



INDICATIVE SMEI TRANSACTIONS TERM SHEET

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 by EIF, in which case notification of the changes will be published on EIF's web site, and are 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 European Investment Bank (EIB), European Investment Fund (EIF) (the “**Relevant Entities**”) and/or or any other person (including without limitation the European Commission and the Republic of Italy) to enter into one or more transaction(s). Any finance commitment by any of the Relevant Entities can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entities do not act as adviser to you or owe you any fiduciary duty. None of the Relevant Entities make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.*

Definitions

Capitalised terms have the meaning ascribed to them in this summary term sheet or the Call.

1. Overview

The objective of the Facility, in accordance with Article 39 of the Common Provisions Regulation is to provide better access to finance for SMEs through capital relief and loss protection or by providing funding via the provision of a guarantee or a cash purchase of certain securitisation tranches backed by existing¹ portfolios of SME and Small Mid-Caps loans or leases or alternative debt finance agreements originated by a Financial Intermediary.

The financial instruments provided under the Facility can be implemented as Cash Transactions or as Synthetic Transactions or a combination thereof.

The Financial Intermediaries will benefit either from a guarantee provided by EIF on specific tranches (as described in sections 1 and 2 of the structure chart below) or from a direct investment into certain tranches of notes by the EIF and/or the EIB (as described in section 3 of the structure chart below). The guarantees for Synthetic Transactions will cover losses applicable to the relevant tranche in respect of exposures included in the Existing Portfolio while the guarantee for the Cash Transactions will cover the timely payment of interest and principal losses at the final legal maturity of the guaranteed tranche.

In exchange for entering into the SMEI Transactions, the Financial Intermediaries shall generate an Additional Portfolio of Eligible Final Recipient Transactions in the Target Geography (new lending to SMEs) calculated as a multiple of the amount of MS Contribution resources allocated to the first

¹ Replenishment of the Existing Portfolio might be allowed subject to due diligence of the SMEI Transaction structure on a case by case basis.

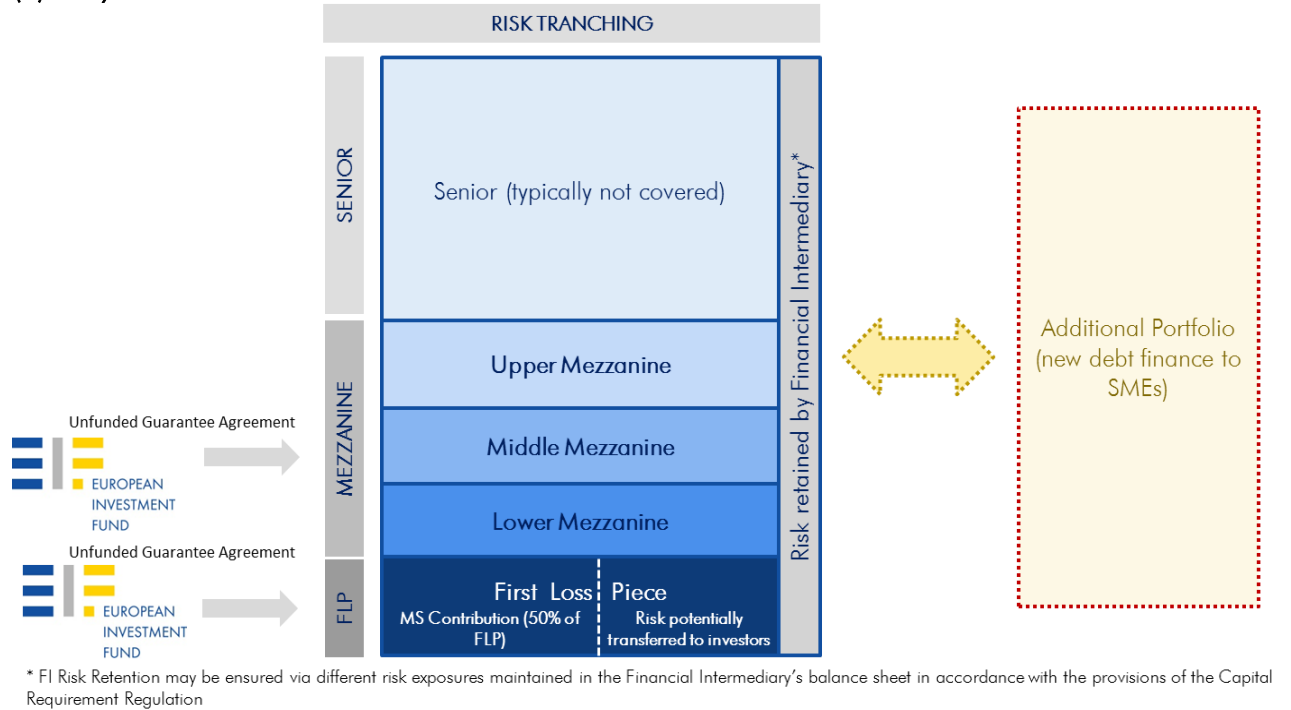
loss piece tranche and lower mezzanine tranche and of the COSME resources allocated to the middle mezzanine tranche of the SMEI Transaction.

As certain tranches within the SMEI Transactions will be priced below market price, the Financial Intermediaries shall pass on the benefit stemming from the SMEI Transactions to the SMEs financed via the Additional Portfolio by reducing, for each exposures included in it, the standard credit risk premium normally charged by an amount equal to the Eligible Final Recipient Transaction Benefit, provided that the Total Benefit of the relevant SMEI Transaction has been transferred at total Additional Portfolio level.

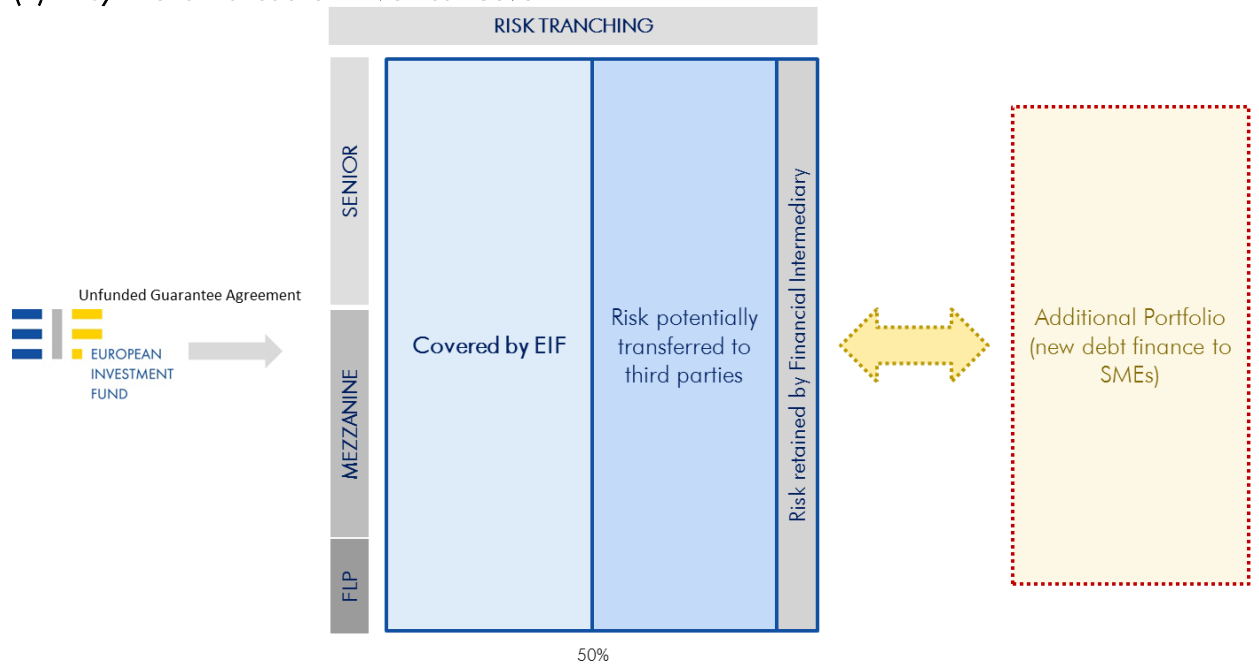
By way of example, a number of potentially implementable SMEI Transactions under the Facility are depicted below (for the avoidance of doubt, this set of examples is not exhaustive and other potential structures could be also implemented by the EIF):

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Italy – Securitisation Instrument

