



## The Western Balkan Enterprise Development and Innovation Facility Guarantee Facility II

### OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER THE WESTERN BALKANS ENTERPRISE DEVELOPMENT AND INNOVATION FACILITY - GUARANTEE FACILITY II -

(Published on 18 March 2016)

The objective of this Open Call for Expression of Interest (the “Call”), launched by the European Investment Fund (the “EIF”), is to select eligible financial institutions to become Financial Intermediaries under The Western Balkans Enterprise Development and Innovation Guarantee Facility II (the “WB EDIF GF II” or the “Facility”) as further described below.

All applications for guarantees under the Facility to be submitted to the EIF should conform to this Call.

To learn more about the Western Balkans Enterprise Development and Innovation Facility visit [www.wbedif.eu](http://www.wbedif.eu)

#### 1. Background

In 2010, the Commission, the European Bank for Reconstruction and Development, the European Investment Bank and certain other international financial institutions entered into an agreement, the Western Balkan Investment Framework (the “WBIF”), for the purpose of contributing to the financing, preparation and implementation of priority projects in the Western Balkans region.

In 2011, the parties to the WBIF decided to become active in the field of private sector development and earmarked certain amounts to support SMEs<sup>1</sup> access to finance.

Within this context, the 5th WBIF Steering Committee decided in December 2011 to finance the Western Balkans Enterprise Development and Innovation Facility (the “WB EDIF”), a project developed by EIF with EIB and EBRD as co-lead international financial institutions.

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<sup>1</sup> As defined in Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36).

WB EDIF is a four-pillar virtual platform, of which the third pillar is a guarantee facility, aimed at enhancing SMEs' access to finance in the "Western Balkan Beneficiary Economies" defined here as Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Kosovo<sup>2</sup>, Montenegro and Serbia<sup>3</sup>.

In December 2012, the EIF has been mandated by the European Commission<sup>4</sup> (the "Commission") to implement and manage a guarantee facility under the WB EDIF (the "WB EDIF Guarantee Facility"). In April 2013 the EIF launched a Call for Expression of Interest under the WB EDIF Guarantee Facility, which was closed in June 2014 following full allocation of the available budget to selected eligible financial institutions. Since this time, additional funding has been negotiated and agreed with the Commission, resulting in a Delegation Agreement between the Commission and the EIF dated 23 December 2015 (the "WB EDIF GF II Agreement"), pursuant to which this Call is herewith published for the WB EDIF Guarantee Facility II.

Under this Facility, EIF shall provide first-loss capped guarantees (the "Guarantee"), which are further described in Annex II to this Call (Indicative Terms and Conditions of the Guarantee).

## **2. Eligible Financial Intermediaries**

The EIF shall select Financial Intermediaries to implement the Facility, in accordance with the procedure described further below. The selection of Financial Intermediaries shall be made on a continuous basis until the Deadline (as described below) and shall be based on a specific set of criteria.

This Call for Expression of Interest is addressed and restricted to public or private credit or financial institutions, in each case, duly authorised to carry out lending or leasing activities according to the applicable legislation, established and operating in one or several of the Western Balkan Beneficiary Economies.

Financial Intermediaries shall represent that they are not in any of the exclusion situations, as further described in the Annex I to the Call.

Financial Intermediaries shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject and shall not be established, and shall not maintain business relations with entities incorporated in any Non-Cooperating Jurisdictions.

The EIF Anti-Fraud Policy shall apply to the Guarantee Agreements under the Facility (please refer to [http://www.eif.org/attachments/publications/about/Anti\\_Fraud\\_Policy.pdf](http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf).)

## **3. Definitions and Interpretation**

In this Call for Expression of Interest, capitalised terms and expressions shall have the meaning attributed to them below or as elsewhere defined in this document and its Annexes, unless the context requires otherwise.

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<sup>2</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

<sup>3</sup> As of 2013, and following its accession to the EU, Croatia is no longer a Western Balkans Beneficiary Economy for the purposes of this instrument.

<sup>4</sup> Specifically by DG NEAR (Directorate-General for Neighborhood and Enlargement Negotiations) and via the Instrument for Pre-Accession Assistance (IPA)

Applicant	Means an entity applying to this Call as a potential, future Financial Intermediary.
Agreed Volume	The maximum aggregate amount of principal of newly originated Eligible SME Transactions to be included in the Portfolio, as further described in Annex II (Indicative Terms and Conditions of the Guarantee).
SME Transaction	Means a debt financing (including a loan or finance lease) provided directly by a Financial Intermediary to an SME.
Financial Intermediary	Means a financial or credit institution, or micro-finance institution, duly authorised, if applicable, to carry out lending or leasing activities according to the applicable regulatory framework, as defined in Annex II (Indicative Terms and Conditions of the Guarantee).
Guarantee Agreement	Means a guarantee agreement, as applicable, entered into between a selected Financial Intermediary and the EIF in connection with the Facility.
Deadline	Means 31 December 2017 or such earlier date as announced officially in the Facility section of EIF's website.
Eligible SME Transaction	Means an SME Transaction that complies with all the Eligibility Criteria.
Eligibility Criteria	Means jointly the SME Eligibility Criteria and the SME Transactions Eligibility Criteria as defined in Annex II (Indicative Terms and Conditions of the Guarantee).
Enhanced Access to Finance	SME Transactions shall enhance access to or availability of finance, by meeting at least one of the conditions under SME Transaction Eligibility Criteria as further described in Annex II (Indicative Terms and Conditions of the Guarantee).
Expression of Interest	Means an application to this Call submitted to EIF within the Deadline, conforming to the provisions of Annex I to this Call.
Non-Cooperating Jurisdiction	Any jurisdiction classified as "non-compliant" by the Organisation for Economic Cooperation and Development (OECD) and its Global Forum on Transparency and Exchange of Information for Tax Purposes, from time to time.
Participating Entities	Means, in case a joint application to the Call is submitted covering the Applicant and at least one additional potential future Financial Intermediary, each and every additional potential future Financial Intermediary covered by such joint application.
Portfolio	Means the portfolio of Eligible SME Transactions originated by the Financial Intermediary and covered by a Guarantee Agreement.

#### 4. Application procedure

Financial institutions interested in applying to this Call shall submit an application to EIF before the Deadline to be considered as a possible Financial Intermediary under the Facility.

In accordance with Annex I to this Call, the application should include the Applicant's identification and the Information Requirements with supporting documents.

Information Requirements (as further specified in the Appendix 3 to the Annex I) should place particular emphasis on:

- a) Envisaged actions for the implementation of the Facility, particularly with regard to its launch (timing, target customers, promotional activities, type of products, changes to the underlying legal documentation, etc.);
- b) Estimated absorption capacity in terms of expected volumes of SME Transactions to be included in the Portfolio and geographical coverage;
- c) The Enhanced Access to Finance features that Eligible SME Transactions will benefit from;
- d) Origination and credit risk management process;
- e) Expected characteristics of the Portfolio (split per rating, industry, region, etc.).

#### Note on Youth Employment

Fighting youth unemployment is a long term goal of the EU Commission, the importance of which has also been confirmed by the Western Balkan Beneficiary Economies. In this respect, Applicants are invited to support this goal by expressing their willingness to pursue the origination and inclusion of youth employment and training loans in the Portfolio. The interest of Financial Intermediaries in supporting Youth Employment will be positively assessed by the EIF during the Pre-Selection stage as further detailed in section 7.1.2 below. It shall be noted that the willingness to pursue the origination and inclusion of youth employment and training loans in the Portfolio by interested Applicants is of an optional ancillary nature and that Applicants are therefore not bound to present an offer as regards to Youth Employment.

#### Note on joint applications

Financial institutions may group together and submit a joint Expression of Interest. In this case, the Expression of Interest has to specify which of the Participating Entities will act as the Applicant. The Applicant shall apply in the name and on behalf of the Participating Entities and shall indicate to the EIF the basis for the joint Expression of Interest. Following selection of such joint Expression of Interest and an agreement on all terms and conditions, one Guarantee Agreement may be signed with the selected Applicant also on behalf of the other Participating Entities; alternatively, separate Guarantee Agreements may be signed with the selected Applicant and each of the Participating Entities. The ultimate decision on the form of the agreement(s) shall be made at the discretion of EIF.

All information required under Appendix 3 to the Annex I must be provided for the Applicant and each and every Participating Entity, covered by the joint Expression of Interest.

Applicants may send questions regarding the Call or the nature and features of the Guarantee Agreements. EIF shall analyse such incoming questions and may publish from time to time the resulting answers in the form of a FAQ (Frequently Asked Questions) document posted in the WBEDIF section of the EIF's website ([http://www.eif.org/what\\_we\\_do/resources/wbedif/index.htm](http://www.eif.org/what_we_do/resources/wbedif/index.htm)). EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate.

## 5. Language and governing laws

The Expression of Interest shall be prepared in English.

The terms of the Guarantee Agreement shall be in English. The Guarantee Agreement shall be governed by the laws of England.

## 6. Submission of Expression of Interest

The Expression of Interest shall be submitted before the Deadline both by (i) email and (ii) registered mail or professional courier service. The Expressions of Interest sent by registered mail or professional courier service shall consist of a closed single package, and shall contain the Expression of Interest, together with its attachments, in paper form and in removable electronic storage medium (e.g. CD-ROM, USB).

