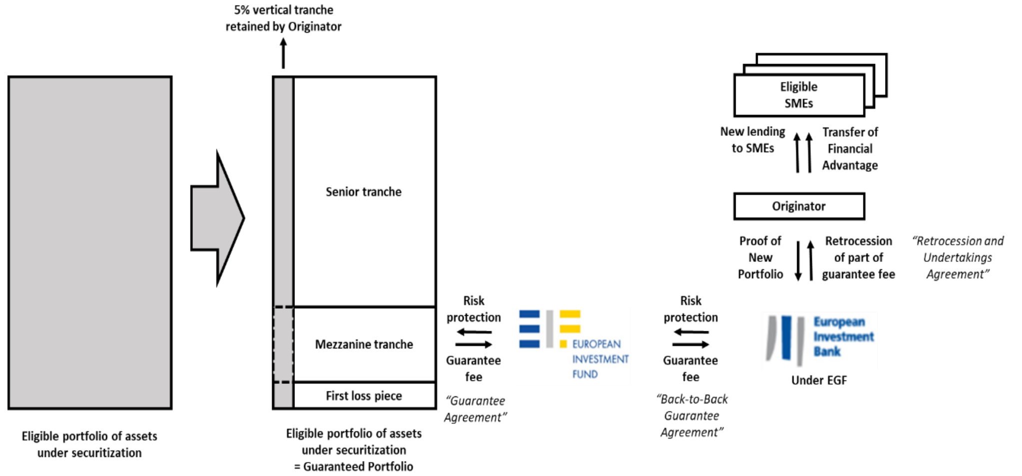
Indicative terms and conditions for the Securitisation Instrument under Pan-European Guarantee Fund in response to COVID-19

Important Disclaimer

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

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

Indicative Terms and conditions	
General Terms	
Policy Objective	The outbreak of COVID-19 is currently affecting EU supply chains and straining solvency of SMEs and mid-caps from every industry with an economic outlook bound to deteriorate further. EU-based financial intermediaries face constraints in providing funding to businesses operating in this economic environment due to the increased risk they represent as a result of the temporary lockdown measures; these constraints, and resulting lack of credit provision, further heighten the risk of enterprises failing. The Securitisation Instrument aims to improve access to finance for enterprises through capital relief and loss protection for existing portfolios of eligible transactions.
Participating Member States	Means the EU Member States that have individually entered into a contribution agreement with the EIB as required to formalise their adherence to EGF. Please refer to the following link for the list of Participating Member States (Annex XI).

Indicative Structure (Mezzanine Coverage)	
Guarantor	The European Investment Fund (EIF).
Financial Intermediary	Commercial banks, financial institutions, leasing companies, special-purpose vehicles, private credit funds, alternative lenders, crowd lenders and micro-finance institutions[1] duly authorised to carry out lending or leasing activities according to the applicable legislation, established or operating in a Participating Member State. The Financial Intermediary ("FI") may receive the EGF guarantee on an existing portfolio and build the additional portfolio through different entities, provided that all such additional institutions are within the scope of consolidation (pursuant to the Capital Requirement Regulation) of the Financial Intermediary.
Guaranteed Tranche	Either Mezzanine or a Junior tranche of an existing portfolio. The Junior Tranche cannot exceed 20% of the structure. The EGF Securitisation Instrument does not foresee combination of Junior Tranche coverage and Mezzanine Tranche coverage for the same Reference Portfolio.
Guarantee Agreement	Irrevocable and unconditional, unfunded and uncollateralised financial guarantee on the Guaranteed Tranche between the Guarantor and the Financial Intermediary. The financial guarantee providing credit protection will be fronted by EIF and backed by a back-to-back arrangement by EIB in favour of EIF, supported by EGF resources. In consideration of EIF/ EIB entering into the transaction, the Financial Intermediary will undertake to provide new financing to SMEs under the terms as specified in the EIB retrocession and undertakings agreement.
Legal Maturity Date	Indicatively 2 years following the longest loan maturity date as per the eligibility criteria, and in any event not beyond 31-Dec-2037.
Calculation Period	Quarterly (or any different calculation period frequency, as agreed on a case by case basis); calculation fully delegated to the FI.
Reference Portfolio (Securitised Portfolio)	
Reference Portfolio	Term loans, leasing contracts and credit facilities granted to SMEs, Small Mid-Caps and Mid-Caps; auto loans or consumer loans, if eligible under the EGF mandate. The Reference Portfolio will have to meet number of EGF mandate specific eligibility criteria and restrictions as further specified in the financial guarantee.