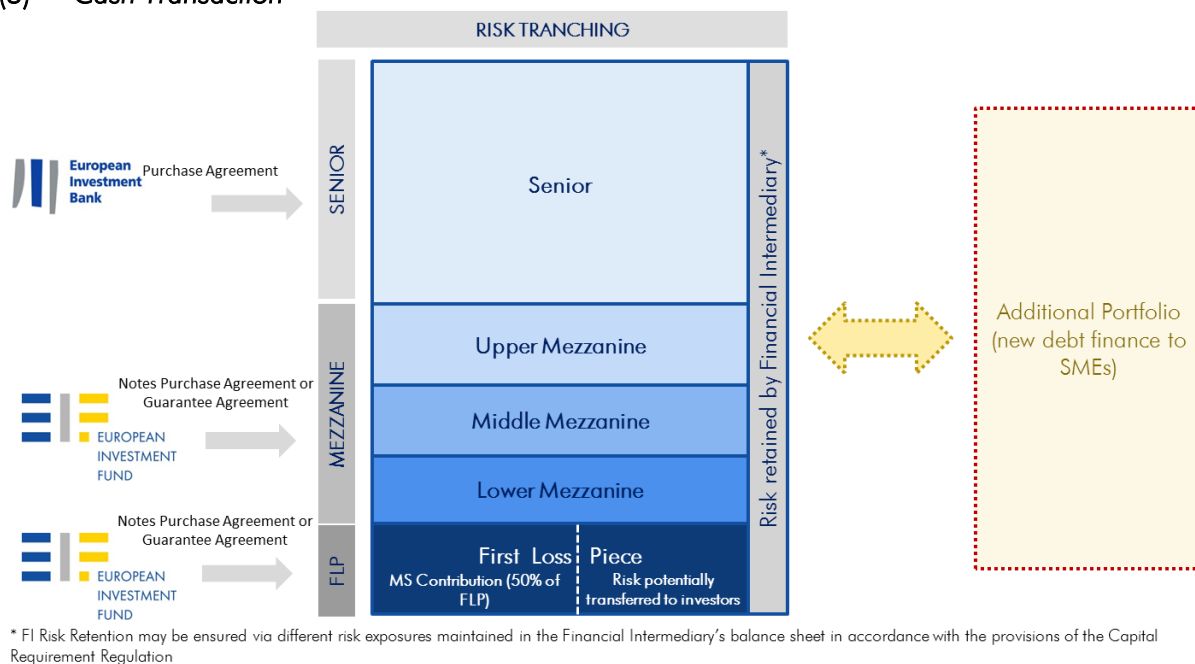
(1) *Synthetic Transaction – Tranche Cover*



(2) *Synthetic Transaction – Vertical Cover*



(3) Cash Transaction



The Financial Intermediaries will continue to service the Existing Portfolio in accordance with their standard credit and collection policies applicable to their SME and Small-Mid Caps lending book, as if such portfolio had not been securitised.

2. The SMEI Transactions - Indicative General Terms and Conditions

SMEI Transaction	Means either (i) a Cash Transaction or (ii) a Synthetic Transaction.
Cash Transaction	Has the same meaning as “traditional securitisation” in the Capital Requirements Regulation ² , i.e. a securitisation involving the economic transfer of the exposures being securitised. This shall be accomplished by the transfer of ownership of the securitised exposures from the originator to a SSPE (securitisation special purpose entity or the “Issuer”) or through other equivalent transfer mechanisms in accordance with applicable law.
Synthetic Transaction	Means a Tranche Cover Transaction or a Vertical Cover Transaction.
Tranche Cover Transaction	Means a synthetic securitisation in accordance with the meaning given to it in the Capital Requirements Regulation, being a securitisation where the transfer of risk is achieved by the use of financial guarantees, and the exposures being securitised remain exposures of the originator. It can either be structured as a funded transaction (instrumented via the issuance of credit linked notes) or as an unfunded synthetic securitisation (instrumented by means of an unfunded guarantee).
Vertical Cover Transaction	Means an unfunded credit protection in accordance with the meaning given to it in the Capital Requirements Regulation, being a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the obligation of a third party to

² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

pay an amount in the event of the default of the borrower or the occurrence of other specified credit events.

SMEI Transaction Tranche(s)

Means each of the following:

- i. Senior Tranche;
- ii. Upper Mezzanine Tranche;
- iii. Middle Mezzanine Tranche;
- iv. Lower Mezzanine Tranche;
- v. First Loss Piece;

each guaranteed or subscribed, as the case may be, at the relevant Guarantee Rate.

The Upper Mezzanine Tranche, the Middle Mezzanine Tranche and the Lower Mezzanine Tranche may be structured together as one mezzanine tranche or any combination thereof.

In the case of a Vertical Cover Transaction, the guarantee will be implemented via one Guarantee Agreement whereby EIF will be the sole provider of a guarantee to the Financial Intermediaries, backed by the resources contributed by the parties to the Facility.

In the case of Tranche Cover Transaction, the guarantee will be typically implemented via as many Guarantee Agreements as SMEI Transaction Tranche(s) covered where the EIF will be the sole provider of a guarantee to Financial Intermediaries for all the different Guarantee Agreements, backed by the resources contributed to the Facility.

The specific proportions of the different tranches for each SMEI Transaction will be calculated by the EIF based on, among other factors, the information provided by the Financial Intermediary (in accordance with Annex I to this Call), the proposed structure and specific features of the SMEI Transaction.

Financial Intermediary

Means either (a) a financial or credit institution (including banking groups) duly authorised to carry out lending or leasing activities according to the applicable legislation in the Republic of Italy or (b) guarantee schemes, guarantee institutions or other financial or credit institutions duly authorized to issue guarantees according to the applicable legislation, established and/or operating in the Republic of Italy. Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud (including the EIF Anti-Fraud Policy) to which it may be subject, and shall not be established in a Non-Cooperating Jurisdiction. The financial intermediaries shall not be selected if they fall within at least one of items listed in the exclusion criteria shown in Appendix C (*Exclusion Criteria for Financial Intermediaries*).

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Guarantee Rate	Means the respective guarantee rate set out in the below grid: <table><tr><td>i.</td><td>Senior Tranche</td><td>up to 100%</td></tr><tr><td>ii.</td><td>Upper Mezzanine Tranche</td><td>up to 100%</td></tr><tr><td>iii.</td><td>Middle Mezzanine Tranche</td><td>up to 100%</td></tr><tr><td>iv.</td><td>Lower Mezzanine Tranche</td><td>up to 100%</td></tr><tr><td>v.</td><td>First Loss Piece</td><td>up to 50%</td></tr></table> Provided that the Financial Intermediaries shall comply with the FI Risk Retention.	i.	Senior Tranche	up to 100%	ii.	Upper Mezzanine Tranche	up to 100%	iii.	Middle Mezzanine Tranche	up to 100%	iv.	Lower Mezzanine Tranche	up to 100%	v.	First Loss Piece	up to 50%
i.	Senior Tranche	up to 100%														
ii.	Upper Mezzanine Tranche	up to 100%														
iii.	Middle Mezzanine Tranche	up to 100%														
iv.	Lower Mezzanine Tranche	up to 100%														
v.	First Loss Piece	up to 50%														
SMEI Transaction Tranche(s) Required Ratings	Means the respective credit rating set out in the below grid: <table><tr><td>i.</td><td>Senior Tranche</td><td>A3/A-/A(low)³</td></tr><tr><td>ii.</td><td>Upper Mezzanine Tranche</td><td>iBa3⁴</td></tr><tr><td>iii.</td><td>Middle Mezzanine Tranche</td><td>iB2³</td></tr><tr><td>iv.</td><td>Lower Mezzanine Tranche</td><td>iB3³</td></tr><tr><td>v.</td><td>First Loss Piece</td><td>unrated</td></tr></table>	i.	Senior Tranche	A3/A-/A(low) ³	ii.	Upper Mezzanine Tranche	iBa3 ⁴	iii.	Middle Mezzanine Tranche	iB2 ³	iv.	Lower Mezzanine Tranche	iB3 ³	v.	First Loss Piece	unrated
i.	Senior Tranche	A3/A-/A(low) ³														
ii.	Upper Mezzanine Tranche	iBa3 ⁴														
iii.	Middle Mezzanine Tranche	iB2 ³														
iv.	Lower Mezzanine Tranche	iB3 ³														
v.	First Loss Piece	unrated														
FI Risk Retention	Financial Intermediaries shall, as regards the Existing Portfolio, retain a credit risk exposure in accordance with the provisions of the Capital Requirements Regulation, as amended, restated and/or complemented from time to time.															
SMEI Transaction Trigger Event	Means, in relation to a SMEI Transaction, any event or circumstance in the documentation of such SMEI Transaction which confers a right, as applicable, to the Guarantor or to any or all of the Notes Purchasers, together or with other persons to designate or instruct the Issuer, trustee or other person to designate certain actions including, but not limited to, a Guarantee Termination Event, termination of the appointment of the servicer, termination of the replenishment period (if any), etc.															

3. The SMEI Transactions - Indicative Terms and Conditions of the Guarantee

Guarantee for Synthetic Transactions	The guarantee issued by EIF for the benefit of Financial Intermediaries is an unconditional and irrevocable financial guarantee and covers (as indicatively set out in section "Covered Amounts"), at the Guarantee Rate, losses suffered by the SMEI Transaction Tranche in respect of the Debt Finance included in the Existing Portfolio.
Guarantee for Cash Transactions	The guarantee issued by EIF for the benefit of Financial Intermediaries or the holders of the notes (if different than the Financial Intermediaries) is an unconditional and irrevocable financial guarantee and covers (as indicatively set out in section "Covered Amounts"), at the Guarantee Rate, the timely payment of interest and the principal losses at legal final maturity of the note (for the avoidance of doubt, on the SMEI Transaction Tranche covered by the Guarantee

³ At least one rating issued by an External Credit Assessment Institution.

⁴ EIF's internal ratings, on the basis of EIF rating methodology.