The Deadline is set on the **31 December 2017** provided that EIF may, at its sole discretion, determine that the Deadline will end on an earlier date or will be extended, depending, inter alia, on the availability of the budgetary resources for the Facility. Any change in the Deadline will be announced officially in the WB EDIF section of EIF's website.

The Deadline applies (i) in case of e-mails to the reception by EIF and (ii) in case of registered mail or professional courier service to the date of dispatch proven by the post office stamp or a dispatch receipt.

The Expressions of Interest shall indicate the name of the Applicant and be sent to the following address:

**European Investment Fund**  
**WB EDIF Guarantee Facility II – Expression of Interest**  
**Guarantees, Securitisation & Microfinance**  
**37B, Avenue JF Kennedy**  
**L-2968 Luxembourg**

An electronic version of the Expression of Interest should be sent to: [wbedif@eif.org](mailto:wbedif@eif.org), stating in the subject of the email, as appropriate: "WB EDIF Guarantee Facility II– Expression of Interest: [name of the Applicant]".

An acknowledgement of receipt will be sent to the relevant Applicants by EIF via e-mail, which shall state the following:

- unique application identifier (Expression of Interest number);
- confirmation that the Expression of Interest was received before the Deadline.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any kind of assessment or acceptance of the same.

EIF will complete a preliminary assessment as to whether the Expression of Interest contains sufficient information to be deemed complete. EIF will liaise with the Applicant for any further information required to complete the Expression of Interest. Only after having obtained any additional information needed, EIF will deem the Expression of Interest complete and evaluate the application as per the selection process as further described in section 7. In case Expressions of Interest are incomplete they must be completed before the Deadline. For the avoidance of doubt, any complete Expression of Interest received before a previously incomplete Expression of Interest is completed will be considered first.

The Applicants may withdraw, in the same manner as specified above, their Expression of Interest at any stage of the Selection process.

## **7. Selection procedure**

Financial Intermediaries will be selected in due consideration of the general principles of transparency, equal treatment and non-discrimination, in compliance with EIF's policies, rules, procedures and statutes and in conformity with best business and market practices.

The Expressions of Interest for the Guarantee under the Facility shall be subject to the uniform selection process. The budgetary allocation between countries or regions is not set ex-ante but shall be demand-driven.

EIF shall assess, on a continuous basis, the Expression of Interest received pursuant to the selection process outlined herewith. This process comprises of the following steps, provided that each step was concluded with a positive result:

1. Pre-selection
2. Due diligence
3. Selection

Following the pre-selection based on the Expression of Interest, EIF shall perform a due diligence process of the pre-selected Applicant, as a result of which EIF will decide whether or not to propose to its Board of Directors for approval the entering into a Guarantee Agreement under the Facility. The contractual negotiation process may not be considered concluded prior to the approval of the EIF's Board of Directors, and in any case not concluded until EIF and the Applicant(s) have agreed on all relevant terms and conditions.

In any phase of the selection process until and prior to entering into a legally binding agreement with an Applicant, EIF reserves itself full discretion to consider or not Applicants (and Participating Entities in case of joint Expressions of Interest) and no Applicant or Participating Entity has any claim or other right or may expect to be ultimately selected as Financial Intermediary under the Facility. Any negotiation of terms and conditions of Guarantee Agreements by no means entails any obligation for EIF to enter into such Guarantee Agreement with the relevant Financial Intermediaries.

EIF will send a rejection notice to Applicants whose Expression of Interest was rejected during any stage of the selection process. EIF may, but shall not be obliged to provide reasons of such rejection.

Those Applicants whose Expression of Interest is rejected, shall have the right to submit a written complaint by e-mail and registered mail or professional courier service, to the same address used for the submission of the Expressions of Interest above, within thirty (30) days of receipt of the rejection notice. Any complaints will be dealt with within the framework of and in accordance with the EIB Group complaints policy (for further information visit <http://www.eib.org/about/accountability/complaints/index.htm>)

### **7.1. Pre-selection**

Applications for the Guarantee, which have been deemed complete by EIF, will be assessed by EIF for pre-selection on the basis of the Expressions of Interest, on a "first come, first assessed" basis. When assessing the application, EIF will use its professional analysis and judgement.

The pre-selection comprises:

1. Pre-selection stage 1: Formal assessment of the Expression of Interest;
2. Pre-selection stage 2: Assessment of the Expression of Interest’s quality;
3. Pre-selection stage 3: Assessment of the contribution of the Expression of Interest to the overall Facility.

Only Expressions of Interest that pass pre-selection stage 1, as further described in the section 7.1.1. below, will go through pre-selection stage 2, i.e. the quality assessment process.

During the quality assessment (further described in section 7.1.2.), EIF will evaluate the overall quality of the Expression of Interest. All criteria listed under section 7.1.2. are assessed at the discretion of EIF, giving a pre-defined weight to each one of these criteria. Based on the quality assessment, EIF shall assign the “quality score” to the Expression of Interest, being A, B or C.

EIF will also assess the likely impact of the expected Portfolio indicated in the Expression of Interest on the aggregate Facility, according to the section 7.1.3. Based on this assessment EIF shall assign the “portfolio score” to the application, being 1, 2 or 3.

Only Expressions of Interest with combined “quality” and “portfolio” scores A1, A2 or B1 are pre-selected. Expressions of Interest with combined scores C1, C2 or C3 are not pre-selected. Applications with combined scores A3, B2, B3 are included in a reserve list, which remains valid until the Deadline.

The Expression of Interest classification table below summarizes possible pre-selection outcomes:

A1	B1	C1	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;"><span style="width: 20px; height: 10px; background-color: #90EE90; margin-right: 5px;"></span> Pre-selected</div> <div style="display: flex; align-items: center;"><span style="width: 20px; height: 10px; background-color: #FF8C00; margin-right: 5px;"></span> On the Reserve list</div> <div style="display: flex; align-items: center;"><span style="width: 20px; height: 10px; background-color: #FF4500; margin-right: 5px;"></span> Not pre-selected</div> </div>
A2	B2	C2	
A3	B3	C3	

All Applicants will be sent a notification about the result of the pre-selection process. Pre-selected Applicants are advanced to the due diligence phase of the selection process as referred to in section 7.2. Applicants listed on the reserve list may be considered for pre-selection depending upon the availability of the budgetary resources.

EIF may suspend or abandon the pre-selection process at any time and no Applicant may claim any right to be pre-selected or included on the reserve list as described above.

**7.1.1. Formal assessment**

EIF shall assess whether the Expression of Interest for the Facility has been prepared in accordance with the provisions of this Call according to the formal criteria:

1. The Applicant (and any Participating Entity in case of joint Expressions of Interest):

- a. is established and operating in one of the Western Balkans Beneficiary Economies;
  - b. is authorised to carry out its business under the applicable regulatory framework;
  - c. is not established in a Non-Cooperating Jurisdiction;
  - d. is not in an exclusion situation, as validly represented in the form outlined in Appendix 2 of Annex I to the Call;
  - e. does not perform any illegal activities according to the applicable legislation of the country of establishment of the Applicant (or Participating Entity), as validly represented in the Expression of Interest.
2. The Expression of Interest has been submitted and prepared in accordance with the Call and that all required representations, information and supporting documentation required thereunder are provided (in the form requested, where specified).

The Expressions of Interest that do not conform to the formal criteria are rejected. In case of joint Expressions of Interest, if the Applicant or any Participating Entity covered by the Expression of Interest does not comply with the formal criteria, the entire Expression of Interest is rejected.

### **7.1.2. Quality assessment**

After successful assessment of the formal criteria, and after having obtained any additional information or clarifications from Applicants, if and as needed, EIF will pre-select the Applicants (and any Participating Entities in case of joint Expressions of Interest) according to the criteria set out below, in no particular order of priority:

1. Quality and plausibility of the Facility implementation proposal, with particular focus on: implementation and rollout strategy, marketing and publicity of the Facility, strategy of the branch network (including incentives for sales force), proposed volumes, financial products used under the Facility, expected SME Transaction size, previous experience working with International Financial Institutions, etc.;
2. Financial standing and financing capacity of the Applicant (and any Participating Entities in case of joint Expressions of Interest) as evidenced by its external credit rating and/or by EIF financial analysis of the Applicant/Participating Entity;
3. Operational capability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to assess and manage risk;
4. Ability to provide the required data for EIF to properly conduct its analysis and assessment of the Applicant's (and any Participating Entities in case of joint Expressions of Interest) track record and future activity;
5. Experience and ability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to enter into SME Transactions within a predefined timeframe. This shall be assessed by EIF based inter alia on: track record of financing SMEs and the business plan for building a Portfolio;
6. Envisaged composition of the Portfolio, including its credit quality, granularity and diversification;
7. Proven ability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to comply with the specific reporting requirements;
8. Ability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to comply with all contractual obligations under the Guarantee Agreement.
9. If relevant, ability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to originate and include in the Portfolio SME loans which qualify as of a Youth

Employment nature<sup>5</sup>. For the avoidance of doubt, Applicants are not bound to present an offer as regards Youth Employment.

