

INDICATIVE DIRECT GUARANTEE TERM SHEET

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

*This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of European Investment Bank (EIB), European Investment Fund (EIF) (the “**Relevant Entities**”) and/or or any other person to enter into one or more transaction(s). Any finance commitment by any of the Relevant Entities can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entities do not act as adviser to you or owe you any fiduciary duty. None of the Relevant Entities make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.*

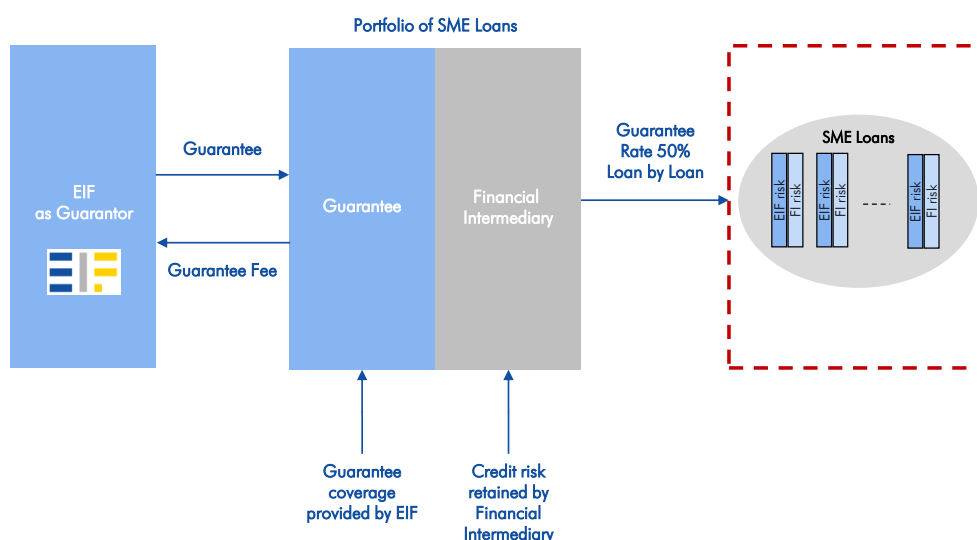
1. Overview

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

The FIs will benefit from a guarantee provided by EIF, on a loan-by-loan basis, covering defaults, at the guarantee rate (i.e. 50%), in respect of SME Loans included in a Portfolio. The recoveries on the underlying debt instruments will be shared *pari passu* by the FI and the EIF in the same proportion of the default cover (i.e. 50%).

The EIF guarantees will be uncapped (i.e. covering 50% of the full guaranteed portfolio).

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



The FIs will manage and service the Portfolio in accordance with their standard credit and collection policies applicable to their SME loan book.

2. Indicative Terms and Conditions of the Guarantee

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| Guarantee | The Guarantee issued by EIF for the benefit of FIs is an uncapped, unconditional and irrevocable financial guarantee and covers, at the Guarantee Rate, Covered Amounts in respect of Eligible SME Loans included in a set Portfolio. |
| Guarantee Agreement | The agreement entered into between the Guarantor and a Financial Intermediary setting out the terms and conditions of the Guarantee. |
| Guarantor | The European Investment Fund (EIF). |
| Financial Intermediary (FI) | Financial or credit institution duly authorised to carry out lending or leasing activities according to the applicable legislation in the Kingdom of Spain. 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 be subject, and shall not be established in a Non-Cooperating Jurisdiction. |
| Guarantee Rate | 50% on each Eligible SME Loan. |
| Guarantee Fee | 55 bps per annum. |
| Guarantee Fee Amount | Means the amount payable quarterly in arrears by the FIs, calculated as the product of: <ol style="list-style-type: none">1. the aggregate daily average of the outstanding performing Eligible SME Loans during the calendar quarter;2. the Guarantee Rate; and3. the Guarantee Fee divided by 360. |
| FI Risk Retention | The FIs shall undertake to maintain a minimum 20% risk retention on each SME Loan at all times. |
| Covered Amounts | a) Principal ¹ and/or interest ² (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the last payment past due) due, payable and outstanding at such time following occurrence of either a Eligible SME Loan Default or a Eligible SME Loan Acceleration, OR b) Any reduction in principal and/or interest amounts (excluding late payment, default interest, capitalised interest, fees and other costs and expenses) as a result of a Eligible SME Loan Restructuring. |
| Eligible SME Loan Default | Means that (i) the FI considers at any time (acting reasonably in accordance with its internal procedures) that an SME is unlikely to meet its payment obligations under an Eligible SME Loan (without recourse by the FI to actions such as realisation of security); or (ii) |

