ANNEX 2 to the Call for Expression of Interest No JER-001/2010/1

Funded Risk Sharing Financial Instrument: Description and Selection Criteria

Part I: Description of the Financial Instrument

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

1 Rationale

The purpose of the Financial Instrument is twofold. It:

1) provides funding to the Financial Intermediary to support new SME lending; and

2) shares the risk of new SME loans.

SME loan portfolios to be established on the basis of the Financial Instrument are geared towards Eligible SMEs which are sound, well-performing and within the normal credit risk spectrum of SMEs in Greece (i.e. bankable SME risk). The Financial Instrument will have a special focus on financing eligible enterprises in the start-up and newly established phase (with a business history of less than 36 months).

2 Structure

JEREMIE Holding Fund funds will be provided by EIF (acting in its own name but on behalf of the Hellenic Republic) to selected Financial Intermediaries pursuant to individual Operational Agreements. Subject to the risk-sharing element set out below, the Financial Intermediary undertakes to repay to EIF the disbursed amount and any interest accrued thereon.

The Financial Intermediary further undertakes to originate a new SME loan portfolio partly funded from the initially disbursed funds[1]. The origination, due diligence, documentation and execution of the SME loans will be performed by the Financial Intermediary in accordance with a pre-set origination model agreed with EIF but otherwise applying all normal standard procedures of the Financial Intermediary.

In this context, the Financial Intermediary shall have the sole direct client credit relationship with each SME.

Each Financial Intermediary will be responsible (in compliance with its internal operating guidelines) for the handling of payments, the ongoing monitoring, the reporting to EIF as well as the management and realisation of collateral backing the newly originated SME loan portfolio.

EIF's repayment claim under the Operational Agreement will be decreased, contingently on losses occurring under the originated SME portfolio (under agreed conditions and at a predetermined ratio), thereby providing a risk-sharing element to the Financial Intermediary.

[1] Repaid amounts will be returned to the Holding Fund.

3 Indicative Summary of Transaction Terms

Structure	Funded risk sharing financial instrument.
Governing law and language	The terms of the Funded Risk Sharing Financial Instrument shall be in the English language and shall be governed by the laws of England.
Form	Operational Agreement for co-funding of a loan portfolio and risk sharing thereof on a loan by loan basis.
Limitation of liability	Liability of EIF vis-à-vis each Financial Intermediary will be limited to the amounts disbursed to such Financial Intermediary under the relevant Operational Agreement.
Co-financing rate	In addition to the funding provided through the JHF, the Financial Intermediary shall provide co-financing of 50% on a loan by loan basis.
Risk sharing rate	EIF and the Financial Intermediary will share the risk on each loan financed by the facility on a *pari passu* basis. Accordingly, EIF will cover 50% of the losses on a loan by loan basis.
Eligible SMEs	Micro (including individual entrepreneurs/self employed persons) and small enterprises as defined in the Commission Recommendation 2003/361/EC, excluding “firms in difficulty”, within the meaning of Art. 45 of Reg. 1828/2006 and within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2). The Financial Instrument will be fully allocated to micro and small enterprises in the start-up and newly established phase (with a business history of less than 36 months[2]). A number of industries will be supported, except: a. Arms production and arms trading; b. Tobacco; c. Gambling; d. Human cloning; e. Genetically modified organisms; f. Undertakings active in the primary production of fishery, aquaculture[3] and agricultural products, as listed in Annex I to the Treaty on the Functioning of the European Union;

[2] On the basis of their registration date.
[3] In the case where an eligible loan is provided within the scope of the De Minimis Regulation, undertakings active in the fishery and aquaculture sectors (not only in the primary production) are not eligible.

<table>
<tr><td></td><td>In the case where the financial instrument is implemented within the scope of the De Minimis Regulation, the following additional excluded sectors will also apply:

g. Excluded sectors presented in Article 1 (c-g) of the De Minimis Regulation.