### 7.1.3. Facility and Portfolio assessment

EIF will also consider, inter alia, the impact of the Expression of Interest in terms of:

1. The expected contribution of the proposed Portfolio to the current and expected aggregate Western Balkans Guarantee Facility portfolio, including, but not limited to by reference to new financing volumes to be generated, number of SMEs in the Portfolio, geographical distribution in the Western Balkan Beneficiary Economies, adequate credit risk profile, granularity and diversification of the overall portfolio. The credit risk contribution of the proposed Portfolio to the Facility shall be confirmed at the Selection stage (see 7.3.) based on the results of the due diligence stage (see 7.2.);
2. The Enhanced Access to Finance features of the proposed and envisaged Portfolio, inter alia vis-à-vis the requirements of the Facility.

### 7.2. Due diligence

Pre-selected Expressions of Interest will be followed up with the due diligence process, carried out in accordance with EIF's internal rules and procedures, where financial and operational matters relating to the Facility's implementation shall be analysed in more detail. The aim of the due diligence is to assess the content of the application based on, inter alia, the ability to build up the envisaged Portfolio, the Enhanced Access to Finance features, the risk nature of the envisaged Portfolio, the quality of origination, marketing and publicity of the Facility strategy for the branch network (including incentives to sell for sales force), risk management, collection recovery/workout processes, systems and ability to comply with the reporting requirements. The due diligence process may comprise an on-site visit, which shall be at the discretion of the EIF. The due diligence process does not comprise legal negotiations.

### 7.3. Selection

Subject to the satisfactory outcome of a due diligence and after having obtained any additional information that may be requested during the process, EIF may request its Board approval for a Guarantee Agreement to be entered into with the selected Financial Intermediary, at which point the Applicant is considered to be 'Selected'.

EIF has no obligation to enter into Guarantee Agreement with a (pre-) selected Applicant. The participation of any Applicant to the Facility will depend, inter alia, on the budget available for the Facility and other considerations made by the EIF such as, without limitation: outcome of the due diligence, impact of the envisaged Portfolio on the Facility (as assessed at EIF's discretion), result of negotiations with the Applicant.

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<sup>5</sup> SME loans would qualify under 'Youth Employment' as either:

(a) loans to SMEs which, within the last 6 months, have hired and still employ at least 1 young person (i.e., aged between 15 and 30 or, where applicable, as defined otherwise by specific national legislation or Applicant's common practice), or 2 for medium-sized enterprises. The SME commits to keep the young person in employment for at least 2 years, and/or an SME which has, within the last 6 months, provided a vocational training or internship position to at least 1 young person (2 for medium sized enterprises); the training/internship has a duration of at least 6 months and is formalised by an active cooperation agreement with a technical school, university or public employment agency; or

(b) loans to SMEs which qualify as of a Youth Employment nature as per national standards or Applicant's common practice

## 8. Publishing of information on the Financial Intermediaries<sup>6</sup>

EIF shall publish on its website each year a list of Financial Intermediaries and SMEs supported through the programme, which shall include:

- a) for each Financial Intermediary the name and address of the Financial Intermediary with whom the EIF has signed a Guarantee Agreement, as well as an indication of the Guarantee Cap Amount. Furthermore, the list shall provide an indication of the type of financing that is being made available through the portfolios covered by the Guarantee;
- b) a list of SMEs which receive financing where the portion that is covered by a Guarantee exceeds the threshold of EUR 250,000 (or non-euro equivalent) containing for each SME the name and address and country of establishment (in the case of natural persons the address shall be replaced by NUTS level 2 codes) and type of financing received under the Facility.

The Financial Intermediary and SMEs may, prior to receiving financial support under the Facility, declare in writing (including by a representation in the relevant agreement) that the publication requirement set out above 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. In addition such publication shall not be required if it would be illegal under the applicable laws and regulations<sup>7</sup>.

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<sup>6</sup> EIF shall also publish the information on the SMEs reached, as further detailed in the Annex II to this Call.

<sup>7</sup> As substantiated by an intermediary with a legal opinion.



To:  
European Investment Fund  
WB EDIF Guarantee Facility II  
Attention: Guarantees, Securitisation & Microfinance  
37B, Avenue JF Kennedy  
L-2968 Luxembourg

## EXPRESSION OF INTEREST

in the context of the WB EDIF Guarantee Facility II

**Applicant submitting the Expression of Interest:**

\_\_\_\_\_, \_\_\_\_\_  
(company name, registration  
number)

Dear Sir or Madam,

Herewith we are submitting our Expression of Interest on behalf of the [Applicant] and [Participating Entities] in response to the Open Call for Expression of Interest in the framework of the Facility implemented by EIF. Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Open Call for Expression of Interest.

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

The undersigned duly authorised to represent the [Applicant] and [Participating Entities], by signing this form certifies/certify and declare(s) to have read the EIF Anti-Fraud Policy and declare(s) not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the Guarantee Agreement and not to have granted nor to grant, not to have sought nor to seek, not to have attempted nor to attempt to obtain, and not to have accepted nor to accept, any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to signing of the Guarantee Agreement.

Yours sincerely,

Signature(s):

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

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Annex I to the Open Call for Expression of Interest to select Financial Intermediaries und the WB  
EDIF Guarantee Facility II

Appendices

Appendix 1 Applicant/Participating Entity Identification

Appendix 2 Declaration of Honour

Appendix 3 Information Requirements

Annex I to the Open Call for Expression of Interest to select Financial Intermediaries und the WB EDIF Guarantee Facility II

Appendix 1 to the Expression of Interest.

APPLICANT/PARTICIPATING ENTITY IDENTIFICATION

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

Appendix 2 to the Expression of Interest.

### DECLARATION OF HONOUR OF APPLICANT/PARTICIPATING ENTITY<sup>1</sup>

The undersigned [name of the signatory(ies) of this Declaration], representing the following legal person: [name of the Applicant/Participating Entity] (the "Financial Intermediary")

full official name:

official legal form:

full official address:

VAT registration number:

➤ declares that the Financial Intermediary is not in one of the following situations:

a) the Financial Intermediary is as of the date of this declaration bankrupt or being wound up, is as of the date of this declaration having its affairs administered by the courts, in this context, has during the last five (5) years from the date of this declaration entered into an arrangement with creditors, has as of the date of this declaration suspended business activities, is as of the date of this declaration the subject of proceedings concerning those matters, or is as of the date of this declaration 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 date of this declaration, the Financial Intermediary 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 Facility. Alternatively, where such judgments exist the undersigned declares that the Financial Intermediary 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 date of this declaration, the Financial Intermediary 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 Financial Intermediary can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;

d) as of the date of this declaration, the Financial Intermediary is guilty of misrepresentation in supplying information required for selection as a Financial Intermediary or fails to supply this information; and

e) as of the date of this declaration, the Financial Intermediary 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.

Full name

Date (day/month/year):

Signature(s)

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<sup>1</sup> In case of a joint application, this declaration shall be completed separately by each of the Applicant and the Participating Entities.

Appendix 3 to the Expression of Interest.

## INFORMATION REQUIREMENTS

The points below list the headings for the minimum information needed. In case of joint applications all the following information shall be provided for the Applicant and each Participating Entity.

N.B.: All information required below concerning the activity of the applicant institution and its products must be provided, specifically and in detail, for SMEs according to the EU Definition (Commission Recommendation 2003/361/EC – OJ L124, 20.05.2003, p.36 as amended from time to time).

All numerical data provided in the application should also be provided in electronic format (.xlsx or similar).

### 1. FINANCIAL INTERMEDIARY'S ACTIVITY

#### 1.1. General information

1.1.1. Description of the Financial Intermediary (date of establishment, number of employees, capital structure and shareholders, banking group, organisational structure, distribution network, number of branches, etc.).

1.1.2 Applicant's geographical area of operation.

1.1.3. Applicant's legal status, regulatory status and applicable regulations, regulatory capital framework<sup>2</sup>.

1.1.4. Applicant's rating and rating agencies' reports (if applicable).

1.1.5. Definition of the different internal business segments of the Applicant (in terms of employees, annual turnover, total assets, etc.).

#### 1.2. SME activity

Financial Intermediaries are required to provide their internal SME definition.

1.2.1. Description of the lending activity related to SMEs (description of the lending/lease products offered to SMEs, purpose, min. and max. maturity of loans/leases, rate of financing (as % of borrower financing needs), min. and max. loan/lease amount, repayment features, etc.).

1.2.2. Business strategy (e.g. positioning, objectives, strengths, core products, geographic areas/focus, origination volumes), market share, main competitors – current and outlook.

