

Annex II: Direct Guarantee Termsheet

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1 | Overview

The portfolio Guarantee shall be issued by EIB as guarantor, and managed by EIF as transaction agent, to offer risk protection to selected Financial Intermediaries originating Debt Financing, which comply with the criteria set out in this Call, including:

1. This document setting out the indicative terms of the Guarantee, and
2. Any additional criteria set out in the Guarantee Agreement (as described below).

The Guarantee shall partly cover the credit risk associated with a Financial Intermediary's new Debt Financing transactions which are included in the relevant Portfolio(s). The Guarantee is structured as a capped Guarantee.

The Guarantee is a financial guarantee and shall cover Defaulted Amounts, on a transaction by transaction basis, incurred by the Financial Intermediary in respect of each defaulted eligible Final Recipient Transaction, up to the Cap Amount.

The origination, due diligence, documentation and servicing of the Final Recipient Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures. In this context, the Financial Intermediary will originate each Final Recipient Transaction based on the pre-defined eligibility criteria listed below, and on those set out in the relevant Guarantee Agreement.

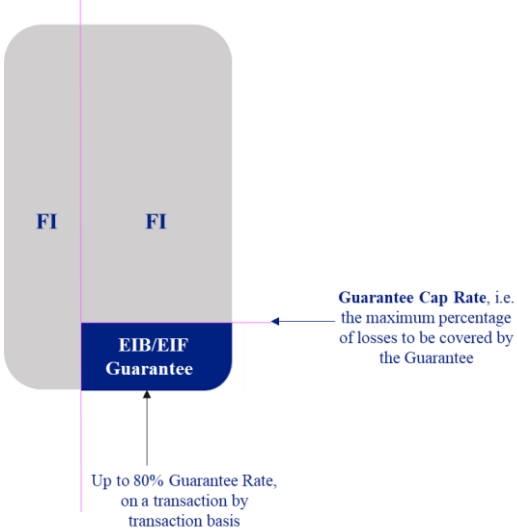
In order to include a Final Recipient Transaction in a Portfolio (to be covered by the Guarantee) a Financial Intermediary must send an Inclusion Notice on a quarterly basis, in accordance with the terms of the Guarantee Agreement.

2 | Indicative terms of the direct Guarantee

The terms below apply to the portfolio guarantee issued by EIF and to all Final Recipients and Final Recipient Transactions.

2.1 | General Provisions

Type of Guarantee	The Guarantee provided by EIB and EIF shall be a capped Guarantee.
Language and Governing Law	The terms of the Guarantee Agreement shall be in the English language and shall be subjected to the laws of Luxembourg.

	<p>The parties shall agree to expressly submit the Guarantee to the professional payment guarantee regime governed by the Luxembourg law of 10 July 2020 on professional payment guarantees.</p>
<p>Structure</p>	<p>The Guarantee shall cover Defaulted Amounts incurred by the Financial Intermediary at a Guarantee Rate subject to the Guarantee Cap Rate. The Defaulted Amounts, net of any Recoveries, covered by the Guarantee shall in aggregate not exceed the Cap Amount stipulated in the Guarantee Agreement between EIB, EIF and the relevant Financial Intermediary. The Guarantee Cap Rate may cover both expected and part of the unexpected losses.</p> 
<p>Applicability of the Base Currency</p>	<p>Final Recipient Transactions shall be denominated in (i) the national currencies of Armenia, Azerbaijan, Georgia, Moldova and Ukraine, (ii) EUR and (iii) USD.</p> <p>If the Portfolio consists of Final Recipient Transactions denominated in EUR and another currency, the Base Currency shall be EUR.</p> <p>The Committed Guarantee Volume shall be expressed in the Base Currency.</p> <p>Payments made under Payment Demands and Recovery notices shall typically be made in the Base Currency, as further specified in the Guarantee Agreement.</p> <p>The following main principles shall apply:</p> <ul style="list-style-type: none"> i. for the purpose of including Final Recipient Transactions in the Portfolio, any amounts denominated in a currency other than EUR shall be subject to conversion by the EIF using the relevant FX Rate on or around the date of signature or effectiveness of the relevant Guarantee Agreement. It may also be possible, at EIF's discretion, to define two or more such dates during the Inclusion Period; ii. for the purpose of paying amounts claimed by a Financial Intermediary under the Guarantee Agreement, any amounts denominated in a currency other than EUR referred to in any Payment Demand shall be subject to conversion either by the Financial Intermediary using the relevant FX Rate on or around the date submitting the guarantee payment demand or by the EIF using the relevant FX Rate on or around the reception date of the guarantee payment request (or a similar mechanism); iii. for the purpose of paying recoveries to the EIF (if applicable), any amounts denominated in a currency other than EUR shall be subject to conversion by the Financial Intermediary using the relevant FX Rate on or around the date of (i) receipt