[1] National promotional banks and institutions are not considered as eligible financial intermediaries for the EGF synthetic securitisation product.

	The Risk Weighted Assets of the securitised portfolio (before taking into account the guarantee) shall not exceed the higher of: (i) 15% of the Risk Weighted Assets of the Financial Intermediary, measured at the time of the transaction appraisal; (ii) The lower of EUR 250 million of nominal amount and 20% of the Risk Weighted Assets of the Financial Intermediary, and in any case shall not be higher than EUR 1,250 million. The RWA limit applies at the level of the Financial Intermediary.
Servicer/Calculation Agent	The Financial Intermediary
Verification Agent	Internationally recognized audit firm to verify, amongst others, the occurrence of all Credit Events and determination of Initial and Realised Losses at least once a year.
Amortisation Amount	On each Payment Date, the sum of: - The principal amortisation of the Reference Portfolio; and - The Reference Obligation Recovery Amounts of the Defaulted Reference Obligations collected by the Servicer during the immediately previous Calculation Period.
Priority of Payments	The structure may amortise on a pro-rata basis (with triggers to switch to sequential) or on a sequential basis.
Stop Pro-rata Trigger	In case of pro-rata amortisation profile, the Priority of Payments may switch to fully sequential once, (e.g.): (i) After [•] months from the Signing Date; or (ii) When the Cumulative Losses are equal or higher than [•]% of the Aggregate Initial Reference Portfolio Amount. The switch to full sequential is irreversible. Other triggers can be also considered. For STS synthetic securitisation the Stop Pro-rata Trigger may need to be adjusted.
Replenishment	Not available
Reference Obligation	Each debt instrument (i.e. loan, leasing contract or credit line) included in the Reference Portfolio if it meets all EGF mandate eligibility criteria.
Performing Reference Portfolio	On each Payment Date, the aggregated outstanding amount of the Reference Portfolio excluding any Defaulted Reference Obligations.
Defaulted Reference Obligation	On each Payment Date, a Reference Obligation in relation to which a Credit Event has occurred.
Settlement	
Credit Events	(i) Failure to Pay >=90dpd; (ii) Bankruptcy of the reference obligor; (iii) Restructuring (iv) Other events that generate a loss under the provisions of the relevant jurisdiction could potentially be included. For the avoidance of doubt this is subject to an specific credit risk analysis.
Credit and Collection Policies	Means the origination, risk, credit, collections, loan servicing and accounting policies and procedures of the Financial Intermediary from time to time as applied on a consistent basis without regard to this Guarantee across the Financial Intermediary's loan book.
Initial Loss	In respect of a Defaulted Reference Obligation, the higher of a) product of (i) the Defaulted Reference Obligation Outstanding Amount as determined upon the

	Credit Event of such Reference Obligation, and ii) [a % based on the regulatory LGD of the Defaulted Reference Obligation right before becoming a Defaulted Reference Obligation] and b) the specific provisions allocated by the Financial Intermediary in respect on that particular Reference Obligation and according to its Credit and Collection Policies and accounting standards.
Final Loss	At the end of Reference Obligation Recovery End Date in respect of a Defaulted Reference Obligation, the Financial Intermediary shall calculate an amount (the "Final Loss") in respect of the relevant Defaulted Reference Obligation, which shall be equal to: (a) the Realised Loss of the relevant Defaulted Reference Obligation; minus (b) the Initial Loss of the relevant Defaulted Reference Obligation. For the avoidance of doubt, such amount can be positive or negative.
Realised Loss	Generally, in respect of a Defaulted Reference Obligation, the loss recorded in the accounts of the Financial Intermediary (without taking into account this Guarantee) after completion or waiver by the Financial Intermediary of its Recovery Procedures in accordance with the Credit and Collection Policies and recorded in accordance with its standard applicable accounting procedures, taking into account all Recoveries in respect of such Defaulted Reference Obligation.
Allocation of Losses	On each Payment Date, any loss will be allocated as follows: 1. To reduce the Junior Tranche until it is reduced to zero (the "Losses allocated to the Junior Tranche"); 2. To reduce the Mezzanine Tranche until it is reduced to zero (the "Losses allocated to the Mezzanine Tranche"); 3. To reduce the Senior Tranche until it is reduced to zero (the "Losses allocated to the Senior Tranche"). and any reduction in losses will be allocated as follows: 1. To increase the Senior Tranche up to the sum of Losses allocated to the Senior Tranche in respect of the previous Calculation Periods; 2. To increase the Mezzanine Tranche up to the sum of Losses allocated to the Mezzanine Tranche in respect of the previous Calculation Periods; 3. To increase the Junior Tranche up to the sum of Losses allocated to the Junior Tranche in respect of the previous Calculation Periods.
Reference Obligation Recovery Amount	Generally, with respect to a Defaulted Reference Obligation, all the amounts paid to or received by the Financial Intermediary in respect of such Defaulted Reference Obligation until the relevant Reference Obligation Recovery End Date (including, but not limited to, any proceeds of realisation of any security held by the Financial Intermediary in respect of such Defaulted Reference Obligation or any recovery under any guarantee or indemnity). For the avoidance of doubt, for each Defaulted Reference Obligation, the recoveries shall be an amount equal to the Reference Obligation Notional Amount of such Defaulted Reference Obligation as of the date of which the Credit Event occurred minus the Realised Loss.
Reference Obligation Recovery End Date	In respect of a Defaulted Reference Obligation, the earlier of:

