THE SECURITISATION INSTRUMENT UNDER THE SME INITIATIVE IN ITALY

OPEN CALL FOR EXPRESSION OF INTEREST TO SELECT FINANCIAL INTERMEDIARIES

(Published on 21 October 2016)

The objective of this Call for Expression of Interest (the “Call”), launched by the European Investment Fund, is to select eligible financial institutions to become Financial Intermediaries under the SME Initiative Securitisation Instrument (the “Facility”), as further described below.

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

In addition to this explanatory document, the Call contains the following documents:

- Annex I: Expression of Interest to be completed by applicants, including its Appendices
- Annex II: Indicative term-sheet of the financial instrument deployed under the Facility, including its Appendices

1. Background and resources available

Following the conclusions of the European Council of 27 and 28 June 2013, the European Commission (“EC”), together with the EIB Group (i.e. EIB and EIF), completed in December 2013 an ex ante assessment exercise showing a market failure in the provision of finance to viable micro, small and medium size enterprises (SMEs) in the European Union, including in the Republic of Italy. Such ex ante assessment stressed the importance of a fast response to revitalise the blocked credit channel to SMEs.

With a view of providing such response, the EIB Group and the EC set-up a joint initiative (the “SME Initiative” or the “Initiative”) as an anti-crisis measure with the purpose of supporting the impaired financing of European SMEs, by expanding joint risk-sharing financial instruments to leverage private sector and capital markets investments in SMEs.

The Facility contemplates the combination of different resources, blending European Structural and Investment Funds (“ESIF”), national resources and EU budget under the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (“COSME”) with the guaranteeing, risk taking and lending capacity of the EIB Group. This combination entails pooling the different financial contributions in financial instruments set up at Union level under Article 39 of EU Regulation 1303/2013 (the “Common Provisions Regulation”). A potential participation of third party investors and/or third party guarantors at each SMEI Transaction level is also contemplated under the Facility on a case by case basis.

In such context, a Single Dedicated National Programme (“SDNP”) has been approved by the European Commission on 30/11/2015\(^1\) with the objective of launching the SME Initiative in the “Mezzogiorno”\(^2\) of Italy being the area covering the regions of Basilicata, Calabria, Campania, Puglia, Sicilia, Abruzzo, Molise and Sardegna (“Target Geography”). The resources made available by the Republic of Italy to the SME Initiative equal in total EUR 202,500,000 of which (i)

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\(^1\) Ref. CCI: 2015IT16RFSM001 “Programma operativo nazionale Iniziativa PMI” (http://www.sviluppoeconomico.gov.it/images/stories/documenti/Programme_SME_Initiative.pdf)

\(^2\) In accordance with the SDNP, the Mezzogiorno area includes 8 southern regions classified for the purpose of the structural funds regulation as “less developed” Regions (Basilicata, Calabria, Campania, Puglia and Sicilia) and Regions “in transition” (Abruzzo, Molise and Sardegna).
EUR 102,500,000 immediately available through the SDNP ("SDNP Contribution") and (ii) EUR 100,000,000 of additional funds which will be made available through the Fondo di Sviluppo e Coesione subject to approval by the Republic of Italy pursuant to art. 1, par. 703, lett. c) of law 23 December 2014, n. 190 ("National Contribution" and, together with the SDNP Contribution, the "MS Contribution").

In addition, COSME resources are made available to the SME Initiative Italy, in an amount not exceeding 2.1% of the MS Contribution. The resources made available by the EIB Group are up to 1.745bn.

2. SME Initiative Securitisation Instrument

Under the Facility financial intermediaries (banks, guarantee institutions and leasing companies) will be offered the possibility to securitise existing portfolios\(^3\) of debt finance (i.e. loans, leases or guarantees, pursuant to Article 39.1 of the Common Provisions Regulation) to SMEs and Small Mid-Caps fulfilling the eligibility criteria set out in section 4 (The SMEI Transactions - Existing Portfolio) of Annex II to this Call ("Existing Portfolios"), aiming at achieving a regulatory capital relief and/or new funding sources in accordance with the terms defined in Annex II to this call (such transactions are hereinafter referred to as "SMEI Transactions").

In return, the selected financial intermediaries shall have the obligation to originate a portfolio of new debt finance transactions ("Final Recipient Transactions") to eligible SMEs in the Target Geography ("Additional Portfolio") during a pre-defined Inclusion Period.

In accordance with the terms set out in Annex II to this Call, under each SMEI Transaction and in relation to the Existing Portfolios, EIF will combine the MS Contribution in respect (i) of up to 50% of the junior tranche and (ii) of the lower mezzanine tranche, the EU resources (coming from the COSME programme) of the middle mezzanine tranches and the resources from the EIB Group in respect of the upper mezzanine and, where relevant, the senior tranches\(^4\), provided that in any case the relevant Financial Intermediary retains a sufficient part of the risk of the Existing Portfolios at least equal to the risk retention requirement set out in Directive 2013/36/EU of the European Parliament and of the Council\(^5\) and in Regulation (EU) No 575/2013 to ensure adequate alignment of interest.