	<p>by the Financial Intermediary, in case where such amounts are retained, or (ii) payment by the Financial Intermediary to the EIF, in each case in accordance with the terms of the relevant Guarantee Agreement, (or a similar mechanism); and</p> <p>iv. for the purpose of determining the Guarantee Fee to be paid under the Guarantee Agreement, the EUR equivalent of the amount payable to the EIF in respect of a Transaction denominated in another currency shall be determined using the relevant FX Rate on or around the date of payment by the Financial Intermediary to the EIF;</p> <p>in each case as further specified in the Guarantee Agreement.</p>
Inclusion Process	<p>In order for Final Recipient Transactions to be covered by the Guarantee, they must be signed during the Inclusion Period (or as otherwise agreed in the Guarantee Agreement) and reported to EIF by way of inclusion notices sent by the Financial Intermediary on a quarterly basis.</p> <p>The Inclusion Period typically starts on the date of the signature of a Guarantee Agreement with a Financial Intermediary.</p> <p>The Inclusion Period will be set out in the Guarantee Agreement and will typically last 2 to 3 years (and may be extended from time to time).</p>
Guarantee Termination Date	<p>The Guarantee shall terminate on the earlier of the following dates:</p> <ol style="list-style-type: none"> the date on which an Early Termination Event has occurred; the date (if any) on which EIB and/or EIF is no longer liable to effect further payments to the Financial Intermediary and the EIB and/or EIF has no further claims against the Financial Intermediary; the date constituting 6 months following the last scheduled maturity date of the Final Recipient Transaction; and 20 December 2035.
Trigger Event	<p>EIB and EIF may include Trigger Events in the Guarantee Agreement, in order to manage Portfolio ramp-up and credit quality.</p> <p>The occurrence of a Trigger Event entitles but does not oblige EIF to end the Inclusion Period for the relevant Portfolio.</p>
Early Termination Event	<p>The Guarantee Agreement contains certain events of default, including non-payment, breach of obligation, insolvency, unlawfulness, sanctions and misrepresentation.</p> <p>The occurrence of an event of default, if it has not been remedied within the relevant grace period (if any), may result in early termination of the Guarantee (before 20 December 2035).</p>
Level of Guarantee Rate	<p>The Guarantee Rate shall typically be set at up to 80%, to be selected on a transaction by transaction basis.</p>
Determination of the Cap Amount	<p>The Cap Amount corresponds to the level at which the obligation of the EIF to pay under the Guarantee is capped, which is EIF's maximum liability under the Guarantee and is calculated at Financial Intermediary level as the product of the:</p>

