liability under the Guarantee and is calculated on the portfolio basis as the product of the i) lower of the Actual Volume and the Agreed Portfolio Volume, ii) the Guarantee Rate, iii) the Guarantee Cap Rate, and iv) the Disbursement Ratio.
Disbursement Ratio	At a given time, the ratio, expressed as a percentage, equal to the quotient of: (i) the sum of the disbursed principal amounts relating to all Eligible Loans included in the Portfolio at such time and (ii) the Actual Volume at such time.
Guarantee Cover	Losses deriving from principal and unpaid interest at the time of default, excluding late payments, default interest, capitalised interest and fees. The EIF will rank pari passu with Financial Intermediaries with respect to recoveries as further described in "Servicing and Recoveries" below; recoveries paid to EIF shall be net of recovery/foreclosure costs.
Default definition (applicable to Eligible Loans)	Applicable default definition in line with Basel II requirements (a "Default").
Guarantee Payment	Following a Default under an Eligible Loan and subject to receiving a valid guarantee call from the Intermediary with respect to such Eligible Loan, EIF shall, make guarantee payments under the Guarantee within 90 days following receipt of such guarantee call.
Events of Default under the Financial Instrument	Standard events of default (typically: failure to pay, breach of agreement, illegality and bankruptcy). The occurrence of an event of default with respect to the Financial Intermediary would result in the termination of the Operational Agreement (such event, an " Early Termination "). No payments will be made by EIF if an Event of Default or potential Event of Default relating to the Financial Intermediary has occurred or is continuing.

Guarantee Fee

Guarantee Fee Amount and Percentage	<p>Guarantee Fee Amount is a non-refundable guarantee fee expressed in EUR paid by the Financial Intermediary to the EIF (for the benefit of the JHF) on a quarterly basis and calculated for each Eligible Loan included in the Portfolio as a one-off upfront fee equal to the product of the Guarantee Fee Percentage, the Eligible Loan amount and the Guarantee Rate (calculated and charged by the Financial Intermediary to the SME at the moment of first disbursement to the SME).</p> <p>The Financial Intermediary shall undertake in the Operational Agreement to disclose, in the documentation governing each Eligible Loan entered into between the Intermediary and the SME, the existence and the modalities of payment of the Guarantee Fee (including the Guarantee Fee Percentage).</p>
--	---

	<p>The Guarantee Fee Percentage is equal to 1%.</p> <p>It has been established in order to facilitate access to finance by the SMEs covered by the Guarantee, and the De Minimis Regulation will apply.</p> <p>In case the Guarantee Fee would have been paid to EIF on a SME Loan that would have then be excluded from the Portfolio, as a result of irregularity or breach of the Loan Eligibility Criteria, the Guarantee Fee will not be repaid to the Financial Intermediary.</p>
--	---

Eligible SMEs and Loans

<p>Eligible SMEs</p>	<p>Micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36), as implemented by the Law of the Republic of Lithuania on Small and Medium-sized Business Development No VIII-935, excluding “firms in difficulty” as these are defined in the Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2.), as amended, restated, supplemented and/or substituted from time to time.</p> <p>A number of industries will be supported, except:</p> <ol style="list-style-type: none"> a. Arms production and trading; b. Gambling; c. Tobacco; d. Human cloning; e. Genetically Modified Organisms; f. Undertakings active in the fishery and aquaculture sectors, as covered by Council Regulation (EC) No 104/2000; g. Undertakings active in the primary production of agricultural products, as listed in Annex I to the Treaty on the functioning of the European Community; h. Additional excluded sectors presented in Article 1 (c-g) of the <i>De Minimis</i> Regulation. <p>The Eligible SME shall be established and operating in Lithuania. Eligible SMEs shall be required to utilise the funds received by the Financial Intermediaries in the context of this Financial Instrument within Lithuania.</p>
<p>Eligible Loans</p>	<p>Loans to Eligible SMEs originated by the Financial Intermediary and complying, <i>inter alia</i>, with the following criteria:</p> <ul style="list-style-type: none"> - Origination period: newly originated loans either (i) entered into by the Financial Intermediary during the Availability Period or (ii) approved during the Availability Period and in respect of which amounts have been drawdown for the first time by SMEs within 6 months from the end of the Availability Period; - Purpose of financing: investment (tangible and intangible assets), financial leasing and/or working capital linked to development or expansion activities; - Fixed repayment schedule (i.e. credit lines are not eligible); - Repayment schedule: amortising loans and bullet loans; - Maturity: minimum 12 months and maximum of 120 months including the relevant grace period (if any); - Concentration: the maximum loan amount to an individual Eligible SME shall be set by EIF and in such a manner as to allow the Portfolio to be sufficiently diversified. The maximum obligor concentration will be set typically at 1% or 2% of the Agreed Portfolio Volume but in no case greater than “de minimis” amount (i.e. EUR 1,5 million divided by the Guarantee Rate); - Currency: EUR and local currency in Lithuania; - Industry sectors by NACE Code Rev. 2 (Division level) shall not represent more