A schematic and indicative risk allocation amongst the various risk takers is represented below:

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\(^3\) Both static and revolving structures may be contemplated on a case by case basis.

\(^4\) Third party investors and/or third party guarantors such as national promotional banks and national guarantee schemes might participate to the Initiative on a case by case basis at the level of each SMEI Transaction.

Under the SMEI Transactions, the MS Contribution will be committed, at the discretion of the EIF, to cover (a) up to 50% of the first loss piece and (b) the lower mezzanine piece of the Existing Portfolios. The resources contributed from the COSME budget will be committed, at the discretion of the EIF, to cover the middle mezzanine risk of the Existing Portfolios. The upper mezzanine and, if necessary (depending on the SMEI Transaction structures) the senior risks will be covered using the resources made available by the EIB Group. In return, the selected Financial Intermediaries will commit to originate Eligible Final Recipient Transactions in the Target Geography for a certain target portfolio amount, which shall be sized so to comply with:

(1) a multiple of at least 6x of the MS Contribution allocated to them. The Eligible Final Recipient Transactions included in the Additional Portfolio will have to comply with the Final Recipient Eligibility Criteria and the Final Recipient Transaction Eligibility Criteria, and

(2) a multiple of at least 20x of the COSME budget allocated to them. The allocated budget will be established by the EIF on a case by case basis, with the objective of achieving, across all SMEI Transactions implemented under the Facility, the full budget allocation and the leverage target of 20x against the overall COSME budget earmarked for the Initiative. The Eligible Final Recipient Transactions included in this portfolio will have to comply with COSME Eligibility Criteria as well as the Final Recipient Eligibility Criteria and the Final Recipient Transaction Eligibility Criteria.

For more details please refer to section 6 (The Additional Portfolio - Additional Portfolio Volume) of Annex II to this Call.

Penalties will be applied to Financial Intermediaries against shortfalls vis-à-vis both Member State and COSME target Additional Portfolio amounts taking also into consideration the transfer of benefit required under the applicable State Aid framework. For more details please refer to sections 7 (The Additional Portfolio - Transfer of Benefit and de minimis) and 8 (The Additional Portfolio – Commitment Fees) of Annex II to this Call.

Compliance with the Common Provisions Regulation shall be observed, as relevant, by the various parties according to their roles and responsibilities set out in the relevant agreements. Relevant references will be included in the Additional Portfolio Agreements with Financial Intermediaries.

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6 For details please refer to Annex II to this Call.
7 For details please refer to Annex II to this Call.
8 For details please refer to Annex II to this Call.
EIF can enter into SMEI Transactions up to 31 December 2017 (the end of the “Implementation Period”). However, the end of the Implementation Period may be extended and, should this be the case, a notice will be duly published on EIF’s website.

The terms of the Additional Portfolio Agreements shall be in English and will be governed by the laws of England and Wales.

3. Eligible Financial Intermediaries

The EIF shall select one or more Financial Intermediaries to implement the SME Initiative in accordance with the procedure described below in section 6. The selection of Financial Intermediaries shall be made on a continuous basis, taking into account the above as well as the resources available from time to time, and shall be based on a specific set of criteria.

This Call 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, private guarantee schemes, guarantee institutions or other credit or financial institutions duly authorized to issue guarantees according to the applicable legislation, which shall be an all cases established and operating in the Republic of Italy.

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.

Financial Intermediaries shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing (please refer to EIF website) and shall take appropriate measures (as may be further specified in the Additional Portfolio Agreements) to facilitate implementation of such policy as well as to undertake to support investigations performed by the EIF or the European Investment Bank in connection with actual or suspected prohibited conduct.

4. The application procedure

Financial institutions interested in applying under this Call have to submit an application (“Expression of Interest”) to the EIF by the Deadline (as defined below) to be considered as a potential Financial Intermediary under the Facility.

In accordance with Annex I to this Call, the Expression of Interest has to include the Applicant’s identification and has to provide the information requested in Appendix 3 to the Annex I to this Call, together with supporting documents.

