**-EXPRESSION OF INTEREST-**



**To:**

**European Investment Fund**

**CYPEF PRSL**

Attention: Regional Mandates Team CYPEF

Guarantees and Securitisation

37B, avenue J.F. Kennedy

L-2968 Luxembourg

LUXEMBOURG

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|  |  |
| **Expression of Interest under CYPEF PRSL** | |
| **Applicant submitting the Expression of Interest:** | **\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_**  **(company name, registration number)** |

Dear Sir or Madam,

Herewith we are submitting our Expression of Interest on behalf of [Applicant] [and Participating Entities] in response to the Call for Expression of Interest in the framework of the CYPEF PRSL implemented by EIF**.** Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

The undersigned duly authorised to represent the [Applicant] [and Participating Entities], by signing this form certifies and declares:

1. that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements;
2. to have read the EIF Anti-Fraud Policy;
3. not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the PRSL and not to have granted nor to grant, not to have sought nor to seek, not to have attempted nor to attempt to obtain, and not to have accepted nor to accept, any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to signing of the PRSL; and
4. that the [Applicant] [and Participating Entities] does not perform illegal activities according to the applicable legislation in the countries of establishment.

Yours sincerely,

Signature(s): Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant’s name:

Place: Date (day/month/year):

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**Appendices**

**Appendix 1 Applicant / Participating Entity Identification**

**Appendix 2 Declaration of Honour**

**Appendix 3 Information Requirements**

**Appendix 1 to the Expression of Interest**

**APPLICANT / PARTICIPATING ENTITY IDENTIFICATION**

|  |  |
| --- | --- |
| **INFORMATION REQUIRED** | |
| APPLYING  AS: |  APPLICANT  PARTICIPATING ENTITY |
| NAME |  |
| LEGAL FORM |  |
| CONTACT DETAILS | Title: Mr/Ms/Mrs/other (delete or complete as appropriate)  Surname:  Forename(s):  Position:  Address:  Telephone:  Fax:  Email: |

**Appendix 2**

**DECLARATION OF HONOUR OF APPLICANT/PARTICIPATING ENTITY[[1]](#footnote-1)**

The undersigned [name of the signatory(ies) of this declaration]*,* representing the following legal person: [name of the Applicant/Participating Entity](the “**Financial Intermediary**”)

full official name:

official legal form:

full official address:

registration number:

declares that the Financial Intermediary is not in one of the following situations:

1. the Financial Intermediary is as of the date of this declaration bankrupt or being wound up, is as of the date of this declaration having its affairs administered by the courts, in this context, has during the last five (5) years from the date of this declaration entered into an arrangement with creditors, has as of the date of this declaration suspended business activities, is as of the date of this declaration the subject of proceedings concerning those matters, or is as of the date of this declaration in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
2. during the last five (5) years from the date of this declaration, the Financial Intermediary 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 Facility. Alternatively, where such judgments exist the undersigned declares that the Financial Intermediary 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;
3. during the last five (5) years from the date of this declaration, the Financial Intermediary 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 Financial Intermediary 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; and
4. as of the date of this declaration, the Financial Intermediary is guilty of misrepresentation in supplying information required for selection as a Financial Intermediary or fails to supply this information.

[*signature(s)*]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Name of signatory]

[Title of signatory]

[Place and date]

**Appendix 3 to the Expression of Interest**

**INFORMATION REQUIREMENTS**

The points below list the headings for the minimum information needed. In case of joint applications all the following information shall be provided for the Applicant and each Participating Entity.

All numerical data provided in the application should please also be provided in electronic format (.xlsx or similar).

**1. FINANCIAL INTERMEDIARY’S ACTIVITY**

**1.1. General information**

1.1.1. General description of the Applicant (date of establishment, number of employees, capital structure and shareholders, banking group, organisational structure, distribution network, number of branches, etc.).

1.1.2. Applicant’s legal status, regulatory status and applicable regulations, regulatory capital framework[[2]](#footnote-2).

1.1.3. Definition of the internal business segmentation (including the relevant segments applicable to SMEs) of the Applicant (in terms of number of employees, annual turnover, total assets, etc).

**1.2 SME financing activity**

1.2.1. Description of the SME lending activity: description of the lending/lease products offered to SMEs, purpose of finance, minimum and maximum maturity of loans/leases, rate of financing (as % of borrower financing needs), minimum and maximum amount, repayment features, etc.