	Agreement).										
Guarantee Agreement	The agreement entered into between the Guarantor and a Financial Intermediary or a holder of the notes setting out the terms and conditions of the Guarantee.										
Guarantor	The European Investment Fund (EIF).										
Guarantee Fee	<table> <tr> <td>Senior</td><td>SMEI Transaction specific</td></tr> <tr> <td>Upper Mezzanine</td><td>SMEI Transaction specific</td></tr> <tr> <td>Middle Mezzanine</td><td>SMEI Transaction specific⁵</td></tr> <tr> <td>Lower Mezzanine</td><td>priced at the expected loss of the tranche up to the safe harbour of the corresponding target rating</td></tr> <tr> <td>First Loss Piece</td><td>0%</td></tr> </table>	Senior	SMEI Transaction specific	Upper Mezzanine	SMEI Transaction specific	Middle Mezzanine	SMEI Transaction specific ⁵	Lower Mezzanine	priced at the expected loss of the tranche up to the safe harbour of the corresponding target rating	First Loss Piece	0%
Senior	SMEI Transaction specific										
Upper Mezzanine	SMEI Transaction specific										
Middle Mezzanine	SMEI Transaction specific ⁵										
Lower Mezzanine	priced at the expected loss of the tranche up to the safe harbour of the corresponding target rating										
First Loss Piece	0%										
Guarantee Fee Amount	Means the amount payable quarterly (or with any other frequency agreed in the SMEI Transaction documents) in arrears by the Financial Intermediaries, calculated with reference to the applicable Guarantee Fee with respect to the relevant guaranteed part of the outstanding principal amount of the specific SMEI Transaction Tranche.										
Covered Amounts	<p>1. With respect to Synthetic Transactions:</p> <p>(a) Principal⁶ and/or</p> <p>(b) interest⁷ (excluding among other items, but not limited to, late payment or default interest, capitalised interest, and any interest amounts which accrued after a period of 90 days from the last payment past due)</p> <p>due, payable and outstanding at such time following occurrence of an event of default on the Debt Finance. For the avoidance of doubts, a) and b) above shall be considered Covered Amounts with respect to a specific tranche when the tranche is directly impacted (totally or partially) by a loss in the Existing Portfolio with regard to a) and b).</p> <p>2. With respect to Cash Transactions:</p> <p>a) any interest amount due and payable and not paid on the notes;</p> <p>b) the aggregate principal amount outstanding of the notes,</p> <p>in each case to the extent that such amounts have not been paid by the Issuer (i) in case of interest amounts on any interest payment date and</p>										

⁵ With respect to the pricing of the middle mezzanine risk, it is to be noted that this will be calculated on the basis of the expected loss pricing of the COSME portion and the cost for the credit risk protection after the expiry of the COSME counter-guarantee (10 years from effectiveness of the guarantee or issuance of the notes).

⁶ In case of finance leases, the references to the 'principal amount' shall mean the amount financed by the Financial Intermediary under a finance lease, which is the purchase price of an asset leased by the Intermediary, reduced by any down-payment amount paid by the SME.

⁷ In case of finance leases, the references to the 'interest amount' shall deem to have references to "lease interest", which shall mean the interest charged by the Financial Intermediaries to the SME as set out in the relevant Final Recipient Transaction documentation.

	(ii) in case of the aggregate principal amount outstanding on the final legal maturity date of the SMEI Transaction.
Payment Demands	<p>The Guarantor shall pay any amounts claimed by the Financial Intermediary promptly after receiving a Payment Demand.</p> <p>The terms on the Payment Demands will be further detailed in the Guarantee Agreement and/or the SMEI Transaction documents.</p>
Recoveries	All recoveries as defined in the SMEI Transaction documents shall be paid to the Guarantor at any relevant time specified in the Guarantee Agreement.
Guarantee Termination Events	The Guarantee Agreement will set out standard events of default, including, but not limited to, non-payment of amounts due under the Guarantee Agreement, breach of obligation, insolvency, unlawfulness and misrepresentation.

3. The SMEI Transactions - Indicative Terms and Conditions of the Notes Purchase

Notes Purchase for Synthetic Transactions	EIF with respect to the Upper Mezzanine Tranche, the Middle Mezzanine Tranche, the Lower Mezzanine Tranche and the First Loss Piece, and EIB with respect to the Senior Tranche will purchase the credit linked notes issued under the Synthetic Transaction up to a maximum in accordance with the Guarantee Rate (for the avoidance of doubt the mechanics of the Synthetic Transaction and the Covered Amounts will be identical as if the Synthetic Transaction would have been instrumented via an unfunded Guarantee Agreement).								
Notes Purchase for Cash Transactions	EIF with respect to the Upper Mezzanine Tranche, the Middle Mezzanine Tranche; the Lower Mezzanine Tranche and the First Loss Piece, and EIB with respect to the Senior Tranche will purchase the notes issued under the Cash Transaction up to a maximum in accordance with the Guarantee Rate.								
Notes Purchase Agreement	The agreement entered into between the Notes Purchaser and a Financial Intermediary and/or the Issuer and/or an intermediary.								
Notes Purchaser(s)	<p>EIB for the Senior Tranche</p> <p>EIF for the Upper Mezzanine Tranche, the Middle Mezzanine Tranche, the Lower Mezzanine Tranches and the First Loss Piece.</p>								
Notes Coupon	<table> <tr> <td>Senior</td><td>EURIBOR + transaction specific margin</td></tr> <tr> <td>Upper Mezzanine</td><td>EURIBOR + transaction specific margin</td></tr> <tr> <td>Middle Mezzanine</td><td>EURIBOR + transaction specific margin⁸</td></tr> <tr> <td>Lower Mezzanine</td><td>EURIBOR + margin equal to the expected loss of the tranche up to the safe harbour of the corresponding target rating</td></tr> </table>	Senior	EURIBOR + transaction specific margin	Upper Mezzanine	EURIBOR + transaction specific margin	Middle Mezzanine	EURIBOR + transaction specific margin ⁸	Lower Mezzanine	EURIBOR + margin equal to the expected loss of the tranche up to the safe harbour of the corresponding target rating
Senior	EURIBOR + transaction specific margin								
Upper Mezzanine	EURIBOR + transaction specific margin								
Middle Mezzanine	EURIBOR + transaction specific margin ⁸								
Lower Mezzanine	EURIBOR + margin equal to the expected loss of the tranche up to the safe harbour of the corresponding target rating								

⁸ With respect to the pricing of the middle mezzanine risk, it is to be noted that this will be calculated on the basis of the expected loss pricing of the COSME portion and the cost for the credit risk protection after the expiry of the COSME counter-guarantee (10 years from effectiveness of the guarantee or issuance of the notes).

	First Loss Piece	EURIBOR +0%
EURIBOR	Means the Euro Interbank Offered Rate for the Euro deposit period; corresponding to the interest period of the SMEI Transaction in accordance with the SMEI Transaction documentation, which appears on the relevant display pages on Thomson Reuters or Bloomberg. If, at any point in time, EURIBOR is negative, it shall be equal to zero.	

4. The SMEI Transactions - Existing Portfolio

Existing Portfolio	A portfolio comprised of <ul style="list-style-type: none"> (i) existing loans, leases or guarantees ("Debt Finance") to SMEs and Small Mid-Caps and/or (ii) new Debt Finance agreements to SMEs; which is securitised (excluding, for the avoidance of doubt, the Additional Portfolio).	
Existing Portfolio - minimum size	The initial principal amount of the Existing Portfolio shall be equal to at least EUR 100.000.000, save for Applications made by a confidi (or a group of confidi) acting as originator which shall be subject to a minimum size of EUR 75.000.000.	
Existing Portfolio – maximum size	The initial principal amount of the Existing Portfolio shall not exceed EUR 1.000.000.000 provided that the EIF will be entitled to accept and process Applications for SMEI Transactions in relation to Existing Portfolio with a maximum size higher than EUR 1.000.000.000 and in any case lower than or equal to EUR 1.500.000.000, only if the potential amount of the MS Contribution envisaged to be used by the EIF in the relevant SMEI Transactions is not higher than 40% of the MS Contribution.	
Eligibility Criteria of the Existing Portfolio	<p>The Debt Finance to SMEs and Small Mid-Caps included in the Existing Portfolio shall comply with at least the following criteria:</p> <ul style="list-style-type: none"> (i) The SMEs or Small Mid-Caps included in the Existing Portfolio shall be established and/or operating in the Republic of Italy; (ii) More than 50% of the Debt Finance agreements included in the Existing Portfolio have been originated in the Target Geography; (iii) The relevant Existing Portfolio must contain at least 80% of existing (or new) Debt Finance to SMEs , the remainder may be made up of existing or new Debt Finance agreements provided to enterprises which are not SMEs but which have less than 500 employees. (iv) The documentation of each SMEI Transaction shall stipulate that any Debt Finance agreement included in the Existing Portfolio shall not be delinquent and in any event not be a Non-Performing Exposure at the relevant inclusion date. (v) In relation to SMEI Transaction with Financial Intermediary, 	

such Financial Intermediary shall represent and undertake that the maximum volume of all relevant Existing Portfolio(s) under this initiative as of the date of signature of the relevant Guarantee Agreement(s) (or Notes Purchase Agreement(s)) shall not exceed 10% of the Financial Intermediary's total risk weighted assets (calculated on the basis of the most recent audited information).