The information provided as requested in Appendix 3 to the Annex I to this Call should place particular emphasis on:

a) Envisaged actions for the successful 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 across the Target Geography, i.e. expected volumes of Eligible Final Recipient Transactions to be included in the Additional Portfolio, taking into account any outstanding programme of similar nature implemented or available in parallel;

c) In addition to the transfer of the Total Benefit (including its component of SMEI Transaction State Aid Benefit) which is compulsory, proposed improvements, if any, to the terms offered to SMEs as compared to standard conditions for SMEs;

d) Origination and credit risk management capacity;

9 http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf
e) Composition and characteristics of the proposed Existing Portfolio (details to be provided in accordance with Section 3.1.1. of Annex I to this Call); description of the structure of the SMEI Transaction, in line with the general framework set out in Annex II to this Call;

f) Historical performance data and track record in SME lending and SME securitisations (details to be provided in accordance with Section 5.3 of Annex I to this Call).

Applicants may send questions regarding the Call or the nature and features of the Facility to the email SME_Initiative_Italy@eif.org. EIF shall analyse such incoming questions and may publish from time to time the resulting answers in the form of FAQ (Frequently Asked Questions) document posted in the Facility section of the EIF’s website (www.eif.org). EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate.

The Expression of Interest shall be prepared in English.

## Note on joint applications and indirect origination model via On-Lending Banks

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 the selection of such a joint Expression of Interest and an agreement on all terms and conditions, one set of contractual documentation may be signed with the selected Applicant also on behalf of the other Participating Entities; alternatively, separate contracts 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 by EIF.

In addition, financial intermediaries pursuing the indirect origination via On-Lending Banks may be eligible for the Facility provided that the latter fulfil, inter alia, the following conditions:

- verify compliance of SMEs and Final Recipient Transactions with the Additional Portfolio Eligibility Criteria;
- ensure that the Total Benefit and its component of SMEI Transaction State Aid Benefit are passed to SMEs;
- be able to enter into a SMEI Transaction (cash or synthetic) and retain at all times sufficient credit risk exposure in the transaction in line with applicable regulation as set out above and in section 2 (The SMEI Transactions - Indicative General Terms and Conditions) of Annex II to this Call.

All information required under Appendix 3 to the Annex I to this Call must be provided for the Applicant and each and every Participating Entity and On-Lending Banks, as applicable, covered by the joint Expression of Interest.

## 5. Submission of Expressions of Interest

Expressions of Interest must be submitted by the Deadline (see below paragraph) both by (i) email and (ii) registered mail or professional courier service. Expressions of Interest sent by registered mail or professional courier service must consist of a closed single package, and must contain the Expression of Interest, together with its attachments, in paper form and in removable electronic storage medium (e.g. CD-ROM, USB). Annual reports requested should be provided only on the removable electronic storage medium.

The Deadline is 30/09/2017, unless EIF should announce that the Deadline will be set on a different date depending, inter alia, on the availability of budgetary resources for the Facility (including in the case of reallocation of resources between Financial Intermediaries) or any agreement reached between the EIF and the SME Initiative Italy’s Investors Board and, if relevant, any amendment of the agreements governing the relationships of the risk takers of the Facility. Any change in the Deadline will be announced officially in the section of EIF’s website relating to the Facility.
The Deadline refers to (i) in case of e-mails, to the date of 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
SME Initiative Team – Expression of Interest
Guarantees and Securitisation
37B, avenue J.F. Kennedy
L-2968 Luxembourg

The electronic version of the Expression of Interest shall be sent to: SME_Initiative_Italy@eif.org, stating in the subject of the email: “SME Initiative Italy – 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), to be used in all subsequent communications relating to the Expression of Interest;
- confirmation that the Expression of Interest was received by the Deadline.

The acknowledgement of receipt does not constitute a declaration of completeness of the Expression of Interest and the documents submitted therewith, nor any other kind of assessment or acceptance of the same.

The Applicants may withdraw their Expression of Interest at any stage of the Selection process, by sending (i) an email and (ii) a letter to the above-mentioned addresses.

6. Selection procedure

Financial Intermediaries shall be selected on the basis of EIF’s policies, rules, procedures and statutes and in conformity with best practices with an open, transparent, proportionate, non-discriminatory and objective selection procedure, avoiding conflicts of interest, taking into account the criteria and principles underpinning the program and the experience and financial capacity of the Applicants, with a view to maximising the efficient use of the resources made available to the Facility.

Following the receipt of the Expression of Interest(s), EIF shall assess the application(s) pursuant to the selection process outlined herewith. This process comprises:

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

Following the pre-selection based on the Expression of Interest, EIF shall perform a due diligence of the pre-selected Applicant, as a result of which EIF will decide whether or not to propose to its Board of Directors a request for the approval of a SMEI Transaction under the Facility with the pre-selected Applicant. The contractual negotiation process may not be considered concluded prior to the approval of the EIF’s Board of Directors, and is in any case not concluded until EIF and the Applicants have agreed on all relevant terms and conditions. Each of these three steps is described in more detail below from section 6.1.

