



# **BPI Risk Sharing Agreement**

## **Linha BPI/FEI Inovação**

February 2014

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# Risk Sharing Instrument (RSI) | Concept

- **RSI – Risk Sharing Instrument**

- Pilot guarantee scheme to support the financing of R&D and/or innovation driven SMEs and Small Mid-Caps

- Joint instrument of the EC (European Commission) and the EIB (European Investment Bank), managed by EIF (European Investment Fund)
- Dedicated compartment of the RSFF (Risk Sharing Finance Facility)
- Financed by the EU within the “Seventh Framework Programme for Research and Technological Development” (FP7) - pilot; to be continued within the “Horizon 2020”
- EIF provides guarantees to selected financial institutions to facilitate the financing of innovative and research oriented SMEs and Small Mid-Caps
- EIF covers 50% of each loss, allowing for a reduction of credit risk spread; guarantee fee paid by the beneficiary company

# Risk Sharing Instrument (RSI) | Selection process

**BPI – 1<sup>st</sup> Portuguese bank selected to act as a financial intermediary in the RSI facility**

## **RSI Selection Process:**

1. Assessment of Expression of Interest (EOI) with formal criteria
2. Pre-selection of EOI based on evaluation criteria
3. *Due diligence*
4. Selection by EIF

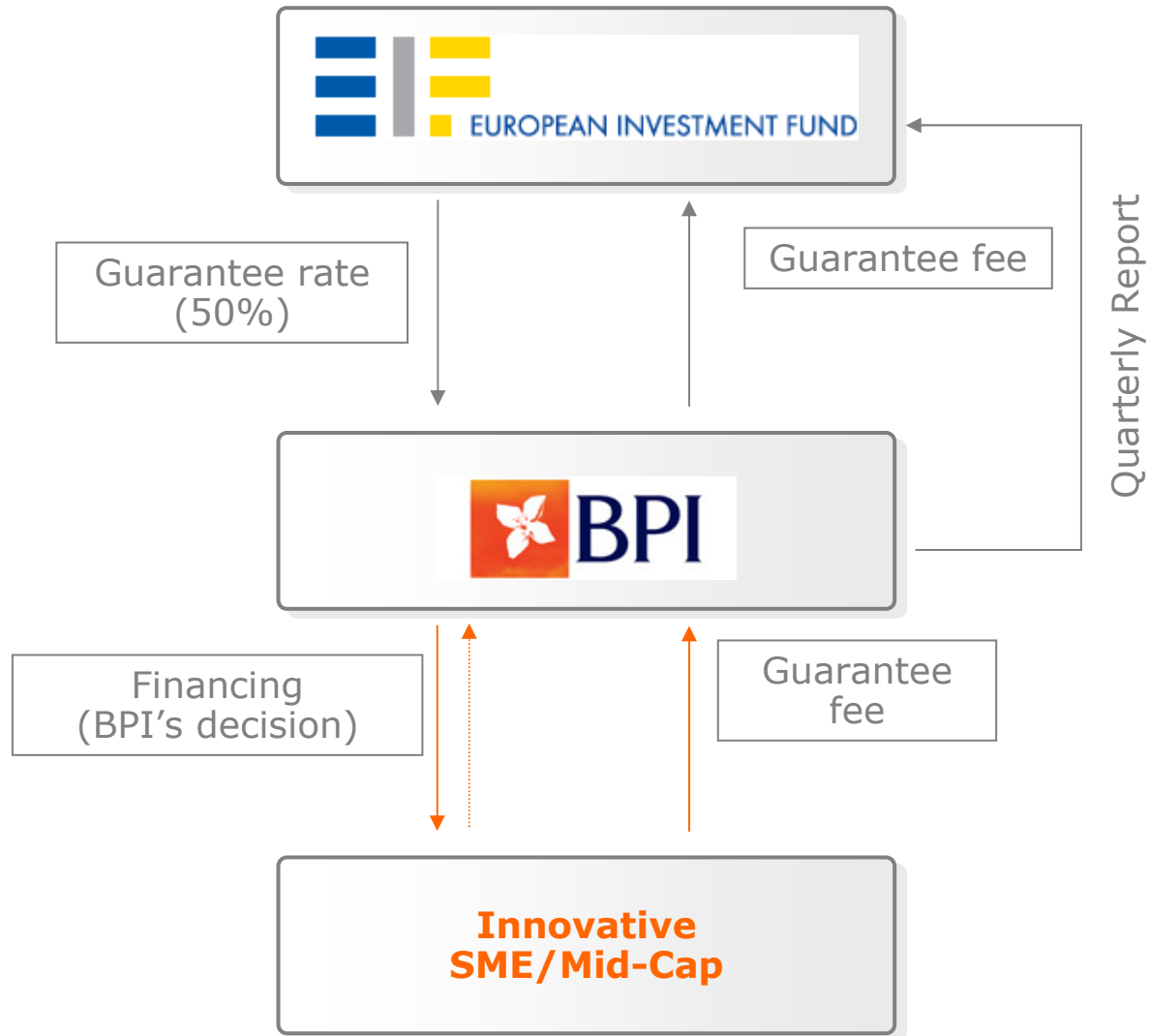
***Applications assessed on a "first come, first served" basis***

