

InnovFin
EU Finance for Innovators



InnovFin SME Guarantee

To:

European Investment Fund
Re: InnovFin SME Guarantee facility

Attention: Guarantees, Securitisation & Microfinance
37B avenue J.F. Kennedy
L-2968 Luxembourg

EXPRESSION OF INTEREST

For the Guarantee/ Counter-Guarantee(*)
in the context of the InnovFin SME Guarantee facility

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 Open Call for Expression of Interest in the framework of the Facility implemented by the 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/certify and declare(s) that the information contained in this Expression of Interest and its Appendices is complete and correct in all its elements.

The undersigned duly authorised to represent the [Applicant] and [Participating Entity], by

**Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under
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signing this form certifies and declares to have read the EIF Anti-Fraud Policy and declares not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the Guarantee Agreement/Counter-Guarantee Agreement (*) 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 Guarantee Agreement/ Counter-Guarantee Agreement (*).

The undersigned, duly authorized to represent the [Applicant] and [Participating Entities], by signing this form certifies and declares that each of the [Applicant] and [Participating Entities] (i) does not perform research & innovation activities which are related to (i) illegal activities according to the applicable legislation in the countries of its establishment and the establishment of any of the Beneficiaries or (ii) activities referred to in Article 19 of Regulation (EU) No 1291/2013 of the European Parliament and the Council establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC dated 11 December 2013.

Yours sincerely,

Signature(s):

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

(*) select as appropriate

Appendices

Appendix 1 Applicant/Participating Entity Identification

Appendix 2 Information Requirements

Appendix 1 to the Expression of Interest.

APPLICANT/PARTICIPATING ENTITY IDENTIFICATION¹

| INFORMATION REQUIRED | |
|----------------------|--|
| APPLYING FOR: | <input type="checkbox"/> GUARANTEE <input type="checkbox"/> COUNTER-GUARANTEE |
| APPLYING AS: | <input type="checkbox"/> APPLICANT <input type="checkbox"/> PARTICIPATING ENTITY |
| NAME | |
| LEGAL FORM | |
| CONTACT DETAILS | Title: Mr/Mrs/other (delete or complete as appropriate) Surname: Forename(s): Function: Address: Telephone: Email: |

¹ In case of a joint application, this form shall be completed separately by the Applicant and Participating Entities.

Appendix 2 to the Expression of Interest.

DECLARATION OF HONOUR OF APPLICANT/PARTICIPATING ENTITY²

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:

VAT registration number:

- declares that the Financial Intermediary is not in one of the following situations:
- a) 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;
 - b) 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;
 - c) 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;
 - d) 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; and
 - e) as of the date of this declaration, the Financial Intermediary 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.

Full name

Date (day/month/year):

Signature(s)

² In case of a joint application, this declaration shall be completed separately by each of the Applicant and the Participating Entities.

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.

1. FINANCIAL INTERMEDIARY'S ACTIVITY

1.1. General information

1.1.1. Description of the Financial Intermediary (date of establishment, number of employees capital structure and shareholders, banking group, organisational structure, distribution network, number of branches, etc.),

1.1.2. Financial Intermediary's legal status, regulatory framework, capital framework¹ and applicable regulations,

1.1.3. Financial Intermediary's rating and rating agencies' reports (if applicable)

1.1.4. Definition of the different internal business segments (including the relevant segments applicable to SMEs and Small Mid-caps) of the Financial Intermediary (in terms of number of employees, annual turnover or total assets).

1.2 SME and Small Mid-cap activity

1.2.1.

a) for Financial Intermediaries applying for the Guarantee under the Facility: description of the lending² activity related to SMEs and Small Mid-caps (description of the lending/lease products offered to SMEs and Small Mid-caps, purpose, min. and max. maturity of loans¹/leases, rate of financing (as % of borrower financing needs), min. and max. amount, repayment features, etc.)

b) for Financial Intermediaries applying for the Counter-Guarantee under the Facility: description of the guarantee activity related to SMEs and Small Mid-caps (description of selection of Sub-Intermediaries, description of the guarantee products offered to SMEs and Small Mid-caps, applicable guarantee rate, type and features of the debt financing products covered by the guarantees (term, repayment features, amounts, 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.