	(i) the date on which the Bank determines, in accordance with its Credit and Collection Policies, the completion or waiver of the recovery procedures from such Defaulted Reference Obligation; and (ii) the Legal Maturity Date.
Payment, Fees and Early Terminations	
Guarantee Fee	Defined based on, inter alia, the risk profile of the Guaranteed Tranche, calculated on the Guaranteed Tranche Outstanding Amount at the beginning of the Calculation Period payable to the Guarantor on each corresponding Payment Date. For avoidance of any doubt, for the first Guarantee Fee payment the day count fraction starts at the effective date of the Guarantee Agreement.
Guarantee Payments	On each Payment Date, the Guarantor will pay to the Financial Intermediary any loss allocated to the Guaranteed Tranche.
Guarantee Reinstatements	On each Payment Date, the Financial Intermediary will pay to the Guarantor any reduction of losses allocated to the Guaranteed Tranche.
Miscellaneous	
Cap on Loss	Cap on each loan equal to the notional outstanding amount of the Reference Obligation right before becoming a Defaulted Reference Obligation; A total cap on losses applies, equal to the size at any time of the Guaranteed Tranche.
Compliance and Sanctions Related Wording	All customary Sanctions/AML/KYC/Compliance related undertakings, which need to be in compliance with EIB Group policies.
No subrogation	The Guarantor shall not be in any case subrogated into the rights of the Financial Intermediary against the defaulting borrowers of the portfolio.
Risk Retention	In line with securitisation regulation
Documentation	Financial Guarantee will reflect a number of specific EGF mandate requirements both relating to the Financial Intermediary and Reference Obligations/Reference Entities.
Additional Portfolio	
General characteristics	The FI will commit to originate a new portfolio (the "Additional Portfolio") of financing to SMEs ("Final Recipients") in Participating Member States equal to a multiple of the EGF guaranteed amount under the securitisation at the signature of the Guarantee Agreement. The Additional Portfolio will be defined, *inter alia*, taking into account the capital released as a result of the FI entering into the Guarantee Agreement, the target weighted-average life of the Additional Portfolio, the level of Retrocession allowing for a minimum of 15bps of ToFA[2], the capacity of the FI to provide eligible new lending volume within the Allocation Period. The Additional Portfolio will have to be originated within then 18 months following the signature of the transaction (the "Allocation Period"); however, loans originated up to 6 months prior to signature of the Guarantee Agreement (and in any event not before 16th August 2021) will also be allowed to count against the Additional Portfolio target, provided they meet the Eligibility Criteria and that the Originator has amended the original agreement governing the loan instrument by incorporating certain clauses or supplement it with a separate agreement or a side letter.