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

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

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| | <p>an SME has failed to meet a payment obligation for at least 90 consecutive calendar days under an Eligible SME Loan.</p> |
| Eligible SME Loan Acceleration | <p>Means the occurrence of an event of default (howsoever defined) under a Eligible SME Loan which has entitled the FI to accelerate payment of any amounts owed to it and the FI has exercised such right of acceleration (or is prevented from exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).</p> |
| Eligible SME Loan Restructuring | <p>Means that the FI acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of a Eligible SME Loan such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant SME is reduced, in order to improve the collectability of the claims arising from the relevant SME Loan.</p> |
| Payment Demands | <p>The Guarantor shall pay any amounts claimed by the FI within 60 calendar days of the relevant Payment Demand date.</p> <p>Payment Demands shall be:</p> <ul style="list-style-type: none">a) in respect of Covered Amounts relating to Eligible SME Loans included in the Portfolio, such Covered Amounts having been reported to the Guarantor by not later than the [•] Report Date following the calendar quarter in which such Covered Amount have been incurred;b) sent during a specific period as further specified in the Guarantee Agreement. |
| Recoveries | <p>Recovery³ means each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the FI in respect of Covered Amounts, with the exception of any amounts received by the FI in accordance with the terms of a separate guarantee agreement with a guarantee institution on the portion of the Eligible SME Loan not covered by the Guarantee. For the avoidance of doubts, Financial Intermediaries shall respect the FI Risk Retention at all times.</p> <p>All Recoveries shall be shared <i>pari passu</i> between the Guarantor and the FI, in the same proportion of the Guarantee Rate (i.e. 50%).</p> <p>The FI shall send to the Guarantor at any relevant time, but not later than 30 days of the end of each calendar quarter a recovery notice with accompanying recoveries schedule and shall pay to the Guarantor any relevant amount, within three months of the end of</p> |

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

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Spain - Option1

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| | <p>each calendar quarter in which Recoveries are recovered or received by the FI.</p> |
| Regional Targets | <p>The Portfolio, within the aggregate limit of the Maximum Portfolio Volume, will have specific target volumes per Region (the “Regional Targets”).</p> <p>The FI shall include in the Portfolio a minimum amount of Eligible SME Loans per Region, as set out in the Guarantee Agreement. Such amount shall be such that, in respect of each Region, the aggregate principal amount of Eligible SME Loans included in the Portfolio represents a multiple of at least 4 by reference to a specific indicator specified (in respect of each Region) in the Guarantee Agreement.</p> <p>If and to the extent the Minimum Regional Volume and/or the Minimum Regional Leverage Amount are not reached by the end of the Inclusion Period, the FI shall be liable to pay an amount equal to the relevant Regional Penalties and/or Regional Leverage Penalties.</p> |
| Minimum Regional Volume | <p>Means, for each Region, an amount equal to the product of: 13.0% and the Regional Target.</p> |
| Regional Penalties | <p>In respect of each Region, if and to the extent that the Minimum Regional Volume is not reached by the end of the Inclusion Period, the FI shall be liable to pay an amount equal to the positive difference between (i) the Minimum Regional Volume and (ii) the disbursed volume of Eligible SME Loans.</p> |
| Minimum Regional Leverage Volume | <p>Means, for each Region, an amount equal to the product of: 52.0% and the Regional Target.</p> |
| Regional Leverage Penalties | <p>In respect of each Region, if and to the extent that the Minimum Regional Leverage Volume is not reached by the end of the Inclusion Period, the FI shall be liable to pay an amount equal to the product of (i) 0.50% and (ii) positive difference between (a) the Minimum Regional Leverage Volume and (b) the disbursed volume of Eligible SME Loans.</p> |
| Regions | <p>Each of Andalucía, Aragón, Illes Balears, Cataluña, Canarias, Cantabria, Castilla y León, Castilla la Mancha, Extremadura, Galicia, Comunidad de Madrid, Región de Murcia, País Vasco, La Rioja, Comunidad Valenciana, Ciudad Autónoma de Ceuta.</p> |
| H2020 Leverage and Related Penalties | <p>The FI shall include in the Portfolio a minimum amount of Eligible SME Loans (the “H2020 SME Loans”), as set out in the Guarantee Agreement, which comply with the H2020 Eligibility Criteria (see Appendix A). No regional allocation is required in respect of such minimum amount.</p> <p>If and to the extent the H2020 Target Leverage Volume is not reached by the end of the Inclusion Period, the FI shall be liable to pay certain penalties, unless waived at the discretion of the EIF, in case of achievement of the overall H2020 target leverage volume at SME Initiative Spain aggregate level. These are calculated as the product of:</p> |

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Spain - Option1

- a) 450 bps (4.5%);
- b) the positive difference between (a) the H2020 Contribution and (b) the amount equal to the quotient of (1) the disbursed volume of Eligible SME Loans complying with the H2020 Eligibility Criteria and (2) the H2020 Multiplier; and
- c) a pre-set estimate of 4-year weighted average life for the guaranteed Portfolio.

