



INDICATIVE DIRECT GUARANTEE TERM SHEET

Important disclaimer:

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

*This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of European Investment Bank (EIB), European Investment Fund (EIF) (the “**Relevant Entities**”) and/or any other person 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.*

1. Overview

The Facility’s objective is to provide better access to finance for SMEs through capital relief and loss protection via the provision of an uncapped guarantee for portfolios of newly originated SME loans and leases by EIF to financial intermediaries (FI).

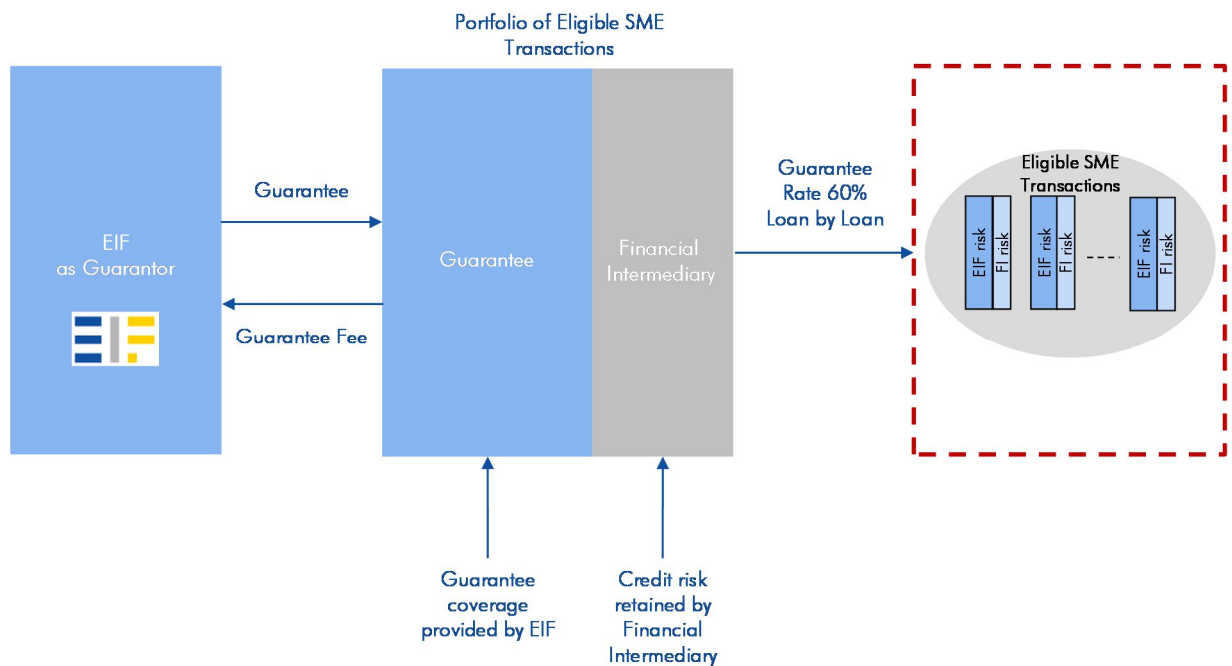
The FIs will benefit from a guarantee provided by EIF, on a loan-by-loan or lease-by-lease basis, covering defaults, at the guarantee rate (i.e. 60%), in respect of SME Transactions included in a Portfolio. The recoveries on the underlying debt instruments will be shared *pari passu* by the FI and the EIF in the same proportion of the default cover (i.e. 60%).

The EIF guarantees will be uncapped (i.e. covering 60% of each SME Transaction in the full guaranteed portfolio).

The Facility is available in both Eligible Currencies and shall serve inclusion of Eligible SME Transactions denominated both Eligible Currencies. EIF will sign separate Guarantee Agreements with selected Financial Intermediaries for each of the Eligible Currency to be deployed by it. Unless otherwise stated in this Annex II of the Call, references to terms refer to both Eligible Currencies.

The FIs shall pass on the benefit of the guarantee to the underlying SMEs by reducing, on the guaranteed portion of each SME Transaction, the standard credit risk premium normally charged by the Total Benefit. The Total Benefit is given by the following formula: Total Benefit = standard credit risk premium – Guarantee Fee. The Total Benefit is applied on the guaranteed part of the SME Transaction at the Guarantee Rate. In other words, the FI shall replace, on the guaranteed portion of each SME Transaction, the standard credit risk premium applicable to the SME with the Guarantee Fee.

The FI will manage and service the Portfolio in accordance with their standard credit and collection policy applicable to their SME Transaction book.



