To:
European Investment Fund
Re: SME Initiative Malta

Attention: SME Initiative Team – Expression of Interest
Guarantees and Securitisation
37B, avenue J.F. Kennedy
L-2968 Luxembourg

EXPRESSION OF INTEREST

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 dated • and published on the European Investment Fund website in the framework of the SME Initiative Malta. Capitalised terms utilised herein shall have the meaning attributed to them in the 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.
Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Malta

The undersigned duly authorised to represent the [Applicant] and [Participating Entity], by 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] does not perform (i) illegal activities according to the applicable legislation in the countries of establishment 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 Declaration of Honour
Appendix 3 Information Requirements
Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Malta

Appendix 1 to the Expression of Interest.

APPLICANT/PARTICIPATING ENTITY IDENTIFICATION

<table>
<thead>
<tr>
<th>INFORMATION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPLYING FOR:</td>
</tr>
<tr>
<td>□ GUARANTEE</td>
</tr>
<tr>
<td>□ COUNTER-GUARANTEE</td>
</tr>
<tr>
<td>APPLYING AS:</td>
</tr>
<tr>
<td>□ APPLICANT</td>
</tr>
<tr>
<td>□ PARTICIPATING ENTITY</td>
</tr>
<tr>
<td>NAME</td>
</tr>
<tr>
<td>LEGAL FORM</td>
</tr>
<tr>
<td>CONTACT DETAILS</td>
</tr>
<tr>
<td>Title: Mr/Mrs/other (delete or complete as appropriate)</td>
</tr>
<tr>
<td>Surname:</td>
</tr>
<tr>
<td>Forename(s):</td>
</tr>
<tr>
<td>Function:</td>
</tr>
<tr>
<td>Address:</td>
</tr>
<tr>
<td>Telephone:</td>
</tr>
<tr>
<td>Email:</td>
</tr>
</tbody>
</table>
DECLARATION OF HONOUR OF APPLICANT/PARTICIPATING ENTITY

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

1 In case of a joint application, this declaration shall be completed separately by each of the Applicant and the Participating Entities.
Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Malta


| Full name | Date (day/month/year): | Signature(s) |
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 framework⁵

1.1.3. Definition of the internal business segmentation 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:

<table>
<thead>
<tr>
<th>Currency: EUR</th>
<th>Year (N-3)</th>
<th>Year (N-2)</th>
<th>Year (N-1)</th>
</tr>
</thead>
</table>

### Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Malta

<table>
<thead>
<tr>
<th>Net profit (EUR)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity (%)</td>
<td></td>
</tr>
<tr>
<td>Total assets (EUR)</td>
<td></td>
</tr>
<tr>
<td>Total Loan Book (EUR)</td>
<td></td>
</tr>
<tr>
<td>Total SME Loan Book (in % of the Total Loan Book)</td>
<td></td>
</tr>
<tr>
<td>Cost/income (%)</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity (EUR)</td>
<td></td>
</tr>
<tr>
<td>Tier 1 capital ratio (%) (or applicable equivalent, if relevant)</td>
<td></td>
</tr>
<tr>
<td>Solvency ratio (%) (or applicable equivalent, if relevant)</td>
<td></td>
</tr>
</tbody>
</table>

#### 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. IMPLEMENTATION

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

- **I.** Proposed Maximum Portfolio Volume to be originated during the Inclusion Period. Out of the maximum portfolio volume, please also provide the expected volume of Eligible SME Loans compliant with Horizon 2020 Eligibility Criteria;
- **II.** Considering that implementing the Facility involves some administrative tasks e.g. the adaptation of internal procedures, 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;
- **III.** Expected timing of launch of the product in the market following the signature of the Guarantee 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 II. Forecasts to be provided on a quarterly basis;
- **IV.** Describe prior/proven experience (including compliance with relevant operational and

---

3 For Guarantors: the Total SME Guarantee Portfolio (as % of Total Guarantee Portfolio).
reporting requirements) with the deployment of other similar EU/EIB(EIF) products;

V. Describe internal organisation set-up (and roles) for the implementation of a potential Guarantee Agreement, including the potential identification of a dedicated project team (or unit) and/or internal incentivisation mechanisms;

VI. 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);

VII. Provide a description of the envisaged marketing and publicity actions for the product(s) to be deployed under the Facility. Include potential additional publicity actions to those described in Annex II.

3.2. The determination of the Total Benefit, i.e. quantification of the envisaged reduction of the risk related margin to be charged under Eligible SME Loans before taking into account the cost of the Guarantee issued by EIF under the Facility.

The Total Benefit is given by the following formula:

\[ \text{Total Benefit} = \text{standard credit risk premium} - \text{Guarantee Fee} \]

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).

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

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

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

4.1.1.1. Description of the internal rating models/scoring systems in place and their last validation (including external rating source, if applicable)

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

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.

\[ \text{The principle being that the risk spread on the guaranteed part is replaced by the Guarantee Fee.} \]
5. SME FINANCING ORIGINATION AND PERFORMANCE DATA

All information required below shall be provided specifically with respect to:

a) SMEs (to the extent the information is available, otherwise by internal segments); and
b) Proxy portfolio of Eligible SME Loans or, if such information is not available, comparable transactions (i.e. as similar as possible to Eligible SME Loans at least with regards to (a) eligible types of debt instruments, (b) maximum maturity, (c) maximum exposure, (d) 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.

5.1. SME FINANCING VOLUMES

5.1.1. New business: annual number and principal volume of Eligible SME Loans entered into over the past 3 years, split by indicative percentage of research and/or innovation driven financing.

5.1.2. Outstanding portfolio: total number and principal volume of Eligible SME Loans 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) internal business segment;
   iii) industry (using NACE Rev.2 (Division Level. i.e. one letter followed by two digits);
   iv) type of borrowers (Autonomous, SMEs, start ups and micro-enterprises) (if available).

5.2. INTEREST RATES AND REMUNERATION

5.2.1. Description of interest spread components, including a) administrative 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, as applicable).

5.3. PERFORMANCE TRACK RECORD

5.3.1. If rating models are used for the SME 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 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;
   c) Annual rating migration per rating class for the last 3 years;
   d) The latest back-testing information on the LGD model evidencing the actual versus modelled LGD.

5.3.2. If no rating model is used, please provide for each year of origination of transactions (for at least the last 5 years):
   a) Aggregate initial principal amount of transactions granted in each year;
   b) Aggregate defaulted amount for each year following origination, i.e. aggregate
Annex I to the Open Call for Expression of Interest to select Financial Intermediaries under the SME Initiative Malta

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:

<table>
<thead>
<tr>
<th>Year of origination</th>
<th>Originated transaction volume (EUR)</th>
<th>Defaulsted occurred within 1, 2, 3, ... years (EUR)</th>
<th>Cumulative defaults</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>....</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N-5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N-4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N-3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N-2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N-1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

5.3.3. 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.

5.3.4. 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.

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 principal 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 (i.e. default date - origination date) is comprised between 0-12 months, i.e. transactions defaulted within the first year of their life, the respective defaulted principal 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.
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 Eligible SME Loans 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 Eligible SME Loans).

6.3. Start-ups & micro enterprises

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. Eligible SME Loan characteristics

6.5.1. Expected features of the Eligible SME Loans (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 optionalities (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 Eligible SME Loans (if any) in the Portfolio. Please provide your internal definition of bullet and balloon Eligible SME Loans.

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

6.5.5 Maturity profile

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