1.2.3. If relevant, indicative percentage of Youth Employment<sup>3</sup> financing out of the total SME financing book.

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<sup>2</sup> If applicable, standardised approach, foundation IRB Approach, Advanced IRB Approach

<sup>3</sup> Defined as either:

a. loans to SMEs which, within the last 6 months, have hired and still employ at least 1 young person (2 for medium-sized enterprises). The SME commits to keep the young person in employment for at least 2 years, and/or an SME which has, within the last 6 months, provided a vocational training or internship position to at least 1 young person (2 for medium sized enterprises); the training/internship has a duration of at least 6 months and is formalised by an active cooperation agreement with a technical school, university or public employment agency; or

b. loans to SMEs which qualify as of a Youth Employment nature as per national standards or applicant common practice

## 2. FINANCIAL STANDING

2.1. Key financial figures (\*) for the last 3 full years available according to the table below:

Currency (**): [•]'000	Year (N-3)	Year (N-2)	Year (N-1)
Net profit (amount)			
Return on average equity (%)			
Total assets			
Total Gross Loan Book (amount)			
Gross Corporate Loan Book (amount)			
Total Gross SME Loan Book (in % of the Gross Corporate Loan Book)			
Cost/income (%)			
Shareholders' equity (amount)			
Tier 1 capital ratio (%) (or applicable equivalent, if relevant)			
Regulatory capital adequacy ratio (%) (or applicable equivalent, if relevant)			

(\*) Indicate as appropriate: Audited/Unaudited; IFRS/Local Accounting Standards.

(\*\*) Please submit both in local currency and EUR.

2.2. Annual reports (including full set of financial statements with independent auditors report) for the last three years (to be annexed to the Expression of Interest in electronic version only).

## 3. OPERATING PRINCIPLES (WITH RESPECT TO SME FINANCING).

3.1. Credit policy and risk appetite: brief description of the internal procedures and guidelines.

3.1.1. Risk assessment procedures (default probability – internal rating/scoring system).

3.1.1.1. Description of the internal rating models/scoring systems in place and their last validation (including external rating source, if applicable).

3.1.1.2. Description of the key inputs and their respective weight in the rating output.

3.1.2. Collateral policy

3.1.2.1. Description of the collateral requirements including personal guarantees (type, valuation, haircuts, down payment and residual value for leases, etc.).

3.1.2.2. Description of the Loss Given Default (LGD) model and tis validation (if applicable). Description of the key inputs and their respective weight in the LGD output.

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For the avoidance of doubt a 'young person' is defined here as aged between 15 and 30 or, where applicable, as defined otherwise by specific national legislation or applicant common practise.

3.1.3. Description of the approval procedures (description of the process, delegation of approval powers, limits, acceptance /decline rates, etc.).

3.1.4. Description of the dunning procedure and monitoring system (monitoring of payment dates, frequency of contact with the client, early warning system, etc.).

3.1.5. Work-out / recovery procedures (steps taken, departments involved, indication whether recovery process is dealt with in-house or is outsourced, length of recovery procedures).

3.2. Risk management: methods utilised for loss forecasting, provisioning and credit risk management at portfolio level.

#### 4. SME FINANCING ORIGINATION AND PERFORMANCE DATA

All information required below (4.1.-4.3.) shall be provided specifically with respect to:

- a) SMEs (to the extent the information is available, otherwise by internal segments); and,
- b) Proxy portfolio of Eligible SME Transactions or, if such information is not available, comparable transactions (i.e. as similar as possible to Eligible SME Transactions at least with regards to (i) eligible types of debt instruments, (ii) maximum maturity, (iii) maximum exposure, (iv) SMEs operating in an eligible industry sector). In case leases are relevant to the Expression of Interest please provide a separate proxy portfolio for leases.

##### 4.1. SME FINANCING VOLUMES

4.1.1. New business: annual number and principal volume of new Eligible SME Transactions entered into over the past 3 years.

4.1.2. Outstanding portfolio: total number and principal volume of Eligible SME Transactions outstanding at the most recent available year-end or half-year end (whichever most recently available), split by:

- i) rating class (e.g. internal scoring/ rating/ probability of default/expected loss) (if available);
- ii) internal business segment;
- iii) industry (using NACE Rev.2 (Division Level, i.e. one letter followed by two digits));
- iv) currency (if relevant);
- v) type of borrowers (SMEs, start-ups and micro-enterprises) (if available).

4.1.3. Average collateralisation level of the portfolio outstanding at the most recent available year-end or, if available, average LGD level.

##### 4.2. INTEREST RATES AND REMUNERATION

4.2.1. Current pricing policy applied by type of product, current cost of funding, description of interest spread components, including a) administrative costs component, b) minimum risk related margin, split: i) by risk category of the borrower, and ii) to the extent relevant, by currency, or by any other applicable criterion (e.g. by maturity or type of borrower, as applicable), c) other components, if applicable.

##### 4.3. PERFORMANCE TRACK RECORD

4.3.1. If rating models are used for the SME activity, please provide (for each model in use):

- a) the rating master scale with the respective minimum, maximum and median probability of default ("PD") per rating class;

- b) the latest back-testing information on the PD model evidencing the actual default frequencies per rating class versus modelled PD and the evolution of the explanatory power of such model (e.g. Gini score) over the last 3 years;
- c) annual rating migration per rating class tables over the last 3-years;
- d) the latest back-testing information on the LGD model evidencing the actual versus modelled LGD.

4.3.2. **If no rating model is in place**, please provide for each year of origination of transactions (for at least the last 5 years):

- a) aggregate initial principal amount of transactions granted in each year (EUR or relevant currency);
- b) aggregate number of transactions granted in each year (by currency);
- c) aggregate defaulted amount for each year following origination, i.e. aggregate outstanding principal amount at the time of default for the transactions belonging to the same vintage (i.e. granted during the same year), with the relevant defaulted principal amounts shown in the respective year of default relative to the year granted, as presented in the table below:

VINTAGE ANALYSIS TABLE<sup>4</sup>:

			Defaults occurred within 1, 2, 3, ... years (by currency)						Cumulative defaults (sum) (by currency)
Year of origination	Originated transaction volume (by currency)	Originated transactions (number)	1	2	3	4	5	6	
....									
N-5									
N-4									

<sup>4</sup> Vintages are created by reference to all relevant transactions originated during the same year.

Default definition: the default definition used must be in line with the Applicant’s internal procedures (e.g. a loan is regarded as defaulted if either it becomes more than X days past due or it has been written-off (other default criteria can also be used)). The default definition used must be specified.

Defaulted amounts: The aggregate of the outstanding principal amount of all transactions that defaulted in each year following their origination date is tracked separately for each vintage. The vintage analysis table is thus produced by recording in each cell - for each vintage line - the total outstanding amount at the time of default for transactions that have defaulted in the year of the relevant column (1, 2, 3, ...). For instance, if the Time to default [Time to default = default date - origination date, expressed in number of months] is comprised between 0-12 months, i.e. transactions defaulted within the first year of their life, the respective defaulted amount is to be shown in the column corresponding to year 1; if the time to default is comprised between 13-24 months, the respective defaulted amount is to be shown in the column corresponding to year 2, etc.

Cumulative defaults: the last column of the table contains the sum of all the defaults shown in the previous columns. It indicates the cumulative defaults occurred for a given vintage during the observation period. Such amount divided by the corresponding originated volume gives the cumulative default rate for the vintage.

N-3									
N-2									
N-1									

4.3.3. Average recovery rate, by year of transaction default: the average amount recovered to date (open and closed cases) on the defaulted transactions for at least 5 years, on aggregate basis and split by currency, product, risk categories, and any other relevant breakdown.

4.3.4. Average time lags between the granting of the transaction, the payment default by the borrower and the end of recovery period (including when resulting in the transaction being written off) on aggregate basis and split by product, risk categories, and any other relevant breakdown.

4.3.5. Details on transaction restructurings, including percentage of transaction book that has been restructured and percentage of restructured transactions that have subsequently fallen into default.

## 5. IMPLEMENTATION MEASURES

5.1. Overall Guarantee Agreement implementation strategy (if relevant, also as related to Youth Employment) marketing and publicity strategy, description of product types (existing or newly created), indication of the nature, type of activities and lead time expected for preparation of the Guarantee Agreement rollout, envisaged procedures for origination and allocation of new Eligible SME Transactions to the Portfolio.

5.2. Prior/proven experience (including compliance with relevant operational and reporting requirements) with the deployment of similar EU/EIB/EIF products.

5.3. Proposed Agreed Volume (size of the Portfolio) to be originated during the Availability Period of 2 years. If relevant, out of the proposed Agreed Volume, please also provide the expected percentage/volume of Eligible SME Transactions compliant with Youth Employment as defined earlier in this document.

5.4. Estimated principal amounts of Eligible SME Transactions to be originated in each quarter of the Availability Period.

5.5. The proposed Enhanced Access to Finance conditions for Eligible SME Transactions included in the Portfolio, by meeting at least one of the conditions listed under Annex II (Indicative Terms and Conditions of the Guarantee).

## 6. EXPECTED CHARACTERISTICS OF THE PORTFOLIO TO BE BUILT UP

The following information is required for the ex-ante assessment of the Portfolio to be built up:.

### 6.1. Internal segmentation

Internal segments under which the Applicant intends to classify Eligible SME Transactions to be included in the Portfolio.

### 6.2. Economic sector

Expected top 5 Industry sectors of the Portfolio (using NACE Rev.2 (Division Level) and their expected weights in the Portfolio (respectively by number and amount of Eligible SME Transactions).

6.3. Expected breakdown of the Portfolio by geographic region.

6.4. Start-ups & micro-enterprises

Expected percentage of start-ups (as per Applicant's internal definition) and micro-enterprises in the Portfolio. Please provide internal definition of a start-up company.