2. Indicative Terms and Conditions of the Guarantee	
Guarantee	The guarantee issued by EIF for the benefit of FIs is an uncapped, unconditional and irrevocable financial guarantee covering, at the Guarantee Rate, Covered Amounts in respect of Eligible SME Transactions included in a set Portfolio.
Guarantee Agreement	The agreement entered into between the Guarantor and a Financial Intermediary setting out the terms and conditions of the Guarantee.
Guarantor	The European Investment Fund (EIF)
Financial Intermediary (FI)	Financial or credit institution duly authorised to carry out lending or leasing activities according to the applicable legislation in Romania. Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering and the fight against terrorism and tax fraud to which it may be subject, and shall not be established in a Non-Cooperating Jurisdiction.
Guarantee Rate	60% on each Eligible SME Transaction.
Guarantee Fee	65 bps per annum.
Guarantee Fee Amount	Means the amount payable quarterly in arrears by the FIs, calculated as the product of: 1. the aggregate daily average of the outstanding performing Eligible SME Transactions during the calendar quarter; 2. the Guarantee Rate; and 3. the Guarantee Fee divided by 360.
FI Risk Retention	The FIs shall undertake to maintain a minimum 20% risk

	retention on each SME Transaction at all times.
Covered Amounts	<p>a) Principal¹ and/or interest² amounts (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the last payment past due) due, payable and outstanding at such time following occurrence of either an Eligible SME Transaction Default or an Eligible SME Transaction Acceleration, and</p> <p>b) Any reduction in principal and/or interest amounts (excluding late payment, default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the last payment past due) as a result of an Eligible SME Transaction Restructuring.</p>
Eligible SME Transaction Default	Means that (i) the FI considers at any time (acting reasonably in accordance with its internal procedures) that a SME is unlikely to meet its payment obligations under an Eligible SME Transaction (without recourse by the FI to actions such as realisation of security); or (ii) a SME has failed to meet a payment obligation for at least 90 consecutive calendar days under an Eligible SME Transaction.
Eligible SME Transaction Acceleration	Means the occurrence of an event of default (howsoever defined) under an Eligible SME Transaction which has entitled the FI to accelerate payment of any amounts owed to it and the FI has exercised such right of acceleration (or is prevented from exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).
Eligible SME Transaction Restructuring	Means that the FI acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of a Eligible SME Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant SME is reduced, in order to improve the collectability of the claims arising from the relevant SME Transaction.
Payment Demands	<p>The Guarantor shall pay any amounts claimed by the FI within 60 calendar days of the relevant Payment Demand date.</p> <p>Payment Demands shall be:</p> <p>a) in respect of Covered Amounts relating to Eligible SME Transactions included in the Portfolio, such Covered Amounts having been reported to the Guarantor by not</p>

¹ In case of finance leases, the references to the 'principal amount' shall mean the amount financed by the FI under a finance lease, which is the purchase price of an asset leased by the FI, reduced by any down-payment amount paid by the SME.

² In case of finance leases, the references to the 'interest amount' shall be deemed to be references to "lease interest", which shall mean the interest charged by the FI to the SME as set out in the relevant SME Transaction documentation.

	<p>later than the third Report Date following the calendar quarter in which such Covered Amount has been incurred;</p> <p>b) sent during a specific period as further specified in the Guarantee Agreement.</p>
Recoveries	<p>Recovery³ means each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the FI in respect of Covered Amounts, with the exception of any amounts received by the FI in accordance with the terms of a separate guarantee agreement with a guarantee institution on the portion of the Eligible SME Transaction not covered by the Guarantee. For the avoidance of doubt, Financial Intermediaries shall respect the FI Risk Retention at all times.</p> <p>All Recoveries shall be shared <i>pari passu</i> between the Guarantor and the FI, in the same proportion of the Guarantee Rate (i.e. 60%).</p> <p>The FI shall send to the Guarantor at any relevant time, but not later than 30 days of the end of each calendar quarter a recovery notice with accompanying recoveries schedule and shall pay to the Guarantor any relevant amount, within three months of the end of each calendar quarter in which Recoveries are recovered or received by the FI.</p>
Currency of the Eligible SME Transactions and FX mechanism	<p>Unless otherwise notified in writing by EIF, all amounts referred to and payments made under the Guarantee Agreement to the EIF shall be in EUR.</p> <p>With respect to the RON dominated SME Transactions, the following currency conversion mechanism, as may be further detailed in the Guarantee Agreement, shall apply:</p> <p>(i) Covered Amounts: payments made by EIF to the FI in respect of a Covered Amount may be made in any of the Eligible Currencies. In the case EIF shall opt to pay Covered Amounts in EUR, such amount shall be calculated by converting the Covered Amounts denominated in RON into EUR using the relevant foreign exchange rate displayed by the ECB on its website four business days prior to the date of payment;</p> <p>(ii) Recoveries: Recoveries paid by the FI to EIF shall be calculated by converting the Recoveries denominated in RON into EUR using the relevant foreign exchange rate displayed by the ECB on its website four business days prior to the date of payment;</p> <p>(iii) Guarantee Fee Amount: payments made by the FI to EIF shall be calculated by converting the Guarantee Fee Amount denominated in RON into EUR using the relevant foreign</p>

³ In relation to Eligible SME Transactions which are finance leases, "Recoveries" means each and every amount (including, in case assets leased to a SME are repossessed by the FI (i) any amount received by the FI as a result of the sale of such assets, and/or (ii) in case such assets are re-leased, the lease instalments and any other amounts received in connection with the new lease), net of recovery and foreclosure costs (if any), recovered or received by the FI in respect of Covered Amounts, where the Guarantor has paid amounts under the Guarantee in respect of such Covered Amounts