- (vi) In case the Existing Portfolio will include Debt Finance agreements with remaining maturities exceeding fifteen (15) years, at the pre-selection of the relevant Financial Intermediary, the Financial Intermediary will provide relevant information on the type of assets which are being financed as part of the minimum information foreseen as well as details of the origination of those loans exceeding (15) years of remaining maturity.
- (vii) A maximum remaining maturity of an underlying obligation included in the Existing Portfolio of a relevant SMEI Transaction shall not exceed fifteen (15) years (subject to (viii));
- (viii) Existing Portfolio of a relevant SMEI Transaction may include underlying obligations with a remaining maximum maturity not exceeding twenty (20) years for Financial Intermediaries using the internal ratings based approach ("IRB method" under the current Capital Requirements Regulation or any subsequent amendment) and twenty-five (25) years for Financial Intermediaries using the standardised approach (under the current Capital Requirements Regulation or any subsequent amendment), provided that, the Financial Intermediaries shall ensure that (i) for Existing Portfolios with aggregate principal amounts of underlying obligations exceeding EUR 500m, the aggregate principal amounts of the underlying obligations exceeding fifteen (15) years remaining maturity do not exceed an amount equal to 7.5% of the aggregate principal amount of such Existing Portfolio, and (ii) for Existing Portfolios with aggregate principal amounts of underlying obligations equal to or less than EUR 500m, the aggregate principal amounts of underlying obligations exceeding fifteen (15) years remaining maturity do not exceed an amount equal to 15% of the aggregate principal amount of such Existing Portfolio.
- (ix) The Debt Finance in the Existing Portfolio cannot be guaranteed by (i) confidi if the relevant confidi's guarantees are counter-guaranteed by the Fondo Centrale di Garanzia or any counter-guarantee instruments funded with EU budgetary

resources or (ii) by any other guarantee instrument funded with EU budgetary resources⁹. In order to verify the fulfilment of this criterion, the Financial Intermediaries shall obtain a declaration from the relevant confidi, in written or electronic form.

(x) The Debt Finance agreements' currency shall be EURO.

Additional Eligibility Criteria of the Existing Portfolio	Additional criteria may be set out on a case-by-case basis by EIF depending on the proposed SMEI Transaction features as set out in the Financial Intermediary application, including, but not limited to: (i) Diversification (ii) Granularity (iii) Limits on internal ratings or probabilities of default, etc.
Non-Performing Exposure	Any Debt Finance that satisfies either of the following criteria: i) it is more than 90 days past due; and/or ii) its debtor is assessed, in accordance with the credit and collection policies of the Financial Intermediary, as unlikely to pay its credit obligations in full without realisation of collateral or classified as <i>incaglio</i> , <i>sofferenza</i> or <i>esposizione scaduta e/o sconfinante deteriorata</i> ; iii) its debtor has declared bankruptcy; iv) it has at least one due and payable amount but still unpaid under any debt finance agreement registered as such in the official registry Centrale Dei Rischi - Banca d'Italia (Bank of Italy) which, as at the date of evaluation of the Existing Portfolio, is accessible at https://www.bancaditalia.it/servizi-cittadino/servizi/accesso-cr /and any other successor to such registry.
Replenishment	Principal repayments in respect of an Existing Portfolio may be used to replenish such Existing Portfolio. The replenishment period shall not be longer than the end of the Inclusion Period
Servicing and Recoveries	In principle, the Financial Intermediary shall perform the servicing of the Existing Portfolio, including monitoring and recovery actions. A back-up servicer and/or any other servicing agreement may be included in the SMEI Transaction upon request by the EIF. The Financial Intermediary shall take recovery actions (including

⁹ In order to verify the fulfilment of this criterion, the Financial Intermediaries shall obtain a declaration from the relevant confidi, in written or electronic form. In the case of Debt Finance in the Existing Portfolio which are guarantee by confidi and meeting the criterion (ix) here above, the Financial Intermediary shall terminate such guarantees on or about the signing of the SMEI Transaction.

the enforcement of any security) in relation to each defaulted Debt Finance in accordance with its credit and collection policies.

5. The SMEI Transactions - Miscellaneous

Reporting	Financial Intermediaries shall be obliged to provide reporting of the Existing Portfolio which shall build upon the reporting requirements established by the European Central Bank (the 'ECB SME Reporting Template') or similar (see Appendix E).
Governing Law and Language	The terms of the Guarantee Agreement or the Notes Purchase Agreement shall be in the English language and the Guarantee Agreement or the Notes Purchase Agreement shall be governed by the laws of England and Wales.

6. The Additional Portfolio

Additional Portfolio Volume	<p>The Financial Intermediary shall commit to:</p> <ul style="list-style-type: none"> (a) build up, or procure to build up, an Additional Portfolio composed of Eligible Final Recipient Transactions within the Inclusion Period. The minimum volume of the Additional Portfolio shall be determined in the Additional Portfolio Agreement taking into account: <ul style="list-style-type: none"> (i) the amount of regulatory capital relief (if applicable) that can be achieved with respect to the relevant Existing Portfolio under the SMEI Transaction; (ii) the amount of Total Benefit to be absorbed by the Final Recipient Transactions under the Additional Portfolio; (iii) the MS Contribution Leverage Multiplier for MS Contribution; and (iv) the COSME Multiplier for COSME Contribution.
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The Additional Portfolio shall be entirely originated in the Target Geography (in accordance with the Final Recipient Eligibility Criteria set out in Appendix A).

The Leverage Additional Portfolio Volume and the COSME Minimum Portfolio Volume will be notified to the Financial Intermediary by the EIF before signing the SMEI Transaction. The Financial Intermediary will commit to deploy at least such amount but it will have the freedom to deploy volumes higher than the sum of the Leverage Additional Portfolio Volume and the COSME Minimum Portfolio Volume to allow for a more comfortable absorption of the Total Benefit.

Additional Portfolio	Means the portfolio of Eligible Final Recipient Transactions to be originated by a Financial Intermediary during the Inclusion Period in accordance with the terms set out in the Additional Portfolio
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	Agreement.
Final Recipient	SME as defined in the Commission Recommendation.
Eligible Final Recipient Transaction	Means a Final Recipient Transaction which complies with all relevant Additional Portfolio Eligibility Criteria.
Additional Portfolio Eligibility Criteria	In order to be eligible for inclusion in the Additional Portfolio, the Final Recipient Transactions shall comply with the eligibility criteria listed in Appendix A.
	A breach of any of the Additional Portfolio Eligibility Criteria (other than the COSME Eligibility Criteria) shall result in an exclusion of the relevant Final Recipient Transaction from the Additional Portfolio, save as specified in the “Exclusion Process”
Target Geography	The area covering the regions of Basilicata, Calabria, Campania, Puglia, Sicilia, Abruzzo, Molise and Sardinia.
Final Recipient Transaction	Means loans, finance leases, and/or other debt finance instruments eligible under Article 39(1) of the Common Provisions Regulation, in each case entered into by a Financial Intermediary and a Final Recipient during the Inclusion Period.
Inclusion Period	Means the period specified in the Additional Portfolio Agreement during which the relevant Financial Intermediary may include and disburse Final Recipient Transaction in the Additional Portfolio. Such Period typically lasts between 18 and 36 months and in any event expiring not later than the Disbursement End Date.
Disbursement End Date	Means 31 December 2020.
Additional Portfolio Agreement	The agreement entered into between the EIF and a Financial Intermediary setting out the terms and conditions for the creation of the Additional Portfolio (including the Additional Portfolio Eligibility Criteria).
Maximum Additional Portfolio Volume	Means an amount determined by the EIF and the Financial Intermediary on case by case basis but at least equal to the Minimum Additional Portfolio Volume, which represents the maximum size (in EUR) of the Additional Portfolio.
Minimum Additional Portfolio Volume	Means an amount at least equal to the product of: <ol style="list-style-type: none"> 1. The MS Contribution Multiplier and 2. The MS Deal Contribution.
Leverage Additional Portfolio Volume	Means an amount at least equal to the product of: <ol style="list-style-type: none"> 1. The MS Contribution Leverage Multiplier and 2. The MS Deal Contribution.
MS Contribution Leverage Multiplier	Means 6 (six).
MS Contribution Multiplier	Means 1 (one).
MS Deal Contribution	Means MS Contribution resources allocated to support the First Loss Piece and Lower Mezzanine Tranche of the Existing Portfolio.
Actual Additional Portfolio Volume	The aggregate initial principal amount of Eligible Final Recipient Transactions included in the Additional Portfolio and disbursed

during the Inclusion Period from time to time, provided that, for the avoidance of doubt:

1. if any Eligible Final Recipient Transaction is prepaid and/or repaid, then this shall not reduce the Actual Additional Portfolio Volume; and
2. if a Eligible Final Recipient Transaction is excluded from the Additional Portfolio as a result of the non-compliance with the Additional Portfolio Eligibility Criteria, then such transaction shall not be taken into account for the calculation of the Actual Additional Portfolio Volume.