1.2.2. Business strategy (e.g. positioning, objectives, strengths, core products, geographical areas/focus, origination volumes), market share, main competitors – current and outlook.

**2. FINANCIAL STANDING**

**2.1. Key financial figures** for the last three full years available according to the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Currency: EUR‘000** | **Year**  **(N-3)** | **Year**  **(N-2)** | **Year**  **(N-1)** |
| Net profit (EUR) |  |  |  |
| Return on equity (%) |  |  |  |
| Total assets (EUR) |  |  |  |
| Total Loan Book (EUR) |  |  |  |
| Total SME Loan Book (in % of the Corporate Loan Book) |  |  |  |
| Cost/income (%) |  |  |  |
| Shareholders’ equity (EUR) |  |  |  |
| Tier 1 capital ratio (%) (or applicable equivalent, if relevant) |  |  |  |
| Solvency ratio (%) (or applicable equivalent, if relevant)\* |  |  |  |
| Non-performing loans\*\* (% total gross loan book) |  |  |  |
| Balance sheet provisions (% of non-performing loans) |  |  |  |
| Loan Loss provisions (% total gross loan book) |  |  |  |
| Top 20 exposures (% of regulatory capital) |  |  |  |
| Regulatory capital adequacy ratio / Solvency ratio (%) |  |  |  |

\* Definition of the ratio to be provided as a footnote to the table

\*\* Definition of non-performing loans to be provided as a footnote to the table

**2.2. Annual reports** (including full set of financial statements with independent auditors report) for the last three years (only a link to the reports online shall be indicated or to be annexed to the Expression of Interest in electronic version only).

**2.3. Financial Intermediary’s rating.**

**2.4. Review of most recent YTD results** and forecasts for the year end. Strategic objectives for the medium-term.

**2.5. Effects of credit crunch** on liquidity, funding mix and opportunities, usage of Eurosystem liquidity lines (volumes, levels and available buffers).

**2.6. Review, if applicable, of derivatives and off-balance sheet transactions.**

**2.7. Capital adequacy ratios** details and projections.

**2.8. Exposure to sovereign and corporate bonds.** Details of bond portfolio (if applicable).

**2.9. Information on total loan portfolio:**

2.9.1. Loan portfolio concentration: 20 largest exposures per client group (amount, % of total outstanding loan amount and % of total regulatory capital);

2.9.2. Non-performing loans (% on total outstanding loan amount and on regulatory capital, % covered by collateral) as of the end of each financial year and year to date data for the current year for the past 3 years both in terms of number of loans and outstanding amount;

2.9.3. Restructured loans (amount, % of total outstanding loan amount), if not included in the non-performing loans;

2.9.4. Details on the 20 largest positions of non-performing loans (amounts, and as % of total outstanding loan amount and % of total regulatory capital) year to date.

**3. OPERATING PRINCIPLES (WITH RESPECT TO SME FINANCING)**

**3.1. Credit policy and risk appetite**: description of the internal procedures, guidelines, tools and systems used in credit risk assessment.

3.1.1. Risk assessment procedures:

1. If applicable, description of the internal rating models/scoring systems in place and their last validation (including external rating source, if applicable); and if rating models not used for credit risk assessment, description of the tools used instead;
2. Description of the key inputs and their respective weight in the rating output;
3. If applicable, the rating master scale with the respective minimum, maximum and median probability of default (PD) per rating class.

3.1.2. Collateral policy:

1. Description of the collateral requirements including personal guarantees (type, valuation, haircuts, down payment and residual value for leases, etc.);
2. Description of the Loss Given Default (LGD) model and its validation (if applicable). Description of the key inputs and their respective weight in the LGD output.

3.1.3. Description of the approval procedures (process, delegation of approval powers, limits, etc.).

3.1.4. Description of the dunning procedure (i.e. collection of receivables) and monitoring system (monitoring of payment dates, early warning system, etc.).

3.1.5. Work-out / recovery procedures (steps taken, departments involved, indication whether recovery process is dealt with in-house or is outsourced, length of recovery procedures).

**3.2. Risk management**: methods utilised for loss forecasting, provisioning and credit risk management at portfolio level.