	<p>exchange rate displayed by the ECB on 15 January, 15 April, 15 July or 15 October, whichever immediately precedes the relevant Guarantee Fee payment date; and</p> <p>(iv) Portfolio Volume: with respect to RON dominated SME Transactions, the EUR-equivalent Portfolio Volume shall be calculated using the Initial FX Rate, including for the purpose of calculating Penalties which may be applicable to a FI.</p>
Initial FX Rate	<p>Means the EUR/RON FX rate communicated by EIF ahead of the signature of the Guarantee Agreement(s).</p> <p>Such Initial FX Rate will be applicable to each selected FI which will include RON denominated SME Transactions in the Portfolio.</p>
Minimum Volume	<p>The Guarantee Agreement(s) will contain a specific Minimum Volume for each FI, representing circa [70]% of the Maximum Portfolio Volume. The FI will have to include Eligible SME Transactions in the Portfolio for at least the Minimum Volume, as set out in the Guarantee Agreement.</p> <p>If and to the extent the Minimum Volume is not reached by the end of the Inclusion Period, the FI shall be liable to pay Penalties to EIF for the benefit of the Government of Romania.</p> <p>In the case both Eligible Currencies are deployed by a FI, two separate Guarantee Agreements will be signed, and one single Minimum Volume will be set at the aggregated level of the two Portfolios under the two Guarantee Agreements.</p>
Penalties	<p>If and to the extent that the Minimum Volume for each FI is not reached by the end of the Inclusion Period, the FI shall be liable to pay an amount equal to the product of (i) 0.50% and (ii) positive difference between (a) the Minimum Volume and (b) the disbursed volume of Eligible SME Transactions.</p> <p>In the case both Eligible Currencies are deployed by a FI, two separate Guarantee Agreements will be signed, and the Penalties will be calculated based on the aggregated Minimum Volume (as described above).</p>
H2020 Leverage and Related Penalties	<p>The FI shall include in the Portfolio a minimum amount of Eligible SME Transactions (the "H2020 SME Transactions"), as set out in the Guarantee Agreement, which comply with the H2020 Eligibility Criteria (see Appendix A).</p> <p>If and to the extent the H2020 Target Leverage Volume for each FI is not reached by the end of the Inclusion Period, the FI shall be liable to pay certain penalties. These are calculated as the product of:</p> <ul style="list-style-type: none"> a) 450 bps (4.5%); b) the positive difference between (a) the H2020 Contribution and (b) the amount equal to the quotient of (1) the disbursed volume of Eligible SME Transactions complying with the H2020 Eligibility Criteria and (2) the H2020 Multiplier; and

	<p>c) a pre-set estimate of 4-year weighted average life for the guaranteed Portfolio.</p> <p>In the case both Eligible Currencies are deployed by a FI, two separate Guarantee Agreements will be signed, and the H2020 penalties will be calculated based on the aggregated H2020 Target Leverage Volume set at aggregate level of the two Portfolios under the two Guarantee Agreements.</p>
H2020 Target Leverage Volume	Means an amount equal to a portion of the Maximum Portfolio Volume, as determined on a case by case basis by the EIF during the selection process.
H2020 Multiplier	Means 9 (nine).
H2020 Contribution	Means the quotient of the H2020 Target Leverage Volume and the H2020 Multiplier.
State aid	<p>FI shall ensure, in respect of the SME Transactions included in the Portfolio, compliance with applicable state aid rules, in particular with (a) the <i>de minimis</i> aid scheme to be issued by the Managing Authority (in line with the <i>de minimis</i> regulation and the Commission Implementing Decision 2014/660/EU) and (b) any relevant national state aid legislation, notably Emergency ordinance 77/2014 regarding national state aid procedures and the Regulation regarding the Electronic State Aid Registry (REGAS). In this context, it is envisaged that the FI will act as sub-administrators of the state aid scheme.</p> <p>For such purpose and before granting an SME Transaction, the FI shall calculate the SME Transaction's Gross Grant Equivalent (GGE), ensure that, including the GGE of the SME Transaction, the total GGE received by the SME over the relevant timeframe is not higher than the relevant threshold set out in the <i>de minimis aid scheme</i>. Furthermore, the FI will input the GGE for each SME Transaction in REGAS.</p> <p>Whereas the details shall be set out in the <i>de minimis</i> aid scheme, it can be envisaged (in line with Decision 660) that the GGE of SME Transactions⁴ shall be calculated according to the following formula:</p> <p>GGE = Guaranteed SME Transaction amount * maturity (i.e. weighted average life) of the SME Transaction * State Aid Benefit</p> <p>The State Aid Benefit for the part of the SME Transaction</p>

⁴ As far as finance leases are included in the portfolio, the GGE calculation formula shall apply by analogy and the guaranteed SME Transaction amount shall be read as the guaranteed leased amount (see footnote 1).