### **Main Evaluation Criteria**

- Operational capability to manage risk and comply with the terms and conditions of the guarantee agreement
- Experience and ability to lend to R&D and/or innovation driven companies (*track record of lending; business plan to built the RSI portfolio*)
- Envisaged composition of the portfolio (credit quality; granularity; diversification, etc)
- Quality of RSI implementation proposal (*rollout strategy; proposed volumes; proposed pricing policy; financial benefit, etc*)
- Financial standing



# Risk Sharing Instrument (RSI) | Structure



# Risk Sharing Instrument (RSI) | Structure

## Guarantee agreement principles:

- **Full delegation** of approval/management decisions to BPI;
- BPI ensures that the transactions and the portfolio fulfil with **eligibility criteria** set by EIF;
- **Automatic inclusion** of operations in the portfolio (based on eligibility criteria);
- Monitoring/*follow-up* by EIF (**quarterly reporting** on a loan by loan basis)



## Main advantages

- Flexibility; decision autonomy by BPI
- Time of response to client

*"The origination, due diligence, documentation and servicing of the SME Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures. In this context, the Financial Intermediary shall retain the direct client credit relationship with each SME and/or small mid-cap."*

## Linha BPI/FEI Inovação | RSI Eligibility Criteria

Target companies must comply with at least one of the following **RSI Eligibility Criteria (innovation features)**:

- (i)** The enterprise intends to use the financing to **invest in producing or developing products, processes and/ or services that are innovative** and where there is a risk of technological or industrial failure as evidenced by the business plan; **or**
- (ii)** The enterprise is an **R&D and/or innovation-driven “fast-growing enterprise”**, as measured by employment or by turnover, i.e. is an R&D and/or innovation enterprise with average annualised growth in employees or turnover > 20%/year, over a 3-year period, and with 10 or more employees at the beginning of the observation period; **or**

**(iii)** The enterprise shall have a significant innovation potential and/or be an “ R&D and/or innovation-driven enterprise”, satisfying at least one of the following elements:

- (a)** its certified accountant(s) highlighted **R&D and/or innovation expenses/investment in the latest financial statements** ( $\geq 20\%$  of the transaction nominal);
- (b)** it **undertakes to spend an amount at least equal to 90% of the financing in R&D and/or innovation (RDI) expenses/investment** (including new machines or new machinery, but excluding non-RDI related replacement and/or non-RDI related expansion investments) in the next 24 months as indicated in its business plan;
- (c)** it has been **formally awarded grants, loans or guarantees from European R&D and/or innovation support schemes or national research and/or innovation support schemes over the last 24 months**; [FP7; QREN (SI Inovação; SI IDT); PRODER (acção 1.1.1; acção 4.1)]



**(iii)** (...) cont

- (d) it has been awarded an **innovation prize** over the last 24 months;
- (e) it has **registered at least one patent** in the last 24 months;
- (f) it has **received cash investment from an innovation driven venture-capital fund** (life science/clean energy/technology);
- (g) it has, at the time of signature, its **registered seat in a science-, technology and/ or innovation park**; and
- (h) it has **benefited from tax credit or tax exemption related to investment in R&D and/or innovation** in the last 24 months [SIFIDE - Sistema de incentivos fiscais à investigação e desenvolvimento empresarial].