COSME Additional Portfolio	Means the portfolio of Eligible Final Recipient Transactions which also qualify as COSME Eligible Final Recipient Transactions to be originated by a Financial Intermediary during the Inclusion Period in accordance with the terms set out in the Additional Portfolio Agreement.
COSME Minimum Portfolio Volume ¹⁰	Means an amount at least equal to the product of: <ol style="list-style-type: none"> 1. The COSME Multiplier and 2. The COSME Deal Contribution.
COSME Multiplier	Means 20 (twenty).
COSME Deal Contribution	Means the COSME resources allocated to support the Middle Mezzanine Tranche of the Existing Portfolio.
Actual COSME Portfolio Volume	The aggregate initial principal amount of COSME Eligible Final Recipient Transactions disbursed during the Inclusion Period in the Additional Portfolio from time to time, provided that, for the avoidance of doubt: <ol style="list-style-type: none"> 1. if any Eligible Final Recipient Transaction is prepaid and/or repaid, then this shall not reduce the Actual COSME Portfolio Volume; and 2. if an Eligible Final Recipient Transaction is excluded from the COSME Additional Portfolio as a result of the non-compliance with the COSME Portfolio Eligibility Criteria, then such transaction shall not be taken into account for the calculation of the Actual COSME Portfolio Volume.
Exclusion Process	<p>If a Final Recipient Transaction which has been included in the Additional Portfolio does not comply with relevant Eligibility Criteria, it shall be excluded from the Additional Portfolio.</p> <p>The Additional Portfolio Volume shall be adjusted following an exclusion from the Additional Portfolio by deducting the aggregate committed principal amount of the Final Recipient Transaction which has been excluded.</p>

¹⁰ For the avoidance of doubts the COSME Minimum Portfolio Volume is to be originated in addition to the Leverage Additional Portfolio Volume.

If the Additional Portfolio Volume is adjusted pursuant to this section, the Financial Intermediary may include one or more further Eligible Final Recipient Transaction in the Additional Portfolio to extent that such inclusions are made until the Disbursement End Date.

7. The Additional Portfolio - Transfer of Benefit and de minimis

Eligible Final Recipient Transaction Benefit	Means an amount equal to the quotient of: <ol style="list-style-type: none"> 1. the Total Benefit and 2. the product of (a) Maximum Additional Portfolio Volume and (b) the weighted average life (WAL) of the Additional Portfolio.
	EIF and the Financial Intermediary will determine a minimum level of Eligible Final Recipient Transaction Benefit to be applied on each Eligible Final Recipient Transaction, provided that the Financial Intermediary can further reduce the standard premium in order to comply with the transfer of Total Benefit at Additional Portfolio aggregate level.
Total Benefit	The amount of benefit provided to the Financial Intermediary in respect of each tranche of the SMEI Transaction supported by the Facility shall be transferred to the Final Recipients by reducing the standard premium normally charged by the Eligible Final Recipient Transaction Benefit. The Total Benefit is an amount equal to the sum of each Tranche Benefit.
Tranche Benefit	For each tranche supported by the Facility, means the product of: <ol style="list-style-type: none"> 1. the positive difference between (a) the Tranche Market Price and (b) the relevant Guarantee Fee, or the margin of the Note Coupon, as the case may be; 2. the amount of tranche; 3. the WAL of Existing Portfolio
Tranche Market Price	The Tranche Market Price is determined by EIF on the basis of primary and secondary market pricing information for ABS tranches with same level or risk, defined by the internal rating methodology of the EIF. In the absence of a market price, the EIF shall apply the safe harbour premium for an equivalent risk level for guarantees laid down in the Commission notice on the application of Articles 87 and 88 of the EC Treaty to state aid in the form of guarantees (Official Journal of the European Union, C 155, and p.10 of 20.06.2008). The safe-harbour premium for the First Loss Piece amounts to up to 10% per annum.
SMEI Transaction State Aid Benefit	Means an amount equal to the sum of: <ol style="list-style-type: none"> 1. the product of the (a) Tranche Benefit stemming from the First Loss Piece and (b) the First Loss Piece MS Contribution coverage; and

2. the product of (a) the Tranche Benefit stemming from the Lower Mezzanine and (b) the Lower Mezzanine MS Contribution coverage.

The SMEI Transaction State Aid Benefit shall be fully transferred by the Financial Intermediary to all the Eligible Final Recipient Transactions included in the Additional Portfolio.

Final Recipient State Aid
Benefit

Means an amount equal to:

1. SMEI Transaction State Aid Benefit; divided by
2. The product of (i) agreed Additional Portfolio Volume; and (ii) the expected WAL of the Additional Portfolio.

The state aid benefit for each Final Recipient shall be calculated as a basis points reduction of a customary credit risk spread applicable to a Final Recipient Transaction according to the above formula.

At Final Recipient Level, the State Aid Benefit shall be considered as an interest rate subsidy within the meaning of Article 4(2) of the De Minimis Regulation.

GGE

For each Eligible Final Recipient Transaction included in the Additional Portfolio, means an amount equal to the product of:

1. the Eligible Final Recipient Transaction nominal principal amount;
2. the WAL of the Eligible Final Recipient Transaction; and
3. the Final Recipient State Aid Benefit.

Compliance with De Minimis
Regulation

The Financial Intermediary shall undertake that prior to entering into a Final Recipient Transaction it shall comply with the provisions of Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid ("De Minimis Regulation") and the relevant implementing regulation in accordance with applicable national law.

8. The Additional Portfolio – Commitment Fees

Minimum Additional Portfolio
Volume Commitment Fee
Amount

If and to the extent the Minimum Additional Portfolio Volume is not reached by the end of the Inclusion Period, the Financial Intermediary shall be liable to pay the Minimum Additional Portfolio Volume Commitment Fee Amount to the EIF for the benefit of the Republic of Italy, in an amount equal to the positive difference of: (a) the Minimum Additional Portfolio Volume and (b) the Actual Additional Portfolio Volume.

Leverage Additional Portfolio
Volume Commitment Fee
Amount

If and to the extent the Leverage Additional Portfolio Volume is not reached by the end of the Inclusion Period, the Financial Intermediary shall be liable to pay the Leverage Additional Portfolio Volume Commitment Fee Amount to the EIF for the benefit of the Republic of Italy, in an amount equal to the product of:

1. 50 basis points (0.5%) and

2. the positive difference between (a) the Leverage Additional Portfolio Volume and (b) the Actual Additional Portfolio Volume.

COSME Volume Commitment Fee Amount	<p>If and to the extent the COSME Minimum Portfolio Volume is not reached by the end of the Inclusion Period, the Financial Intermediary shall be liable to pay a commitment fee to the EIF for the benefit of the European Union, in an amount equal to the product of:</p> <ol style="list-style-type: none"> 1. 450 basis points (4.5%); 2. the positive difference between (a) the COSME Contribution and (b) the amount equal to the quotient of (i) the Actual COSME Portfolio Volume and (ii) the COSME Multiplier; and 3. a pre-set estimate of 4-year weighted average life for the Additional Portfolio.
State Aid Commitment Fee Amount	<p>If and to the extent the SMEI Transaction State Aid Benefit has not been fully transferred in relation to the Eligible Final Recipient Transactions included in the Additional Portfolio (as set out in section “Facility Transaction State Aid Benefit”) by the end of the Inclusion Period, the Financial Intermediary shall be liable to pay to the EIF a commitment fee for the benefit of the Republic of Italy, in an amount equal to the sum of:</p> <ol style="list-style-type: none"> 1. the difference, if positive, between (a) the SMEI Transaction State Aid Benefit and (b) the Actual State Aid Benefit transferred under Additional Portfolio as of such date; and 2. the product of: <ol style="list-style-type: none"> a. 900 basis points (9%) and b. the difference, if positive, between (a) the SMEI Transaction State Aid Benefit and (b) the Actual State Aid Benefit Transferred under Additional Portfolio as of such date.
Actual State Aid Benefit	<p>Means at any time the aggregate amount of SMEI Transaction State Aid Benefit transferred to all the Eligible Final Recipient Transactions included in the Additional Portfolio (as set out in section “SMEI Transaction State Aid Benefit”).</p>

9. The Additional Portfolio – Miscellaneous

Compliance with Laws	<p>Financial Intermediaries shall comply in all respects with all laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject, the breach of which may (i) adversely impact the performance of the Additional Portfolio Agreement or (ii) adversely prejudice the interests of the Republic of Italy, EIF, the</p>
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	<p>European Commission or the EIB under the Additional Portfolio Agreement.</p> <p>The Financial Intermediaries shall include in the documentation evidencing the Eligible Final Recipient Transaction:</p> <p>(x) undertakings from the SMEs equivalent to those contained above and</p> <p>(y) any representations, warranties and undertakings from the SMEs for the purpose of ensuring that each Eligible Final Recipient Transaction included in the Additional Portfolio shall comply at any relevant time with the Additional Portfolio Eligibility Criteria.</p>
Monitoring and Audits	<p>The Financial Intermediaries and the SMEs whose Eligible Final Recipient Transactions are included in the Additional Portfolio shall agree to allow and to provide access to documents and premises related to the guarantee to the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF, agents of EIF, EIB and any other European Union institution or European Union body which is entitled to verify the use of the Guarantee and any other duly authorized bodies under applicable law to carry out audit or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each Eligible Final Recipient Transactions agreement.</p>
Publicity	<p>Financial Intermediaries shall carry out adequate information, marketing and publicity campaigns, including through their website or alternative ways of communication to achieve equivalent visibility, aimed at making the SME Initiative known to SMEs in Italy.</p> <p>Financial Intermediaries shall ensure that the Eligible Final Recipient Transaction agreements, promotional material, press releases and any publication on their website or alternative ways of communication to achieve equivalent visibility pertaining to the SME Initiative contains a statement that the "[Eligible Final Recipient Transaction] benefits from support from the European Union pursuant to the "SME Initiative, with funding by the European Union under ERDF allocated to the Republic of Italy and COSME and by the European Investment Fund and the European Investment Bank." and the logos of the SDNP, the European Union, the EIF and the EIB.</p>
Reporting	<p>Financial Intermediaries shall provide the EIF within 30 calendar days after the end of each calendar quarter (the "Report Date") with quarterly information in a standardised form (see Appendix C), including among others, information on the Eligible Final Recipient Transaction entered into and relevant amounts outstanding.</p>
Non-Cooperating Jurisdictions	<p>A jurisdiction which does not co-operate with the European Union in relation to the application of the internationally agreed tax standard, or their tax practices do not follow the Commission Recommendation of 6.12.2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805).</p>

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Information on Final
Recipients

With regard to Final Recipient Transactions that comply with the COSME Eligibility Criteria, EIF will publish from time to time on its website the name of each Final Recipient, its address (for natural persons NUTS II information only), the country of its establishment and the type of financing received under the Facility, unless:

- (a) the initial principal amount of the relevant Eligible Final Recipient Transaction does not exceed EUR 500,000, or
- (b) the Final Recipient did not agree in writing (including by a representation in the relevant agreement) to such publication if it risks 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;
- (c) it would be illegal under the applicable laws and regulations;
- (d) the Final Recipient is a natural person and declared (in accordance with item (b)) prior or after receiving financial support that it does not wish to be published.