	<p>covered by the Guarantee is a portion of the Total Benefit, proportional to the MS Contribution⁵ in the Portfolio, given by the following formula:</p> <p>State Aid Benefit = Total Benefit * % of the MS Contribution in the Guarantee.</p> <p>At SME level, the State Aid Benefit shall be considered as an interest rate subsidy within the meaning of Article 4(2) of the <i>De minimis</i> Regulation.</p>
<i>De minimis</i> Regulation	Means 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.
Trigger Event	<p>Means any of a Cumulative Default Rate Trigger Event and Portfolio Trigger Event.</p> <p>For each Portfolio separately, a Cumulative Default Rate Trigger Event occurs if, on one or more specified date(s) during the Inclusion Period, the aggregate outstanding principal amount of defaulted Eligible SME Transactions exceeds a predetermined level.</p> <p>A Portfolio Trigger Event occurs if, on one or more specified dates during the Inclusion Period, the aggregate committed principal amount of Eligible SME Transactions included in the Portfolio for each FI does not reach a predetermined level.</p>
Guarantee Termination Events	<p>The Guarantee Agreement will set out standard events of default, including non-payment of amounts due under the Guarantee Agreement, breach of obligations, insolvency, unlawfulness and misrepresentation.</p> <p>The occurrence of an event of default, if not remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an “Early Termination”). Upon Early Termination all amounts due by the EIF and/or the FI would be calculated in accordance with the terms of the Guarantee Agreement.</p>
3. The Portfolio	
Portfolio Volume	<p>The aggregate initial principal of all Eligible SME Transactions granted by the FI and included in the Portfolio for cover by the Guarantor.</p> <p>Function of the size of the Maximum Portfolio Volume against the overall size of the Facility, EIF will require that the target portfolio be granular and diversified by industry sector.</p> <p>No replenishment of the Portfolio is envisaged, even in the case of achievement of the Maximum Portfolio Volume within the Inclusion Period.</p> <p>Repayments under Eligible SME Transactions do not result in a</p>

⁵This is the tranche of the Portfolio indirectly covered by ESIF and national funds. Resources from the European Commission and EIB and EIF do not constitute State aid.

	reduction of the Portfolio Volume, which remains calculated based on the initial principal of the Eligible SME Transactions.
Maximum Portfolio Volume	The maximum size (in EUR and/or RON, as applicable) of the Portfolio Volume.
Inclusion Period	<p>The period during which Eligible SME Transactions may be disbursed by the FI such that they can be included in the Portfolio, provided that the Inclusion Period shall terminate no later than the Disbursement End Date.</p> <p>Such period shall typically last between 18 and 36 months (unless terminated earlier because of a Trigger Event).</p> <p>Inclusions occur automatically upon receipt by EIF of an inclusion notice submitted by the FI on a quarterly basis, and the Eligible SME Transactions are deemed to be covered from their respective effective date.</p>
SME	Micro, small or medium-sized enterprise as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, notified under document number C(2003) 1422), as amended, restated, supplemented and/or substituted from time to time.
SME Transactions	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 the FI and SMEs during the Inclusion Period.
Eligible SME Transaction	SME Transactions which comply with all relevant Eligibility Criteria.
Eligibility Criteria	<p>SMEs, SME Transactions and the Portfolio, as relevant, will have to comply with a set of Eligibility Criteria (other than the Horizon 2020 Eligibility Criteria) set out in Appendix A to this indicative term sheet.</p> <p>Additional criteria may be set out on a case-by-case basis, such as:</p> <ul style="list-style-type: none"> a) minimum internal rating of the SME; b) maximum amount of SME Transactions to the SME: (1) internally rated below a defined rating level in accordance with the financial intermediary rating systems, (2) operating in given NACE Sectors (expressed by NACE Code – Rev.2 Division Level), or c) maximum amount of SME Transactions with balloon/bullet repayment schedule, etc. <p>A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant SME Transaction from the Portfolio, save as specified in the “Exclusion Process”.</p>
Horizon 2020 Eligibility Criteria	Means the H2020 SME Transaction Eligibility Criteria and the H2020 Innovation Eligibility Criteria.
Excluded SMEs and	SMEs which are classified according to the criteria set out in

Restricted Sectors	Appendix B or are active (as further specified) in one of the sectors listed in Appendix B are not eligible to receive SME Transactions covered by the Guarantee.
Exclusion Process	<p>If an SME Transaction which has been included in the Portfolio does not comply with relevant Eligibility Criteria, it shall be excluded from the Portfolio (and shall not be covered by the Guarantee).</p> <p>However, if an SME Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI and 2) after a Payment Demand relating to such SME Transaction was served by the FI to the Guarantor, such SME Transaction shall remain covered by the Guarantee.</p> <p>Similarly, if an SME Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI but 2) before a Payment Demand relating to such SME Transaction was served by the FI to the Guarantor, then such SME Transaction shall remain covered by the Guarantee if the FI accelerated payment of all amounts owed to it under such SME Transaction no later than on the Report Date immediately following the date on which it became aware of the same. However, if the FI does not accelerate such SME Transaction within the timeframe specified above then the relevant SME Transaction shall be excluded from the Portfolio and shall be deemed never to have been covered by the Guarantee.</p> <p>The Portfolio Volume shall be adjusted following an exclusion from the Portfolio by deducting the aggregate committed principal amount of the SME Transactions excluded.</p> <p>If the Portfolio Volume is adjusted pursuant to this section, the FI may include one or more further Eligible SME Transactions in the Portfolio to extent that the Portfolio Volume does not exceed the Maximum Portfolio Volume and provided that such inclusions are made until the Disbursement End Date.</p>