## Linha BPI/FEI Inovação | Portfolio Eligibility Criteria

BPI's RSI Portfolio shall comply with the following Eligibility Criteria  
(limits in % of portfolio volume)

- **Industry concentration:** Max 30% on a single industry sector (Nace Rev2 Division);
- **Real estate and construction:** Max 5% in construction and real estate (Rev 2 division 41, 42, 43 and 68)
- **Rating concentration:** Max 10% in loans with rating E10/N10; Max 70% in loans with rating E9/N9 and E10/N10;
- **Start-ups:** Max 5% in loans granted to start-up enterprises;
- **Balloons:** Max 20% in loans with a balloon profile (>50% principal repaid at maturity);
- **Transaction size:** Max 40% in loans of above € 2,5 Mn;
- **Rating Model:** Max 30% in loans assessed by BPI's "Small Business Rating Model (N)";
- **Grace Period:** Max 20% in loans with a grace period higher than 1 Y;
- **Maximum per company:** € 7,5 Mn

# Linha BPI/FEI Inovação | Advertising of launching/increase

April 2013

**Linha BPI/FEI Inovação**

**60 milhões de euros para Empresas Inovadoras.**

BPI lança linha de financiamento para empresas inovadoras com a garantia do Fundo Europeu de Investimento.

O BPI acaba de assinar com o Fundo Europeu de Investimento (FEI) um acordo de garantia, que visa facilitar o crédito a empresas inovadoras com menos de 500 colaboradores, em particular PME.

No âmbito deste acordo é lançada a Linha BPI/FEI Inovação, no montante de 60 milhões de euros, vocacionada para responder às necessidades de financiamento, para investimento ou fundo de manuseio, de empresas inovadoras ou que desenvolvam actividades de investigação e desenvolvimento.

O FEI garante 50% dos montantes emprestados ao abrigo desta linha, permitindo por essa via uma redução do risco de crédito das operações. O BPI transfere para o Cliente o benefício associado a essa garantia, praticando condições muito competitivas.

O BPI é o primeiro banco português seleccionado pelo FEI para actuar como Intermediário financeiro no contexto do Risk Sharing Instrument (RSI) – Instrumento financeiro de partilha de risco criado por iniciativa da Comissão Europeia e do Banco Europeu de Investimento, no âmbito do 7º Programa Quadro de I&DT (Investigação e Desenvolvimento Tecnológico). A Linha BPI/FEI Inovação passa a ser a terceira maior assinada pelo FEI, na Europa, no âmbito deste instrumento financeiro.

November 2013

**Linha BPI/FEI Inovação**

**160 milhões de euros para Empresas Inovadoras.**

BPI aumenta em 100 milhões de euros a linha de financiamento para empresas inovadoras com garantia do Fundo Europeu de Investimento.

O montante disponibilizado pela Linha BPI/FEI Inovação, criada em Abril deste ano no âmbito do acordo de garantia assinado entre o BPI e o Fundo Europeu de Investimento (FEI), aumenta para 160 milhões de euros. Esta linha, através da qual foram já apoiadas mais de 55 empresas com menos de 500 colaboradores, em particular PME, destina-se a responder às necessidades de financiamento, para investimento ou fundo de manuseio, de empresas inovadoras ou que desenvolvam actividades de investigação e desenvolvimento.

O FEI garante 50% dos montantes emprestados, permitindo por essa via uma transferência de parte do risco de crédito das operações. O BPI transfere para o Cliente o benefício associado a essa garantia, praticando condições muito competitivas.

O BPI foi o primeiro banco português seleccionado pelo FEI para actuar como intermediário financeiro no contexto do Risk Sharing Instrument, um instrumento financeiro de partilha de risco criado por iniciativa da Comissão Europeia e do Banco Europeu de Investimento, no âmbito do 7º Programa Quadro de I&DT (Investigação e Desenvolvimento Tecnológico). A Linha BPI/FEI Inovação passa a ser a terceira maior assinada pelo FEI, na Europa, no âmbito deste instrumento financeiro.