6.5. Rating of the Portfolio

Expected percentage breakdown of the Portfolio by risk category at origination, e.g. internal scoring/ rating/ probability of default/LGD and by internal segment.

6.6. Eligible SME Transaction characteristics

6.6.1. Expected features of the Eligible SME Transactions:

The features of the Eligible SME Transactions (separately for loans and leases, as applicable) such as: principal amount (in case of leases – finance amount), down payment (in case of leases), amortisation profile, interest rate type, indexation, frequency of repayments, currency, embedded optionalities (payments holidays, maturity extensions, etc.).

6.6.2. Indicative expected breakdown of the Portfolio by principal amount.

6.6.3. Expected percentage of bullet and balloon Eligible SME Transactions (if any) in the Portfolio. Please provide your internal definition of bullet and balloon Eligible SME Transactions.

6.6.4. Expected types of collateral, applied haircuts and average collateralisation levels for Eligible SME Transactions to be included in the Portfolio (by product, risk category), or, if available, the expected LGD level of the Eligible SME Transactions to be included in the Portfolio.

6.7. Currency (if applicable)

Expected maximum concentration of Eligible SME Transactions in the Portfolio denominated in currencies other than EUR (% of the Portfolio for each currency).

6.8. Maturity profile

Expected weighted average maturity (WAM) and weighted average life (WAL) for the Portfolio including details of the how this is calculated (grace periods, amortisation profiles, etc.).

## ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER WB EDIF Guarantee Facility II

### Indicative Terms and Conditions of the Guarantee

#### Important Disclaimer

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

*This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Fund (EIF) (the “**Relevant Entity**”) or any other person to enter into one or more transaction(s). Any finance commitment by the Relevant Entity can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entity does not act as adviser to you or owe you any fiduciary duty. The Relevant Entity does not make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.*

#### Overview of the Guarantee

The guarantee (the “**Guarantee**”) shall be issued by EIF (the “**Guarantor**”) in the context of the Western Balkans Enterprise Development and Innovation Guarantee Facility II (the “**WB EDIF GF II**” or the “**Facility**”) for the benefit of a [specify relevant Financial Intermediary] (the “**Financial Intermediary**”). It shall partly cover the credit risk associated with underlying, newly extended debt financing (including loans and finance leases) to SMEs (“**SME Transactions**”) included in the guaranteed portfolio (the “**Portfolio**”).

In order to ensure an alignment of interest between the Financial Intermediary and the Facility, eligible SME Transactions shall be covered by EIF at a guarantee rate of maximum 70%.

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

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

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

Indicative terms of the Facility	
<b>Target Region</b>	Western Balkans (Albania, Bosnia & Herzegovina, Montenegro, FYROM, Serbia, Kosovo <sup>1</sup> ), collectively the “Western Balkan Beneficiary Economies”. This list may be amended, restated, supplemented or substituted from time to time. Any such change shall not affect any existing Guarantees.
<b>Structure</b>	The Guarantee is a first loss portfolio capped direct financial guarantee providing credit risk coverage on a loan by loan (or lease by lease) basis for the creation of a portfolio of eligible SME Transactions.  The Guarantee shall cover Losses incurred by the Financial Intermediary in

<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<p>respect of each defaulted eligible SME Transaction in accordance with the Guarantee Rate and subject to the Guarantee Cap Amount.</p> <p>Losses covered by the Guarantee in respect of the Portfolio of eligible SME Transactions shall in aggregate not exceed the Guarantee Cap Amount agreed in the guarantee agreement between EIF and the Financial Intermediary (the "Guarantee Agreement").</p> <p>The Financial Intermediary shall maintain an economic exposure of at least 20% of the outstanding principal amount of each SME Transaction included in the Portfolio, and it shall not enter into any credit support, guarantee or other transfer of risk arrangements with respect to such portion (provided that any collateral, security or guarantee payable to the Financial Intermediary that qualify as recoveries under the relevant Guarantee Agreement shall not be taken into account for this purpose).</p>
<b>Governing Law and Language</b>	The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England.
<b>Guarantee Currency</b>	<p>The Guarantee shall be denominated in EUR. The currency of SME Transactions included in the Portfolio can be EUR or the local currency of the relevant Western Balkan Beneficiary Economy.</p> <p>In case SME Transactions are denominated in a currency other than EUR, and losses or loss recoveries are denominated in a currency other than EUR, the FX mechanism described below shall be applied.</p>
<b>Availability Period</b>	<p>Typically 24 to 36 months from the date of signature of the Guarantee Agreement, or such other period as decided by EIF.</p> <p>During the Availability Period, eligible SME Transactions may be included by the Financial Intermediary in the Portfolio for cover. Such inclusion of SME Transactions shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a semi-annual basis. For the avoidance of doubt, the SME Transactions so included shall be deemed to be covered by the Guarantee from the date of the signature of such SME Transactions.</p> <p>In addition, eligible SME Transactions approved by the Financial Intermediary before the expiry of the Availability Period may be included in the Portfolio provided that they are entered into within six (6) months from the end of the Availability Period.</p> <p>The Availability Period may be terminated (unless otherwise decided by EIF) if halfway through the Availability Period the Actual Volume does not exceed a certain percentage (indicatively 30%) of the Agreed Volume.</p>
<b>Financial Intermediaries</b>	Financial or credit institutions or micro-finance institutions duly authorised to carry out lending or leasing activities under the applicable regulatory framework, established and operating in one or several of Western Balkan Beneficiary Economies. Such institutions shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may be subject, and shall not be established in a Non-Cooperative Jurisdiction and shall not be in an Exclusion Situation.
<b>Exclusivity</b>	Financial Intermediaries shall be obliged to include in the Portfolio all SME Transactions that are eligible under the terms of the Guarantee Agreement,

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<p>provided that such an obligation shall not be applicable if a Financial Intermediary is already subject to a similar binding exclusivity requirement under a prior, but not subsequent, agreement.</p>
<b>Agreed Volume</b>	<p>The aggregate amount of principal of the SME Transactions (the relevant amount for a Revolving SME Transaction being the Credit Limit Amount) expected to be included in the Portfolio, as agreed for each relevant Guarantee<sup>2</sup>.</p> <p>The Agreed Volume shall be denominated in EUR, regardless of the denomination of the SME Transactions included in the Portfolio.</p> <p>For the avoidance of doubt, a volume of the Portfolio below the Agreed Volume shall not affect the legal validity of the Guarantee.</p> <p>At any time during the Availability Period, the Agreed Volume may be reduced by EIF if the Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the Guarantee Agreement.</p> <p>At any time during the Availability Period, provided there are sufficient budgetary resources available, EIF may agree with the Financial Intermediary to increase the amount of Agreed Volume if the ramp-up of the Portfolio has been substantially achieved or, considering the facts and circumstances, is certain to be achieved well before the end of the Availability Period.</p>
<b>Actual Volume</b>	<p>The aggregate amount of the principal committed to be available under eligible SME Transactions (the relevant amount for a Revolving SME Transaction being the Credit Limit Amount) included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <ul style="list-style-type: none"> <li>i) if any eligible SME Transaction is prepaid and/or repaid, then this shall not reduce the Actual Volume;</li> <li>ii) if an SME Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such SME Transaction shall not be taken into account for the calculation of the Actual Volume; and</li> <li>iii) the Actual Volume may in no circumstances exceed the Agreed Volume.</li> </ul> <p>In case the Portfolio consists of eligible SME Transactions denominated in EUR and a local currency, for the purpose of the calculation of Actual Volume, SME Transactions denominated in the local currency will be converted into EUR at the Relevant FX Rate.</p> <p>Any amendments of the terms of Revolving SME Transactions as a result of a Rollover or Conversion (as described below) shall not affect the calculation of the Actual Volume.</p>
<b>Commitment Fee</b>	<p>The Guarantee shall be subject to a commitment fee if the Actual Volume does not equal at least 90% of the Agreed Volume at the end of the Availability Period. Such Commitment Fee shall be calculated on the basis of the difference between the Actual Volume (following a relevant adjustment, if any) and the Agreed Volume.</p>

<sup>2</sup> In case of Financial Leases, the references to the 'principal amount' shall deem to refer to the 'capital amount', which means at any time the amount financed by the Financial Intermediary to the SME under an SME Transaction, i.e. the net purchase price of the leased asset reduced by the amount of a down payment thereunder.