Adjustment of the Portfolio Volume	<p>In respect of each Eligible SME Transaction included in the Portfolio, if on the date which is:</p> <ol style="list-style-type: none"> 1. the end of the disbursement period (i.e. when amounts cease to be available for draw-down by the SME), 2. the date on which the commitment made available for utilisation under an SME Transaction is cancelled, <p>but in any case no later than the Disbursement End Date,</p> <p>the committed amount of an Eligible SME Transaction has not been fully drawn by the SME, the Portfolio Volume shall be reduced to reflect the actual amount of principal drawn down by the relevant SME.</p> <p>If the Portfolio Volume is adjusted pursuant to this section (the amount of reduction of the Portfolio Volume, the "Adjusted Portion"), the FI may include one or more further Eligible SME Transactions in the Portfolio up to the aggregate of Adjusted Portion and to extent that the Portfolio Volume does not exceed the Maximum Portfolio Volume, and provided that such inclusions relate to amounts disbursed to SMEs by the Disbursement End Date.</p>
Disbursement End Date	Means 31 December 2020.
Transfer of Total Benefit	The FI shall pass on the benefit of the Guarantee to the underlying SMEs by reducing, on the guaranteed portion of each SME Transaction, the standard credit risk premium normally charged by the Total Benefit. The mechanism of transfer of benefit shall be documented accordingly in the Guarantee Agreement.
Total Benefit	<p>The Total Benefit shall be defined, for the part of each Eligible SME Transaction covered by the Guarantee, as the reduction in the interest rate charged by the FI to the SME, taking into account the underlying credit risk undertaken and the effect and the cost of the Guarantee, and shall be given by the following formula:</p> <p>Total Benefit = standard credit risk premium – Guarantee Fee (to be applied at the Guarantee Rate)</p> <p>The FI shall undertake that amendments or changes to its credit policy from time to time shall in no circumstances adversely affect the mechanism of transfer of Total Benefit to the SMEs under the relevant SME Transaction.</p>
Servicing and Recoveries	<p>The FI shall perform the servicing of the Portfolio, including monitoring and recovery actions.</p> <p>The FI shall take recovery actions (including the enforcement of</p>

	any security) in relation to each defaulted Eligible SME Transaction in accordance with its guidelines and procedures.
4. Miscellaneous	
Reporting	The FI shall provide the Guarantor within 30 calendar days ⁶ 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 SME covered by the Guarantee, Eligible SME Transaction entered into and relevant amounts outstanding.
Monitoring and Audits	<p>FIs and SMEs whose SME Transactions are covered by the Guarantee 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 FI shall also include appropriate provisions in each SME Transaction agreement.</p> <p>FIs shall provide any information from time to time requested by EIF with the objective of assessing the Portfolio risk and the risk profile of the exposures of each contributor to the Facility.</p>
Compliance with Laws	<p>FIs 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 Guarantee Agreement or (ii) adversely prejudice the interests of Romania, EIF, the European Commission or the EIB under the Guarantee Agreement.</p> <p>The FI shall include in the documentation evidencing the SME 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 SME Transaction included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</p>
Non-Cooperating Jurisdiction	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

⁶ FIs shall provide the Guarantor with such information within 20 calendar days with respect to information related to the last calendar quarter of each year

	governance in tax matters (C(2012)8805).
Information on SMEs	<p>With regard to SME Transactions that comply with the Horizon 2020 Eligibility Criteria, EIF will publish from time to time on its website the name of each SME, its address (for natural persons NUTS II information only), the country of its establishment and the type of support received under the facility, unless:</p> <p>(a) the guaranteed principal of the relevant Eligible SME Transaction does not exceed EUR 500,000;</p> <p>(b) the SME 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;</p> <p>(c) it would be illegal under the applicable laws and regulations,</p> <p>(d) the SME 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.</p> <p>The FI must inform the EIF, in the form of a report to be provided to the EIF on an annual basis, of the Beneficiaries covered in items (b) and (c) above.</p>
Publicity	<p>FIs 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 Romania.</p> <p>FIs shall ensure that the SME 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 contain a statement [(or a translation thereof)] that the “[SME Transaction] <i>transaction benefits from support from the European Union pursuant to the SME Initiative, with funding by the European Union under ERDF and Horizon 2020, and by the European Investment Fund and the European Investment Bank.</i>”</p>
Governing Law and Language	The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by English law.

APPENDIX A ELIGIBILITY CRITERIA

The Eligibility Criteria are composed of the SME Eligibility Criteria, the SME Transaction Eligibility Criteria, the H2020 SME Transaction Eligibility Criteria and the H2020 Innovation Eligibility Criteria, as set out below, and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement.