Toda a informação nos Centros de Empresas ou Balcoões BPI e em [www.bancobpi.pt/empresas](http://www.bancobpi.pt/empresas)

Strong performance in the RSI placement



Facility increase (from € 60Mn to € 160Mn)

7 months after signature

**31st December 2013**

SME Transactions	#	Amount (€ Mn)
Signed/Committed	93	61,9
Disbursed	86	52,03

Actualidad€ - Economía Ibérica

01-05-2013

**Instrumento Europeu de Partilha de Risco para empresas inovadoras inicia-se em Portugal com o BPI**



volvimento e inovação. Os bancos estão a ser seleccionados pelo FEI, na sequência de um convite para manifestações de interesse dirigido a todos os intermediários financeiros na Europa. Comentando a assinatura deste acordo, em Lisboa, o presidente do FEI, Richard

**ACTUALIDAD€**  
ECONOMÍA IBERICA

01-12-2013

**BPI aumenta linha de apoio a empresas inovadoras para 160 milhões de euros**

Actualidad€ - Economía Ibérica

01-07-2013

**BPI assina os primeiros contratos ao abrigo da Linha BPI/FEI Inovação**

# Linha BPI/FEI Inovação | Portfolio Information

## Summary Portfolio Information (31<sup>st</sup> December 2013)

### Breakdown by RSI Criteria

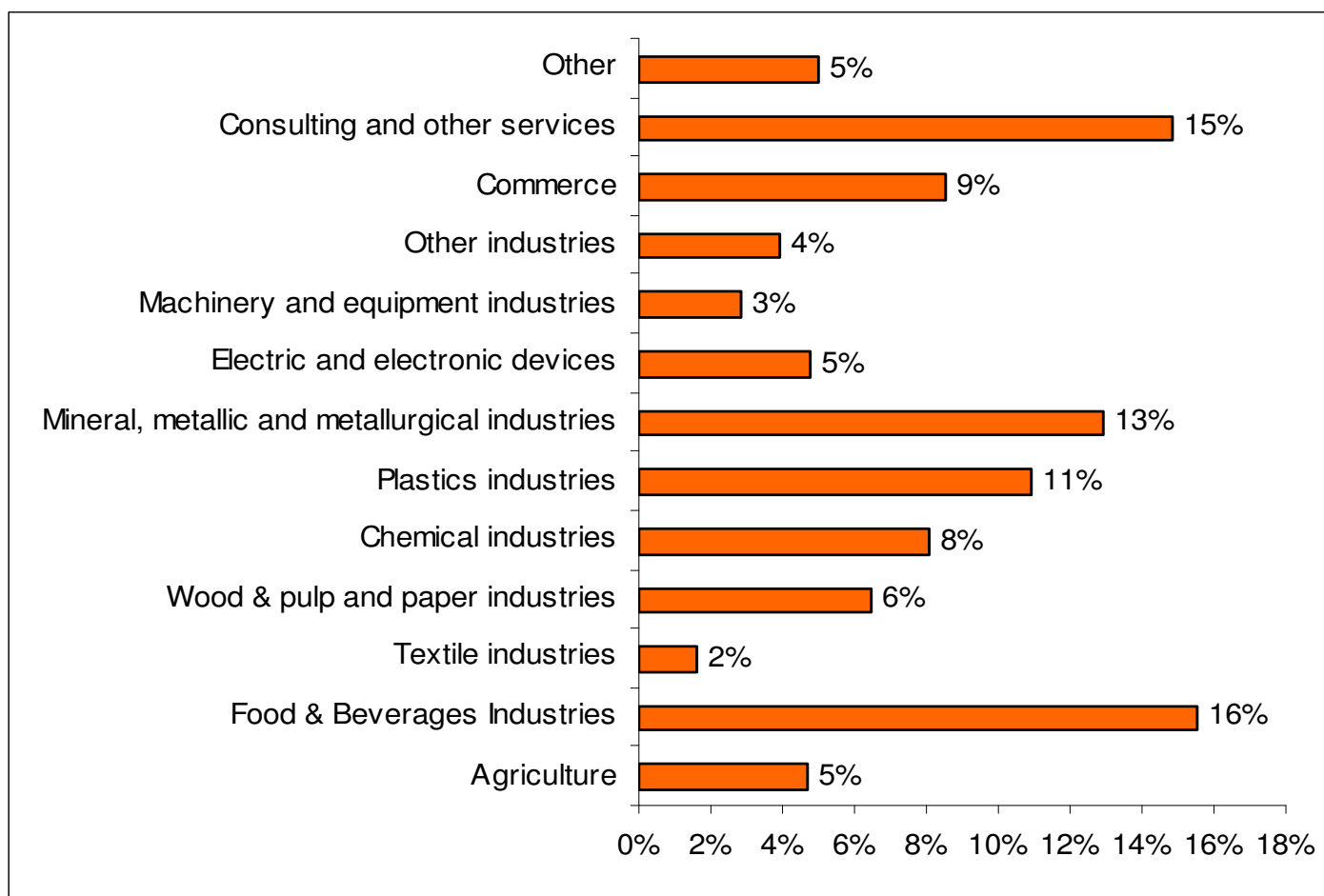
RSI Criteria	Description	#	Principal Amount (Eur)	% of total
1	Innovation products/processes	2	250.000	0,4%
2	Fast-Growing Enterprise	5	5.870.000	9,5%
3	Innovation Expenses	5	3.450.000	5,6%
4	90% R&D and/or innovation	5	3.400.000	5,5%
5	Innovation Support	40	26.875.000	43,4%
7	Patent	7	7.350.000	11,9%
9	Techno park	5	1.090.000	1,8%
10	Innovation Tax Credit	24	13.700.000	22,1%
<b>Total</b>		<b>93</b>	<b>61.985.000</b>	<b>100,0%</b>