The Financial Intermediaries must inform the EIF, in the form of a report to be provided to the EIF on an annual basis, of the Final Recipients covered in items (b) and (c) above.

Excluded SMEs and Restricted
Sectors

SMEs which are classified according to the criteria set out in Appendix B or are active (as further specified) in one of the sectors listed in Appendix B are not eligible for inclusion in the Additional Portfolio.

APPENDIX A

ADDITIONAL PORTFOLIO ELIGIBILITY CRITERIA

The Additional Portfolio Eligibility Criteria are composed of the Final Recipient Eligibility Criteria, the Final Recipient Transaction Eligibility Criteria, the COSME Transaction Eligibility Criteria, and any additional eligibility criteria set out in the specific terms of the relevant Additional Portfolio Agreement.

It should be noted that the Additional Portfolio Eligibility Criteria might be adapted during the implementation of the Facility in order to cater for relevant market developments and legislative changes. In any case, any such change will not affect eligibility of Eligible Final Recipient Transactions already included in the Additional Portfolio and will be subject to the agreement of the parties.

Each Eligible Final Recipient Transaction included in the Additional Portfolio shall comply with the Final Recipient Eligibility Criteria and the Final Recipient Transaction Eligibility Criteria.

In order to qualify as a COSME Transaction, an Eligible Final Recipient Transaction included in the Additional Portfolio shall comply with the COSME Transaction Eligibility Criteria.

The Additional Portfolio Eligibility Criteria shall be met at all times, except all the Final Recipient Eligibility Criteria, which shall only be met on the signing date of the document(s) evidencing the relevant Eligible Final Recipient Transaction (or where specifically indicated, on the date of the SME's application for an Eligible Final Recipient Transaction).

A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Eligible Final Recipient Transaction(s) from the Additional Portfolio save as specified in the "Exclusion Process".

Final Recipient Eligibility Criteria

- (i) The Final Recipient has a registered place of business in a Member State of the EU and the economic activity (including without limitation operative unit or productive branch) for which the Final Recipient Transaction is disbursed shall be located in the Target Geography.
- (ii) The Final Recipient is potentially economically viable (as assessed by the Financial Intermediary in accordance with its internal procedures) and is not an "undertaking in difficulty" within the meaning of the Block Exemption Regulation¹¹.
- (iii) The Final Recipient's business activities do not consist of one or more of the activities listed under the Restricted Sectors (as set out in section 1 of Appendix B).
- (iv) The Final Recipient is not in an Exclusion Situation (as set out in section 2 of Appendix B).

Final Recipient Transaction Eligibility Criteria

- (i) The Eligible Final Recipient Transaction shall be newly originated.
- (ii) The purpose of the Eligible Final Recipient Transaction shall be:
 - a. an investment in tangible or intangible assets,
 - b. working capital , or
 - c. the transfer of proprietary rights in enterprises provided that such transfer takes place between independent investors.
- (iii) The Eligible Final Recipient Transaction shall target:
 - a. the establishment of new enterprises,

¹¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

- b. early stage capital (i.e., seed capital and start-up capital),
 - c. expansion capital,
 - d. capital for the strengthening and/or stabilisation of the general activities of an enterprise or
 - e. the realisation of new projects, penetration of new markets or new developments by existing enterprises,
- in support of one or more of the activities set out in Article 3(1) of the ERDF Regulation.
- (iv) The investments to be supported by the Eligible Final Recipient Transaction:
 - a. shall not be physically completed or fully implemented on the approval date of the documents evidencing the Eligible Final Recipient Transaction; and
 - b. shall be expected to be financially viable (as assessed by the Financial Intermediary in accordance with its internal procedures).
 - (v) The portion of an Eligible Final Recipient Transaction dedicated to the purchase of land shall not exceed 10% of the initial principal amount of the Eligible Final Recipient Transaction.
 - (vi) The Eligible Final Recipient Transaction shall not refinance or restructure (including substitution of) an existing loan.
 - (vii) The Eligible Final Recipient Transaction shall not be used to finance tariffs.
 - (viii) The Eligible Final Recipient Transaction shall not finance Ineligible Expenditure which refers to and includes:
 - a. the decommissioning or the construction of nuclear power stations;
 - b. investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;
 - c. the manufacturing, processing and marketing of tobacco and tobacco products;
 - d. undertakings in difficulty, as defined under Union State aid rules;
 - e. investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact; or
 - (ix) The Eligible Final Recipient Transaction shall not be used to pre-finance grants (for the avoidance of doubt, the Eligible Final Recipient Transaction may be combined with grants in accordance with Articles 37.7 and 37.9 of the CPR).
 - (x) The Eligible Final Recipient Transaction shall not provide funding for activities which are excluded from the scope of the De Minimis Regulation pursuant to Article 1 of such regulation.
 - (xi) The Eligible Final Recipient Transaction shall not be in the form of a mezzanine loan, a subordinated debt or a quasi-equity transaction.
 - (xii) If the Eligible Final Recipient Transaction is a lease, it shall be in the form of a Finance Lease.
 - (xiii) The amount committed by the Financial Intermediary under the Eligible Final Recipient Transaction shall not exceed the Maximum Final Recipient Transaction Committed Amount.
 - (xiv) The Eligible Final Recipient Transaction shall have a fixed repayment schedule or be a Revolving Eligible Final Recipient Transaction.
 - (xv) The Eligible Final Recipient Transaction's maturity shall:
 - a. not be lower than 24 months (including any applicable grace period), and
 - i. in respect of any Eligible Final Recipient Transaction other than a Revolving Eligible Final Recipient Transaction, other than as a result of an amendment in accordance with the standard banking practice, not exceed 300 months (including any applicable grace period), or
 - ii. in respect of any Revolving Eligible Final Recipient Transaction, not exceed 120

- months.
- (xvi) The customary risk spread applicable to the Eligible Final Recipient Transaction included in the Portfolio shall be reduced by the level of the Final Recipient State Aid Benefit.
 - (xvii) The Eligible Final Recipient Transaction shall not be affected by an Irregularity or fraud.
 - (xviii) The Eligible Final Recipient Transaction shall be denominated in Euro.
 - (xix) The amount committed by the Financial Intermediary under the Eligible Final Recipient Transaction shall not result in the total amount of de minimis aid received by the SME being above the maximum amount allowed under the De Minimis Regulation (subject to its provisions relating to cumulation requirements).

COSME Portfolio Eligibility Criteria

The COSME Portfolio Eligibility Criteria will be determined by EIF and the Financial Intermediary on a case by case basis for each SMEI Transaction with a view of identifying Eligible Final Recipient Transactions of higher risk vis-à-vis the average risk of the Financial Intermediary's SME portfolio (taking into account borrower type, product type, size of exposure etc.), on the basis of the risk assessment of the Financial Intermediary.

The binding list of Additional Portfolio Eligibility Criteria shall be set in the Additional Portfolio Agreement.

APPENDIX B

RESTRICTED SECTORS AND EXCLUSION SITUATIONS

(1) RESTRICTED SECTORS

- (i) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Financial Intermediary or the relevant Final Recipient, including without limitation, human cloning for reproduction purposes);
- (ii) the production of and trade in tobacco and distilled alcoholic beverages and related products;
- (iii) the financing of the production of and trade in weapons and ammunition of any kind or military operations of any kind. This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- (iv) casinos and equivalent enterprises;
- (v) internet gambling and online casinos;
- (vi) pornography and prostitution;
- (vii) nuclear energy;
- (viii) activities referred to in Article 19 of Horizon 2020 Regulation;
- (ix) the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at supporting any activity referred to under items i) to viii) above or are intended to enable to illegally enter into electronic data networks or download electronic data;
- (x) activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe's Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes" cannot be guaranteed;
- (xi) pure real estate development activity;
- (xii) activities constituting pure financial transactions (such as trading in financial instruments);
- (xiii) activities which give rise to environmental impacts as further specified in the Additional Portfolio Agreement];
- (xiv) Life Science Sector Restrictions

When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms ("GMOs"), EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

(2) EXCLUSION SITUATIONS

Final Recipients shall be required to declare in writing to the Financial Intermediary that they are not in one of the following situations:

- (i) it is as of the relevant date bankrupt or being wound up, is at the relevant date having its affairs administered by the courts, in this context, has during the last five (5) years from the relevant date entered into an arrangement with creditors, has at

the relevant date suspended business activities, is at the relevant date the subject of proceedings concerning those matters, or is at the relevant date in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

- (ii) during the last five (5) years from the relevant date it or persons having powers of representation, decision-making or control over it have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata, which would affect their ability to which would affect their ability to pursue its business activity;
- (iii) during the last five (5) years from the relevant date it or persons having powers of representation, decision-making or control over it has been the subject of a judgment which have the 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 EU's financial interests;
- (iv) at the relevant date it is guilty of misrepresentation in supplying information required for selection as a Final Recipient, or fails to supply this information;
- (v) at the relevant date it is listed in the central exclusion database set up and operated by the Commission under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database;

provided that items (ii) and (iii) shall not apply where 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 a judgment or conviction as referred to in points (ii) and (iii).