It should be noted that the 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 SME Transactions already included in the Portfolio and will be subject to the agreement of the parties.

Each SME Transaction included in the Portfolio shall comply with the SME Eligibility Criteria and the SME Transaction Eligibility Criteria.

In order to qualify as a H2020 SME Transaction, an SME Transaction included in the Portfolio shall comply with the H2020 SME Transaction Eligibility Criteria and the H2020 Innovation Eligibility Criteria. The aggregate amount of H2020 SME Transactions included in the Portfolio shall represent a certain percentage of the Maximum Portfolio Volume.

The Eligibility Criteria shall be met at all times, except all the H2020 Innovation Eligibility Criteria and the SME Eligibility Criteria, which shall only be met on the signing date of the document(s) evidencing the relevant SME Transaction (or where specifically indicated, on the date of the SME's application for the SME Transaction). For each additional Eligibility Criteria, if any, the specific terms of the relevant Guarantee Agreement shall indicate whether or not it shall be met at all times.

A breach of any of the Eligibility Criteria (other than the Horizon 2020 Eligibility Criteria) shall result in an exclusion of the relevant SME Transaction(s) from the Portfolio save as specified in the **"Exclusion Process"**.

1. SME Eligibility Criteria

SMEs shall comply with the following eligibility criteria:

- (a) The SME shall not be subject to collective insolvency proceedings nor shall it fulfil the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors", as per Article 4.3(a) of the [De minimis Regulation](#)⁷;
- (b) The SME is potentially economically viable and is not delinquent or in default in respect of any other loan either lent by the FI or by another financial institution according to the FI's credit and collection Policy (which include checks carried out by the FI in external databases).
- (c) The SME shall be established and operating in Romania.
- (d) The SME shall not be established in a Non-Cooperating Jurisdiction;
- (e) The SME's business activities shall not consist of one or more Restricted Sectors as per Appendix B (which determination shall be made by the FI in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant SME);

⁷ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid

- (f) The SME shall not be in any Condition of Exclusion**;
- (g) The SME shall not perform any R&I activities, which are related to: illegal activities according to the applicable legislation of the SME's country, including any applicable EU legislation, including the Charter of Fundamental Rights of the European Union, or R&I Excluded Activities, i.e. research activity aiming at human cloning for reproductive purposes; research activity intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of the gonads); research activity intended to create human embryos solely for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer; research activity that is prohibited in all the Member States; research activity that is forbidden in a Member State, in which the SME is established or operating.**

*** This eligibility criterion shall be deemed to be met based on undertakings or representations by the SME.*

2. SME Transaction Eligibility Criteria

SME Transaction shall comply with each of the following eligibility criteria:

- (a) The SME Transaction shall be newly originated;
- (b) The SME Transaction currency shall be euro or RON;
- (c) The SME Transaction shall be disbursed by the Financial Intermediary by the end of the Inclusion Period (save as specified in the "Adjustment to the Actual Portfolio Volume" section);
- (d) The purpose of the SME Transaction may be (1) an investment in tangible or intangible assets, (2) working capital⁸ or (3) the transfer of proprietary rights in enterprises provided that such transfers take place between independent investors;
- (e) Investments that are to be supported shall not be physically completed or fully implemented at the date of the SME Transaction approval;
- (f) The share of an SME Transaction that is dedicated to the purchase of land cannot exceed 10%;
- (g) The SME Transaction shall not refinance or restructure an existing loan;
- (h) The SME Transaction shall not be in the form of a mezzanine loan, a subordinated debt or a quasi-equity transaction;
- (i) If the SME Transaction is a lease, it shall be in the form of finance lease;
- (j) The initial amount committed by the Financial Intermediary under the SME Transaction shall not exceed EUR 5 million, or any other amount as specified in the relevant Guarantee Agreement following EIF's risk assessment;
- (k) The SME Transaction may be issued on a revolving basis (except credit cards) or have a fixed repayment schedule (amortising, bullet, balloon);

⁸ Working capital can be granted to strengthen or stabilise the general activities of an SME and can represent up to 100% of an SME Transaction. By way of example, SME Transaction can be granted in order to finance working capital needs such as funds required to pay for raw materials and other manufacturing inputs, labour; inventories and overheads, funding to finance trade receivables and non-consumer sales receivables, provided that these are in line with the following targets: the establishment of new enterprises, early stage capital, capital for the strengthening of the general activities of an enterprise, realisation of new projects, penetration of new markets or new developments by existing enterprises. Financial Intermediaries will be requested to assess each SME Transaction application and grant any SME Transaction in accordance with their own policies and procedures.

- (l) The initial minimum contractual maturity of the SME Transaction (rounded up to the nearest calendar quarter) shall be twenty-four (24) months;
- (m) Other than as a result of a permitted SME Transaction amendment, and subject to criterion 4(d) below, the maximum contractual maturity of a SME Transaction (rounded down to the nearest calendar quarter), shall not exceed twelve (12) years or such other period as specified in the relevant Guarantee Agreement following EIF's risk assessment, including the relevant grace period if any;
- (n) The customary risk spread applicable to the relevant SME Transaction included in the Portfolio shall be reduced by the level of the Total Benefit, as specified in the Guarantee Agreement;
- (o) The SME Transaction shall not finance activities mentioned in Article 1 (Scope) and in Article 3(2), second paragraph of the *De minimis* Regulation.