20% of the companies included in BPI's RSI Portfolio are members of **COTEC Network**

# Linha BPI/FEI Inovação | Portfolio Information

## Summary Portfolio Information (31<sup>st</sup> December 2013)

### Breakdown by sector



# Linha BPI/FEI Inovação | Product Features

## Max. Portfolio Volume

- € 160 Mn

## Eligible Transactions

- Newly originated loans for the purpose of financing:
  - 1) investment in tangible and/or intangible assets;
  - 2) and/or working capital

## Target Companies

- a) SMEs (EC definition)  
or
- b) “Small Mid-Caps” (companies with less than 500 employees, according to EC Recommendation)

which fulfil *RSI Eligibility Criteria* (innovation features), as well as other eligibility conditions

# Linha BPI/FEI Inovação | Product Features

## Maturity

- **Min:** 2 years
- **Max:** 7 years

## Grace Period

- Up to 1 year
- Exceptionally, up to 2,5 years; for loan transactions with maturity of 5 to 7 years

## Min Loan Amount (indicative)

- **€ 100,000**/transaction

## Max Loan Amount

- **€ 7,5 Mn** per transaction/company

# Linha BPI/FEI Inovação | Product Features

## EIF Guarantee Fee

- **0,25% per annum** for SMEs with principal amount  $\leq \text{€ } 3 \text{ Mn}$
- **1%/year** otherwise
- The guarantee fee is applied to the portion of the loan guaranteed by EIF (50%), being paid by the final beneficiary to BPI
- BPI transfers the guarantee fee amounts to EIF every quarter

## Pricing

- Variable, depending on:
  - credit risk/rating
  - type of company (SME or Small Mid-cap)
  - Principal amount ( $<$  or  $>$   $\text{€ } 3 \text{ Mn}$ )
- **Spreads**: set up on a competitive basis
- BPI transfers to the final beneficiary, the **Financial Benefit** arising from EIF guarantee



# Linha BPI/FEI Inovação | Advantages

## Main advantages of the RSI (vis a vis alternative credit lines)

- No consumption of “*de minimis*” aid limit for the companies (final beneficiaries of the line);
- **Time of response** to client (internal decision of BPI only);
- The guaranteed portion of the loans (50%) has **no capital consumption**, freeing up capital resources that can be used to further increase the loan portfolio.

[www.bancobpi.pt/empresas](http://www.bancobpi.pt/empresas)

[infoempresas@bancobpi.pt](mailto:infoempresas@bancobpi.pt)