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| H2020 Target Leverage Volume | Means an amount equal to a portion of the Maximum Portfolio Volume, as determined on a case by case basis by the EIF during the selection process. |
| H2020 Multiplier | Means 9 (nine). |
| H2020 Contribution | Means the quotient of the H2020 Target Leverage Volume and the H2020 Multiplier. |
| State aid | <p>The FI shall ensure, in respect of the SME Loans included in the Portfolio, compliance with applicable State aid rules, i.e. the <i>de minimis</i> Regulation. For such purpose and before granting an SME Loan, the FI shall calculate the relevant Gross Grant Equivalent (GGE), ensure that, including the GGE of the SME Loan, the total GGE received by the SME over the relevant timeframe is not higher than the relevant threshold set out in the <i>de minimis</i> Regulation, and report the GGE of individual SME Loans to EIF.</p> <p>The GGE of SME Loans⁴ shall be calculated according to the following formula:</p> $\text{GGE} = \text{Guaranteed SME Loan amount} * \text{maturity (weighted average life) of the SME loan} * \text{State Aid Benefit.}$ <p>The State Aid Benefit for the part of the SME Loan covered by the Guarantee is a portion of the Total Benefit, proportional to the ESIF Contribution⁵ in the Portfolio, given by the following formula:</p> $\text{State Aid Benefit} = \text{Total Benefit} * \% \text{ of the ESIF Contribution in the Guarantee.}$ <p>At SME level, the State Aid Benefit shall be considered as an interest rate subsidy within the meaning of Article 4(2) of the <i>de minimis</i> Regulation.</p> |
| <i>De minimis</i> Regulation | Means either Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to <i>de minimis</i> aid, or Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to <i>de minimis</i> aid in the |

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

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

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| Trigger Event | <p>agriculture sector (as relevant).</p> <p>Means any of a Cumulative Default Rate Trigger Event and Portfolio Trigger Event.</p> <p>A Cumulative Default Rate Trigger Event occurs if, on one or more specified date(s) during the Inclusion Period, the aggregate outstanding principal amount of defaulted Eligible SME Loans exceeds a predetermined level.</p> <p>A Portfolio Trigger Event occurs if, on one or more specified dates during the Inclusion Period, the aggregate committed principal amount of Eligible SME Loans included in the Portfolio does not reach a predetermined level.</p> |
| Guarantee Termination Events | <p>The Guarantee Agreement will set out standard events of default, including non-payment of amounts due under the Guarantee Agreement, breach of obligation, insolvency, unlawfulness and misrepresentation.</p> <p>The occurrence of an event of default, if not remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an “Early Termination”). Upon Early Termination all amounts due by the EIF and/or the Intermediary would be calculated in accordance with the terms of the Guarantee Agreement.</p> |

3. The Portfolio

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| Portfolio Volume | <p>The aggregate initial principal of all Eligible SME Loans granted by the FI and included in the Portfolio for cover by the Guarantor. EIF will require that the target portfolio be granular and diversified by industry sector.</p> <p>No replenishment of the Portfolio is envisaged after the end of the Inclusion Period or after achievement of the Maximum Portfolio Volume.</p> |
| Maximum Portfolio Volume | <p>Repayments under Eligible SME Loans do not result in a reduction of the Portfolio Volume, which remains calculated based on the initial principal of the Eligible SME Loans.</p> <p>The maximum size (in EUR) of the Portfolio Volume.</p> |
| Inclusion Period | <p>The period during which Eligible SME Loans may be disbursed by the FI such that they can be included in the Portfolio, provided that the Inclusion Period shall terminate no later than the Disbursement End Date.</p> <p>Such period shall commence on the date of signature of the Guarantee Agreement and typically last between 18 and 36 months (unless terminated earlier because of a Trigger Event).</p> <p>Inclusions occur automatically upon receipt by EIF of an inclusion notice submitted by the FI on a quarterly basis, and the Eligible</p> |