For the avoidance of doubt, SME Transactions may be combined with grants, subject to applicable state aid rules, to cover the same expenditure item, provided that the sum of all forms of support combined does not exceed the total amount of the expenditure item concerned. Grants shall not be used to reimburse SME Transactions. SME Transactions shall not be used to pre-finance grants.

3. H2020 Innovation Eligibility Criteria

SMEs shall comply with at least one of the following eligibility criteria:

- (a) The SME intends to use the H2020 SME Transaction to invest in producing or developing or implementing new or substantially improved (i) products, processes or services, or (ii) production or delivery methods, or (iii) organisational or process innovation including business models that are innovative⁹ and where there is a risk of technological or industrial or business failure as evidenced by an evaluation carried out by an external expert; or
- (b) The SME is a "fast-growing enterprise", which is an SME operating in a market for less than 12 years following its first commercial sale and with an average annualised endogenous growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period, or
- (c) The SME has been operating in a market for less than 7 years following its first commercial sale and its R&I costs represent at least 5% of its total operating costs in at least one of the three years preceding the SME's application for the H2020 SME Transaction or in the case of an enterprise (and particularly a start-up) without any financial history, according to its current financial statements, or
- (d) The SME shall have a significant innovation potential or be an "R&I-intensive enterprise", by satisfying at least one of the following conditions:
 - 1) The SME's R&I annual expenses are equal or exceed 20% of the H2020 SME Transaction amount as per the SME's latest statutory financial statements, under the condition that the SME's business plan indicates an increase of its R&I expenses at least equal to the H2020 SME Transaction amount; or

⁹ As defined in the paragraphs 15(y) and 15 (bb) of 1.3 Definitions of the Communication from the Commission C(2014) 3282 of 21 May 2014 on the Framework for state aid for research and development and innovation

- 2) The SME undertakes to spend an amount at least equal to 80% of the H2020 SME Transaction amount on R&I activities as indicated in its business plan and the remainder on costs necessary to enable such activities; or
- 3) The SME has been formally awarded grants, loans or guarantees from European R&I support schemes (e.g. Horizon 2020 or FP7) or through their funding instruments (e.g. Joint Technology Initiatives or "Eurostars") or regional, national research or innovation support schemes over the last thirty-six (36) months*, under the condition that the H2020 SME Transaction is not covering the same expense; or
- 4) The SME has been awarded over the last twenty-four (24) months an R&D prize or Innovation prize provided by an EU institution or an EU body; or
- 5) The SME has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder's certificate or software copyright) in the last twenty-four (24) months and the H2020 SME Transaction purpose is to enable, directly or indirectly, the use of this technology right; or
- 6) The SME is an early stage SME and has received an investment over the last twenty-four (24) months* from a venture capital investor or from a business angel being a member of a business angels network; or such venture capital investor or business angel is a shareholder of the SME at the time of the SME's application for the H2020 SME Transaction; or
- 7) The SME requires a risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of its average annual turnover in the preceding 5 years*; or
- 8) The SME's R&I costs represent at least 10% of its total operating costs in at least one of the three years preceding the SME's application for the H2020 SME Transaction, or in the case of an enterprise (and particularly a start-up) without any financial history, as per its current financial statements; or
- 9) The SME has incurred R&I expenses qualified in the past 36 months* by competent national or regional bodies or institutions as part of general support measures approved by the European Commission and designed to incentivize companies to invest in R&I, provided that i) such body or institution is independent of the FI and the SME and ii) the SME Transaction covers incremental expenditure as indicated in the SME's business plan and iii) the SME Transaction is not covering the same eligible costs already supported by aforementioned measures; or
- 10) The SME has been designated in the past 36 months* as an innovative company by an EU or national or regional institution or body, provided that in each case: (i) the designation is based on the publicly available criteria where such criteria: (a) shall not be limited to or otherwise favour any particular industry or sector, and (b) shall reflect at least one of the H2020 Innovation Eligibility Criteria for SMEs, except criterion referred to in point (d)5, or shall reflect the substance of at least one of these criteria but shall not be less stringent; and (ii) the body or institution is independent of the FI and the SME; and (iii) the SME Transaction covers incremental expenditure as indicated in the SME's business plan.

* as at the date of the SME's application for a H2020 SME Transaction.