In any phase of the selection process before entering into a legally binding agreement with an Applicant, no Applicant or Participating Entity has any claim or other right or may expect to be ultimately selected as Financial Intermediary. Any negotiation of terms and conditions of the SMEI
Transaction agreements by no means entails any obligation for EIF to enter into such transaction 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 for 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/publications/complaints-mechanism-policy.htm).

6.1. Pre-selection

Expressions of Interest submitted by Applicants will be assessed by the EIF for pre selection on a “first come, first assessed” basis. For the avoidance of doubt, Expressions of Interests received before the expiry of the Deadline can be processed by the EIF in accordance with the provisions of this section 6.1 and sections 6.2 and 6.3 below.

When assessing the Expression of Interest, EIF will use its professional analysis and judgment.

The pre-selection comprises:

1. Pre-selection stage 1: Formal assessment of the Expression of Interest (as set out in section 6.1.1 below);
2. Pre-selection stage 2: Assessment of the Expression of Interest’s quality (as set out in subsections (X) (Existing Portfolio quality assessment criteria), (Y) (Additional Portfolio quality assessment criteria) and (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 below).

Only Expressions of Interest that pass pre-selection stage 1, as further described in the section 6.1.1, will go through to pre-selection stage 2, i.e. the quality assessment process.

During the quality assessment (as further described in the section 6.1.2), EIF will evaluate the overall quality of the Expression of Interest.

The pre-selection criteria listed under subsections (X) (Existing Portfolio quality assessment criteria), (Y) (Additional Portfolio quality assessment criteria) and (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 are assessed at the discretion of EIF, based on a pre-defined weight assigned to each one of these criteria as set out respectively in subsection (X) and (Y) of section 6.1.2 below.

Based on the quality assessment, EIF shall assign the “quality score” to the Expression of Interest, being a combined score between:

i. A, B or C with respect to the criteria set out in subsection (X) (Existing Portfolio quality assessment criteria) of section 6.1.2; and
ii. 1, 2 or 3 with respect to the criteria set out in subsection (Y) (Additional Portfolio quality assessment criteria) of section 6.1.2;

provided that if a combined score equal to A1 or A2 is assigned to an Expression of Interest, the score of such Expression of Interest will be maintained only to the extent that compliance with the minimum number of criteria set out in subsection (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 is met in accordance with the terms set out therein. Failing compliance with the above, A1 or A2 scoring of an Expression of Interest are reduced to B1 or B2, as applicable.
Only Expressions of Interest to which the EIF has assigned combined scores equal to A1 or A2 are pre-selected and processed through the fast-track selection process set out in section 6.2.1 below. As set out above and for the avoidance of doubt, a combined score equal to A1 or A2 can be assigned only if the relevant Expression of Interest satisfies - in addition to the criteria set out in subsection (X) (Existing Portfolio quality assessment criteria) and in subsection (Y) (Additional Portfolio quality assessment criteria) of section 6.1.2 - the criterion set out in item 1 and additionally one of the criteria set out in items 2, 3 or 4 of subsection (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 in accordance with the terms set out therein.

Expressions of Interest with combined scores A3, B1, B2 or B3 are pre-selected and included in a list which shall be processed in accordance with the benchmarked selection process set out in par. 6.2.2 below. The list with the Applicants processed in accordance with the benchmarked selection process remains valid until the end of the Implementation Period.

Expressions of Interest with combined scores C1, C2 or C3 are not pre-selected.

A summary of the pre-selection final scorings resulting from the combination of the scores (i.e. A, B or C and 1, 2 or 3) assigned by the EIF during the evaluation of the criteria set out in subsections (X) (Existing Portfolio quality assessment criteria), (Y) (Additional Portfolio quality assessment criteria) and (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 is set out in the classification table 1 below:

<table>
<thead>
<tr>
<th>A1</th>
<th>B1</th>
<th>C1</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>B2</td>
<td>C2</td>
</tr>
<tr>
<td>A3</td>
<td>B3</td>
<td>C3</td>
</tr>
</tbody>
</table>

All Applicants will be sent a notification about the result of the pre-selection process which can be either:

1. Pre-selection for the fast-track due diligence;
2. Pre-selection for the inclusion in the list for the purpose of the benchmarked evaluation;
3. Rejection of the Expression of Interest for lack of the pre-selection criteria.

Pre-selected Applicants are advanced to the Due Diligence phase (see section 6.2) which will be carried out either (i) immediately as set out in section 6.2.1 below or (ii) subject to the satisfactory outcome of a benchmarked selection phase as set out in section 6.2.2 below.

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 in the list for the benchmarked evaluation as described below.

6.1.1 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 the Republic of Italy
b. is authorised to carry out its business in the Republic of Italy under the applicable regulatory framework;
c. is not in the situation of exclusion, as validly represented in the declaration of honour form outlined in appendix 2 of Annex I to the Call;
d. 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.