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Spain - Option1

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| | <p>SME Loans are deemed to be covered from their respective effective date.</p> |
| SME | <p>Micro, small or medium-sized enterprise as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, notified under document number C(2003) 1422), as amended, restated, supplemented and/or substituted from time to time.</p> |
| SME Loans | <p>Loans and/or finance leases entered into by the FI and SMEs during the Inclusion Period.</p> |
| Eligible SME Loans | <p>SME Loans which comply with all relevant Eligibility Criteria (other than the Horizon 2020 Eligibility Criteria).</p> |
| Eligibility Criteria | <p>SMEs, SME Loans and the Portfolio, as relevant, will have to comply with a set of Eligibility Criteria (other than the Horizon 2020 Eligibility Criteria) set out in Appendix A to this indicative term sheet.</p> <p>Additional criteria may be set out on a case-by-case basis such as:</p> <ul style="list-style-type: none">a) minimum internal rating of the SME;b) maximum amount of SME Loans to SME: (1) internally rated below a defined rating level in accordance with the financial intermediary rating systems, (2) operating in a given NACE Sectors (expressed by NACE Code – Rev.2 Division Level),c) maximum amount of SME Loans with balloon/bullet repayment schedule, etc. <p>A breach of any of the Eligibility Criteria (other than the Horizon 2020 Eligibility Criteria) shall result in an exclusion of the relevant SME Loan from the Portfolio, save as specified in the “Exclusion Process”</p> |
| Horizon 2020 Eligibility Criteria | <p>Means the H2020 SME Loan Eligibility Criteria and the Innovation Eligibility Criteria.</p> |
| Excluded SMEs and Restricted Sectors | <p>SMEs which are classified according to the criteria set out in Appendix B or are active (as further specified) in one of the sectors listed in Appendix B are not eligible to receive SME Loans covered by the Guarantee.</p> |
| Exclusion Process | <p>If a SME Loan which has been included in the Portfolio does not comply with relevant Eligibility Criteria, it shall be excluded from the Portfolio (and shall not be covered by the Guarantee).</p> <p>However, if an SME Loan is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI and 2) after a Payment Demand relating to such SME Loan was served by the FI to the Guarantor such SME Loan shall remain covered by the Guarantee.</p> <p>Similarly, if an SME Loan is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI but 2) before a Payment Demand relating to such SME Loan was served by the FI to the Guarantor, then such SME Loan shall remain covered by the Guarantee if the FI accelerated payment of all</p> |

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Spain - Option1

amounts owed to it under such SME Loan no later than on the Report Date immediately following the date on which it became aware of the same. However, if the FI does not accelerate such SME Loan within the timeframe specified above then the relevant SME Loan shall be excluded from the Portfolio and shall be deemed never to have been covered by the Guarantee.

The Portfolio Volume shall be adjusted following an exclusion from the Portfolio by deducting the aggregate committed principal amount of the SME Loans excluded.

If the Portfolio Volume is adjusted pursuant to this section, the FI may include one or more further Eligible SME Loans in the Portfolio to extent that the Portfolio Volume does not exceed the Maximum Portfolio Volume and provided that such inclusions are made until the Disbursement End Date.

Adjustment of the Portfolio Volume

In respect of each Eligible SME Loan included in the Portfolio, if on the date which is:

1. the end of the disbursement period (i.e. when amounts cease to be available for draw-down by the SME),
2. the date on which the commitment made available for utilisation under a SME Loan is cancelled,

but in any case no later than the Disbursement End Date,

the committed amount of an Eligible SME Loan has not been fully drawn by a SME, the Portfolio Volume shall be reduced to reflect the actual amount of principal drawn down by the relevant SME.

If the Portfolio Volume is adjusted pursuant to this section (the amount of reduction of the Portfolio Volume, the "Adjusted Portion"), the FI may include one or more further Eligible SME Loans in the Portfolio up to the aggregate of Adjusted Portion and to extent that the Portfolio Volume does not exceed the Maximum Portfolio Volume, and provided that such inclusions are made until the Disbursement End Date.

Disbursement End Date

Means 31 December 2019.

Transfer of Total Benefit

The FIs shall pass on the benefit of the Guarantee to the underlying SMEs by reducing, on the guaranteed portion of each SME Loan, the standard credit risk premium normally charged by the Total Benefit. The mechanism of transfer of benefit shall be documented accordingly in the Guarantee Agreement.

Total Benefit

The Total Benefit shall be defined for the part of each Eligible SME Loan covered by the Guarantee as the reduction in the interest rate charged by the FI to the SME, taking into account the underlying credit risk undertaken and the effect and the cost of the Guarantee and shall be given by the following formula:

Total Benefit = standard credit risk premium – Guarantee Fee.