The seat of the eligible micro and small enterprises is in Greece.</td></tr>
<tr><td>Geographical allocation</td><td>The JEREMIE funds will be geographically allocated as follows:
<table>
<tr><th>Regions</th><th>Amount (in EUR m)</th></tr>
<tr><td>Attica</td><td>9.325</td></tr>
<tr><td>Central Macedonia</td><td>7.35</td></tr>
<tr><td>Western Macedonia</td><td>3.475</td></tr>
<tr><td>Southern Aegean</td><td>0.75</td></tr>
<tr><td>Continental Greece</td><td>3.1</td></tr>
<tr><td>Eastern Macedonia and Thrace, Thessaly, Epirus, Ionian Islands, Western Greece, Peloponnese, Northern Aegean, Crete.</td><td>36</td></tr>
</table>
Loans under this Financial Instrument will be allocated on the basis of the location of the Investment and as per the budget allocations presented in the table here above.
The JEREMIE funds should be utilised within Greece.</td></tr>
<tr><td>Eligible forms of SME financing</td><td>Investment and/or expansion loans may finance tangible and intangible assets, as well raw materials, stocks, goods, services, etc, with the exception of salaries, rent and other operating costs. Such Investment and/or expansion loans may also finance the necessary working capital, in the sense of pure liquidity, which may go up to 20% of the total loan amount.
The underlying loans need to have a fixed repayment schedule, i.e. credit lines are not eligible.</td></tr>
<tr><td>Currency of SME loans</td><td>Loans to be denominated in EUR only.</td></tr>
<tr><td>SME Loan Maturity</td><td>Minimum 24 months; all Eligible SME Loans to expire at the latest by December 2015, including a grace period of up to 1/3 of the loan duration (for capital repayment). Only amortising loans are eligible.</td></tr>
<tr><td>SME Loan Amount</td><td>The maximum loan amount to an Eligible SME shall not exceed EUR 100 000.
Eligible SMEs could potentially apply more than once for loans allocated in the context of this Financial Instrument given that the maximum total loan amount of EUR 100 000 is respected.</td></tr>
</table>

Portfolio composition	At least 25% of the new SME loan portfolio originated under the Financial Instrument shall be dedicated to Eligible SMEs with up to 1 fiscal year closed (financial statements and/or tax declarations).
Availability period	Up to 24 months from date of signature of the Operational Agreement.
Origination Model	Newly originated SME loans to be covered by the Financial Instrument are automatically included in the portfolio subject to pre-set loan inclusion criteria defined on a loan-by-loan basis. Loans provided under this Financial Instrument should be fully disbursed to Eligible SMEs within 24 months from the date of signature of the Operational Agreement.
Risk sharing arrangements	Cover of losses on a loan by loan and pari passu basis, by EIF acting through the JHF and the Financial Intermediary. EIF's repayment claim under the Operational Agreement will be reduced accordingly.
Loss Cover	EIF's liability will be limited to its share of the residual losses (on the principal amount only) calculated at the applicable risk sharing rate.
Default definition	Applicable default definition of the Financial Intermediary in the context of Basel II.
Disbursement under the Operational Agreement	Disbursement in several tranches, either ex ante or ex post, based on actual utilisation. Decision on whether funding will be provided to the Financial Intermediary ex ante or ex post will be taken by the EIF on the basis of EIF's assessment regarding the credit worthiness of the selected Financial Intermediary (as concluded during the evaluation/due diligence process).
Financial covenants and counterparty risk mitigants	On the basis of EIF's assessment of the counterparty risk of the selected Financial Intermediary (as concluded during the evaluation/due diligence process), EIF will request appropriate financial covenants and undertakings by the selected Financial Intermediary(ies) under the Operational Agreement. EIF reserves the right to determine the collateral or risk mitigants to be provided by the selected Financial Intermediary under the Operational Agreement, including, subject to local law requirements, rating triggers, pledges or negative pledges.
Repayment under the Operational Agreement	Repayments would occur regularly (e.g. quarterly) mirroring (i) principal repayments (on a pro rata basis), (ii) interest payments (on a pro rata basis on the basis of the pricing applied), as well as, (iii) any recovered amount (according to the risk sharing rate), of the underlying SME loans. EIF's repayment claim will be reduced/written-off in proportion to the losses occurring under the risk-shared portfolio. Re-utilisation of the JEREMIE funds is not possible.