6.1.2 Quality assessment

After successful assessment of the formal criteria, and after having obtained any additional information or clarifications from Applicants, if and as needed, the EIF will perform a quality assessment of the Expression of Interest(s) according to the criteria set out below, in no particular order of priority.

(X) Existing Portfolio quality assessment criteria

EIF assessment will aim at evaluating the quality of the envisaged Existing Portfolio through the following parameters: composition, granularity and diversification, credit quality, underwriting and servicing procedures and policies (in order to evaluate the operational capability of the applicant to assess and manage risks), ability of the applicant to provide the required data so to assess the risks of the Existing Portfolio and determine the SMEI Transaction’s capital structure, securitisation servicing experience and track record, financial standing of the applicant (as evidenced by its external credit rating and/or by the EIF financial analysis of the Applicant/Participating Entity) and exposure in the Target Geography.

The specific weight of each of the Existing Portfolio quality assessment criteria is set out in table 2 below:

<table>
<thead>
<tr>
<th>Table (2)</th>
<th></th>
<th>Importance indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>granularity &amp; diversification</td>
<td>★★★★★</td>
</tr>
<tr>
<td>b)</td>
<td>credit quality</td>
<td>★★★★★</td>
</tr>
<tr>
<td>c)</td>
<td>underwriting and servicing procedures and policies</td>
<td>★★★★★</td>
</tr>
<tr>
<td>d)</td>
<td>data quality</td>
<td>★★★★★</td>
</tr>
<tr>
<td>e)</td>
<td>securitisation servicing experience</td>
<td>★★★★★</td>
</tr>
<tr>
<td>f)</td>
<td>financial standing</td>
<td>★ ★ ★</td>
</tr>
<tr>
<td>g)</td>
<td>target geography</td>
<td>★★★★★</td>
</tr>
</tbody>
</table>
h) Presence of Confidi (exposure / risk taker)

Note on the criterion set out in item (g) (Target Geography) above

The portion of the proposed Existing Portfolio consisting of debt finance to SMEs and Small Mid-Caps located in the Target Geography shall in all cases be higher than the percentage set out in item (ii) (Eligibility Criteria of Existing Portfolio) of section 4 (The SMEI Transactions - Existing Portfolio) of Annex II to this Call. For the purpose of the criterion set out in item (g) (Target Geography), the EIF will assign (a) a top scoring in relation to Existing Portfolios with an exposure in the Target Geography higher than 65% of the initial principal amount of such Existing Portfolios, (b) an intermediate scoring in relation to Existing Portfolios with an exposure in the Target Geography between 51% and 65% of the initial principal amount of such Existing Portfolios, (c) the worst scoring in relation to Existing Portfolios with an exposure in the Target Geography ranging between the minimum percentage set out in item (ii) (Eligibility Criteria of Existing Portfolio) of section 4 (The SMEI Transactions - Existing Portfolio) of Annex II to this Call and 51% of the initial principal amount of such Existing Portfolios.

Note on the criterion set out in item (h) (Presence of Confidi) (exposure / risk taker) above

During the pre-selection phase the EIF will assign a specific score to Expressions of Interest satisfying the criterion set out in item (h) (Presence of Confidi) (exposure / risk taker) as follows:

1. Applications from Financial Intermediaries different from a confidi (or from a group of confidi)

   The EIF will assign (a) a top scoring in relation to Existing Portfolios with a share of debt finance guaranteed by confidi higher than 10% of the initial principal amount of such Existing Portfolios, (b) an intermediate scoring in relation to Existing Portfolios with a share of debt finance guaranteed by confidi between 5% and 10% of the initial principal amount of such Existing Portfolios, (c) the worst scoring in relation to Existing Portfolios with a share of debt finance guaranteed by confidi lower than 5% of the initial principal amount of such Existing Portfolios.

   In all cases of an Application entailing an Existing Portfolio composed (in full or in part) of debt finance guaranteed by confidi, the relevant Financial Intermediary shall agree to include in the contractual documentation of the SMEI Transaction to be entered into with EIF a provision pursuant to which the Financial Intermediary shall terminate the guarantees by the confidi (subject to and in accordance with any legal requirements) at the signing of the relevant SMEI Transaction.