	<ul style="list-style-type: none"> i) the lowest of (i) the Committed Guarantee Volume and (ii) the Actual Guarantee Exposure Volume (as evidenced in the last Report received prior to any such calculation); and ii) the Guarantee Cap Rate.
<p>Defaulted Amounts</p>	<p>Means :</p> <ol style="list-style-type: none"> 1. Any principal and/or interest amounts due, payable and outstanding (or, in the case of a Final Recipient Transaction subject to a Final Recipient Transaction Default, which would be due if that Final Recipient Transaction was accelerated at such time on the assumption that an event of default had occurred at such time) under the terms of a Final Recipient Transaction following the occurrence of either a Final Recipient Transaction Default or a Final Recipient Transaction Acceleration, or, in the case of recourse trade receivables transactions, written off in accordance with the credit policy of the Financial Intermediary, excluding: <ul style="list-style-type: none"> a) Late payment or default interest, capitalised interest, fees and any other costs and expenses; b) In the case of Revolving Final Recipient Transactions, principal amounts exceeding the relevant Credit Limit Amount and any interest amounts which accrued thereon; and c) any interest amounts which accrued after the earlier of (i) a period of ninety (90) calendar days from the first missed payment, (ii) the date of the Final Recipient Transaction Default, and (iii) the Final Recipient Transaction Acceleration (as applicable); and d) notwithstanding paragraph (c) above, any interest accrued and unpaid for a period exceeding twelve (12) months; 2. In the case of non-recourse trade receivables transactions, amounts of trade receivables due, payable by the third party (i.e. a debtor to the Final Recipient or the Financial Intermediary) and outstanding or written off in accordance with the credit policy of the Financial Intermediary following the occurrence of a trade receivables transaction default; 3. Any reduction in principal and/or interest amounts written off as a result of a Final Recipient Transaction Restructuring, excluding: <ul style="list-style-type: none"> a) Late payment or default interest, capitalised interest, fees and any other costs and expenses; b) any interest amount accrued and unpaid for a period exceeding twelve (12) months; and c) Any interest amounts that accrued after the date of the Final Recipient Transaction Restructuring. <p>The Guarantee Agreement may specify deviations from the above definition of Defaulted Amount taking into account the specificities of certain types of Debt Financing and Subordinated Debt Transactions.</p>
<p>Enhanced Access to Finance Measures Implementation</p>	<p>The Guarantee agreement will contain specific obligations for the Financial Intermediary to ensure that the benefit of the guarantee is passed on to the largest extent possible to the Final Recipients. The Financial Intermediary shall propose and implement financing features and/or focus on one or more categories of SMEs, which are not provided for at all by the Financial Intermediary or improve the requirements</p>

	<p>applied under the Financial Intermediary’s current credit policy and/or financing practice.</p> <p>Final Recipient Transaction shall enhance access to or availability of finance by meeting at least one of the following conditions:</p> <ol style="list-style-type: none"> a. The Final Recipient Transaction shall, for the purpose of reflecting the benefit of the Guarantee, have more favourable features for the Final Recipient than it would have without the Guarantee (for instance (X) reduction of the collateral requirements applicable to the Final Recipient Transactions (the collateral requirements shall be justifiable with regard to underlying risks), (Y) reduction of the interest rate of the Final Recipient Transaction (the interest rate shall be justifiable with regard to underlying risks and the actual cost of funding related to a credit), or (Z) increased maturity); or b. The Final Recipient Transaction shall cover categories of Final Recipients which could not be served without the Guarantee (e.g. for risk considerations); or c. the Final Recipient Transaction shall be entered into with a Final Recipient that is established in a geographical area which have not been served previously by the Financial Intermediary; or d. the Final Recipient Transaction shall be part of the deployment of a specific new product. <p>In addition to the above, it is expected that the majority of Final Recipient Transaction in the Portfolio will be in the relevant local currency.</p> <p>EIF shall analyse the transfer of benefit mechanism proposed by the Financial Intermediaries and may, where appropriate, adjust the transfer of benefit during the due diligence phase.</p>
<p>Right of clawback by the EIF</p>	<p>EIB and EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid under the Guarantee by EIF in excess of the Defaulted Amounts, in excess of the Cap Amount, and any excess amount paid by EIF as a result of an exclusion of a Final Recipient Transaction from the Portfolio.</p>
<p>Replenishment</p>	<p>During the Inclusion Period and if so regulated in the Guarantee Agreement at the discretion of EIF, the Financial Intermediary may include further new transactions with Final Recipients in the Portfolio to replenish the amortised principal amount of Final Recipient Transactions.</p> <p>The terms and conditions of the Guarantee Agreement, including inter alia the definition of Committed Guarantee Volume, Actual Guarantee Volume, Actual Guarantee Exposure Volume and the Cap Amount, shall reflect provisions on Replenishment, if applicable.</p>
<p>Final Recipient and Final Recipient Transaction Eligibility Criteria</p>	<p>The Financial Intermediary shall ensure that each Final Recipient and Final Recipient Transaction shall comply with the eligibility criteria indicated in Section 2.4.</p>

