COSME LGF COVID-19 Sub-window

Addendum to the Annex II - COSME LGF Indicative Direct Guarantee Termsheet and Annex III - COSME LGF Indicative Counter-Guarantee Termsheet introducing COVID-19 Support Measures

The COSME LGF COVID-19 Support Measures

The Call for Expression of Interest introduces the specific measures aimed at facilitating access to finance to SMEs affected by the COVID-19 crisis. This document outlines these measures in section 2 and provides a detailed technical description in section 3, complementing or superseding the relevant terms and conditions set out in the Annex II (for guarantees) and Annex III (for counter-guarantees) of this Call. The other terms and condition set out in Annex II and/or Annex III of this Call shall apply mutatis mutandis unless otherwise specified in this Addendum. Therefore, Annex VI should be read jointly with Annex II and/or Annex III for a comprehensive understanding of the COVID-19 Support Measures outlined here below.

1. Applicability of COSME LGF COVID-19 Support Measures

As part of the policy response to address the economic disruption caused by COVID-19, certain COVID-19 Support Measures are made available to Financial Intermediaries to provide dedicated support to impacted SMEs (the “COVID-19 Support Measures” or the “Support Measures”). The COVID-19 Support Measures shall include:

a) An increase in the risk taking capacity of COSME LGF through the amendment of certain terms of the instrument to ensure continuous financing support to impacted SMEs, which already have or will receive financing under existing (Counter-)Guarantee Agreements, available to all selected Financial Intermediaries under the Facility as of the date of publication of this Call established in any Participating Country; and

b) A new budgetary contribution to the COSME LGF COVID-19 Sub-window with dedicated budget resources of EUR 714m from the European Fund for Strategic Investment, and therefore available to Financial Intermediaries established and operating in EU Member States to support eligible COVID-19 Final Recipient Transactions newly originated by newly selected Financial Intermediaries during the COVID-19 Support Period as further specified in section 2 and 3 below. Subject to additional budgetary contributions from the COSME programme, Financial Intermediaries established in Participating Countries which are not EU Member States may have also access to additional budgetary contributions from the COSME LGF COVID-19 Sub-window in the future.

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The Support Measures described under point 1(a) here above, and further detailed in 2.1 and 3(a) below, providing improved guarantee terms with respect to transactions already originated or being originated in the context of an existing (Counter-)Guarantee shall be made available to all Financial Intermediaries already benefitting from a COSME (Counter-)Guarantee, without any new application process, by executing an amendment to their agreements in line with the specific Notice to Financial Intermediaries to be published on the EIF website.

For avoidance of doubt, Financial Intermediaries that are located in a Participating Country outside the EU Member States and that already benefit from a COSME (Counter-)Guarantee, have the immediate possibility to request the implementation of the improved conditions made available under the COSME LGF Covid-19 Sub-window to their existing Guarantee Agreement, provided that no additional Guarantee Cap Amount would be required. Interested Financial Intermediaries should contact EIF at the following e-mail address: cosme.lgf@eif.org.

2. Outline of COSME LGF COVID-19 Support Measures

The following section 2 provides for an overview of the COSME LGF COVID-19 Support Measures introduced in the Facility. Further explanations of the measures are outlined below as well as complemented by the COVID-19 Support FAQ published on EIF website.

In order to introduce the COVID-19 Support Measures, as set out in this section 2, the following new terms are added below:

| COVID-19 Support Period | Means the period commencing on the day of the publication of this Call i.e. 6 April 2020 and ending on the 31st December 2020 (included). |

2.1. Measures applicable to all COSME LGF transactions (Counter-)Guarantees aiming at increasing the risk taking capacity of COSME LGF

2.1.1. Treatment of amendments/restructuring of Final Recipient Transactions by Financial Intermediaries

Any postponement, rescheduling or credit holiday period applied to existing or new Final Recipient Transactions, in order to improve the collectability of the claims, shall be deemed to constitute a Final Recipient Transaction Restructuring and covered by the (Counter-)Guarantee until the Termination Date, provided that the Guarantee Call is submitted to EIF not later than the Termination Date. This measure will also be available beyond the COVID-19 Support Period.

2.1.2. Extended cover of the accrued interest of the Final Recipient Transactions

With respect to eligible Final Recipient Transactions, the Losses covered by the Guarantee may include capitalised interests accrued for a maximum period of 360 days when in the context of a Final Recipient Transaction Restructuring occurring until the end of the COVID-19 Support Period. If a Final Recipient Transaction Restructuring occurs after this date, capitalized interest may be covered for a period of 90 days. For the avoidance of doubt, these capitalised interests shall not be included...
into the calculation of the Actual Portfolio Volume. This will not limit the existing Losses definition in Counter-Guarantee Agreements.

2.1.3. Maximum rollover period of Revolving Credit Transactions
The maximum maturity of a Revolving Credit Transaction is increased from five (5) to nine (9) years (rounded down to the nearest full calendar quarter). This measure will also be available beyond COVID-19 Support Period.