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

<b>Guarantee Rate</b>	The Guarantee Rate shall not exceed 70% and shall typically be set at its maximum.
<b>Guarantee Cap Rate</b>	The Guarantee Cap Rate shall not exceed 25%.
<b>Guarantee Cap Amount</b>	Expressed in EUR, the pre-set amount at which EIF's obligation to pay a portion of the Loss arising under a Portfolio is capped, which is, at any time, the maximum liability guarantee amount under the Guarantee. The Guarantee Cap Amount is calculated on a Portfolio basis as the product of i) the Actual Volume (adjusted to reflect disbursed amounts), ii) the Guarantee Rate, and iii) the Guarantee Cap Rate.
<b>Guarantee Fee</b>	Other than a Commitment Fee (if applicable), the Guarantee shall be provided free of charge to the Financial Intermediaries.
<b>Losses</b>	<p>The Guarantee covers Losses incurred by the Financial Intermediary at the Guarantee Rate, subject to the Guarantee Cap Amount, that have been incurred by the Financial Intermediary, where Losses mean:</p> <ul style="list-style-type: none"> <li>i. Principal or interest amounts<sup>3</sup> (excluding (i) late payment or default interest, capitalised interest, fees and other costs and expenses, and (ii) in the case of Revolving SME Transactions, principal amounts exceeding the relevant Credit Limit Amount and any interest amounts which accrued thereon and (iii) any interest amounts which accrued after a period of 90 days) due, payable and outstanding at such time (or, in the case of an SME Transaction subject to a SME Transaction Default, which would be due if that SME Transaction were accelerated at such time on the assumption that an event of default had occurred at such time) under the terms of a SME Transaction following the occurrence of either an SME Transaction Default or an SME Transaction Acceleration;</li> <li>ii. Any reduction in principal or interest amounts (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days) payable as a result of an SME Transaction Restructuring.</li> </ul>
<b>SME Transaction Default</b>	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement that (i) the Financial Intermediary considers at any time (acting reasonably in accordance with its internal procedures) that an SME is unlikely to meet its payment obligations under such SME Transaction (without recourse by the Financial Intermediary to action such as realisation of security); or (ii) an SME has failed to meet any payment obligation under the relevant SME Transaction which has continued for at least 90 consecutive calendar days.
<b>SME Transaction Acceleration</b>	Means, in respect of an SME Transaction, and unless otherwise specified in the specific terms of the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such SME Transaction which has entitled the Financial Intermediary to accelerate payment of any amounts owed to it and the Financial Intermediary has exercised such right of acceleration (or is prevented from

<sup>3</sup> In case of Financial Leases, the references to the 'interest amount' shall deem to refer to "lease interest amount", which shall mean the interest amount charged by the Financial Intermediary to the SME at the rate set out in the relevant SME Transaction documentation.

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).
<b>SME Transaction Restructuring</b>	Means, in respect of an SME Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that the Financial Intermediary, acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of such SME Transaction such that the amount of principal scheduled to be paid, or any interest amount due, by the relevant SME is reduced, in order to improve the collectability of the claims arising from the relevant SME Transaction.
<b>Payment Demand Period</b>	Payment demands under the Guarantee Agreement shall only be valid if they are (with respect to a Loss incurred during a calendar quarter in relation to an SME Transaction covered by the Guarantee) sent on any day during the month following such calendar quarter (or if not sent during such period, during any subsequent periods of one month following subsequent calendar quarters but not later than by the third Report Date following the occurrence of the Loss in relation to an SME Transaction covered by the Guarantee).  In no case may a payment demand be made after the Report Date following the Latest SME Transaction Maturity Date (as defined below).
<b>Guarantee Payment Date</b>	Following the occurrence of a Loss on one or more eligible SME Transactions and subject to receiving valid payment demands, EIF shall make guarantee payments under the Guarantee within 60 calendar days of the relevant Report Date.
<b>Events of Default under the Guarantee</b>	Standard events of default (including non-payment, breach of agreement, repudiation, unlawfulness and insolvency). The occurrence of an event of default, if it has not been remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an “Early Termination”). Upon Early Termination all amounts due by EIF or Financial Intermediary would be calculated in accordance with the terms of the Guarantee Agreement as if the Report Date were the Early Termination date.
<b>Latest SME Transaction Maturity Date</b>	Means the latest day on which an SME Transaction included in the Portfolio is scheduled to be repaid by the relevant SME in accordance with the scheduled repayment provisions of the documentation governing such SME Transaction (including as a result of any amendment to the terms of such SME Transaction).
<b>Termination Date</b>	The Guarantee shall terminate on the earlier of: (i) six months following the Latest SME Transaction Maturity Date; (ii) the date on which an Early Termination (if any) has occurred, and (iii) the date (if any) on which EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee and (iv) 30 June 2028.

**SMEs and Eligibility Criteria**

<b>SME</b>	Any micro, small or medium-sized enterprise that qualifies as an SME under the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) “concerning the definition of micro, small and medium-sized enterprises” notified under document number C(2003)1422)1 as amended, restated, supplemented or substituted from time to time.
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**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

<b>SME Transaction</b>	A debt financing provided by a Financial Intermediary to an SME.
<b>Revolving SME Transaction</b>	An SME Transaction in the form of a loan (which shall include an overdraft line of credit and exclude any credit or loan resulting from utilisation of credit card limits or in the form of purchase of receivables, whether on a recourse or non-recourse basis) to an SME that can use, on a revolving basis, the financing available for a specified period through one or more drawdowns and repayments up to the Credit Limit Amount, including by settling obligations arising from a letter of credit.
<b>Credit Limit Amount</b>	The maximum principal amount that a Financial Intermediary commits under a Revolving SME Transaction without any repayments by the SME.
<b>Rollover of Revolving SME Transactions</b>	Any entry into a new agreement with a new maturity and the same SME as a replacement of an existing Revolving SME Transaction but without repayment in full by the SME of amounts outstanding under the existing Revolving SME Transaction, shall be treated as an extension of the maturity of the existing Revolving SME Transaction (and not as the entry into a separate Revolving SME Transaction).
<b>Conversion of Revolving SME Transactions</b>	If, without repayment in full by the SME of amounts outstanding under a Revolving SME Transaction, the terms of such Revolving SME Transaction included in the Portfolio are modified to the effect that the relevant SME Transaction no longer takes the form of a Revolving SME Transaction, including by way of entry into a new contractual agreement or the execution of a contractual amendment, subject to the other provisions of the Guarantee Agreement, the resulting SME Transaction shall continue to be included in the Portfolio and shall remain covered by the Guarantee (and shall not be treated as a separate SME Transaction).
<b>Eligibility Criteria</b>	<p>SME Transactions shall comply with the criteria set out below and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement (collectively, the “Eligibility Criteria”). The SME Transaction Eligibility Criteria shall be met at all times. The SME Eligibility Criteria shall only be met on the signing date of the the relevant SME Transaction. The additional Eligibility Criteria, if any, shall be met as specified in the specific terms of the relevant Guarantee Agreement.</p> <p><b><i>SME Eligibility Criteria</i></b></p> <p>The SME shall comply with each of the following eligibility criteria:</p> <ul style="list-style-type: none"> <li>i) be an SME;</li> <li>ii) not be an “undertaking in difficulty” within the meaning of the General Block Exemption Regulation (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);</li> <li>iii) not have a substantial focus on one or more Restricted Sectors (which determination shall be made by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant SME);</li> </ul>