<p>Process for Payment Demands</p>	<p>The Financial Intermediary may call on the Guarantee for incurred Defaulted Amounts by sending a Payment Demand to EIF via email.</p> <p>A Payment Demand shall only be valid if it relates to the Defaulted Amounts and reported to EIF no later than the third Report Date following the calendar quarter in which the relevant credit event occurred.</p> <p>Payment Demands shall only be valid if they are relating to Defaulted Amounts incurred by the Financial Intermediary in respect of Credit Events occurred no later than 20 December 2035, the date which may be extended by agreement between EIF and European Commission and such extension notified to the Financial Intermediaries.</p> <p>One Payment Demand may be sent by Financial Intermediaries for each calendar quarter, provided that it is sent no later than the Report Date following the end of such calendar quarter.</p> <p>If the Payment Demand is valid, the EIF shall pay any amounts claimed thereunder within 90 calendar days of the Report Date following the end of such calendar quarter.</p>
<p>Process for Recoveries</p>	<p>Where the Financial Intermediary receives Recoveries, a Recovery notice document must be sent to EIF in order to notify Recoveries recovered or received by the Financial Intermediary in relation to the Final Recipient Transaction included in the relevant Portfolio(s).</p> <p>The Financial Intermediary shall send to the EIF at any relevant time, but not later than 30 days after the end of each calendar quarter a Recovery notice with the accompanying Recoveries schedule and shall pay to the EIF any relevant amount, within three months of the end of each calendar quarter in which Recoveries are recovered or received by the Financial Intermediary.</p> <p>The Guarantee Agreement may provide for two options, that at or before the Guarantee Termination Date, EIF and the Financial Intermediary may agree either</p> <p>(i) on an ex-ante recovery rate that shall apply to any Final Recipient Transactions still in the recovery process; or</p> <p>(ii) that the obligation for the Financial Intermediary to share Recoveries shall continue until such time as the Financial Intermediary, acting in good faith and in a commercially reasonable manner may determine at any time in accordance with its internal guidelines and recovery procedures that the recovery period for the relevant defaulted Final Recipient Transactions shall be terminated. The Financial Intermediary shall notify EIF once the recovery periods for all defaulted Final Recipient Transactions in a given Portfolio have been terminated.</p>
<p>Recoveries sharing</p>	<p>Recoveries shall be shared between the EIF and the Financial Intermediary in accordance with the Guarantee Rate (e.g. if the Guarantee Rate is 80%, the Intermediary keeps 20% of the Recoveries and shall pass on 80% of the Recoveries to EIF). However, if the amount of the losses exceeds the guarantee Cap Amount, a corresponding amount of recoveries may first be allocated to the Financial Intermediary as further specified in the Guarantee Agreement.</p>
<p>Exclusion Process</p>	<p>At any time, the EIF may verify (and/or ask information to the Financial Intermediary) whether a Final Recipient Transaction included in the relevant Portfolio is an eligible Final Recipient Transaction and whether its inclusion in the relevant Portfolio is in compliance with the terms of the Guarantee Agreement. At any time, the EIF may</p>