The FI shall undertake that amendments or changes to its credit policy from time to time shall in no circumstances adversely affect the mechanism of transfer of Total Benefit to the SMEs under the relevant SME Loan.

Servicing and Recoveries

The FI shall perform the servicing of the Portfolio, including monitoring and recovery actions.

The FI shall take recovery actions (including the enforcement of any security) in relation to each defaulted Eligible SME Loan in accordance with its guidelines and procedures.

4. Miscellaneous

Reporting

The FI shall provide the Guarantor within 30 calendar days⁶ after the end of each calendar quarter (the “Report Date”) with quarterly information in a standardised form (see Appendix C), including among others, information on the SME covered by the Guarantee, Eligible SME Loans entered into, relevant amounts outstanding and split per Region.

Monitoring and Audits

FIs and SMEs whose SME Loans are covered by the Guarantee shall agree to allow and to provide access to documents and premises related to the Guarantee to the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF, agents of EIF, EIB and any other European Union institution or European Union body which is entitled to verify the use of the Guarantee and any other duly authorized bodies under applicable law to carry out audit or control activities. To that effect, the FI shall also include appropriate provisions in each SME Loan agreement.

The FIs shall provide any information from time to time requested by EIF with the objective of assessing the Portfolio risk and the risk profile of the exposures of each contributor to the Facility.

Compliance with Laws

FIs shall comply in all respects with all laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the interests of the Kingdom of Spain, EIF, the European Commission or the EIB under the Guarantee Agreement.

The FI shall include in the documentation evidencing the SME Loan (x) undertakings from the SMEs equivalent to those contained

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

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Spain - Option1

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| | <p>above, and;</p> <p>(y) any representations, warranties and undertakings from the SMEs for the purpose of ensuring that each Eligible SME Loan included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</p> |
| Non-Cooperating Jurisdictions | <p>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).</p> |
| Information on SMEs | <p>With regard to SME Loans that comply with the Horizon 2020 Eligibility Criteria, EIF will publish from time to time on its website the name of each SME, its address (for natural persons NUTS II information only), the country of its establishment and the type of support received under the Facility, unless:</p> <p>(a) the guaranteed principal of the relevant Eligible SME Loan does not exceed EUR 500,000, or</p> <p>(b) the SME did not agree in writing (including by a representation in the relevant agreement) to such publication if it risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union;</p> <p>(c) it would be illegal under the applicable laws and regulations;</p> <p>(d) the SME is a natural person and declared (in accordance with item (b)) prior or after receiving financial support that it does not wish to be published;</p> <p>The FI must inform the EIF, in the form of a report to be provided to the EIF on an annual basis, of the Beneficiaries covered in items (b) and (c) above.</p> |
| Publicity | <p>FIs shall carry out adequate information, marketing and publicity campaigns, including through their website or alternative ways of communication to achieve equivalent visibility, aimed at making the SME Initiative known to SMEs in the Regions.</p> <p>FIs shall ensure that the SME Loan agreements, promotional material, press releases and any publication on their website or alternative ways of communication to achieve equivalent visibility pertaining to the SME Initiative contains a statement (in Spanish) that the “[SME Loan] transaction benefits from support from the European Union pursuant to the “SME Initiative, with funding by the European Union under ERDF allocated to the Kingdom of Spain and Horizon 2020 and by the European Investment Bank.”</p> |
| Governing Law and Language | <p>The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England.</p> |

APPENDIX A ELIGIBILITY CRITERIA

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

It should be noted that the Eligibility Criteria might be adapted during the implementation of the Facility in order to cater for relevant market developments and legislative changes.

In any case, any such change will not affect eligibility of SME Loans already included in the Portfolio and will be subject to the agreement of the parties.

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

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

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

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

1. SME Eligibility Criteria

SMEs shall comply with the following eligibility criteria:

- (a) The SME shall not be subject to collective insolvency proceedings nor shall it fulfil the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors, as per Article 4.3(a) of the [De Minimis Regulation](#)⁷;
- (b) The SME is potentially economically viable and is not delinquent or in default in respect of any other loan either lent by the FI or by another financial institution according to the FI's credit and collection policy (which include checks carried out by the FI in external databases);
- (c) The SME shall be established and operating in the Kingdom of Spain;
- (d) The SME shall not be established in a Non-Cooperating Jurisdiction;
- (e) The SME shall 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);
- (f) The SME shall not be in any Condition of Exclusion**;