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<ul style="list-style-type: none"> <li>iv) be established and operating in a Western Balkan Beneficiary Economy;</li> <li>v) not be established in a Non-Cooperating Jurisdiction;</li> <li>vi) not be to its knowledge in a Exclusion Situation, except if it is a natural person.</li> </ul> <p>Compliance with the SME Eligibility Criteria may be verified by the Financial Intermediaries on the basis of a representation by the SME.</p> <p><b><i>SME Transaction Eligibility Criteria</i></b></p> <p>SME Transactions shall comply with each of the following eligibility criteria:</p> <ul style="list-style-type: none"> <li>i) SME Transaction shall be newly originated;</li> <li>ii) the purpose of of the SME Transaction shall be: (1) investment in tangible or intangible assets, (2) working capital, or (3) business transfers, or (4) finance for any other purpose supporting the business of SMEs;</li> <li>iii) SME Transaction shall not be in the form of a mezzanine loan, a subordinated debt or a quasi-equity transaction;</li> <li>iv) If the SME Transaction is a lease, it shall be in the form of Finance Lease;</li> <li>v) The SME Transaction initial principal amount shall not exceed EUR 500,000 (or equivalent amount in local currency);</li> <li>vi) The SME Transaction shall have a fixed repayment schedule or be a Revolving SME Transaction;</li> <li>vii) The minimal contractual maturity of SME Transactions shall be twelve (12) months (rounded up to the rearest full calendar quarter);</li> <li>viii) the SME Transaction shall enhance access to or availability of finance by meeting one of the following conditions: <ul style="list-style-type: none"> <li>a) the SME Transaction shall, for the purpose of reflecting the benefit of the Guarantee, have more favourable features for the SME than it would have without the Guarantee (for instance (X) increased maturity, (Y) reduction of the interest rate of the SME Transaction (The interest rate shall be justifiable with regard to underlying risks and the actual cost of funding related to a credit), or (Z) reduction of the collateral requirements applicable to the SME Transactions (The collateral requirements shall be justifiable with regard to underlying risks); or</li> <li>b) the SME Transaction shall cover categories of SMEs which could not be served without the Guarantee (e.g. for risk considerations); or</li> <li>c) the SME Transaction shall be entered into with an SME that is established in a geographical area which has not been served previously by the Financial Intermediary; or</li> <li>d) the SME Transaction shall be part of the deployment of a specific new product;</li> </ul> </li> <li>ix) SME Transaction shall not be affected by an Irregularity or fraud;</li> <li>x) Currency: an SME Transaction has to be denominated in EUR or in</li> </ul>
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**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<p align="center">the relevant local currency;</p> <p>The breach of any of the eligibility criteria shall result in an exclusion of the relevant SME Transaction(s) from the Portfolio save as specified in the “Exclusion Process”.</p> <p><b><i>Exclusion Situations</i></b></p> <p>(a) the SME is as of the signing date of the document(s) evidencing the relevant SME Transaction bankrupt or being wound up, is as of the signing date of the document(s) evidencing the relevant SME Transaction having its affairs administered by the courts, in this context, has during the last five (5) years from the date of signing of the document(s) evidencing the relevant SME Transaction entered into an arrangement with creditors, has as of the signing date of the document(s) evidencing the relevant SME Transaction suspended business activities, is as of the signing date of the document(s) evidencing the relevant SME Transaction the subject of proceedings concerning those matters or is as of the signing date of the document(s) evidencing the relevant SME Transaction in any analogous situation arising from a similar procedure provided for in national legislation or regulations;</p> <p>(b) during the last five (5) years from the signing date of the document(s) evidencing the relevant SME Transaction, the SME or persons having powers of representation, decision-making or control over it has been convicted of an offence concerning its professional conduct by a judgment which has the force of res judicata, which would affect its ability to implement the SME Transaction. Alternatively, where such judgments exist the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;</p> <p>(c) during the last five (5) years from the signing date of the document(s) evidencing the relevant SME Transaction, the SME or persons having powers of representation, decision-making or control over it has been the subject of a judgment which has force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the Union’s financial interests. Alternatively, where such judgments exist the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;</p> <p>(d) as of the signing date of the document(s) evidencing the relevant SME Transaction, the SME is guilty of misrepresentation in supplying information required for selection as a SME or fails to supply this information; and</p> <p>(e) as of the signing date of the document(s) evidencing the relevant SME Transaction, the SME is, to its knowledge, listed in the central exclusion database, established under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database.</p>
<b>Finance Lease</b>	Means, unless otherwise specified in the specific terms of the Guarantee Agreement, any ‘hire-purchase’ or a lease contract where substantially all risks and rewards from the leased asset(s) accrue to the SME.
<b>Fraud</b>	Includes, without limitation, as set out in Article 1 in the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	European Communities' financial interests (OJ C 316, 27.11.1995, p.49), fraud affecting the European Union's financial interests <sup>4</sup>
<b>Irregularity</b>	Shall have the meaning as set out in Article 1.2 in Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p.1) <sup>5</sup>
<b>Exclusion Process</b>	<p>At any time, EIF may (but shall not be obliged to) verify whether an SME Transaction included in the Portfolio is an eligible SME Transaction or a non-eligible SME Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Guarantee Agreement.</p> <p>If a Financial Intermediary becomes aware that an SME Transaction is or becomes a non eligible SME Transaction the Financial Intermediary shall include such information in the immediately following Report delivered to EIF. The EIF may at any time upon becoming aware of the same (except if it has already been notified thereof by the Financial Intermediary as set out above) notify the Financial Intermediary of the same by sending an exclusion notice identifying such non eligible SME Transaction.</p> <p>If an SME Transaction does not comply with Eligibility Criteria it shall be excluded from the Portfolio (and shall not be covered by the Guarantee) as of the date on which it became a non eligible SME Transaction.</p> <p>However if an eligible SME Transaction is or becomes a non eligible SME Transaction as a result only of events or circumstances beyond the control of the Financial Intermediary after a payment demand relating to such SME Transaction was served by the Financial Intermediary to EIF such SME Transaction shall be deemed to be covered by the Guarantee for the purpose of such payment demand.</p> <p>Similarly if an eligible SME Transaction becomes a non eligible SME Transaction as a result only of events or circumstances beyond the control of the Financial Intermediary but before a payment demand relating to such SME Transaction was served by the Financial Intermediary to EIF, then such SME Transaction shall be deemed to be covered by the Guarantee if the Financial Intermediary accelerated payment of all amounts owed to it under such SME Transaction no later than on the Report Date immediately following the date on which it became aware thereof. However if the Financial Intermediary does not proceed to the acceleration of such SME Transaction within the timeframe specified above then</p>

<sup>4</sup> Fraud affecting the EU's financial interests shall consist of:

(a) in respect of expenditure, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- the misapplication of such funds for purposes other than those for which they were originally granted;

(b) in respect of revenue, any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the general budget of the European Union or budgets managed by, or on behalf of, the European Union,
- non-disclosure of information in violation of a specific obligation, with the same effect,
- misapplication of a legally obtained benefit, with the same effect.

<sup>5</sup> Any infringement of a provision of European Union law resulting from an act or omission by a an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union or budgets managed by it, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Union, or by charging an unjustified item of expenditure.

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<p>this SME Transaction shall be excluded from the Portfolio as of the date on which it became a non eligible SME Transaction.</p> <p>The Actual Volume shall be reduced following an exclusion from the Portfolio by the aggregate principal amount of the SME Transactions so excluded.</p>
<b>Right of Clawback by EIF</b>	<p>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 Loss, and any excess amount paid by EIF as a result of an exclusion of an SME Transaction from the Portfolio.</p>
<b>Adjustment of the Actual Volume</b>	<p>In respect of each eligible SME Transaction included in the Portfolio, if on the date which is (such date, the “<b>Adjustment Date</b>”):</p> <ol style="list-style-type: none"> <li>1. the end of a disbursement period (when amounts cease to be available for utilisation by an SME),</li> <li>2. the date on which the commitment made available for utilisation under an eligible SME Transaction is cancelled,</li> </ol> <p>but in any case no later than on the Termination Date the committed amount of principal has not been fully drawn by an SME (in the case of the Revolving SME Transaction meaning that the aggregate of drawdown amounts is less than the Credit Limit Amount thereunder), the Actual Volume shall be adjusted to reflect the actual amount of principal drawn by the relevant SME. The Financial Intermediary shall reflect any such adjustment in the Report immediately following such Adjustment Date.</p> <p>If the Actual Volume is adjusted pursuant to this section or the section “Exclusion Process” as described above (the amount of reduction of the Actual Volume, the “<b>Adjusted Portion</b>”), the Financial Intermediary may include one or more further eligible SME Transactions in the Portfolio up to the aggregate of Adjusted Portions and to the extent that the Actual Volume does not exceed the Agreed Volume and if such inclusions are made until the earlier of (i) the Termination Date and (ii) the third Report Date following the Adjustment Date or the date on which a Party has been effectively notified that the SME Transaction shall be an excluded SME Transaction.</p> <p>The replacements shall be made pursuant to the terms described in the Availability Period section above.</p>
<b>Relevant FX Rate</b>	<p>Means the relevant foreign exchange reference rate displayed by the European Central Bank from time to time on its website (www.ecb.int for the time being) and which is based on the daily consultation procedure between central banks within and outside the European System of Central Banks or, if such rate is not or is no longer available at the relevant time, any replacement to such rate as agreed by the Parties (acting reasonably).</p>
<b>FX Mechanism</b>	<p>(a) In case the Portfolio is to consist of eligible SME Transactions denominated in EUR and a local currency, for the purpose of the calculation of the Actual Volume, the amount of principal of SME Transactions denominated in a local currency shall be determined using the Relevant FX Rate prevailing at the date of the signature of the Guarantee Agreement.</p> <p>(b) For the purpose of paying amounts claimed by the Financial Intermediary under the Guarantee, any amounts in respect of an SME Transaction shall be paid by EIF in EUR, where EUR equivalent of such amounts shall be determined</p>

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	<p>using the Relevant FX Rate not earlier than four business days prior to the date of payment by EIF to the Financial Intermediary.</p> <p>(c) For the purpose of paying Loss Recoveries to EIF (if applicable), any amounts in respect to an SME Transaction shall be paid to EIF in EUR, where EUR equivalent of such amounts shall be determined using the Relevant FX Rate not earlier than four business days prior to the date of payment by the Financial Intermediary to EIF.</p>
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**SME Transaction conditions**

<b>Credit Policy</b>	<p>Intermediary Transactions shall be originated and monitored and amendments and waivers shall be made, in compliance with the internal guidelines and procedures of the Financial Intermediary.</p>
<b>Servicing and Loss Recoveries</b>	<p>The Financial Intermediary shall perform the servicing of the Portfolio, including monitoring and recovery actions, in accordance with its internal guidelines and procedures.</p> <p>The Financial Intermediary shall take recovery actions (including the enforcement of any security) in relation to each defaulted eligible SME Transaction in accordance with its internal guidelines and procedures.</p> <p>Loss Recoveries<sup>6</sup> mean each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss. EIF will rank pari passu with the Financial Intermediary with respect to Loss Recoveries, which shall be shared between EIF and the Financial Intermediary pro rata to the Guarantee Rate.</p> <p>EIF shall be entitled to its portion of the Loss Recovery up to the date on which the Financial Intermediary, acting in good faith and in commercially reasonable manner, determines in accordance with its internal guidelines and standard recovery procedures that the recovery period for the relevant SME Transactions shall be terminated.</p> <p>If Loss Recoveries are recovered or received by the Financial Intermediary in connection with a Loss for which a guarantee call has already been sent by the Financial Intermediary, the Financial Intermediary shall send to EIF at any relevant time, but not later than 30 days of the end of each calendar quarter, a recovery notice with accompanying Loss Recoveries schedule and shall pay to EIF any relevant amount, within three months of the end of each calendar quarter in which Loss Recoveries are recovered or received by the Financial Intermediary.</p> <p>If Loss Recoveries are recovered or received by the Financial Intermediary in connection with a Loss for which no guarantee call has been sent by the Financial Intermediary, the Financial Intermediary shall include such Recoveries in the guarantee call at the time it sends it. Any payment due from the Financial Intermediary to the Guarantor regarding such Recoveries shall be set off against any payment due by the Guarantor to the Intermediary regarding such guarantee call.</p> <p>If indicated in the specific terms of the relevant Guarantee Agreement in those</p>

<sup>6</sup> In relation to SME Transactions which are Financial Leases, "Loss Recoveries" means each and every amount (including, in case assets leased to an SME are repossessed by the Financial Intermediary (i) any amount received by the Financial Intermediary as a result of the sale of such assets, and/or (ii) in case such assets are re-leased, the purchase price of such assets agreed with the new lessee), net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of Losses, where EIF has paid amounts under the Guarantee in respect of such Losses.