4. H2020 SME Transaction Eligibility Criteria

H2020 SME Transactions shall comply with the following eligibility criteria:

- (a) The amount committed by the Financial Intermediary under the H2020 SME Transactions:
 - (i) shall not be lower, other than as a result of a [permitted SME Transaction Amendment], than the equivalent of EUR 25,000 and (ii) shall not exceed the equivalent of EUR 7.5 million, or such lower amount as specified in the relevant Guarantee Agreement following EIF's risk assessment;
- (b) In case of revolving H2020 SME Transactions, the facility shall not exceed three (3) years (rounded up to the nearest full calendar quarter);
- (c) The minimum contractual maturity of a Horizon 2020 SME Transactions (rounded up to the nearest full calendar quarter) shall be twelve (12) months;
- (d) Other than as a result of a permitted SME Transaction amendment, the maximum contractual maturity of a H2020 SME Transaction (rounded down to the nearest calendar quarter), shall not exceed ten (10) years, or such shorter period as specified in the relevant Guarantee Agreement following EIF's risk assessment, including the relevant grace period if any;
- (e) The activities financed with the H2020 SME Transaction shall be compliant with Article 19 of the Horizon 2020 Regulation¹⁰

Conditions of Exclusion

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

- (a) as of the signing date of the document(s) evidencing the relevant SME Transaction (the "**Relevant Date**") the SME is bankrupt or being wound up, is as of the Relevant Date having its affairs administered by the courts, is as of the Relevant Date the subject of proceedings concerning those matters or is as of the Relevant Date in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) during the last five (5) years from the Relevant Date, the SME or persons having powers of representation, decision-making or control over it has been convicted of an offence concerning its professional conduct by a judgment which has the force of res judicata, which would affect its ability to implement the SME Transaction. Alternatively, where such judgments exist the undersigned declares that the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;
- (c) during the last five (5) years from the Relevant Date, the SME or persons having powers of representation, decision-making or control over it has been the subject of a judgment which has force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the Union's financial interests. Alternatively, where such judgments exist the undersigned declares that the SME can demonstrate that adequate measures have been

¹⁰ REGULATION (EU) No 1291/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC

adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;

- (d) as of the Relevant Date, the SME, or persons having powers of representation, decision making or control over the SME, is guilty of misrepresentation in supplying information required for selection as a SME or fails to supply this information; and
- (e) as of the Relevant Date the SME, or persons having powers of representation, decision making or control over the SME is, to its knowledge, listed in the central exclusion database, established under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database.

APPENDIX B
EXCLUDED SMES AND 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;
- (xiv) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC;
- (xv) investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.
- (xvi) 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.

The binding list of Restricted Sectors shall be set in the Guarantee Agreement.

APPENDIX C
INDICATIVE REPORTING TEMPLATE

PART A - A1 SMEs

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 3)	A.1.7 Country	A.1.8 Date of establishment	A.1.9 Sector (NACE 2)	A.1.10 Number of employees	A.1.11 Total turnover (EUR)	A.1.12 Total assets (EUR)	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	MT	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

PART A - A2 NEW SME TRANSACTIONS

A.1.1 SME ID	A.2.1 SME Transaction ID	A.2.1.1 SME Transaction Type	A.2.2 Currency	A.2.3 Purpose	A.2.4 Principal 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	A.2.9 First installment date	A.2.10 Amortization profile	A.2.11 Payment frequency
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory (if leasing)	Mandatory (if leasing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

A.2.12 Reference Rate	A.2.13 Interest Rate/Margin	A.2.15 Loss Given Default	A.2.16 Value of collateral	A.2.16.1 Main type of collateral	A.2.17 Publication of SME (Y/N)	A.2.18 Gross Grant equivalent (GGE)	A.2.21.0 EU Program (H2020/COSME/n/a)	A.2.21.1 Type of Innovation (code)	A.2.22 Eco-Innovation (Y/N)	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

PART B - LIST OF INCLUDED SME TRANSACTIONS

A.1.1	A.2.1	A.1.13	A.1.13.1	B.1	B.2	B.2.1	B.3	B.4	B.7	B.8
SME ID	SME Transaction ID	SME internal scoring/rating	Financial Intermediary rating model	Cumulative disbursement	Current outstanding principal amount	Theoretical outstanding principal amount	End of disbursement	Total outstanding principal amount (performing)	Defaulted SME Transaction (Y/N)	Date of Defaulted SME Transaction
Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory	Mandatory	Mandatory	(Y/N) Mandatory	Mandatory	Mandatory	Mandatory

PART C - PAYMENT DEMAND SCHEDULE

A.1.1	A.2.1	A.2.2	C.1	C.2	C.3	C.4	C.6	C.7
SME ID	SME Transaction ID	Currency	Event date	Event type	Defaulted principal amount	Unpaid normal interest up to 90 days	Recovery as of date	Recovery amount
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

PART C - LOSS RECOVERY SCHEDULE

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

PART D - REPAID SME TRANSACTIONS

A.1.1	A.2.1	D.1
SME ID	SME Transaction ID	Repayment date
Mandatory	Mandatory	Mandatory

PART E - EXCLUDED SME TRANSACTIONS

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

PART F - MODIFICATIONS

A.1.1	A.2.1	F.3	A.2.5.	A.2.6	F.3	F.4
SME ID	SME Transaction ID	New value of the parameter to modify	New Transaction Principal Amount	NewTransaction Maturity (months)	Modification Signature Date	Additional Gross Grant Equivalent Amount
Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory, if applicable	Mandatory, if applicable	Mandatory, if applicable