2. Applications from a confidi (or a group of confidi) or joint Applications between a Financial Intermediary and a confidi

   The EIF will assign (a) a top scoring in relation to SMEI Transactions involving a participation from the confidi as risk taker with respect to the first loss piece and/or lower mezzanine piece higher than 20% of the respective tranche, (b) an intermediate scoring in relation to SMEI Transactions involving a participation from the confidi as risk taker with respect to the first loss piece and/or lower mezzanine piece between 10% and 20% of the respective tranche, (c) the worst scoring in relation to SMEI Transactions involving a participation from the confidi as risk taker with respect to the first loss piece and/or lower mezzanine piece equal or lower than 10% of the respective tranche.
Additional Portfolio quality assessment criteria

EIF assessment will aim at evaluating the quality and plausibility of the Facility implementation proposal on the basis of the Additional Portfolio, with particular focus on: implementation and rollout strategy (including marketing and publicity of the Facility), strategy of the distribution network (including incentives for the sales force, proposed volumes, financial products used under the Facility, expected Final Recipient Transaction size), presence of distribution network in the Target Geography, experience and ability of the Applicant (and any Participating Entities in case of joint Expressions of Interest) to provide or to support financing to SMEs within a predefined timeframe (i.e. absorption capacity in the Target Geography), ability to comply with the requirement to transfer the Total Benefit (including the SMEI Transaction State Aid Benefit), envisaged composition of the Additional Portfolio. This shall be assessed by EIF based inter alia on: the track record of financing SMEs and the business plan for building a Portfolio, including its proposed geographical distribution and number of Final Recipients.

The Additional Portfolio quality assessment criteria include also the assessment of the ability to comply with the specific reporting requirements, in particular regarding the de minimis and the transfer of the SMEI Transaction State Aid Benefit.

The specific weight of each of the Additional Portfolio quality assessment criteria is set out in table 3 below:

<table>
<thead>
<tr>
<th>Table (3)</th>
<th>Additional Portfolio quality assessment criteria</th>
<th>Importance indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Rollout strategy</td>
<td>★★★★</td>
</tr>
<tr>
<td>b)</td>
<td>Origination track record</td>
<td>★★★★</td>
</tr>
<tr>
<td>c)</td>
<td>Number of (i) regions covered within the Target Geography and (ii) of SMEs proposed to be covered under the Additional Portfolio</td>
<td>★★★★</td>
</tr>
<tr>
<td>d)</td>
<td>Reporting (including GGE and transfer of SMEI Transaction State Aid Benefit)</td>
<td>★★★★</td>
</tr>
</tbody>
</table>

Fast-track enabling quality assessment criteria

The criteria set out in this subsection (Z) are evaluated by the EIF for the purpose of assessing whether the relevant Expressions of Interest are eligible for the fast-track due diligence set out in section 6.2.1 below. The fast-track due diligence only applies to Applicants satisfying the criterion set out in item 1 below and additionally at least one of the other criteria set out in items 2, 3 or 4 below.

1. The Expressions of Interest contain all relevant historical data and information necessary for the EIF to perform its quantitative analysis and assign a provisional rating to the risk cover of the Existing Portfolio (including default vintage analysis, Applicant’s internal rating migrations (if applicable), recovery vintage analysis, LGD models (if applicable), historical data on delinquencies and prepayment, Existing Portfolio database), subject to due diligence, negotiation of the legal documentation of the SMEI Transaction and crystallisation of the Existing Portfolio;
2. the relevant Applicant (and any Participating Entities in case of joint Expressions of Interest) has a distribution network operating in at least 4 regions in the Target Geography covering both the territory of the Less Developed Regions and of the Regions in Transition and/or has made a proposal as regards the Additional Portfolio which covers at least 4 regions in the Target Geography covering both the territory of the Less Developed Regions and of the Regions in Transition;

3. at least 10% of the Existing Portfolio is composed of debt finance guaranteed by confidi and the relevant Applicant (and any Participating Entities in case of joint Expressions of Interest) - in the case it is not a confidi itself or a group of confidi - agrees to include in the contractual documentation to be entered into with the EIF a provision pursuant to which the Applicant (and any Participating Entities in case of joint Expressions of Interest) shall terminate the guarantees by the confidi (subject to and in accordance with any legal requirements) at the signing of the relevant SMEI Transaction;

4. the Existing Portfolio’s credit risk, as presented by the Applicant and on the basis of its internal rating/scoring models, presents a credit risk profile not higher than 5.5% on a 1-year probability of default basis.

Annex II to this Call sets out the specific eligibility criteria and restrictions applicable to the Existing Portfolio and Additional Portfolio.

6.2. Due diligence

Applicants whose Expressions of Interest are pre-selected will be followed up with the due diligence process which will be carried out either (i) immediately after the pre-selection phase as set out in section 6.2.1 below or (ii) subject to the satisfactory outcome of a benchmarked selection phase as set out in section 6.2.2 below.

The due diligence is carried out in accordance with the 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, inter alia, the ability to build up the Additional Portfolio, the transfer of Total Benefit\textsuperscript{10}, the composition of the envisaged Additional Portfolio, including the COSME portfolio, the quality of origination, marketing and publicity of the Facility, strategy of the distribution network (including incentives to sell for sales force), risk management, collection recovery/workout processes, systems and ability to comply with the reporting requirements and the composition and risk profile of the Existing Portfolio. The due diligence process does not comprise legal negotiations.