1.2.3. Description of the business strategy for research and/or innovation driven SMEs and Small Mid-caps (if available).

¹ If applicable, standardised approach, foundation IRB Approach, Advanced IRB Approach.

² In the case of a Financial Intermediary being a loan (debt) fund, the term "lending" includes the notion of investing and the term "loans" include bonds or other equivalent securities.

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1.2.4. Indicative percentage of research and/or innovation driven SMEs and Small Mid-caps financing out of total SME and corporate financing book (or as the case may be total guarantee portfolio).

2. FINANCIAL STANDING

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

| Currency: [•]'000 | Year (N-3) | Year (N-2) | Year (N-1) |
|---|---------------|---------------|---------------|
| Net profit (amount) | | | |
| Return on equity (%) | | | |
| Total assets | | | |
| Total Loan Book ³ (amount) | | | |
| Total SME and Small Mid-cap Loan Book (in % of the Corporate Loan Book) ⁴ | | | |
| Cost/income (%) | | | |
| Shareholders' equity (amount) | | | |
| Tier 1 capital ratio (%) (or applicable equivalent, if relevant) | | | |
| Solvency ratio (%) (or applicable equivalent, if relevant) | | | |

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

3. OPERATING PRINCIPLES (WITH RESPECT TO SMES AND SMALL MID-CAPS ACTIVITY).

3.1. Credit policy and risk appetite: brief description of the internal procedures and guidelines

3.1.1. Risk assessment procedures (default probability - rating/scoring system)

3.1.1.1. Description of the internal rating models/scoring systems in place and their last

³ For Guarantors: the Total Guarantee Portfolio.

⁴ For Guarantors: the Total SME and Small Mid-cap Guarantee Portfolio (as % of Total Guarantee Portfolio).

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validation (including external rating source, if applicable)

3.1.1.2. Description of the key inputs and their respective weight in the rating output

3.1.2. Collateral policy

3.1.2.1. Description of the collateral requirements including personal guarantees (type, valuation, haircuts, down payment and residual value for leases, etc.)

3.1.2.2. Description of the Loss Given Default (LGD) model and its validation (if applicable)

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

3.1.4. Description of the dunning procedure 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). In case of guarantors: description of the principles of sharing recoveries with Sub-Intermediaries, process and operating modalities.

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

4. SME DATA AND PERFORMANCE

All information required below (4.1.-4.3.) shall be provided specifically with respect to:

- a) SMEs and Small Mid-caps (to the extent the information is available, otherwise by internal segment); and a
- b) Proxy portfolio of Eligible Transactions or, if such information is not available, comparable Transactions (i.e. as similar as possible to Eligible Transactions).

And, in case of an application for the Guarantee: separately for loans and financial leases, if the Expression of Interest covers both types of Beneficiary Transactions.

4.1. TRANSACTION VOLUMES

4.1.1. New business: annual number and principal volume of new Transactions granted over the past 5 years.

4.1.2. Outstanding portfolio: total number and principal volume of Transactions outstanding at the most recent available year-end split by:

- i) rating class (e.g. internal scoring/ rating/ probability of default/expected loss) (if available)
- ii) internal segment;
- iii) industry (using NACE Rev.2 (Division Level));
- iv) currency (if relevant);
- v) type of borrowers (SMEs, Small Mid-caps,...) (if available).

4.1.3. Average collateralisation level of the portfolio outstanding at the most recent available year-end or, if available, average LGD level.

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4.2. INTEREST RATES AND REMUNERATION

4.2.1. In respect to Financial Intermediaries applying for the Guarantee under the Facility: description of interest spread components, including a) administrative costs component, b) minimum risk related margin, split: i) by risk category of the borrower and ii) to the extent relevant, by currency.

4.2.2. In respect to Financial Intermediaries applying the Counter-Guarantee under the Facility: basis of the calculation and frequency of collection of the guarantee premiums, components of the guarantee premium (administrative costs, cost of risk, etc.), premium calculation methods (modulation to the type of financing, risk rating of the SME, guarantee rate, collateral, etc.), the level of subsidisation of the guarantee premiums, description of modalities of premium collection (from SME, through Sub-Intermediaries, etc.).