2.1.4. Extension of open Availability Period by an additional 6 months
Availability Periods open for inclusion at the time of the COVID-19 Support Period under the respective (Counter-)Guarantee Agreements with the existing selected Financial Intermediaries, shall be extended until the date falling on the earlier of (i) six (6) months following the current end of Availability Period and (ii) 31 December 2023.

2.2. Specific COSME LGF COVID-19 Sub-window support terms
The following terms apply to new (Counter-)Guarantees or to increases of existing (Counter-)Guarantees, entered into with Financial Intermediaries as well as amended (Counter-)Guarantee Agreements under the COVID-19 Sub-window.

2.2.1. Definition of the COVID-19 Final Recipient Transaction Eligibility Criteria
Financial Intermediaries may originate eligible COVID-19 Final Recipient Transactions/Intermediary Transactions under the Specific COSME LGF COVID-19 Sub-window. COVID-19 Final Recipient Transactions shall be entered into during the COVID-19 Support Period and granted only for financing of working capital (in any form).

2.2.2. Increased Guarantee Rate and Guarantee Cap Rate on Portfolios of COVID-19 Final Recipient Transactions
The (Counter-) Guarantee Rate shall be up to 80% and will be typically set at its maximum.

In the case of Counter-Guarantees or On-lending Transactions, the Guarantee Rate will be set at the level of the Guarantee Rate/Risk Sharing Rate offered be the Financial Intermediary, up to the maximum Guarantee Rate level of 80%.

The (Counter-) Guarantee Cap Rate shall be up to 25%.

2.2.3. Intermediary Exposure to Final Recipient Transactions/Intermediary Transactions
For the purpose of alignment of interest, the credit risk exposure to be retained by the Financial Intermediary may be lowered from 20% to 10% (included) of the outstanding global principal amount of the Portfolio of COVID-19 Final Recipient Transactions/Intermediary Transactions.
3. Indicative Additional/Amended Terms in relation to the COSME LGF COVID-19 Support Measures

a) Amendments to COSME LGF (Counter-) Guarantee General Terms in response to the COVID-19 crisis:

Under the terms of the COSME LGF COVID-19 Support Measures, certain terms of the direct guarantee under Annex II - COSME LGF Indicative Direct Guarantee Termsheet and/or the counter-guarantee under Annex III - COSME LGF Indicative Counter-Guarantee Termsheet shall be amended as follows:

**Direct Guarantee:**

<table>
<thead>
<tr>
<th>Final Recipient Transaction Restructuring</th>
<th>Means, in respect of a Final Recipient Transaction that the Financial Intermediary agrees to the restructuring of such Final Recipient Transaction being such that either</th>
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<tr>
<td></td>
<td>(i) the amount of principal scheduled to be paid and/or any interest amount due by the relevant Final Recipient is reduced in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction, or</td>
</tr>
<tr>
<td></td>
<td>(ii) the maturity of the transaction is rescheduled, including inter alia by the introduction of a grace period (including a payment holiday), in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction and which is made by the Financial Intermediary or occurs in accordance with the Financial Intermediary’s credit policy.</td>
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The interest which is not paid during such period may be capitalised as part of the outstanding principal or interest amount of the Final Recipient Transaction and covered under the Guarantee for a maximum period of (i) 360 days if the Final Recipient Transaction Restructuring takes place before the end of the COVID-19 Support Period or (ii) 90 days if the Final Recipient Transaction Restructuring takes place after that date (the “Permitted Capitalised Interest”).

For the avoidance of doubt, Permitted Capitalised Interests will not be taken into account either in determining whether the maximum principal amount of the Final Recipient Transaction complies with the Final Recipient Transaction Eligibility Criteria or in determining the Actual Portfolio Volume.

<table>
<thead>
<tr>
<th>Losses</th>
<th>The Guarantee shall cover Losses at the relevant Guarantee Rate and Guarantee Cap Rate incurred by the Financial Intermediary up to the</th>
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</thead>
</table>
Guarantee Cap Amount. Losses mean any principal and interest amounts (excluding late payments or default interests, capitalised interests (other than for Permitted Capitalised Interests), any interest amount which accrued after a period of 90 days, fees and any other costs and expenses) due, payable and outstanding to the Financial Intermediary under the terms of the covered Final Recipient Transaction following the occurrence of either a Final Recipient Transaction Default, a Final Recipient Transaction Acceleration or a Final Recipient Transaction Restructuring.

### Rollover of Revolving Credit Transactions

In the case of Revolving Credit Transactions, any entry into an agreement with a new maturity for a Revolving Credit Transaction with the same Final Recipient as a replacement of an existing Revolving Credit Transaction by the Final Recipient of amounts outstanding under the existing Revolving Credit Transaction, shall be treated as an extension of the maturity of the existing Final Recipient Transaction and not as the entry into a new Final Recipient Transaction with the relevant Final Recipient.

For the avoidance of doubt, such extended maturity must not exceed 9 years, where the relevant term shall be calculated starting from the day the existing Revolving Credit Transaction was entered into, as further specified in section Eligibility Criteria below.