[2] See section on Retrocession and ToFA

	Each loan of the Additional Portfolio will have to be originated at a discount vs. a loan displaying comparable characteristics but which is not included in the Additional Portfolio.
Eligibility Criteria	(i) Final Recipients are SMEs; (ii) Final Recipients do not engage in EIB Excluded Activities; (iii) Exposures included in the Additional Portfolio should not receive any other State aid support (e.g., benefitting from guarantees in the context of the Temporary Framework). Certain restrictions relating to the Paris Alignment principles will apply, as modified from time to time according to the EIB Group policies. Further Eligibility Criteria will be specified in the side letter.
Contractual Clauses	The Guarantee Agreement will be signed between the Financial Intermediary and the EIF. The Retrocession and Undertakings Agreement will be signed between the Financial Intermediary and the EIB.
Retrocession & ToFA	During the life of the securitisation transaction, EIB will pay to the FI, on a quarterly basis, a retrocession amount, with the purpose of supporting Final Recipients through a Transfer of Financial Advantage ("ToFA"). The Retrocession payments are set depending on the characteristics of the transaction, but are capped in any case at 200bps per annum, as calculated on the outstanding amount of the Guaranteed Tranche. - For Mezzanine tranches the Retrocession needs to be fully passed on to Final Recipients in the form of ToFA. - For Junior / FLP tranches a small part of the Retrocession can be retained. *ToFA* The amount of ToFA should be at least 15bps per sub-loan of interest rate reduction. *Retrocession conditions* The Retrocession should be linked to (i) the guarantee fee being received by EIB, (ii) the allocation progress compared to the total Additional Portfolio Requirement and (iii) the Financial Intermediary's compliance with the Retrocession and Undertakings Agreement. Failure to properly allocate or comply with the contractual undertakings should allow for a (part) stop or claw-back of retrocession. The Retrocession will be paid based on the Additional Portfolio build-up compared to pre-defined quarterly milestones. The Retrocession will be paid pro-rata to the percentage having reached the quarterly milestone. Such milestones will be defined during the appraisal in discussion with the Financial Intermediary to reflect a reasonable implementation progress. A linear increase can be applied, but also consideration can be applied to start-up of the new lending program in the first quarters. *Partial Stop of Retrocession* The retrocession would reduce as a result of delays and failure in origination of the Additional Portfolio and certain contractual undertakings related to compliance of sub-loans in the Additional Portfolio with the eligibility criteria, namely:

	(i) actual volume of the Additional Portfolio versus the quarterly set milestone; (ii) in case that the level of interest rate reduction is not compliant with the interest rate reduction requirements as set out in the retrocession agreement; (iii) actual WAL versus the target WAL of the Additional Portfolio; (iv) actual risk profile versus the target risk profile of the Additional Portfolio. The retrocession would reduce as a result of delays and failure in origination of the Additional Portfolio. The amount of reduction will be proportional to the shortfall in origination compared to the quarterly set milestone. *Full Stop of Retrocession* The retrocession can be stopped in full as a result of, for example, and as more precisely set out in the retrocession agreement: - Breach by the financial intermediary of any of its obligations under the retrocession agreement. - Failure of the financial intermediary to have passed on the interest rate reduction on the loans to final recipients, in case of grave violations of the conditions by the financial intermediary and subject to EIB's discretion. - Failure of the financial intermediary to have disbursed the relevant part of the new transactions target amount to the relevant final recipient within the timeframe set forth in the retrocession agreement. - Change of Law that renders unlawful for the financial intermediary to perform any of its obligations under the guarantee agreement or the guarantee agreement fails to become effective in accordance with its terms. - An Insolvency Event. - A Change of Law Event. - A Change of Control Event. - A Material Adverse Change effect. - Any representation, warranty or statement made or deemed to be made by the Financial Intermediary is incorrect, incomplete or misleading in any material respect. - Termination, expiry, invalidity or unenforceability of the guarantee for any reason other than the non-payment of guarantee fee. *Clawback of Retrocession* At the end of the Allocation Period, the Financial Intermediary would need to return part of the retrocession received from the EIB if it failed to reach the targets in terms of WAL , passing-on of the retrocession and riskiness by the end of the allocation period (retrocession clawback). The clawback percentage will be calculated in accordance with the following formula: *1- [(compliance in % of KPI1)*(compliance in % of KPI2)*(compliance in % of KPI3)]*

Where:

- KPI1 is the target WAL of the Additional Portfolio
- KPI2 is the target riskiness of the Additional Portfolio
- KPI3 is the target amount of aggregate amount of retrocession that should be passed on to the Final Recipients

No offsetting between KPI1, KPI2 and KPI3 is allowed.