	<p>notify the Financial Intermediary of a non-eligible Final Recipient Transaction by sending an exclusion notice.</p> <p>If a Financial Intermediary becomes aware that a Final Recipient Transaction is or becomes a non-eligible Final Recipient Transaction or any other undertakings, requirements or requests of the Guarantee Agreement are not complied with or satisfied in connection with such Final Recipient Transaction, the Financial Intermediary shall include such information in the immediately following Report delivered to the EIF and flag any such Final Recipient Transaction as excluded.</p> <p>Final Recipient Transactions that do not comply with the Final Recipient Transaction Eligibility Criteria are deemed excluded from the relevant Portfolio (and shall not be covered by the Guarantee). However, if an eligible Final Recipient Transaction is or becomes a non-eligible Final Recipient Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary after a Payment Demand relating to such Final Recipient Transaction was sent by the Financial Intermediary to the EIF, and the Financial Intermediary could not, acting diligently, have become aware thereof prior to such date, that Final Recipient Transaction shall nonetheless be covered by the Guarantee for the period until the Financial Intermediary became aware.</p> <p>Similarly, if an eligible Final Recipient Transaction becomes a non-eligible Final Recipient Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary before a Payment Demand relating to such Final Recipient Transaction was sent by the Financial Intermediary to the EIF, or the Financial Intermediary could not, acting diligently, have become aware thereof prior to such date, then such Final Recipient Transaction shall be covered by the Guarantee if the Financial Intermediary accelerates payment of all amounts owed to it under such Final Recipient Transaction no later than on the Report Date immediately following the date on which it became aware of the same or could, acting diligently, have become aware thereof.</p> <p>If a Subordinated Debt Transaction is or becomes a non-eligible Final Recipient Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary and the Financial Intermediary was, upon the occurrence of a default under such Subordinated Debt Transaction, prevented from accelerating any amount owed to it under such Subordinated Debt Transaction (either by contract or by virtue of mandatory laws and regulations), such transaction shall be deemed to be covered by the Guarantee provided that the Financial Intermediary accelerates the Subordinated Debt Transaction as soon as the contractual terms or applicable laws and regulations allow for it.</p> <p>However, if the Financial Intermediary is entitled to accelerate the Final Recipient Transaction but fails to do so within the timeframe specified above, then the respective Final Recipient Transaction shall be excluded from the relevant Portfolio.</p>
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2.2 | Miscellaneous provisions

<p>Guarantee Fee and Payment Mechanics</p>	<p>The Guarantee Fee shall be 0.4% per annum, subject to potential adjustments.</p> <p>The Guarantee Fee amount will be expressed in the Base Currency and will be payable by the Financial Intermediary to the EIF, with respect to each Final Recipient Transaction included in the relevant Portfolio, on a quarterly basis, calculated as the sum of the product, for each Final Recipient Transaction, of:</p>
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	<p>a) the applicable Guarantee Fee divided by 360; and</p> <p>b) the sum of the outstanding principal amount of the Final Recipient Transaction on each day during the calendar quarter on which Final Recipient Transaction was a Performing Final Recipient Transaction; and</p> <p>c) the Guarantee Rate.</p> <p>The Guarantee Agreement may specify deviations from the above calculation taking into account the specificities of certain types of Debt Financing Transactions.</p>
Servicing	The Financial Intermediary shall perform the servicing of the Portfolio(s), including monitoring and recovery actions, in accordance with its internal policies and procedures.
Reporting	<p>Financial Intermediaries shall provide EIF with the information in respect of that calendar quarter in a Report on the Report Date.</p> <p>Other reporting may be required from the Financial Intermediary as specified in the Guarantee Agreement.</p>
Monitoring and Auditing	Financial Intermediaries shall agree to allow and to provide access to documents and premises related to the relevant Guarantee for the representatives of the European Commission, the European Court of Auditors, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO), the EIF, agents of the EIF, the EIB, and any EU or national institution or body which is entitled to verify the use of the Guarantee in the context of the EU4Business Guarantee Facility. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with Final Recipients.
Know your Customer	The Financial Intermediary shall, prior to the signature of the Guarantee Agreement, disclose to the EIF information on its beneficial owners and at any time thereafter, promptly inform the EIF of any change in its beneficial owners.
Record keeping	<p>The Financial Intermediary shall maintain or be able to produce all the documentation related to the implementation of the Guarantee Agreement for a period of five (5) years following the Guarantee Termination Date.</p> <p>The Final Recipient shall maintain or be able to produce all the documentation related to the implementation of the Final Recipient Transaction for a period of five (5) years following the date of termination of the Final Recipient Transaction.</p>
State aid	Final Recipient Transactions complying with the conditions set out in this Annex II and the Guarantee Agreement are considered as consistent with State aid rules.
Visibility and promotion	<p>The Financial Intermediaries shall carry out adequate information, marketing and publicity campaigns, including through their website or alternative ways of communication to achieve equivalent visibility.</p> <p>The Financial Intermediaries shall further ensure that the 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 Guarantee Facility) contains a statement to the effect that the Final Recipient Transactions benefit from support from the EU4Business Guarantee Facility (as further detailed in the Guarantee Agreement).</p>