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

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

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

2. SME Loan Eligibility Criteria

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

- (a) The SME Loan shall be newly originated;
- (b) The SME Loan currency shall be EURO;
- (c) The SME Loan shall be entered into by the Financial Intermediary (or On-Lending Bank, as applicable) by the end of the Inclusion Period (save as specified in the "Adjustment to the Actual Portfolio Volume" section);
- (d) The purpose of the SME Loan may be (1) an investment in tangible or intangible assets, (2) working capital⁸ or (3) the transfer of proprietary rights in enterprises provided that such transfers take place between independent investors;
- (e) Investments that are to be supported shall not be physically completed or fully implemented at the date of the SME Loan approval;
- (f) The share of an SME Loan that is dedicated to the purchase of land cannot exceed 10%;
- (g) The SME Loan shall not refinance or restructure an existing loan;
- (h) The SME Loan shall not be in the form of a mezzanine loan, a subordinated debt or a quasi-equity transaction;
- (i) The SME Loan shall not be used to finance (i) Value Added Tax (VAT) except where it is non-recoverable in accordance with national VAT legislation or (ii) tariffs;
- (j) If the SME Loan is a lease, it shall be in the form of finance lease;
- (k) The initial amount committed by the Financial Intermediary (or the On-Lending Bank, as applicable) under the SME Loan shall not exceed EUR 12.5 million, or such lower amount as specified in the relevant Guarantee Agreement following EIF's risk assessment;
- (l) The SME Loan may be issued on a revolving basis (except credit cards) or shall have a fixed repayment schedule (amortising, bullet, balloon);
- (m) The initial minimum contractual maturity of the SME Loan (rounded up to the nearest calendar quarter) shall be twenty-four (24) months;

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

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

3. Innovation Eligibility Criteria

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

- (a) The SME intends to use the H2020 SME Loan to invest in producing or developing new or substantially improved products, processes or services that are innovative and where there is a risk of technological or industrial failure as evidenced by an evaluation carried out by an external expert, or
- (b) The SME is a "fast-growing enterprise", which is an SME operating in a market for less than 12 years following its first commercial sale and with an average annualised endogenous growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period, or
- (c) The SME has been operating in a market for less than 7 years following its first commercial sale and its R&I costs represent at least 5% of its total operating costs in at least one of the three preceding years* or in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor, or
- (d) The SME shall have a significant innovation potential or be an "R&I-intensive enterprise", by satisfying at least one of the following conditions:
 - 1) The SME's R&I annual expenses are equal or exceed 20% of the H2020 SME Loan amount as per the SME's latest certified financial statements, under the condition that the SME's business plan indicates an increase of its R&I expenses at least equal to the H2020 SME Loan amount; or
 - 2) The SME undertakes to spend an amount at least equal to 80% of the H2020 SME Loan amount on R&I activities as indicated in its business plan and the remainder on costs necessary to enable such activities; or
 - 3) The SME has been formally awarded grants, loans or guarantees from European R&I support schemes⁹ or through their funding instruments¹⁰ or regional, national research or innovation support schemes over the last thirty-six (36) months*, under the condition that the H2020 SME Loan is not covering the same expense; or
 - 4) The SME has been awarded an R&D or Innovation prize provided by an EU institution or an EU body over the last twenty-four (24) months*; or
 - 5) The SME has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder's certificate or software

⁹ e.g., Horizon 2020 or FP7.

¹⁰ e.g., Joint Technology Initiatives or Eurostars.

- copyright) in the last twenty-four (24) months* and the H2020 SME Loan purpose is to enable, directly or indirectly, the use of this technology right; or
- 6) The SME is an early stage SME and has received an investment over the last twenty-four (24) months* from a venture capital investor or from a business angel being a member of a business angels network; or such venture capital investor or business angel is a shareholder of the SME*; or
 - 7) The SME requires a risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of its average annual turnover in the preceding 5 years*;
 - 8) The SME's R&I costs represent at least 10% of its total operating costs in at least one of the three preceding years*, or in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period*, as certified by an external auditor.

* on the date of the SME's application for a H2020 SME Loan.