EGF Safeguard	Frequency of compliance verification	Sanction in case of breach
Higher riskiness of Additional Portfolio	End of Allocation Period	Clawback of retrocession in accordance with pre-set formula
Granting of minimum interest rate discount of 15 bps	Quarterly	Removal of such loans from the Additional Portfolio without a corresponding offset by other loans resulting in a reduction of retrocession in proportion to the shortfall vis-à-vis the cumulative quarterly allocation target.
Full pass-on of the (non-retained part of) retrocession	End of Allocation Period	Clawback of retrocession in accordance with the pre-set formula
Reaching of target WAL of Additional Portfolio	End of Allocation Period	Clawback of retrocession in accordance with pre-set formula
Reaching of target leverage	Quarterly and End of Allocation Period	Proportionate reduction of retrocession and Clawback of retrocession in accordance with pre-set formula
Volume of the Additional Portfolio	Quarterly	Reduction of retrocession in proportion to the shortfall vis-à-vis the cumulative quarterly allocation target

Final Recipient	A natural or legal person which has entered into a Final Recipient Transaction.
SME	A micro, small or medium-sized enterprise as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC) ("Commission Recommendation") as amended from time to time.
Small Mid-Cap	Small Mid-Cap Means an entity with fewer than 500 full-time equivalent employees that is not an SME.
Mid-Cap	Mid-Cap Means an entity with fewer than 3000 full-time equivalent employees that is not a SME, nor a Small Mid-Cap.
Restricted Sectors	The Final Recipients shall not engage in the EIB Excluded Activities. The EIBG will disclose with the Financial Intermediaries the list of restricted sectors as part of a side letter.

Reporting	Ongoing monitoring of the progress of the Additional Portfolio will be ensured through submission of regular reports from the Financial Intermediary to the EIB Group indicating the progress of allocations (measured against the cumulative build-up target of the quarter). More specifically, the Financial Intermediary would need to prepare and submit on a quarterly basis (or on a more frequent basis, as agreed on a case by case basis) the Allocation Report. The full Additional Portfolio will be reported on a line-by-line basis. The Allocation Report would at a minimum include, among others, the following information about the loans of the Additional Portfolio[3]: - Final Recipient Name - Final Recipient Country - Number of employees - NACE code of the Final Recipient (SME) - Final Recipient Region (NUTS2) - Final Recipient National Identifier Number - Final Recipient National Identifier Number Type - Loan Amount (including currency if non-EUR) - Exchange Rate - Loan Signature Date - Term of the Loan - Interest Rate Reduction (in bps and at least 15 bps) - Confirmation that the final recipient has been informed. - Risk weight of the loan - WAL of the loan - Expected loss of the loans (for standardized banks, if applicable) - Compliance with SME definition - Secured/Unsecured At the end of the allocation period, the Financial Intermediary would need to report on (i) the riskiness of the New Portfolio, as calculated by reference to either RWA or EL, (ii) the WAL of the New Portfolio, (iii) the capital redeployed, and (iv) the share of retrocession passed through to Final Recipient. Relevant information and confirmation will be need to be provided to check the compliance with (i) the EGF Additional Portfolio riskiness requirement, (ii) the EGF capital redeployment requirement and (iii) the EGF Retrocession pass-through requirement.
Compliance with Laws	The Financial Intermediary shall comply in all respects with all applicable laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject. The Financial Intermediary shall include in the documentation evidencing the Final Recipient Transaction and, with respect to Counter-Guarantee Agreements, shall procure that each Financial Sub-Intermediary includes the documentation evidencing the Final Recipient Transaction (as relevant): - undertakings from the Final Recipients equivalent to that described above; and

[3] Other elements to be either reported on line-by-line or at end of allocation period to be reported by the Financial Intermediary include: (i) Riskiness of each loan in the Additional Portfolio as expressed by reference to either EL or RW at loan origination, (ii) Amortisation type / WAL and (iii) Secured/Unsecured

	- any representations, warranties and undertakings from the Final Recipients necessary for the purpose of ensuring that each Final Recipient Transaction included in the Additional Portfolio shall comply at any relevant time with the Eligibility Criteria.
Other provisions	The Guarantee Agreement and/or the side letter, as applicable, will include, among others, provisions related to: - the visibility of the EGF support to the Additional Portfolio; - monitoring and audit rights for any EU or national institution or body which is entitled - to verify the use of the Guarantee in the context of the EGF Programme; - Publication on the EIB and/or EIF website of information on the Financial Intermediary, the Guarantee Agreement, the Final Recipients of the Additional Portfolio; - Record keeping of the documentation related to the implementation of the Guarantee Agreement for the period specified in the Guarantee Agreement.