	<p>than 20% of the Agreed Portfolio Volume.</p> <p>Eligible SMEs could potentially benefit more than once from a guarantee cover provided that the criteria related to the maximum obligor concentration above are met.</p> <p>The loans shall not be financed through another JEREMIE initiative, Competitiveness and Innovation Programme or public funds provided by the national authorities and benefiting from any other national guarantee schemes.</p>
Continuing Criteria	<p>The Guarantee shall apply only to SME loans satisfying at all times certain criteria, including ensuring that no Irregularity has occurred, where “Irregularity” means the infringement of a provision of European Union law resulting from an act or omission by the Financial Intermediary and/or a SME which is the borrower of an SME Loan which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.</p>
Exclusion Process	<p>At any time EIF shall have the right (but not the obligation) to verify whether a Financial Intermediary complies with the Eligible Loan, Eligible SME and Continuing Criteria above (such criteria, the “Loan Eligibility Criteria”).</p> <p>If EIF considers that a loan does not comply with such Loan Eligibility Criteria or any undertakings, requirements or requests, or if it becomes unlawful for the Guarantee to cover a Loan, EIF may exclude such Loan from the Portfolio. As a result, such excluded Loan shall not be taken into account for the purposes of calculating the Actual Volume of the Portfolio.</p>
Right of Clawback by EIF	<p>EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid by EIF in excess of the Cap Amount, any excess amount paid by EIF as a result of an exclusion of a transaction of the Portfolio or any amount payable by the Financial Intermediary as a result of fraud or illegality.</p>
Adjustment of the Actual Volume	<p>In respect of each loan included in the Portfolio, if on the date falling earlier of the following dates (the “Adjustment Date”):</p> <ol style="list-style-type: none"> 1. the end of a disbursement period when amounts are available for utilisation by an SME, 2. the date falling six months prior to the Guarantee Final Termination Date, and 3. 30 June 2015 <p>the committed amount of principal has not been fully drawn by an SME the Actual Volume shall be adjusted to reflect the actual amount of principal drawn by the relevant SME. The Financial Intermediary shall reflect any such adjustment in the immediately following Report delivered to EIF.</p> <p>If the Actual Volume is adjusted pursuant to (1) above, the Financial Intermediary may include further loans meeting the Loan Eligibility Criteria up to and to extent that the Actual Volume does not exceed the Agreed Portfolio Volume.</p> <p>If amounts are drawn under an Eligible Loan after the Adjustment Date and the Financial Intermediary suffers a loss after such date, the amount of such loss covered by the Guarantee shall be covered pro-rata to the principal disbursed before the Adjustment Date.</p>
Guarantee Final Termination Date	<p>The Guarantee will terminate on the earlier of: (i) six months following the Latest Loan Maturity Date; (ii) the date on which an Early Termination (if any) has occurred and (iii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee.</p>

