



To:
European Investment Fund
DCFTA Initiative East Guarantee Facility
Attention: Guarantees, Securitisation & Microfinance
37B, Avenue JF Kennedy
L-2968 Luxembourg

EXPRESSION OF INTEREST

in the context of the DCFTA Initiative East Guarantee Facility

Applicant submitting the Expression of Interest:

_____, _____
(company name, registration
number)

Dear Sir or Madam,

We hereby submit our Expression of Interest on behalf of the [Applicant] and [Participating Entities] in response to the Open Call for Expression of Interest in the framework of the Facility implemented by the EIB Group. Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Open 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 Entities], by signing this form certifies/certify and declare(s) to have read the EIF Anti-Fraud Policy and declare(s) not to have made nor to make any offer of any type whatsoever from which an advantage can be derived under the 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.

Yours sincerely,

Signature(s):

Stamp of the Applicant (if applicable):

Name and position in capitals:

Applicant's name

Place:

Date (day/month/year):

Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the DCFTA Initiative East Guarantee Facility

Appendices

Appendix 1 Applicant/Participating Entity Identification

Appendix 2 Declaration of Honour

Appendix 3 Information Requirements

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Appendix 1 to the Expression of Interest.

APPLICANT/PARTICIPATING ENTITY IDENTIFICATION

INFORMATION REQUIRED	
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: Fax: Email:

Appendix 2 to the Expression of Interest.

DECLARATION OF HONOUR OF APPLICANT/PARTICIPATING ENTITY¹

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)

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

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 also be provided in electronic format (.xlsx or similar).

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 Applicant's geographical area of operation.

1.1.3. Applicant's legal status, regulatory status and applicable regulations, regulatory capital framework².

1.1.4. Applicant's credit rating (if applicable).

1.1.5. 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. for Financial Intermediaries applying for the Guarantee: 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 (please fill in the data requested under this point in the Excel table attached in section 5 below, or similar format).

2.2. Annual reports (including full set of financial statements with independent auditors report) for the last three years (provide only links to the Applicant's and, in the case of joint application, the Participating Entities' websites or, alternatively, annual reports to be annexed to the Expression of Interest in electronic version only).

3. IMPLEMENTATION

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

² If applicable, standardised approach, foundation IRB Approach, Advanced IRB Approach

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marketing and publicity actions for the product(s) to be deployed under the Guarantee Facility. Include potential additional publicity actions to those described in Annex II.

3.2. Prior/proven experience (including compliance with relevant operational and reporting requirements) with the deployment of similar EU/EIB/EIF products.

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

3.4. Estimated principal amounts of Eligible SME Transactions to be originated in each quarter of the Availability Period.

3.5. The proposed Enhanced Access to Finance conditions for Eligible SME Transactions included in the Portfolio, by meeting at least one of the conditions listed under Annex II (Indicative Terms and Conditions of the Guarantee). In this respect the Applicant is requested to provide two examples with regard to SME borrowers with different credit quality (and accordingly different credit risk premiums). The Applicant may also indicate additional proposed improvements (e.g. pricing reduction on the non-guaranteed portion of the SME Transactions, or reduction of the requested level of collateral), if any.

4. OPERATING PRINCIPLES (WITH RESPECT TO SME FINANCING).

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

4.1.1. Risk assessment procedures:

4.1.1.1. 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;

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

4.1.1.3. If applicable, the rating master scale with the respective minimum, maximum and median probability of default (PD) per rating class and per rating/scoring model, if applicable.

4.1.2. Collateral policy

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

4.1.2.2. 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.

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

4.1.4. Description of the dunning procedure and monitoring system (monitoring of payment dates, early warning system, etc.).

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

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

5. SME FINANCING ORIGINATION AND PERFORMANCE DATA

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

a) SMEs (to the extent the information is available, otherwise by internal segments); and,

b) A proxy portfolio of SME Transactions that fit at origination with the Eligibility Criteria or, if such information is not available, a portfolio of transactions as comparable as possible to the SME Transactions. At least, the following Eligibility Criteria should be reflected in the extraction of the proxy portfolio: (a) eligible types of debt instruments, (b) minimum and maximum maturity, (c) maximum exposure, (d) SMEs established and/or operating in the relevant geography. In case leases are relevant to the Expression of Interest please provide a separate proxy portfolio for leases.

If feasible, the information shall be provided in the below attached Excel tables (or alternative form):



Worksheet for
Annex I.xlsx

EIF may ask within the due diligence process for clarifications on the provided data, including an anonymous loan-by-loan tape used for the aggregate figures provided, or further breakdowns of the requested data.