**4. SME FINANCING ORIGINATION AND PERFORMANCE DATA**

|  |
| --- |
| All information required below shall be provided specifically with respect to:  SMEs (to the extent the information is available, otherwise by internal segment); and  Proxy portfolio of eligible SME Transactions or, if such information is not available, comparable transactions (i.e. as similar as possible to the eligible SME Transactions at least with regards to (a) eligible types of debt instruments, (b) maximum maturity, (c) maximum exposure, (d) SMEs established and/or operating in Cyprus and (e) SMEs operating in an eligible industry sector). In case leases are relevant to the Expression of Interest please provide a separate proxy portfolio for leases.  EIF may ask for clarifications on the provided data, including an anonymous loan-by-loan tape used for the aggregate figures provided. |

**4.1. SME financing volumes**

4.1.1. New business: annual number and principal volume of eligible SME Transactions entered into over the past 3 years, spilt by:

1. Rating class (e.g. internal scoring/ rating/ probability of default/expected loss) (if available);
2. Internal business segment;
3. Industry (using NACE Rev.2 (Division Level, i.e. one letter followed by two digits));
4. Type of borrowers (autonomous, SMEs, start-ups and micro enterprises) (if available).

4.1.2. Outstanding portfolio: total number and principal volume of eligible SME Transactions outstanding at the most recent available year-end or half-year end (whichever most recently available), split by:

1. Rating class (e.g. internal scoring/ rating/ probability of default/expected loss) (if available);
2. Internal business segment;
3. Industry (using NACE Rev.2 (Division Level, i.e. one letter followed by two digits));
4. Type of borrowers (autonomous, SMEs, start-ups and micro enterprises) (if available).

**4.2. Interest rates and remuneration**

Description of interest spread components, including a) administrative and funding costs component, b) minimum risk related margin, split (if applicable) by risk category of borrowers or by the applicable criterion (e.g. by maturity or type of borrower).

**5. IMPLEMENTATION**

5.1. Financial Intermediaries in their expression of interest are required to address the following items:

1. Proposed portfolio volume to be originated during the Availability Period;
2. Considering that implementing the Facility involves some administrative tasks e.g. the adaptation of internal procedures and IT systems, of SME loan contracts, or the training of sales force and loan approval bodies, please give an indication of what minimum level of portfolio volume would be expected;
3. Expected timing of launch of the product in the market following the signature of the Operational Agreement. Timing required to build up the proposed Portfolio taking into account necessary pre-implementation actions (adoption of IT systems, development of underlying contracts, etc.) and the indicative eligibility criteria presented in Annex [X] - forecasts to be provided on a quarterly basis;
4. Describe prior/proven experience (including compliance with relevant operational and reporting requirements) with the deployment of other similar EU/EIB/EIF products;
5. Describe internal organisation set-up (and roles) for the implementation of a potential Operational Agreement, including the potential identification of a dedicated project team (or unit) and/or internal incentive mechanisms;
6. Describe other measures intended to be undertaken so as to facilitate timely build‑up of the portfolio (e.g. training of sales force and of internal approval bodies);
7. Provide a description of the envisaged marketing and publicity actions for the product(s) to be deployed under the Facility.

**5.2. The benefit offered to the SMEs**:

5.2.1. Quantification of the envisaged reduction of interest rate (and fees, if applicable) to be charged under the SME Transactions before taking into account the cost of the Portfolio Risk Sharing Loan.[[3]](#footnote-3)

5.2.2. Proposal for the reduction of collateral requirements (if applicable). If collateral reduction is envisaged, the Applicant is requested to provide two examples with regard to SME borrowers with different credit quality (and accordingly different credit risk premiums and collateral requirements).

**6. EXPECTED CHARACTERISTICS OF THE PORTFOLIO TO BE BUILT UP**

The following information is required for the ex-ante assessment of the portfolio.

**6.1. Internal segmentation**

Internal segments under which the Applicant intends to classify SME Transactions to be included in the portfolio.

**6.2. Economic sector**

Expected top 5 Industry sectors of the Portfolio (using NACE Rev.2 (Division Level) and their expected weights in the Portfolio (both by number and volume of SME Transactions).

**6.3. Start-ups & micro enterprises**

Expected percentage of start-ups (please provide Applicant’s internal definition) and micro-enterprises in the Portfolio. Please provide internal definition of a start-up company.

**6.4. Rating of the Portfolio**

Expected percentage breakdown of the Portfolio by risk category at origination, e.g. internal scoring/ rating/ probability of default/ LGD and by internal segment.