6.2.1 Access to due diligence for Expressions of Interest with A1 or A2 score (Fast-Track Selection Process)

(a) The due diligence of Expressions of Interest with A1 or A2 score, can be carried out immediately after the pre-selection phase, outside (and in parallel to) the comparative phase set out in section 6.2.2 below.

(b) If during the due diligence of Expressions of Interest with A1 or A2 score the EIF assesses that any of the criteria under subsection (Z) (Fast-track enabling quality assessment criteria) of section 6.1.2 applicable to the relevant Applicant (and any Participating Entities in case of joint Expressions of Interest) has not been met by such Applicant (and any Participating Entities in case of joint Expressions of Interest), then – provided that all other selection criteria are still valid and complied with – the EIF will place the relevant Expressions of Interest within the list of

\textsuperscript{10} EIF shall request from the Applicant information on interest spread components, including a) administrative costs component, b) standard credit risk premium, split by risk category of the borrower and c) cost of capital.
Expressions of Interest examined on a comparative and equal basis pursuant to section 6.2.2 below.

The resources (considering the MS Contribution only) which can be allocated to one single SMEI Transaction whose Expression of Interest was processed with the fast-track selection process cannot be higher than 40% of the MS Contribution.

The overall resources (considering the MS Contribution only) which can be allocated to all SMEI Transactions whose Expressions of Interest were processed with the fast-track selection process cannot exceed 65% of the MS Contribution.

An Applicant who - as a result of a selection process made via the fast-track mechanism – enters into a SMEI Transaction can submit a new Expression of Interest provided that – irrespective of the date of receipt by the EIF of any such new Expression of Interest – it will be processed with the comparative mechanism during any Monthly Evaluation falling in the last calendar quarter before the Deadline.

6.2.2 Access to due diligence for Expressions of Interest with A3, B1, B2 or B3 score (Benchmarked Selection Process)

(a) The due diligence of Expressions of Interest with A3, B1, B2 or B3 scores (including Expressions of Interest originally processed with the fast-track selection process set out in section 6.2.1 above (if any) for which the circumstance set out in letter (b) of section 6.2.1 above occurred) is subject to an examination on a comparative and equal basis carried out by the EIF by, inter alia, reassessing the pre-selection criteria set out above on an equal basis at regular monthly intervals (based on the date of receipt by the EIF of the Expressions of Interest and to the extent that more than one Expressions of Interest can be benchmarked), (each a “Monthly Evaluation”), using professional analysis and judgment, according to the EIF’s internal rules and procedures.

(b) During each Monthly Evaluation and following re-assessment, the EIF will determine a ranking to prioritise the due diligence of those Applicants (and any Participating Entities in case of joint Expressions of Interest) which will be chosen in connection with any such Monthly Evaluation interval and which will be followed up with a due diligence carried out in accordance with the EIF’s internal rules and procedures as set out above.

(c) Expressions of Interest which are not chosen for due diligence on a Monthly Evaluation, will form part of a list which – subject to availability of the budgetary resources - may be considered by the EIF for re-assessment on a comparative and equal basis in connection with a new Monthly Evaluation until the end of the Implementation Period.

6.3. Selection

Based on the results of the pre-selection and the outcome of the due diligence process the EIF will either:

1. select the Applicant;
2. place the Applicant on the list for the purpose of the next Monthly Evaluations carried out until the end of the Implementation Period and subject to availability of the budgetary resources (including in the case of reallocation of resources between Financial Intermediaries); or
3. reject the Expression of Interest.
EIF may request its Board approval for a SMEI Transaction to be entered into with the selected Applicant under the Facility. EIF has no obligation to enter into a SMEI Transaction with a selected Applicant.

With a view to maximising the efficient use of the resources of the Facility, EIF shall have sole discretion (without limitation) to request at any time the Applicant to modify and/or alter the composition of the proposed Existing Portfolio and/or the proposed Additional Portfolio, the structure of the proposed SMEI Transaction and its tranching throughout the selection and negotiation process ahead of signature of the SMEI Transaction.

6.4 Potential reallocations during implementation of the Facility

With a view to maximising the efficient use of the resources of the Facility, EIF shall have sole discretion during the Implementation Period to allocate any amounts available from time to time to Financial Intermediaries that out-perform initial expectations on the performance of the SMEI Transaction and/or the build-up of the relevant Additional Portfolio.