4.3. PERFORMANCE TRACK RECORD

4.3.1. If rating models are used for the SME and Small Mid-cap activity, please provide (for each model in use):

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

4.3.2. If no rating model is in place, please provide for each year of origination of transactions (for the last 5 years):

- a) Aggregate initial principal amount of Transactions granted in each year (EUR or relevant currency);
- b) Aggregate number of Transactions granted in each year (by currency);
- c) 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. granted during the same year) that defaulted in each year after their origination date, as presented in the table below:

VINTAGE ANALYSIS TABLE⁵:

⁵ Vintages are created by reference to all selected transactions originated during the same year.

Default definition: the default definition used must be in line with the Applicant 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

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| Year of origination | Originated Transaction volume (by currency) | Originated Transactions (number) | Defaults occurred within 1, 2, 3, ... years (by currency) | | | | | | Cumulative defaults (sum by currency) |
|---------------------|---|----------------------------------|---|---|---|---|---|---|---------------------------------------|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | |
| ... | | | | | | | | | |
| N-5 | | | | | | | | | |
| N-4 | | | | | | | | | |
| N-3 | | | | | | | | | |
| N-2 | | | | | | | | | |
| N-1 | | | | | | | | | |

4.3.3. Average recovery rate: 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 currency, product, risk categories, as relevant.

4.3.4. Average time lags between the granting of the transaction, the payment default by the borrower and the transaction being written off (end of recovery period).

5. IMPLEMENTATION MEASURES

5.1. Overall implementation strategy, marketing and publicity strategy, description of product types (existing or newly created), indication of the nature, type of activities and lead time expected for preparation of the rollout, envisaged procedures for origination and allocation of new Transactions to the Portfolio.

5.2. Proposed Agreed Portfolio Volume (size of the Portfolio) to be originated during the Availability Period of 2 years.

5.3. Estimated principal amounts of Eligible Transactions to be originated in each quarter of the Availability Period, split between SMEs and Small Mid-caps.

5.4. The determination of the Financial Benefit, i.e. envisaged reduction level of risk related margin (or, as the case may be the guarantee risk premium) to be charged under Eligible

[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.

Cumulative defaults: the last column of the table contains the sum of all the defaults shown in the previous columns. It indicates the cumulative defaults occurred for a given vintage during the observation period. Such amount divided by the corresponding originated volume gives the cumulative default rate for the vintage.

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Beneficiary Transactions before taking into account the cost of the Guarantee (or as the case may be the Counter-Guarantee) issued by EIF under the Facility⁶.

If the level of such reduction depends on credit risk rating of the borrower, the currency of Eligible Transaction or other conditions, appropriate details should be presented.

5.5. Expected average collateralisation levels for Transactions to be included in the Portfolio (separately for SMEs and Small Mid-caps), or, if available, the expected LGD level of the Transaction to be included in the Portfolio.

6. EXPECTED CHARACTERISTICS OF TO-BE-CONSTRUCTED PORTFOLIO

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

6.1. Internal segmentation

Internal segments under which the Financial Intermediary intends to classify Eligible 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 (respectively by number and amount of Beneficiary Transactions).

6.3. Start-ups

Expected percentage of start-ups (as per 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.

6.5. Transaction characteristics

6.5.1. Expected features of the Eligible Transactions (if applicable separately for SMEs and Small Mid-caps):

a) in case of Financial Intermediaries applying for the Guarantee under the Facility: the features of the Beneficiary Transactions (separately for loans and leases, as applicable) such as: principal amount (in case of leases – finance amount), down payment (in case of leases), amortisation profile, interest rate type, indexation, frequency of repayments, currency, embedded optionalities (payments holidays, maturity extensions, etc.);

b) in case of Financial Intermediaries applying for the Counter-Guarantee under the Facility: the features of the Beneficiary Transactions to be covered by the Financial Intermediary guarantees as above and in addition: the guarantee rate.

6.5.2. Indicative expected breakdown of the Portfolio by principal amount (or guarantee amount as the case may be).

⁶ The principle is that the risk spread on the guaranteed part is replaced by the Guarantee Fee.

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

6.6. Currency (if applicable)

Expected maximum concentration for Eligible Transactions for SMEs and Small Mid-caps in the Portfolio denominated in currencies other than EUR (% of the Portfolio for each currency).

6.7. Maturity profile

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