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

	cases found appropriate by EIF, Loss Recoveries may, however, be taken into account by an estimated recovery rate for the Portfolio ex-ante and, where applicable, deducted from the payments to be made by the Elf against guarantee calls.
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**Miscellaneous**

<b>Reporting</b>	<p>Financial Intermediaries shall provide EIF within 30 calendar days after the end of each calendar semester (the '<b>Report Date</b>') with semi-annual information in a standardised form, including among others, information on the SMEs covered by the Guarantee, new eligible SME Transactions provided and eligible SME Transaction amounts outstanding (the '<b>Report</b>').</p> <p>An indicative reporting template is presented in appendices 2.2-2.4 to this document.</p> <p>Other reporting may be required from the Financial Intermediary as per specific schedule to the Guarantee Agreement.</p>
<b>Monitoring and Audit</b>	<p>Financial Intermediaries and the relevant SMEs covered by the Guarantee shall agree to allow and to provide access to documents and premises related to the relevant Guarantee for the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF, any other European Union institution or European Union body which is entitled to verify the use of the Guarantee in the context of WB EDIF GF II and any other authorised bodies duly authorised under applicable law to carry out audit or control activities. To that effect, the Financial Intermediaries shall ensure the inclusion of appropriate provisions in each agreement with the SMEs.</p>
<b>Compliance with Laws</b>	<p>The Financial Intermediary 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 and the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the interests of EIF or the Commission under the Guarantee Agreement.</p> <p>The Financial Intermediary shall include in the documentation applicable to each eligible SME Transaction included in the Portfolio, representations, warranties and undertakings for the purpose of ensuring that each such eligible SME Transaction shall comply at any relevant time with the Eligibility Criteria in accordance with the Guarantee Agreement.</p>
<b>Publicity</b>	<p>Financial Intermediaries shall be required to ensure that the following statement (in the relevant language) is transposed in the relevant agreements with SMEs: <i>"the finance provided to the [name of Financial Intermediary] has been made possible through the support of the European Union under the Western Balkans Enterprise Development and Innovation Facility"</i>.</p> <p>Financial Intermediaries shall also be required to include in any press release and in any publication that the Financial Intermediary may choose to make with regard to the Guarantee the statement referred to above, including the Union Emblem. Instead of issuing a press release, the Financial Intermediary may choose alternative ways of communication in which case the same visibility requirements shall apply, whenever possible.</p>

**ANNEX II: TO CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES UNDER  
WB EDIF Guarantee Facility II**

<b>Transfer</b>	The Financial Intermediary shall not be entitled to assign or transfer any of its rights or obligations under the Guarantee Agreement without the prior written consent of EIF.
<b>State Aid</b>	The Guarantee is considered to be consistent with State aid rules.
<b>Publication</b>	<p>EIF shall be entitled to publish from time to time on its website, or produce press releases containing, information on Financial Intermediaries and SMEs supported under the Guarantee, including the name, nature and purpose of the WB EDIF GF II and the following additional information:</p> <ul style="list-style-type: none"> <li>i) the name and address of the Financial Intermediary, as well as the Guarantee Cap Amount;</li> <li>ii) a list of SMEs that entered into SME Transactions for which the portion that is covered by the Guarantee exceeds EUR 250,000<sup>7</sup>, containing for each SME its name, address and country of establishment (in the case of natural persons the address shall be replaced by the region at NUTS level 2) and whether it received, directly or indirectly, a guarantee from EIF.</li> </ul> <p>Any Financial Intermediary and SME may, prior to receiving financial support under the WB EDIF GF II, declare in writing (including by a representation in the relevant agreement) that the publication requirements set out above 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.</p> <p>In the context of the Commission’s controlling and monitoring activities only, the Financial Intermediary acknowledges and agrees, and shall procure that each SME acknowledges and agrees, that the Commission may directly request further explanations from the Financial Intermediary or SME in case of objection to the publication as set out above.</p> <p>In addition, such publication shall not be required if it would be illegal under the applicable laws and regulations. Furthermore, where the SME is a natural person, prior consent to publication may not be made a condition for receiving financial support under the WB EDIF GF II.</p>
<b>Record keeping</b>	The Financial Intermediary shall undertake to maintain or be able to produce all the documentation related to the implementation of the Guarantee Agreement for a period of seven (7) years following the Termination Date.
<b>Additional requirements</b>	The WB EDIF GF II is funded by EU funds and it is therefore subject to regulation and requirements, some of which have already been presented in this document. It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to the WB EDIF GF II with all requirements will be provided to, and discussed with, the selected Financial Intermediary during the contractual negotiations process.

<sup>7</sup> If an SME Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under ii) above should be respected as specified in the specific terms of the Guarantee Agreement.



## TERMS OF CONFIDENTIALITY

In the context of the WB EDIF GF II Guarantee Facility, certain financial intermediaries (“Financial Intermediaries”) applying for the Call for Expression of Interest (the “Call”) will make available to the European Investment Fund (“EIF”) certain information of a non-public, confidential and proprietary nature. This document (the “Terms of Confidentiality”) sets out how Confidential Information provided by, or on behalf of, Financial Intermediaries in connection with the Call will be dealt with by EIF.

### 1. Confidentiality undertaking – EIF will:

- a) keep the Confidential Information confidential and not disclose it to anyone except as provided for by paragraph 2 below and ensure that such Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information;
- b) use the Confidential Information only for or in connection with the Permitted Purpose; and
- c) use all reasonable endeavours to ensure that any person to whom EIF passes any Confidential Information (unless disclosed under paragraph 2(b) or (c) below) complies with the provisions of these Terms of Confidentiality as if that person were subject to these Terms of Confidentiality.

### 2. Permitted disclosure – EIF may, however, disclose Confidential Information:

- a) to its affiliates, officers, directors, employees, representatives, professional advisers, and service providers to the extent necessary for, or in connection with, the Permitted Purpose and to its auditors;
- b) to the European Commission and the European Investment Bank, and to their respective affiliates, officers, directors, employees and professional advisers to the extent necessary for the Permitted Purpose and to their respective auditors;
- c) (i) where requested or required by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body or administrative order, (ii) where required by its statutory documents or in accordance with the relevant treaties or (iii) where required by the laws or regulations of any country with jurisdiction over its affairs; and
- d) with the Financial Intermediary’s prior written consent, not to be unreasonably withheld.

3. Notification of Required or Unauthorised Disclosure – EIF will (to the extent permitted by law and by its statutory documents) inform the Financial Intermediary of the full circumstances of any disclosure under paragraph 2(c) or upon becoming aware that Confidential Information has been disclosed in breach of the Terms of Confidentiality.

4. Termination – The Terms of Confidentiality will cease to apply to Confidential Information on the earlier of (a) the date of the signature of the Proposed Transaction containing a confidentiality undertaking in the same or similar terms as the Terms of Confidentiality, and (b) two years following the date on which such Confidential Information was provided to EIF.

5. Definitions – In these Terms of Confidentiality:

**“Confidential Information”** means any information marked as confidential relating to the Financial Intermediary and the Proposed Transaction, provided to EIF by a Financial Intermediary or any of its affiliates or advisers, in whatever form, and includes any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that (a) is or becomes public knowledge (other than as a result of any breach of the Terms of Confidentiality) or (b) is not marked as confidential by such Financial Intermediary or (c) is known by EIF before the date the information is disclosed to EIF by such Financial Intermediary or any of its affiliates or advisers or (d) is lawfully obtained by EIF, other than from a source which is connected with such Financial Intermediary and which, in either case, as far as EIF is aware, has not been obtained in violation of, and is not otherwise subject to, any obligation of confidentiality; and

**“Permitted Purpose”** means (a) considering and assessing whether or not to enter into the Proposed Transaction or another transaction with the same Financial Intermediary, (b) any related legal or regulatory or rating review and/or related reporting obligations, and/or (c) any internal procedure of EIF or the European Investment Bank.

**“Proposed Transaction”** means a guarantee or counter-guarantee agreement between the EIF and the Financial Intermediary.

6. Governing law and jurisdiction - The Terms of Confidentiality, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and construed in accordance with, English law. Any disputes arising out of or in connection with the Terms of Confidentiality will be subject to the jurisdiction of the courts of England.