To:
European Investment Fund
Re: SME Initiative Spain – Option 1 Facility

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

EXPRESSION OF INTEREST

For the Guarantee/ Counter-Guarantee(*)
in the context of the SME Initiative Spain – SIUGI 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 dated 23rd February 2015 and published on the European Investment Fund website in the framework of the SME Initiative Spain. 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.

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):

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(*) select as appropriate

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

<table>
<thead>
<tr>
<th>INFORMATION REQUIRED</th>
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</thead>
<tbody>
<tr>
<td>APPLYING FOR:</td>
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<tr>
<td>APPLYING AS:</td>
</tr>
<tr>
<td>NAME</td>
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<tr>
<td>LEGAL FORM</td>
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<td>CONTACT DETAILS</td>
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</tbody>
</table>

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

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

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).

1.1.4. Regional presence in each of the Regions (including number of branches, number of employees, business segments, etc.).

1.2 SME financing activity

1.2.1.

a) for Financial Intermediaries applying for the Guarantee under the Facility: description of the lending activity related to SMEs with a breakdown per Region of the following: 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.

b) for Financial Intermediaries applying for the Counter-Guarantee under the Facility: description of the guarantee activity related to SMEs with a breakdown per Region of the following: description of selection of Sub-Intermediaries, description of the guarantee products offered to SMEs, 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.

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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]'000</th>
<th>Year (N-3)</th>
<th>Year (N-2)</th>
<th>Year (N-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit (EUR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets (EUR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Loan Book⁴ (EUR)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total SME Loan Book (in % of the Corporate Loan Book)⁵</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost/income (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity (EUR)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 capital ratio (%) (or applicable equivalent, if relevant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solvency ratio (%) (or applicable equivalent, if relevant)</td>
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</tbody>
</table>

2.2. Annual reports (including full set of financial statements with independent auditors report) for the last three years (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).

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⁴ For Guarantors: the Total Guarantee Portfolio.
⁵ For Guarantors: the Total SME Guarantee Portfolio (as % of Total Guarantee Portfolio).
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 and with the expected breakdown per Region (as per table in section 6.3 below). Out of the maximum portfolio volume, please provide the expected volume of Eligible Beneficiary Transactions compliant with Horizon 2020 Eligibility Criteria – it should be noted that in respect of such Eligible Beneficiary Transactions no regional allocation is required;

II. 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 and Annex III - forecasts to be provided on a quarterly basis;

III. Describe prior/proven experience (inclusive of compliance with relevant operational and reporting requirements) with the deployment of other similar EU/EIB(EIF) products;

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

V. Describe other measure 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);

VI. 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 and Annex III.

3.2. The determination of the Total Benefit, i.e. the reduction of the standard credit risk related margin (or, as the case may be the guarantee risk premium) normally charged under Eligible 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.

The Total Benefit is given by the following formula:

For Guarantees: Total Benefit = standard credit risk premium – Guarantee Fee

For Counter-Guarantees: Total Benefit = standard guarantee risk premium – Counter-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).

The Applicant may also indicate additional proposed improvements (e.g. pricing reduction on the non-guaranteed portion of the Eligible Beneficiary Transactions, or reduction of the requested level of collateral), if any.

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6 The principle being that the risk spread on the guaranteed part is replaced by the Guarantee Fee.
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). In case of Applicant that are guarantors: description of the principles of sharing recoveries with Sub-Intermediaries, process and operating modalities.

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 shall be provided specifically with respect to: |
| a) SMEs (to the extent the information is available, otherwise by internal segment); and |
| b) Proxy portfolio of Eligible Beneficiary Transactions or, if such information is not available, comparable transactions (i.e. as similar as possible to Eligible Beneficiary Transactions at least with regards to (a) eligible types of debt instruments, (b) maximum maturity, (c) maximum exposure, (d) SMEs registered in the Regions 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 |

5.1. SME FINANCING VOLUMES

5.1.1. New business: annual number and principal volume of Eligible Beneficiary Transactions entered into over the past 3 years, split by Region (as per table in section 6.3 below) and by indicative percentage of research and/or innovation driven financing.
5.1.2. **Outstanding portfolio**: total number and principal volume of Eligible Beneficiary 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) 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).

v) Region (as per table in section 6.3 below)

5.2. **INTEREST RATES AND REMUNERATION**

5.2.1. In respect to Financial Intermediaries applying for the Guarantee: description of interest spread components, including a) administrative costs component, b) minimum risk related margin, split by risk category of borrowers.

5.2.2. In respect to Financial Intermediaries applying for the Counter-Guarantee: 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.).

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 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>Defaults 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>
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<td></td>
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<tr>
<td>N-2</td>
<td></td>
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<td></td>
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<tr>
<td>N-1</td>
<td></td>
<td></td>
<td></td>
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</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

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7 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.
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.

Notwithstanding the above, Applicants are encouraged to provide the most detailed level of information (including all data referred to in sections 5.3.1 and 5.3.2 here above) in order to facilitate EIF’s risk assessment of the Portfolio and the overall Facility.

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 Beneficiary 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 Eligible Beneficiary Transactions).

6.3. Regional distribution

Expected percentage breakdown of the Portfolio by Region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Minimum percentage of the proposed Maximum Portfolio Volume (%)</th>
<th>Expected percentage breakdown (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalucía</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Aragón</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Illes Balears</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>País Vasco</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Canarias</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Cantabria</td>
<td>1.5</td>
<td></td>
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<tr>
<td>Castilla-la Mancha</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Castilla y León</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Cataluña</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Extremadura</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>Galicia</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>La Rioja</td>
<td>0.4</td>
<td></td>
</tr>
</tbody>
</table>
6.4. 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.

6.5. 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.

6.6. Eligible Beneficiary Transaction characteristics

6.6.1. Expected features of the Eligible Beneficiary Transactions:

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

b) in case of Applicants applying for the Counter-Guarantee under the Facility: the expected features of the Eligible Beneficiary Transactions and of the Eligible SME Loans that they would cover (directly or indirectly) as in a) above and in addition: the guarantee rate.

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

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

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

6.7. Maturity profile

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