Risk Retention	The Financial Intermediary shall maintain at all times a relevant portion corresponding to an economic exposure of at least 20% of the outstanding principal amount of each Final Recipient Transaction included in the Portfolio(s). For this 20% portion, the Financial Intermediary shall not enter into any credit support, guarantee or other transfer of risk arrangement, provided that any collateral, security or guarantee payable to the Financial Intermediary that qualify as “recoveries” under the relevant Guarantee Agreement shall not be taken into account for this purpose.
Transfer	The Financial Intermediary shall not be entitled to transfer any or all of its rights and obligations under the Guarantee without the prior written consent of the EIF and the EIB.
Restrictive Measures Implementation	Contractual provisions shall be included in the Guarantee Agreement to ensure that no funds or economic resources are made available directly or indirectly to, or for the benefit of, persons or entities designated by Restrictive Measures.

2.3 | Eligibility Criteria

Final Recipient Eligibility Criteria	<p>The Financial Intermediary shall ensure that each Final Recipient shall comply with each of the following eligibility criteria:</p> <ol style="list-style-type: none"> 1. It shall be acceptable as a counterparty to the Financial Intermediary in accordance with its respective internal policies and guidelines; 2. It shall be deemed potentially economically viable at the time of the signature of the relevant Final Recipient Transaction; 3. It shall not be a Restricted Final Recipient; 4. It shall comply with EIF’s restricted sectors policy; 5. It shall not conduct as part of their business activities illegal activities according to applicable legislation; 6. in the case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards;¹ 7. It shall be established and operating in either Armenia, Azerbaijan, Georgia, Moldova or Ukraine; 8. It shall be an SME²; 9. It shall not be in an Exclusion Situation; 10. It shall comply with any additional Final Recipient eligibility criteria that may be specified in the relevant Guarantee Agreement.
Final Recipient Transaction Eligibility Criteria	The Financial Intermediary shall ensure that each Final Recipient Transaction shall comply with each of the following eligibility criteria:

¹ OJ C 205 of 19.07.2013, pp. 9-11.

² Commission SME Recommendation as amended from time to time.

1. It shall be newly originated (signed during the Inclusion Period) (for the avoidance of doubt, refinancing of pre-existing obligations shall be allowed under specific conditions mentioned below);
2. It shall be denominated in (i) the national currencies of Armenia, Azerbaijan, Georgia, Moldova and Ukraine, or (ii) EUR, or (iii) USD;
3. It shall be in the form of a Debt Financing;
4. The purpose of the Final Recipient Transaction shall be (i) investment in tangible or intangible assets, (ii) working capital, and/or (iii) finance for any other purpose supporting the business of SMEs;
5. It shall comply with the maximum principal amount, which shall not exceed EUR 5,000,000 (or equivalent amount in any eligible currency);
6. It shall comply with the minimum contractual maturity, which shall be six (6) months (rounded up to the nearest full calendar quarter), except for documentary credit transactions such as bank guarantees and letters of credit that shall have no minimum maturity;
7. If it is a subordinated debt product, it shall be in the form of Subordinated Debt Transaction;
8. It shall comply with the provisions on Enhanced Access to Finance Measures;
9. In cases the Final Recipient Transaction includes re-financing, it shall comply with the following provisions:
 - i) Re-financing is not allowed for Debt Financing which are (i) more than sixty (60) days past due or (ii) in non-performing loan or default status within applicable national banking rules; and
 - ii) Any loans or other debt instruments to be re-financed must be deemed viable and financially sustainable by the relevant Financial Intermediary; and
 - iii) Final Recipient Transactions including re-financing must benefit from lower interest rates and/or reduced collateral requirements compared to when not covered by the guarantee;
 - iv) Final Recipient Transactions including re-financing must benefit from a longer maturity period (compared to the remaining loan maturity of the existing debt finance that is being re-financed); and
 - v) The aggregate of all Final Recipient Transactions including re-financing does not exceed 20% of the Agreed Portfolio Volume;
10. It shall comply with EIF's restricted sectors policy;³
11. It shall comply with any additional Final Recipient Transaction eligibility criteria that may be specified in the relevant Guarantee Agreement.

³ For the purpose of compliance with this eligibility criterion the Financial Intermediary may rely on representations or undertakings from the Final Recipient.