- (vi) it received aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
- (vii) it received aid contingent upon the use of domestic over imported goods.

APPENDIX C

EXCLUSION CRITERIA FOR FINANCIAL INTERMEDIARIES

Financial Intermediaries that are in one of the situations below shall not be selected:

1.
 - (i) they are bankrupt or being wound up, are having their affairs administered by the courts, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
 - (ii) in the past 6 months they have been subject to a “resolution action” as defined in Article 3.1(10) of the Regulation (EU) No 806/2014 of the European Parliament and of the Council or equivalent action provided for in national legislation implementing Directive 2014/59/EU of the European Parliament and of the Council;
 - (iii) they are a “bridge institution” as defined in national legislation implementing Article 2.1(59) of Directive 2014/59/EU of the European Parliament and of the Council;
2. they do not meet
 - (i) the own fund requirements set out in Article 92 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council ,
 - (ii) where applicable, the requirements imposed by their competent authority in accordance with national legislation transposing Article 104.1 (a) of Directive 2013/36/EU of the European Parliament and of the Council and
 - (iii) the applicable buffer requirements set out in national legislation, regulation, rules implementing Chapter 4 of Directive 2013/36/EU of the European Parliament and of the Council.
3. they have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata, which would affect their ability to implement the Facility;
4. they have been the subject of a judgment which has force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity, in each case where detrimental to the Union’s financial interests;
5. they are guilty of material misrepresentation in supplying information required for selection as a Financial Intermediary;
6. they are listed in the central exclusion database set up and operated by the Commission under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database¹²;
7. they are incorporated in territories whose jurisdictions do not co-operate with the Union in relation to the application of the internationally agreed tax standard, or their tax practices do not follow the principles of the Commission Recommendation of 6 December 2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805);
8. their business activity does not comply with the EIF policy in relation to restricted sectors.

Points 3 and 4 shall not apply, where the Financial Intermediary can demonstrate to EIF’s satisfaction that adequate measures have been adopted against the persons having power of representation, decision-making or control over them, who are subject to a judgement as referred to in Points 3 and 4.

¹²

OJ L 344, 20.12.2008, p. 12.

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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APPENDIX E
INDICATIVE REPORTING TEMPLATE ADDITIONAL PORTFOLIO

PART A - A1 SMEs on the additional portfolio

A.1.1 SME ID	A.1.2 Name	A.1.3 Address	A.1.4 Postal Code	A.1.5 Place	A.1.6 Region (NUTS level 2)	A.1.7 Country	A.1.8 Date of establishment	A.1.9 Sector	A.1.10 Number of employees	A.1.11 Total turnover (EUR)	A.1.12 Total assets (EUR)	A.1.13 SME internal scoring/rating (Rating Class)	A.1.13.1 Financial Intermediary rating model	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	ES (Mandatory)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory, if applicable	Optional

PART A - A2 NEW SME TRANSACTIONS on the additional portfolio

A.1.1 SME ID	A.2.1 SME Loan Transaction ID	A.2.1.1 SME Loan Transaction Type	A.2.2 Currency	A.2.3 Purpose	A.2.4 Principal amount/Capital Amount	A.2.4.1 Purchase price	A.2.4.2 Down payment	A.2.5 Duration (months)	A.2.6 Grace period (months)	A.2.7 Signature date	A.2.8 First disbursement /Lease period start date
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

A.2.9 First installment date	A.2.10 Amortization profile	A.2.11 Payment frequency	A.2.12 Reference Rate	A.2.13 Interest Rate/Margin	A.2.16 Value of collateral	A.2.17 Publication of SME (Y/N)	A.2.18 Gross Grant equivalent (GGE)	A.2.20 Region of investment location (NUTS)	A.2.21.1 EU Program (H2020/COSME/n/a)	A.2.22 Eco-Innovation (Y/N)	A.2.23 State Aid Benefit	A.2.24 Investment Amount	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

PART B - LIST OF INCLUDED SME TRANSACTIONS on the additional portfolio

A.1.1 SME ID	A.2.1 SME Transaction ID	B.1 Cumulative disbursement	B.2 Current outstanding principal amount	B.3 End of disbursement
Mandatory	Mandatory	Mandatory	Mandatory	(Y/N) Mandatory

PART E - EXCLUDED SME TRANSACTIONS on the additional portfolio

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

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PART F - MODIFICATIONS

A.1.1 SME ID	A.2.1 SME Transaction ID	F.1 NEW value of the parameter to modify
Mandatory	Mandatory	Mandatory

F.1 is the correct value of a given variable to be used to replace the previous erroneously reported. The number of F.1 fields should be equal to the nbr of changes/modification. E.g. If for the same SME and SME Transaction the nbr of employees and the grace period should be modified, the F table should be as follows:

A.1.1 SME ID	A.2.1 SME Transaction ID	A.1.10 NEW Number of employees	A.2.6 NEW Grace period (months)
SME A	LOAN A	52	6

only for GGE changes

A.1.1 SME ID	A.2.1 SME Transaction ID	A.2.4 New Principal amount/ Capital amount	A.2.5 New term to maturity (months)	F.3 Modification Signature Date	F.4 Additional Gross Grant Equivalent amount	A.2.23 State Aid Benefit
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

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APPENDIX F
INDICATIVE REPORTING TEMPLATE EXISTING PORTFOLIO
(i) Synthetic structure

Synthetic Transaction name

Key Dates of Structure

Cut off Date
Closing Date
Scheduled Maturity Date
Legal Maturity Date

Pool Reporting Date

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Replenishment Period
Reference Period

Start	End

Counterparty Details:

**Originator / Protection Buyer
/ Servicer:**

Address: Name
 ...
 ...
 Country

Contact Details

Name: ...
Email: ...
Tel: ...

**Originator / Protection Buyer
/ Servicer Rating:**

	Current	Original
S&P
Moody's
Fitch
Original

Net economic interest

Example:

The Originator / Protection buyer confirms that it will retain a material net economic interest in the meaning of Art. 405 paragraph 1 of Regulation (EU) No 2013/575 - referred to as the Capital Requirements Regulation - such interest comprises not less than 5% of the nominal value of the securitised exposures.

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	- by geographical area rating
	- by internal rating / scoring
	- by maturity
	- by amortisation type
	- by collateral type
	- by size of turnover
8	Concentration by top obligor groups
9	Loan tape

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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Tranching				
Currency: EUR				
<u>Cumulative</u>				
	Initial outstanding (CCY)	Reduction due to Redemption (CCY)	Reduction due to Loss (CCY)	Outstanding Amounts (end of period)
Senior				0.00
Mezzanine				0.00
Junior				0.00
TOTAL	0.00	0.00	0.00	0.00
<u>Current Period</u>				
	Outstanding Amounts (beginning of period)	Reduction due to Redemption (CCY)	Reduction due to Loss (CCY)	Outstanding Amounts (end of period)
Senior				0.00
Mezzanine				0.00
Junior				0.00
TOTAL	0.00	0.00	0.00	0.00
<u>Ratings (if applicable)</u>				
	Initial rating (rating agency)	Current rating (rating agency) - Beginning of the period	Current rating (rating agency) - End of the period	
Senior				
Mezzanine				
Junior				

Please list all available external rating per rating agency (e.g. Moody's / Fitch / S&P / DBRS)

pls round all amounts to EUR 0,00

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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Delinquencies Currency: EURO				
	Total principal outstanding (CCY)	Unpaid principal (CCY)	Principal in arrears (CCY)	Interest in arrears (CCY)
1 to 30 days overdue				
31 to 60 days overdue				
60 to 90 days overdue				
> 90 days overdue (if applicable)				
	0.00	0.00	0.00	0.00
No credit events should be included in this table. Please delete the category "> 90 days overdue" if a credit event is defined being 90 days overdue.				
pls round all amounts to EUR 0,00				

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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Losses
Currency: EUR

Current Period

	Nb loans	Total principal outstanding at default (CCY)	Estimated Losses after work-out period (CCY)
Credit event*			
Failure to pay (overdue > 90 days)			
Bankruptcy / Insolvency			
Restructuring Event			
Cured			
TOTAL	0	0.00	0.00

Cumulative

	Nb loans	Total principal outstanding at default (CCY)	Estimated Losses after work-out period / Actual Losses (CCY)
Credit event*			
Failure to pay (overdue > 90 days)			
Bankruptcy / Insolvency			
Restructuring Event			
Cured			
TOTAL	0	0.00	0.00

For non liquidated assets the
loss expected after the work-
out period
For liquidated / settled asset
the actual loss

Liquidated / Settled defaulted loans (current period)

	Nb loans	Total principal outstanding at default (CCY)	Realised Recoveries (CCY)	Actual Losses (CCY)
Credit event*				
Failure to pay (overdue > 90 days)				
Bankruptcy / Insolvency				
Restructuring Event				
TOTAL	0	0.00	0.00	0.00

Liquidated / Settled defaulted loans (cumulated)

	Nb loans	Total principal outstanding at default (CCY)	Realised Recoveries (CCY)	Actual Losses (CCY)
Credit event*				
Failure to pay (overdue > 90 days)				
Bankruptcy / Insolvency				
Restructuring Event				
TOTAL	0	0.00	0.00	0.00

*According to relevant credit event definition (e.g. Failure to pay (overdue > 90 days); Bankruptcy / Insolvency; Restructuring Event).
Cured refers to defaulted loan, which go back to performing as they were e.g. overdue.