Loan conditions

Latest Loan Maturity Date	<p>Means the latest day on which Eligible Loan(s) included in the Portfolio are scheduled to be repaid by the relevant SME in accordance with the original</p>
----------------------------------	--

	scheduled repayment provisions of the documentation governing such Eligible Loan agreements.
Pricing and collateral requirements for Loans	<p>Eligible Loans shall be extended to the Eligible SMEs on the basis of the pricing and collateral policy submitted by the selected Financial Intermediary under the Expression of Interest, as requested under point (c) of Appendix 2 to the Expression of Interest - "List of Documents".</p> <p>Note for collateral policy: The collateral policy submitted by the Financial Intermediaries under the Expression of Interest shall take into consideration the risk coverage provided by the Guarantee.</p> <p>Note for pricing policy: When submitting their proposed pricing policy, the Financial Intermediaries should take into consideration that the Guarantee will cover 80% of the risk exposure of each Eligible Loan (up to the Cap Rate).</p> <p>The Guarantee Fee charged by EIF shall be added to the pricing proposal submitted by the selected Financial Intermediary.</p>
Other terms and conditions (if applicable)	Other terms and conditions for the Eligible Loans originated for cover under the Guarantee should be applied by the Financial Intermediary in accordance with the policies submitted under the Expression of Interest.
Servicing and Recoveries	<p>The Financial Intermediary shall perform the servicing of the Portfolio, including monitoring and recovery actions.</p> <p>Recoveries net of recovery costs (if any) are shared pro-rata between EIF and the Financial Intermediary according to the Guarantee Rate.</p> <p>The Financial Intermediary shall enforce any security in relation to each defaulted Eligible Loan in accordance with its internal guidelines and procedures.</p>

Miscellaneous

Reporting	<p>Financial Intermediaries shall provide EIF, typically within 30 Business Days after the end of the calendar quarter, with quarterly information in a standardised form, including among others, information on the SMEs covered by the Guarantee, new loans provided, outstanding loan amounts.</p> <p>An indicative reporting template is provided on EIF's web-site (www.eif.org) for information.</p> <p>Regular controls and verifications will be performed by EIF in order to ensure compliance with the specifications and provisions of this Guarantee.</p>
State Aid requirements	<p>Financial Intermediaries shall be responsible for ensuring that loans originated respect the provisions of the De Minimis Regulation, in accordance to the State aid scheme approved by the Order of the Minister of Economy No 4-650 on Portfolio Guarantee de minimis aid scheme under VP2-2.3-ŪM-01-K measure "Holding funds" of 27 August 2010 (Official Gazette No 103 of 31 August 2010). In this context, they shall be responsible for the calculation of the Gross Grant Equivalent ("GGE") and also for following the appropriate monitoring procedure.</p> <p>Full text can be found under the following address: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=380086&p_query=&p_tr2=</p>
Monitoring and Audit	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 representatives of the Ministries, the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.
Publicity	<p>Financial Intermediaries, in line with applicable law and Structural Funds publicity provisions, shall carry out adequate marketing and publicity campaigns – as specified in the Operational Agreement – aimed at making the JEREMIE initiative known to the SMEs in Lithuania.</p> <p>In particular, the selected Financial Intermediary will be contractually required to:</p> <ul style="list-style-type: none"> • Product labelling: The name of the product should clearly point to JEREMIE (e. g. "JEREMIE First Loss Portfolio Guarantee"); • Promote JEREMIE, Structural Funds and the Guarantee through its website;