4. H2020 SME Loan Eligibility Criteria

H2020 SME Loans shall comply with the following eligibility criteria:

- (a) The amount committed by the Financial Intermediary (or the On-Lending Bank, as applicable) under the H2020 SME Loan: (i) shall not be lower than the equivalent of EUR 25,000 and (ii) shall not exceed the equivalent of EUR 7.5 million, or such lower amount as specified in the relevant Guarantee Agreement following EIF's risk assessment;
- (b) In case of revolving H2020 SME Loans, the facility shall not exceed three (3) years (rounded up to the nearest full calendar quarter);
- (c) The minimum contractual maturity of a Horizon 2020 SME Loan (rounded up to the nearest full calendar quarter) shall be twelve (12) months;¹¹
- (d) Other than as a result of a permitted SME Loan amendment, the maximum contractual maturity of a H2020 SME Loan (rounded down to the nearest calendar quarter), shall not exceed ten (10) years, including the relevant grace period if any;
- (e) The activities financed with the H2020 SME Loan shall be compliant with Article 19 of the Horizon 2020 Regulation¹².

Conditions of Exclusion

SMEs shall be required to declare in writing to the Financial Intermediary (or the On-Lending Bank, as case may be) that they are not in one of the situations:

- (a) the SME is as of the signing date of the document(s) evidencing the relevant SME Loan bankrupt or being wound up, is as of the signing date of the document(s) evidencing the relevant SME Loan 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 Loan entered into an arrangement with creditors, has as of the signing date of the document(s) evidencing the relevant SME Loan suspended business activities, is as of the

¹¹ This criterion shall be deemed to be met if the SME Loan Eligibility Criterion (m) is met.

¹² REGULATION (EU) No 1291/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC

- signing date of the document(s) evidencing the relevant SME Loan the subject of proceedings concerning those matters or is as of the signing date of the document(s) evidencing the relevant SME Loan 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 signing date of the document(s) evidencing the relevant SME Loan, 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 Loan. Alternatively, where such judgments exist the undersigned declares that the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;
 - (c) during the last five (5) years from the signing date of the document(s) evidencing the relevant SME Loan, the SME or persons having powers of representation, decision-making or control over it has been the subject of a judgment which has force of *res judicata* for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such illegal activity is detrimental to the Union's financial interests. Alternatively, where such judgments exist the undersigned declares that the SME can demonstrate that adequate measures have been adopted against the persons having powers of representation, decision making or control over it, who are subject to this judgment;
 - (d) as of the signing date of the document(s) evidencing the relevant SME Loan, the SME is guilty of misrepresentation in supplying information required for selection as a SME or fails to supply this information; and
 - (e) as of the signing date of the document(s) evidencing the relevant SME Loan the SME is, to its knowledge, listed in the central exclusion database, established under Commission Regulation (EC, Euratom) No 1302/2008 of 17 December 2008 on the central exclusion database.

APPENDIX B
EXCLUDED SMES AND RESTRICTED SECTORS

- (i) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Financial Intermediary or the relevant Final Recipient, including without limitation, human cloning for reproduction purposes);
- (ii) the production of and trade in tobacco and distilled alcoholic beverages and related products;
- (iii) the financing of the production of and trade in weapons and ammunition of any kind or military operations of any kind. This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- (iv) casinos and equivalent enterprises;
- (v) internet gambling and online casinos;
- (vi) pornography and prostitution;
- (vii) nuclear energy;
- (viii) activities referred to in Article 19 of Horizon 2020 Regulation;
- (ix) the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at supporting any activity referred to under items i) to viii) above or are intended to enable to illegally enter into electronic data networks or download electronic data;
- (x) activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe's Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes" cannot be guaranteed;
- (xi) pure real estate development activity;
- (xii) activities constituting pure financial transactions (such as trading in financial instruments);
- (xiii) activities which give rise to environmental impacts;
- (xiv) Life Science Sector Restrictions

When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms ("GMOs"), EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

The binding list of Restricted Sectors shall be set in the (Counter-)Guarantee Agreement.

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Spain - Option 1

APPENDIX C
INDICATIVE REPORTING TEMPLATE

| Summary portfolio information at dd/mm/yyyy | | | | | |
|--|-----------------|---------------------------|-------------------------|----------------------------|--------------------------|
| Portfolio | Currency | Amount | % MPV | | |
| Actual Portfolio Volume | | | | | |
| Adjusted Portfolio Volume | | | | | |
| | | | | | |
| | | | | | |
| Final Recipient Transactions | Currency | Number (quarterly) | Quarterly Amount | Number (cumulative) | Cumulative Amount |
| Committed | | | | | |
| Disbursed | | | | | |
| Outstanding principal amount | | | | | |
| Defaulted (Losses) | | | | | |
| Recoveries | | | | | |
| Payment Demand | | | | | |
| Excluded | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total number of SMEs supported | | | | | |
| | | | | | |