7. Publishing of information on the Financial Intermediaries, Participating Entities, On-lending Banks and Final Recipients

EIF may publish, from time to time, on its website a list of Financial Intermediaries, Participating Entities and On-lending Banks, which may include the name and the registered addresses of the Financial Intermediaries, Participating Entities and On-lending Banks, types of the contract entered into and, in the case of Financial Intermediaries only, the respective amounts of the Existing Portfolio and of the Additional Portfolio. EIF may also publish a list of SMEs benefiting from the Facility, as further detailed in Annex II to this Call.

The Financial Intermediary, a Participating Entity or an On-Lending Bank may, prior to receiving financial support under the Facility, decide not to agree in writing to the publication requirement if it risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union. In addition such publication shall not be required if it would be illegal under the applicable laws and regulations.

Please refer to Annex II to this Call for details about the publication of information (and/or the delivery of data and information) with respect to the Final Recipients arising from national legislation, including from the applicable State Aid rules.

8. Definitions and Interpretation

In this Call, 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.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Applicant</td>
<td>Means an entity applying to this Call as a potential Financial Intermediary.</td>
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<tr>
<td>Additional Portfolio Agreement</td>
<td>The agreement entered into between the EIF and a Financial Intermediary setting out inter alia the terms and conditions for the SMEI Transaction.</td>
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11 As substantiated by the relevant Financial Intermediary with a legal opinion.
| **Creation of the Additional Portfolio** | (including the Additional Portfolio Eligibility Criteria) as set out in section 6 (The Additional Portfolio 7) of Annex II to this Call. |
| **Deadline** | Means 30/09/2017 or such different date as announced officially in the Facility section of EIF’s website. |
| **Eligible Final Recipient Transaction** | Means a Final Recipient Transaction which complies with the Final Recipient Eligibility Criteria and the Final Recipient Transaction Eligibility Criteria. |
| **Final Recipient Transaction** | Means a debt financing (including a loan, in the form of term loan or revolving credit line, or finance lease or guarantee) provided directly or indirectly (through a sub-intermediary) by a Financial Intermediary to an SME. |
| **Additional Portfolio Eligibility Criteria** | Means the eligibility criteria set out in Appendix A of Annex II to this Call. |
| **Expression of Interest** | Means an application to this Call submitted to EIF by the Deadline, conforming to the provisions of Annex I to this Call. |
| **Financial Intermediary** | Means either:  
(a) Financial or credit institution (including banking groups) duly authorised to carry out lending or leasing activities according to the applicable legislation.  
(b) Guarantee schemes, guarantee institutions or other financial or credit institutions duly authorized to issue guarantees according to the applicable legislation, established and/or operating in the Republic of Italy.  
Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may subject, shall not be in any Condition of Exclusion and shall not be established in a Non-Cooperating Jurisdiction. |
| **COSME Eligibility Criteria** | Means the COSME Eligibility Criteria as defined in Appendix A of Annex II to this Call. |
| **Disbursement End Date** | 31 December 2020 |
| **Inclusion Period** | The period during which Eligible Final Recipient Transactions may be disbursed, such that they may be included by the Financial Intermediary in the Additional Portfolio.  
Such period shall typically last between 18 and 36 months (unless terminated earlier because of a Trigger Event), provided that the Inclusion Period shall terminate no later than the Disbursement End Date. |
| **Non-Cooperating Jurisdiction** | A jurisdiction which does not co-operate with the European Union in relation to the application of the internationally agreed tax standard, |
or their tax practices do not follow the Commission Recommendation of 6.12.2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805).

On-Lending Banks
In an indirect origination model, a financial or credit institution, which enters into an agreement with the Financial Intermediary (directly or through a pass-through financial or credit institution) to i) fund entirely or partially Final Recipient Transactions entered into by the relevant On-Lending Bank and the SME and ii) partially cover the exposure of the On-Lending Bank thereunder.

On-Lending Banks (and any pass-through institutions, if any) shall meet, mutatis mutandis, the requirements for Financial Intermediaries.

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.

Single Dedicated National Programme (SDNP)
Means the dedicated operational programme referring to the ESIF contribution submitted to the European Commission by the Republic of Italy and approved by the European Commission with Decision (CCI 2015IT16RFSM001) on 30/11/2015.

Small Mid-Cap
Means an enterprise (within the meaning of Article 1 of the Title I of the Annex of the Commission Recommendation) which:
a) has less than 500 employees calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation; and
b) is not an SME.

SME
Micro, small or medium-sized enterprises made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million; as defined in the Commission Recommendation.

For the avoidance of doubt, self-employed and entrepreneurs are to be considered as SMEs pursuant to this definition.

SMEI Transaction State Aid Benefit
Has the meaning set out in section 7 (The Additional Portfolio - Transfer of Benefit and de minimis) of Annex II to this Call.

Total Benefit
Has the meaning set out in section 7 (The Additional Portfolio - Transfer of Benefit and de minimis) of Annex II to this Call.