	<ul style="list-style-type: none"> • All documents concerning this Guarantee, including amongst others, loan applications, SME loan agreements, promotional material to the SMEs, etc., will contain a statement mentioning that the loan was made possible with the support of the European Regional Development Fund (ERDF) and also national resources. Appropriate text and logos is envisaged to be provided to the selected Financial Intermediary during the phase of contractual negotiations; • Financial benefit: The financial benefit made possible due to JEREMIE's and Structural Fund's participation should be identified at the time of signature of the loan contract and formally communicated to the SME. The financial benefit offered should also be used as a marketing tool from the Financial Intermediary.
Additional Structural Fund requirements	<p>This Financial Instrument is funded by EU structural funds and it is therefore subject to structural funds regulation and requirements, some of which are presented in this Annex (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all structural funds requirements (e.g. retention of documents, environmental protection, equality and non discrimination) will be provided to, and discussed with, the selected Financial Intermediary during the contractual negotiations process.</p> <p>This Financial Instrument is further subject to additional national structural funds requirements. National structural funds requirements may apply, inter alia, to any amendment of Operational Agreements which may in particular be necessary if the purpose, objective, eligibility conditions, timeframe of, or the budget for, the Financial Instrument changes. Save as otherwise provided under relevant law, such changes in the Financial Instrument would only apply as of the date of implementation of the additional requirements.</p>
Transfer	<p>In the event that the Funding Agreement is terminated (for any reason whatsoever), the EIF shall be entitled at any time to transfer all or part of its rights and obligations under the Guarantee to any appointed successor entity. Besides this, neither the EIF nor the Financial Intermediary shall be entitled to transfer any of its rights and obligations under the Guarantee without the consent of the other party. Appropriate arrangements will be put in place for these purposes.</p>

Part II: Selection Criteria for the First Loss Portfolio Guarantee Financial Instrument

1. ELIGIBILITY CRITERIA		System of appraisal
		Yes/ No
1.1.	Credit institution authorised to carry out business in Lithuania under the applicable regulatory framework. To be noted that joint ventures and also consortiums can express their interest as long as they indicate/nominate one coordinating entity as a contractual counterpart for the EIF for the entire term of the Operational Agreement (in case of selection). Such Applicants are required to submit one, joint Expression of Interest.	
1.2.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided (in the form requested if specified).	
1.3.	The Expression of Interest is duly signed.	
1.4.	The Expression of Interest is completed and submitted in English.	
1.5.	The Expression of Interest is submitted both by registered mail and e-mail.	
1.6.	The Expression of Interest is submitted within the Deadline.	
1.7.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions set out in the relevant parts of the Financial Instrument description (Part I of this Annex).	

2.	QUALITY ASSESSMENT CRITERIA	Max. score
2.1.	<p>Commitment to SME lending</p> <p>2.1.1. General implementation strategy (promotion of the Financial Instrument regionally and nationwide, lending volume, a number of SMEs to be assisted).</p> <p>2.1.2. Pricing policy and collateral requirements of the Financial Intermediary, to be charged under the Financial Instrument, as submitted under the Expression of Interest.</p> <ul style="list-style-type: none"> ○ of which offer related to the proposed collateral, interest rate and risk margin (maximum risk margins will be compared) – table 2 presented in Appendix 2 ○ of which offer related to the proposed fees – table 3 presented in Appendix 2. <p>2.1.3. Timetable for the implementation of the Financial Instrument with the established guidelines for the implementation of the Instrument and the time-frame to achieve them – table 4 presented in Appendix 2.</p>	<p>50, of which:</p> <p>10</p> <p>20</p> <p>20</p>
2.2.	<p>Financial Intermediary's operational capacity</p> <p>2.2.1. Financial Intermediary's organisational structure and corporate governance. Administrative capacities of the Financial Intermediary: quality of IT systems, reporting mechanisms, monitoring procedures and controls.</p> <p>2.2.2. Capacities to build up the Portfolio of Eligible Loans. Financial Intermediary's crediting policy (internal procedures and guidelines), risk assessment (rating/scoring), loan approval procedures, collateral requirement, recovery procedures, etc. Quality of its existing SME loan portfolio and the rate of non-performing loans.</p>	<p>40, of which:</p> <p>20</p> <p>20</p>
2.3.	<p>Financial Intermediary's financial standing</p> <p>An assessment of the financial standing of the Financial Intermediaries will be performed on the basis of key financial ratios.</p>	10