Details for losses (non-liquidated / non-settled defaults)

Loan Reference	Obligor ID	Obligor group ID	Loan issue date	Loan inclusion date	Default date	Type of Credit event	Initial O/B (CCY)	O/B at default (CCY)	Current O/B (CCY)	Estimated Losses after work-out period (CCY)	Region	Industry	Secured / Unsecured?	Type of Collateral

Details for losses (liquidated / settled defaults)

Loan Reference	Obligor ID	Obligor group ID	Loan issue date	Loan inclusion date	Default date	Type of Credit event	Initial O/B (CCY)	O/B at default (CCY)	O/B at liquidation (CCY)	Realised Recoveries (CCY)	Actual Losses (CCY)	Region	Industry

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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Triggers (if applicable)				
Please include all triggers that are defined in the transaction agreement (see examples below)				
Covenant	Initial Pool	fter Replenishmer	Limit (max/min)	Test
Stop Replenishment Triggers - all satisfied?				PASSED
(i) Maximum Weighted Average 1-yr PD of Performing Portfolio				
(ii) Maximum Cumulative Default Rate				
Replenished Portfolio Eligibility Criteria - all satisfied?				PASSED
(i) Weighted Average 1-yr PD of Performing Portfolio				
(ii) Maximum Obligor Group Concentration				
(iii) Maximum Top 20 Obligor Group Concentration				
(iv) Maximum Top 50 Obligor Group Concentration				
(v) Minimum Obligor Group Number				
(vi) Maximum Regional Concentrations				
Region 1				
Region 2				
Region 3				
Region 4				
Region 5				
(vii) Maximum Bullet Loans				
(viii) Maximum Unsecured Exposures				
Total				
With an exposure > EUR 1m				
(ix) Maximum Industry Concentration Limits (NACE based)				
[•]				
[•]				
[•]				
[•]				
[•]				
[•]				

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Italy – Securitisation Instrument

Stratification tables

By industry (mandatory)

Industry sector	Total principal outstanding (CCY)	% total portfolio	Nb loans
1. Aerospace and Defense			
2. Automobile			
3. Banking			
4. Beverage, Food and Tobacco			
5. Buildings and Real Estate			
6. Chemicals, Plastics and Rubber			
7. Containers, Packaging and Glass			
8. Personal and Non Durable Consumer Products (Manufacturing Only)			
9. Diversified/Conglomerate Manufacturing			
10. Diversified/Conglomerate Service			
11. Diversified Natural Resources, Precious Metals and Minerals			
12. Ecological			
13. Electronics			
14. Finance			
15. Farming and Agriculture			
16. Grocery			
17. Healthcare, Education and Childcare			
18. Home and Office Furnishings, Housewares, and Durable Consumer Products			
19. Hotels, Motels, Inns and Gaming			
20. Insurance			
21. Leisure, Amusement, Entertainment			
22. Machinery (Non-Agriculture, Non-Construction, Non-Electronic)			
23. Mining, Steel, Iron and Non Precious Metals			
24. Oil and Gas			
25. Personal, Food and Miscellaneous			
26. Printing and Publishing			
27. Cargo Transport			
28. Retail Stores			
29. Telecommunications			
30. Textiles and Leather			
31. Personal Transportation			
32. Utilities			
33. Broadcasting & Entertainment			
34. Government, sub-sovereign institutions			
Total	0.00	100%	0

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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By region (mandatory)

Region	Total principal outstanding (CCY)	% total portfolio	Nb loans
Region 1			
Region 2			
Region 3			
Region 4			
...			
Total	0.00	100%	0

By internal rating / credit scoring (mandatory)

Internal rating / credit scoring	Total principal outstanding (CCY)	% total portfolio	Nb loans
...			
...			
...			
...			
...			
Total	0.00	100%	0

By maturity

Maturity	Total principal outstanding (CCY)	% total portfolio	Nb loans
less 1 year			
1 to 2 years			
...			
...			
...			
Total	0.00	100%	0

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Italy – Securitisation Instrument

By amortisation type

Amortisation Type	Total principal outstanding (CCY)	% total portfolio	Nb loans
Annuity			
Bullet			
Linear			
Other			
Total	0.00	0.00%	0

By collateral type

Collateral type	Total principal outstanding (CCY)	%	Nb loans
Secured	0.00		0
Of which 1st Mortgage			
Of which 2nd Mortgage			
Of which personal Guarantee			
Of which Mixed			
Of which ...			
Unsecured	0.00		
Total	0.00	0.00%	0

By size of turnover

Turnover	Total principal outstanding (CCY)	% total portfolio	Nb loans
less than 2.5m			
2.5m - 50m			
50m - 125m			
125m - 250m			
250m - 500m			
more than 500m			
Total	0.00	0.00%	0

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Italy – Securitisation Instrument

Concentration by top obligor groups

Example

	Total principal outstanding	% total portfolio
TOP 10		
TOP 20		
TOP 30		
TOP 40		
TOP 50		

performing,
delinquent, non-
liquidated / non-
settled default

	Obligor group ID	Total principal outstanding (CCY)	% total portfolio	Internal rating /	PD %	LGD	Status	Region	Industry
TOP 1	1								
TOP 2	2								
TOP 3	3								
TOP 4	4								
TOP 5	5								
TOP 6	6								
TOP 7	7								
TOP 8	8								
TOP 9	9								
TOP 10	10								
TOP 11	11								
TOP 12	12								
TOP 13	13								
TOP 14	14								
TOP 15	15								
TOP 16	16								
TOP 17	17								
TOP 18	18								
TOP 19	19								
TOP 20	20								

Loan by loan information

Substantially in the format of the decoded European Data Warehouse template

Please include all performing, delinquent and non-liquidated / non-settled defaulted loans in the loan tape

Loan reference	Obligor ID	Obligor group ID	Loan issue date	Loan inclusion date	Loan maturity date	Loan currency	Initial principal amount	Outstanding principal amount
Current status	Days overdue	Unpaid principal	Unpaid interest	Interest rate type	Interest rate / spread (basis points)	Interest reference rate	Principal Payment Freq	
Interest Reset Frequency	Interest Payment Freq	Amortization type	Secured / Unsecured	Type of collateral	Internal Rating / Credit scoring	Internal Rating Date		
	PD %	LGD %	Country	Region	Industry	Loan purpose	Turnover	

(ii) Cash structure

Cash Transaction - Reporting checklist

(List of fields to be included in the reporting depending on the structure of the transaction)

- Note balance (initial / current)
- Reserve fund level
- Reserve fund target
- Portfolio balance (it should be clear if defaults are included or excluded from this amount)
- Performing portfolio balance (excluding defaults and delinquencies over 90 days)
- Delinquencies (categories: 30 – 60 days, 60 - 90 days, 90 – 180 days, over 180 days)¹³
Please pay attention that there is not overlapping with default data!
- Amount of restructured loans¹⁴
- Amount of substituted loans¹⁵
- Amount of excess spread (being the payment(s) of items in the priority of payment(s) junior to the cash reserve, if applicable, plus the available funds used to credit the PDL)
- Current excess spread (annualised rate based on performing portfolio of previous payment date)

Information related to default data:

- Cumulative gross defaulted amount (sum of outstanding, liquidated and cured defaults)
- Outstanding defaults (not yet worked-out)
- Liquidated defaults
- Cured defaults
- Cumulative gross default rate (based on initial portfolio balance)
- Cumulative recoveries amount
- Recovery rate (cumulative recoveries / liquidated defaults)
- Realised losses (liquidated defaults – cumulative recoveries)
- PDL balance (starting balance, credit, debit, ending balance)

¹³ Defaulted loans to be excluded from this indicator

¹⁴ If relevant, in accordance with the transaction documentation

¹⁵ If relevant, in accordance with the transaction documentation

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
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Ratings

- External ratings of all tranches
- External short term and long term ratings of all entities involved in transaction (originator, servicer, hedge counterparty, account holder, ...)

Triggers:

- Triggers thresholds
- Current trigger level
- Current status of trigger (breached or not breached)

Available funds and priority of payments:

- Calculation of available funds (detail of principal and interest amounts)
- Priority of payment(s) and available funds allocation

Portfolio prepayment rate

Net economic interest retention

Portfolio line-by-line tape (to be substantially in the format of the decoded European Data Warehouse template)

Portfolio breakdowns

- By geographical area / region
- By credit score / rating
- By industry