### Actual Portfolio Volume

Expressed in the Base Currency, the aggregate amount of the principal amount committed to be made available under newly originated Final Recipient Transactions (excluding Permitted Capitalised Interest) included in the Portfolio from time to time, provided that, for the avoidance of doubt:

(i) if any Final Recipient Transaction is prepaid and/or repaid, then this shall not reduce the Actual Portfolio Volume;

(ii) if a Final Recipient Transaction is excluded from the Portfolio as a result of the exclusion process, then such Final Recipient Transaction will not be taken into account for the calculation of the Actual Portfolio Volume; and

(iii) the Actual Portfolio Volume may in no circumstances exceed the Maximum Portfolio Volume.

On the earlier of:

(i) the end of a disbursement period when amounts are available for utilisation by a Final Recipient, and

(ii) the date falling 3 months after the end of the Inclusion Period,
the Actual Portfolio Volume will be adjusted in order to reflect the aggregate principal amount of principal drawn by the Final Recipients prior to this date.

**Counter-Guarantee:**

<table>
<thead>
<tr>
<th><strong>Final Recipient Transaction Restructuring</strong></th>
<th>Means, in respect of a Final Recipient Transaction that the Financial Sub-Intermediary agrees to the restructuring of such Final Recipient Transaction being such that either</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>the amount of principal scheduled to be paid and/or any interest amount due by the relevant Final Recipient is reduced in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction, or</td>
</tr>
<tr>
<td>(ii)</td>
<td>the maturity of the transaction is rescheduled, including inter alia by the introduction of a grace period, in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction and which is made in accordance with the Financial Sub-Intermediary’s credit policy.</td>
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</table>

| **Losses** | The Counter-Guarantee shall cover Losses at the relevant Counter-Guarantee Rate and Counter-Guarantee Cap Rate (i.e. up to the Counter-Guarantee Cap Amount) and having regard to the fixed recovery rate, if applicable), incurred (or to be incurred) by the Financial Intermediary. Losses mean any amounts due to be paid by the Financial Intermediary under the terms of the covered Intermediary Transaction following the occurrence of a Final Recipient Transaction Default, a Final Recipient Transaction Acceleration or a Final Recipient Transaction Restructuring. |

| **Rollover of Revolving Credit Transactions** | In the case of Revolving Credit Transactions covered by an Intermediary Transaction, any entry into an agreement with a new maturity for a Revolving Credit Transaction with the same Final Recipient as a replacement of an existing Revolving Credit Transaction by the Final Recipient of amounts outstanding under the existing Revolving Credit Transaction covered by the Intermediary Transaction, shall be treated as an extension of the maturity of the existing Final Recipient Transaction and not as the entry into a new Final Recipient Transaction with the relevant Final Recipient. For avoidance of doubt, such extended maturity must not exceed 9 years, where the relevant term shall be calculated starting from the day the existing Revolving |
Credit Transaction was entered into, as further specified in section Eligibility Criteria below.

b) **Specific COSME LGF COVID-19 Sub-window Support terms**

|--------------------------------------|--------------------------------------------------------------------------------------------------|
| COVID-19 Final Recipient Transaction Eligibility Criteria | COVID-19 Final Recipient Transactions shall comply with each of the following eligibility criteria:  
(i) be newly generated transactions  
(ii) be granted to Final Recipients that are established or operating in a Participating Country;  
(iii) be generated during the COVID-19 Support Period;  
(iv) have a minimum maturity of 12 months;  
(v) be granted for financing working capital in any form;  
(vi) have a principal committed amount not exceeding EUR 150,000 (or equivalent amount in local currency); and  
(vii) be a debt instrument, such as loans (including for the avoidance of doubt mezzanine and subordinated loans), leases\(^1\) or bank guarantees. |
| COVID-19 Intermediary Transaction | Means when the Guarantee is a counter-guarantee, any guarantee instrument issued by a selected Financial Intermediary to a Financial Sub-Intermediary covering (directly or indirectly) a COVID-19 Final Recipient Transaction. |
| (Counter-)Guarantee Rate | The (Counter-)Guarantee Rate shall be up to 80% of each COVID-19 Final Recipient / Intermediary Transaction covered by the (Counter-)Guarantee and will be typically set at its maximum.  
For counter-guarantee transactions or on-lending transactions, the guarantee rate or risk-sharing rate applied by the Financial Intermediary to the COVID-19 Intermediary Transactions shall not be |

\(^1\) In particular those leasing transactions providing working capital to the Final Recipient, e.g. leasebacks.
lower than the guarantee rate provided by EIF to the Financial Intermediary.

| (Counter-) Guarantee Cap Rate | A percentage of the portion of the Actual Portfolio Volume covered by the Guarantee, up to 25%. It shall be determined by EIF after having performed its analysis/due diligence of the application and shall reflect EIF’s estimation at that time of the expected losses of Final Recipient Transactions of the Portfolio to cover. |
| Risk retention | For the purpose of alignment of interest, the Financial Intermediary will have to retain a minimum 10% exposure of the outstanding global principal amount of the COVID-19 Final Recipient Transactions or Intermediary Transactions included in the Portfolio. |