Pricing and collateral requirements	Loans provided under this Financial Instrument will be offered to the Eligible SMEs on the basis of the pricing and collateral policy submitted by the selected Financial Intermediary under the Expression of Interest (c.f. quality assessment criteria). The JHF reserves the right to decide at a later stage, and before the signature of the Operational Agreement with the selected Financial Intermediary(ies), to apply a reduced pricing ,to the loans provided to Eligible SMEs, on the portion of the loan supported by JEREMIE resources. In case it is decided to apply a reduced pricing policy, this will be applied in a similar way to all Operational Agreements established.
Other terms and conditions (if applicable)	Other terms and conditions for the new SME loans originated under the Financial Instrument should be applied by the Financial Intermediary in accordance with the policies submitted under the Expression of Interest.
Management Fees	Financial Intermediaries might receive a Management Fee in accordance with applicable rules[4], but not exceeding 2% on an annual basis, for their origination and servicing of the portfolio. The Management Fee shall be calculated as a percentage of the pro rata share (i.e. on the co-funding contributed by EIF acting through the JHF) of the average outstanding amount (i.e. disbursed and not repaid) of the SME loan portfolio.
Additional interest due on the Financial Instrument– In addition to the interest described under "Repayment under the Operational Agreement"	The Financial Intermediary shall pay interest at a commercial rate, as agreed with EIF under the Operational Agreement, on the following cases: 1. Funds disbursed to the Financial Intermediary, not yet drawn down to SMEs (in the case of funding provided ex ante to the Financial Intermediary); 2. Repayments collected by the Financial Intermediary from SMEs but not yet transferred to the EIF.
Reporting	Financial Intermediaries shall provide EIF with quarterly information in a standardised form and scope, which will be defined by the EIF. An indicative reporting template is provided along this Call for information. Regular controls and verifications will be performed by the EIF in order to ensure compliance with the specifications and provisions of this Financial Instrument.

[4] According to the Commission Regulation (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L371 of 27.12.2006), as amended from time to time, including by Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1828/2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L250 of 23.09.2009).

State Aid requirements	In the case where the financial instrument is implemented within the scope of the De Minimis Regulation, the Financial Intermediaries shall be responsible for ensuring compliance of the underlying loans with the provisions of such regulation. In this context, they shall be responsible for the calculation of the Gross Grant Equivalent ("GGE") and also for following the appropriate monitoring procedure as this is stipulated in article 3 of the De Minimis Regulation. For the calculation of the GGE, the Financial Intermediaries will be required to match each Eligible SME loan with the reference table presented in the Commission's Communication 2008/C 14/02, and as it is amended from time to time.
Monitoring and Audit	Financial Intermediaries and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to their premises and to documents related to the relevant Financial Instrument for the representatives of the Hellenic Republic, the European Commission (including the European Anti-Fraud Office (OLAF)), the Court of Auditors of the European Communities, EIF and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.
Publicity	Financial Intermediaries, in line with applicable law and Structural Funds publicity provisions, shall carry out adequate marketing and publicity campaigns aimed at making the JEREMIE initiative known to the SMEs in Greece. In particular, the selected Financial Intermediary will be contractually required to: • Product labelling: The name of the product should clearly point to JEREMIE (e.g. "JEREMIE Co-financing Instrument"); • Promote JEREMIE and the Financial Instrument through its website; • Insert a promotional billboard inside all branches promoting this Financial Instrument; • Make at least two promotional publications in the five biggest newspapers and in the three biggest financial newspapers; • Include promotional banner concerning the Financial Instrument in relevant TV advertisements; • Make available promotional leaflets in all branches promoting this Financial Instrument; • All documents concerning this Financial Instrument, including amongst others, loan applications, SME loan agreements, promotional material to the SMEs, etc, will contain a statement mentioning that part of the financing comes from European Regional Development Fund (ERDF) and also national resources - Appropriate text and logos is envisaged to be provided to the selected Financial