**If the rating models are not used, please provide a professional estimation of the default rate, recovery rate and LGD (including any supporting information).**

**6.5. SME Transaction characteristics**

6.5.1. Expected features of the SME Transactions:

The expected features of the SME Transactions (separately for loans and leases, as applicable): principal amount (in case of leases – financed amount), down payment (in case of leases), amortisation profile, interest rate type, indexation, frequency of repayments, embedded options (payments holidays, maturity extensions, etc.);

6.5.2. Indicative expected breakdown of the Portfolio by principal amount.

6.5.3. Expected percentage of bullet and balloon SME Transactions (if any) in the Portfolio. Please provide your internal definition of bullet and balloon SME Transactions.

6.5.4. Expected average collateralisation levels for SME Transactions to be included in the Portfolio, or, if available, the expected LGD level of the SME Transaction to be included in the Portfolio.

**6.6. Maturity profile**

Expected weighted average maturity (WAM) and weighted average life (WAL) for the Portfolio.

**Pre-selected Applicants will be required to provide the following information within a short time frame after the EIF’s request:**

7. PERFORMANCE TRACK RECORD

7.1. **If rating models are used** for the SME activity, please provide (for each model in use):

1. the rating master scale with the respective minimum, maximum and median probability of default (PD) per rating class;
2. the latest back-testing information on the PD model evidencing the actual default frequencies per rating class versus modelled PD and the evolution of the explanatory power of such model (e.g. Gini score) over the last 3 years;
3. Annual rating migration per rating class for the last 3 years;
4. The latest back-testing information on the LGD model evidencing the actual versus modelled LGD.

7.2. **If no rating model is used**, please provide for each year of origination of transactions (for at least the last 5 years):

1. Aggregate initial principal amount of transactions granted in each year;
2. Aggregate defaulted amount for each year following origination, i.e. aggregate outstanding principal amount at the time of default for the transactions belonging to the same vintage (i.e. the same year of origination), with the relevant defaulted principal amounts shown in the respective year of default relative to the year of origination, as presented in the table below:

VINTAGE ANALYSIS TABLE[[4]](#footnote-4):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | Defaults occurred within 1, 2, 3, … years  (EUR) | | | | | | Cumulative defaults |
| Year of origination | Originated transaction volume (EUR) | 1 | 2 | 3 | 4 | 5 | 6 |
| …. |  |  |  |  |  |  |  |  |
| N-5 |  |  |  |  |  |  |  |  |
| N-4 |  |  |  |  |  |  |  |  |
| N-3 |  |  |  |  |  |  |  |  |
| N-2 |  |  |  |  |  |  |  |  |
| N-1 |  |  |  |  |  |  |  |  |

Please specify the definition of “default” that is reflected in the data provided. If a defaulted loan returns to a performing status it should still appear in the default data in the above table. Corresponding in-flows shall be reflected as Recoveries in the data requested under 7.3.

7.3. Average recovery rate, by year of SME loan default: the average amount recovered (open and closed cases) to date on the defaulted transactions for at least 5 years, on aggregate basis and split by product, risk categories, and any other relevant breakdown.

7.4. Average time lags between the granting of the transaction, the payment default by the borrower and the end of recovery period (including when resulting in a write-off), on aggregate basis and split by product, risk categories, and any other relevant breakdown.

1. In case of a joint application, this declaration shall be completed separately by each of the Applicant and the Participating Entities. [↑](#footnote-ref-1)
2. If applicable, standardised approach, foundation IRB Approach, Advanced IRB Approach. [↑](#footnote-ref-2)
3. The principle being that the risk spread and funding costs on the co-financed part is replaced by the cost of the loan. [↑](#footnote-ref-3)
4. Vintages are to be presented by reference to all relevant transactions originated during the same year. Default definition: the default definition used must be in line with the Applicant’s internal procedures (e.g. a loan is regarded as defaulted if either it becomes more than X days past due or it has been written-off (other default criteria can also be used)). The default definition used must be specified. Defaulted amounts: The aggregate of the outstanding principal amount of all transactions that defaulted in each year following their origination date is tracked separately for each vintage. The vintage analysis table is thus produced by recording in each cell - for each vintage line - the total outstanding amount at the time of default for transactions that have defaulted in the year of the relevant column (1, 2, 3, …). For instance, if the time to default [Time to default = default date - origination date, expressed in number of months] is comprised between 0-12 months, i.e. transactions defaulted within the first year of their life, the respective defaulted amount is to be shown in the column corresponding to year 1; if the time to default is comprised between 13-24 months, the respective defaulted amount is to be shown in the column corresponding to year 2, etc. [↑](#footnote-ref-4)