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Spain - Option 1

PART A - A1 FINAL RECIPIENTS

| A.1.1 | A.1.2 | A.1.3 | A.1.4 | A.1.5 | A.1.6 | A.1.7 | A.1.8 | A.1.9 | A.1.10 | A.1.11 | A.1.12 |
|-----------|-----------|-----------|-------------|-----------|-----------------------|-----------|-----------------------|-----------------|---------------------|----------------------|--------------------|
| SME ID | Name | Address | Postal Code | Place | Region (NUTS level 2) | Country | Date of establishment | Sector (NACE 2) | Number of employees | Total turnover (EUR) | Total assets (EUR) |
| Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |

| A.1.13 | A.1.13.1 | A.1.13.2 | A.1.14 | |
|--|-------------------------------------|-------------------------------|------------------|----------|
| SME internal scoring/rating (Rating Class) | Financial Intermediary rating model | 1 Year Probability of Default | Beneficiary type | Comments |
| Mandatory, if applicable | Mandatory, if applicable | Mandatory, if applicable | Not applicable | Optional |

PART A - A2 NEW FINAL RECIPIENT TRANSACTIONS

| A.1.1 | A.2.1 | A.2.1.1 | A.2.2 | A.2.3 | A.2.4 | A.2.4.1 | A.2.4.2 | A.2.5 | A.2.6 | A.2.7 | A.2.8 | A.2.9 | A.2.10 | A.2.11 |
|-----------|-------------------------|---------------------------|-----------|-----------|------------------|----------------|--------------|-------------------|-----------------------|----------------|--|------------------------|----------------------|-------------------|
| SME ID | SME Loan Transaction ID | SME Loan Transaction Type | Currency | Purpose | Principal amount | Purchase price | Down payment | Maturity (months) | Grace period (months) | Signature date | First disbursement/Lease period start date | First installment date | Amortization profile | Payment frequency |
| Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |

| A.2.12 | A.2.13 | A.2.13.1 | A.2.14 | A.2.15 | A.2.16 | A.2.16.1 | A.2.17 | A.2.18 | A.2.19 | A.2.21.1 | A.2.21.2 | |
|----------------|----------------------|-------------|--------------------|--------------------|--------------------------|-------------------------|--------------------------------------|------------------------|---------------------|------------------------------|---------------------------|----------|
| Reference Rate | Interest Rate Margin | Risk Margin | Guarantee Fee rate | Loss Given Default | Collateralisation Rate | Main type of collateral | Publication of Final Recipient (Y/N) | Gross Grant equivalent | Total project costs | EU Program (H2020/COSME/n/a) | Type of Innovation (code) | Comments |
| Mandatory | Mandatory | Mandatory | Not applicable | Mandatory | Mandatory, if applicable | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory, when relevant | Mandatory when relevant | Optional |

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Spain - Option 1

PART B - LIST OF INCLUDED FINAL RECIPIENT TRANSACTIONS

| A.1.1 SME ID | A.2.1 SME Loan Transaction ID | B.1 Cumulative disbursement | B.2 Theoretical outstanding principal amount | B.2.1 Current outstanding principal amount | B.2.2 Prepaid Amount | B.3 End of disbursement | B.4 Total outstanding principal amount (performing) | B.5 Delinquent Transaction (Y/N) | B.6 Delinquent period (nbr days) | B.7 Date of Default under Transaction |
|-----------------|----------------------------------|--------------------------------|---|---|---------------------------|----------------------------|--|-------------------------------------|-------------------------------------|--|
| Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory (if applicable) | (Y/N) Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |

PART D - REPAID FINAL RECIPIENT TRANSACTIONS

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

PART E - EXCLUDED FINAL RECIPIENT TRANSACTIONS

| A.1.1 SME ID | A.2.1 SME Loan Transaction ID | E.1 Event date | E.2 Event type | E.3 Acceleration Flag |
|-----------------|----------------------------------|-------------------|-------------------|--------------------------|
| Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |

PART F - MODIFICATIONS

| A.1.1 SME ID | A.2.1 SME Loan Transaction ID | F.2 Old value of the parameter to modify | F.3 New value of the parameter to modify |
|-----------------|----------------------------------|---|---|
|-----------------|----------------------------------|---|---|

F.2 = any fields in table A1, A2, B, D, E, F with old values

F.3 = any fields in table A1, A2, B, D, E, F with new values

Annex II to the Open Call for Expression of Interest to select Financial Intermediaries
under the SME Initiative Spain - Option 1

PAYMENT DEMAND SCHEDULE

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

LOSS RECOVERY SCHEDULE

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