	Intermediary during the phase of contractual negotiations; • Financial benefit: In the case where a financial benefit to the Micro-enterprises is achieved though this financial instrument, this should be identified at the time of signature of the loan contract and formally communicated to the SME. The financial benefit achieved should also be used as a marketing tool from the Financial Intermediary.
Additional Structural Fund requirements	This Financial Instrument is funded by EU structural funds and it is therefore subject to structural funds regulation and requirements, some of which have already being presented in this Annex, hereabove (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted however that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all structural funds requirements (e.g. retention of documents, environmental protection, equality and non discrimination) will be provided to and discussed with the selected Financial Intermediary during the contractual negotiations process.

System of appraisal Yes/ No

1. ELIGIBILITY CRITERIA

1.1. Credit institution authorised to carry out business in Greece under the applicable regulatory framework.

To be noted that joint ventures and also consortia can express their interest as long as (i) each of the joint venture or consortia members is a credit institution authorised to carry out business in Greece under the applicable regulatory framework, and (ii) they indicate/nominate one coordinating entity as a contractual counterpart for the EIF for the entire term of the Operational Agreement (in case of selection). Such Applicants are required to submit one, joint Expression of Interest.

1.2. Ability to deliver nationwide geographical coverage in Greece.

1.3. The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided (in the form requested if specified).

1.4. The Expression of Interest is duly signed.

1.5. The Expression of Interest is completed and submitted in English.

1.6. The Expression of Interest is submitted both by registered mail and e-mail.

1.7. The Expression of Interest is submitted within the Deadline.

1.8. The Expression of Interest specifies at least the items listed in Article 43.3 of Commission Regulation (EC) No 1828/2006[5] as described in Appendix 2 to Annex 1 hereof.

1.9. The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions set out in the relevant parts of the Financial Instrument description (Part I of this Annex).

[5] Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L371 of 27.12.2006), as amended from time to time, including by Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1828/2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L250 of 23.09.2009).

2. QUALITY ASSESMENT CRITERIA

	Criteria	Max score
2.1.	In case of externally rated Financial Intermediaries, actual external rating by at least one of the following rating agencies: (i) Moody's Investor Service Limited, (ii) Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or (iii) Fitch Ratings Ltd, taking into account any change of the rating within the last two years. In case of other Financial Intermediaries, the quality of key financial ratios (a preliminary assessment of the financial standing and credit worthiness of the Financial Intermediaries will be performed on the basis of key financial ratios calculated from the audited financial statements submitted).	10
2.2.	General quality of the project proposal and implementation strategy submitted under the Expression of Interest.	15
2.3.	Pricing policy and collateral requirements of the Financial Intermediary, to be charged under the Financial Instrument, as submitted under the Expression of Interest.	30
	- of which offer relating to the proposed collateral and interest rates (maximum interest rates, for the avoidance of doubt including applicable base rate, will be compared) – table presented in Appendix 2 sections 1a and 1b (to be automatically calculated in accordance with the methodology explained below);	26
	- of which offer relating to the proposed fees – table presented in Appendix 2 section 2 (to be awarded in accordance to EIF's assessment).	4
2.4.	Level of Management Fees requested by the Financial Intermediary.	10
2.5.	Detailed assessment of the Financial Intermediary's financial standing with regard to capital adequacy, provisions, liquidity, other financial ratios, its capacity to service outstanding loan portfolio, the quality of its existing SME portfolio and the rate of its non performing loans, etc. Also assessment of the Financial Intermediary's organisational structure and corporate governance.	15
2.6.	Detailed assessment of the Financial Intermediary's credit ability and risk management with regard to credit policy (internal procedures and guidelines), origination, risk assessment (rating/scoring), loan approval procedures, collateral requirement, recovery procedures, etc. Assessment of the administrative capacity of the Financial Intermediary: Quality of IT systems, reporting mechanisms, monitoring procedures and controls and assessment of overall ability of the Financial Intermediary's to comply with the Financial Instrument's reporting and monitoring requirements.	20