5.1. SME FINANCING VOLUMES

5.1.1. New business:

- Annual number and principal volume of SME Transactions entered into over the past 3 years;
- Annual number and principal volume of SME Transactions entered into over the past year, split by:
 - I. Rating class (e.g. internal scoring/rating/ probability of default/expected loss) (if available);
 - II. Internal business segmentation (if risk segmentation differs from business segmentation, please also provide breakdown for risk segments);
 - III. Industry (using NACE Rev.2 (Division Level, i.e. one letter followed by two digits));
 - IV. Maturity of the SME Transactions;
 - V. Purpose of finance and debt products (investment or working capital loans, subordinated loans, participating loans, convertible loans, bonds, letters of credit, leasing or bank guarantees (or other breakdown, please specify));
 - VI. Currency;

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

- I. Rating class (e.g. internal scoring/ rating/ probability of default/expected loss) (if available);
- II. Type of borrowers (autonomous, SMEs, start-ups and micro enterprises) (if available);
- III. Currency; and
- IV. Maturity of the SME Transactions.

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

5.1.4. Interest rates and remuneration: description of interest spread components, including a) administrative costs component, b) minimum risk related margin, split by risk category of borrowers.

5.2. Expected characteristics of the Portfolio to be built up

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

5.2.1. Expected features of the SME Transactions:

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Indicative expected breakdown, or expected values of the different features of the SME Transactions (separately for loans and leases, as applicable) should be provided, such as:

5.2.1.1. Internal client segmentation

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

5.2.1.2. Economic sector - industry concentration

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

5.2.1.3. Start-ups & micro enterprises

Expected amount of start-ups and micro-enterprises in the Portfolio. Please provide internal definition of a start-up company.

5.2.1.4. Indicative expected breakdown of the Portfolio by debt products (investment or working capital loans, subordinated loans, participating loans, convertible loans, bonds, letters of credit, leasing or bank guarantees);

5.2.1.5. Indicative expected breakdown of the Portfolio by principal amount (or guarantee amount as the case may be, in case of leases – financed amount) and expected average amount.

5.2.1.6. In case of leases, expected portion of Portfolio, description of typical down payment and residual value estimates.

5.2.1.7. Expected breakdown by currency (EUR, USD, or the relevant national currency – Ukrainian hryvnia, Georgian lari, Moldovan leu).

5.2.1.8. Maturity profile

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

5.2.1.9. Expected breakdown by amortisation type (French, linear, balloon, bullet, other). Please provide internal definition of bullet and balloon SME Transactions.

5.2.1.10. Interest rate type breakdown

Expected breakdown by interest rate type (fixed, floating, other) and subsequent split by indexation and frequency of payment.

5.2.1.11. Expected embedded options percentages and other special features (payments holidays, maturity extensions, interest-only- periods, etc.).

5.2.2. Portfolio risk profile:

5.2.2.1 Rating/Scoring of the SME Transactions in the Portfolio

Expected breakdown of the Portfolio by risk category at origination, e.g. internal scoring/ rating / probability of default split by internal risk segment (if different rating models apply to different internal segments).

5.2.2.2 Collateralisation of the SME Transactions in the Portfolio

Expected composition of the Portfolio by types of collateral (real estate, equipment, other assets, unsecured (i.e. only personal guarantees)). Please also include the respective collateralisation levels (as per the Applicant's valuation policies) or, if available, the expected LGD levels for each type of collateral.

If the rating and/or LGD models are not used, please provide a professional estimation of the expected default rate and recovery rate of the Portfolio.

EIF may request further information only to Applicants that have successfully passed the Pre-selection phase of the selection process before/during the due diligence process, such as:

5.3 Performance Track Record

5.3.1. **If rating models are used** for the SME activity, please provide (for each relevant model/risk segment):

- 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 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. The Applicant may provide readily available internal reports on internal rating model(s) validation;
- c) Annual rating migration per rating class for at least the last 3 years;
- d) Observed default frequencies for the last 5 years for each internal rating/scoring model;
- e) The latest back-testing information on the LGD model evidencing the actual versus modelled LGD. The Applicant may provide readily available internal reports on internal LGD model(s) validation.

5.3.2. **If no rating model is used**, please provide default vintage analysis data for each period³ of origination of transactions, split by each relevant segment when applicable (for at least the last 5 years, but please provide more years if possible).

Please specify the definition of “default” that is reflected in the data provided.

5.3.3. Recovery rate data, by year of SME Transaction default: the total amount recovered (open and closed cases) to date on the defaulted transactions for at least 5 years (please provide more years if possible), on aggregate basis and split by currency and collateral type, internal segmentation, product, and any other relevant breakdown.

5.3.4. Average time lags between the granting of the transaction, the default of the borrower and the end of recovery period (including when resulting in a write-off), on aggregate basis..

Notwithstanding the above, Applicants are encouraged to provide the most detailed level of information (including all data referred to in sections 5.1, 5.2 and 5.3 here above) in order to facilitate EIF’s risk assessment of the Portfolio.

³ Periods should be in years, if possible quarterly data is preferred.