Explanatory notes relating to evaluation of the Quality Assessment Criteria

Note 1 – Method of evaluation:

First stage: Items 2.1-2.4 will be evaluated first. Applicants who score lower than 45 points will be automatically eliminated. From those applicants who score 45 points and higher, the four highest will qualify to the second evaluation stage.

Second stage: Items 2.5-2.6 will be subsequently evaluated. Applicants who score lower than 70 points overall (first + second stage) will be automatically eliminated. The EIF may select up to two Applicants - those with the highest overall scores (scoring above the minimum acceptable score of 70 points) - and initiate contractual negotiations accordingly.
The EIF reserves the right to decide on the proposed allocation of the EUR 60 m available for this Financial Instrument, on the basis of the results of the assessment procedure, in case more than one Applicant is eventually selected.
To be noted that in the context of the due diligence process, EIF may take negotiation positions, which view specifically at the improvement of the access to finance for the benefit of the final beneficiary SMEs.

Reserve list: Those Applicants who score more than 70 points but are not selected for contractual negotiations of Operational Agreements will form a reserve list (valid for 1 year following notification of inclusion in the reserve list).

In case more funding becomes available within 1 year from the launching of the Call for Expression of Interest, the EIF has the discretion to consider either (i) higher allocations to the Applicants with the highest overall scores (i.e. those initially selected for contractual negotiations of Operational Agreements) or ii) initiating contractual negotiations with any of the Applicant(s) included in the reserve list taking into consideration the results of the evaluation procedure and the ranking formed.

If, for any reason, no Operational Agreement is signed with any of the initially selected Applicant(s), the EIF reserves the right to consider either (i) increasing the amount negotiated with the other candidate initially selected (in case more than one is selected) or (ii) approach one of the Applicants inserted in the reserve list.

Note 2 – Scoring of items 2.1-2.2 and 2.5-2.6

Score for items 2.1-2-2 will be awarded on the basis of the initial qualitative analysis performed by the EIF. Score for items 2.5-2.6 will be awarded on the basis of the detailed full diligence performed by the EIF.

Note 3 – Scoring of item 2.3

Step 1: All offers will be compared individually, for each Category of Eligible SMEs (1&2) and each financial parameter (collateral and interest rates, for the avoidance of doubt including applicable base rate, for both scenarios), i.e. 2 * 4 = 8 different comparisons.

For each comparison, the lowest offer will be compared to each individual offer (i.e. Lowest offer of all Applicants/Offer of Applicant being measured), resulting to the best offer (i.e. lowest value) achieving a rating of 1. Inferior offers will hence score proportionately lower than 1.

The individual ratings of the 8 comparisons will be subsequently aggregated and the Applicants will be ranked in descending order – The one with the highest score ranking first.

Step 2: The aggregated results will define the score awarded for this Quality Assessment Criterion, in accordance with the following principle:
Rank 1: Awarded full points
Rank 2: Awarded 90% of the points
Rank 3: Awarded 80% of the points
Rank 4: Awarded 70% of the points
Subsequent rankings will apply the same logic with 10% marks being deducted for each lower ranking accordingly.

Note 4 – Scoring of item 2.4

Applicants will be ranked in descending order in accordance to their submitted offer. The Applicant with the lowest offer will receive maximum points.
Subsequent rankings will receive points in accordance with the principle presented above (i.e. Rank 2 will be awarded 90% of the maximum points etc).