

## **SUPPORTING SMES VIA LOCAL BANKS**

**BPI's experience with InnovFIn SME Guarantee Facility**

## **Linha BPI/FEI Inovação II**

**EIB Innovation Finance Conference  
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# Contents

- Application and Approval
- Structure
- Product Set Up
- Linha BPI/FEI Inovação II | Product Features
- Linha BPI/FEI Inovação II | Advantages
- Marketing and Promotion
- BPI's Experience in the RSI Facility

# Application and Approval

## InnovFin SME Guarantee Intermediary Selection Process

➤ **Open Call** for EOI to select financial intermediaries launched by EIF on Aug 4<sup>th</sup> 2014

➤ **Selection Process** includes:

**1. Pre-selection** of EOI based on:

- ✓ formal assessment;
- ✓ application quality;
- ✓ contribution to the overall facility.

**Applications are pre-selected on a "first come, first assessed" basis**

**2. Due diligence**

**3. Selection**

### Main items of quality assessment

- Financial capacity;
- Capacity to manage risk;
- Experience and ability to lend to target companies: track record; business plan to build a portfolio, etc;
- Envisaged composition of the portfolio: credit quality; granularity; diversification, etc;
- Level of Financial Benefit compared to standard pricing conditions;
- Quality of the implementation proposal: *rollout strategy*; proposed volumes; proposed *pricing policy*; financial benefit, etc

# Application and Approval

## BPI's Process Overview

- **Submission of EOI** to become an InnovFin Intermediary: 17/10/2014
- **Due diligence** cc meeting: 29/10/2014
- **EIF Board Approval:** 17/11/2014
- **Signature of InnovFin SME agreement:** 19/12/2014

➤ **BPI** is the 1<sup>st</sup> Portuguese bank (2<sup>nd</sup> in Europe) selected to act as a financial intermediary under the **InnovFin SME facility**.

➤ **BPI** was the 1<sup>st</sup> Portuguese bank selected to act as a financial intermediary under the **RSI facility**.



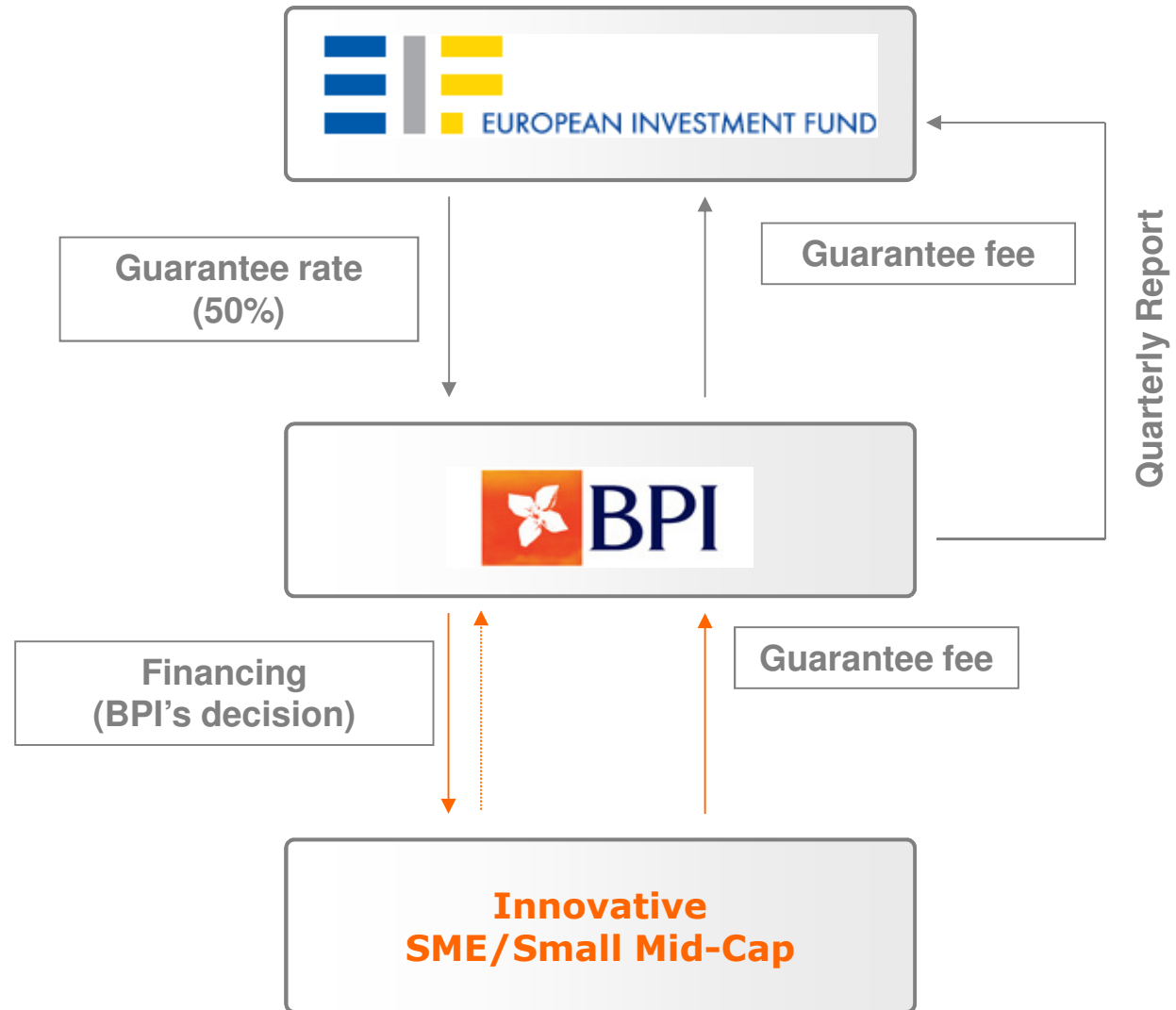
O BPI e o FEI assinam o primeiro acordo de garantia InnovFin em Portugal no âmbito do Programa Horizonte 2020 para o financiamento de empresas inovadoras.

The screenshot shows the website of the European Investment Fund (EIF). The header includes the EIF logo and the tagline "Supporting entrepreneurship and innovation in Europe". Navigation links for "Home", "Contact us", and "Sitemap" are visible. A search bar is present. The main content area features a navigation menu with "Who we are", "What we do", and "News & Publications". The "News & Publications" section is active, displaying a news article titled "First RSI guarantee agreement in Portugal for innovative businesses" dated 17 April 2013. The article text states: "18/11/2013 - Please note that the guarantee made available to BPI under the RSI agreement with EIF has been increased and now reads EUR 160 million. For more information kindly refer to the Portuguese press release issued by BPI." It further explains that the EIF and BPI have signed a guarantee agreement to support lending to small and medium-sized enterprises (SMEs) under the Risk Sharing Instrument (RSI), a joint initiative of the European Investment Bank Group and the European Commission.

# Structure

## InnovFin SME Guarantee

EIF provides guaranties (with EU support) to cover (50%) of potential losses on a Eligible Portfolio of loans



# 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;
- BPI transfers to the client the **Financial Benefit** arising from EIF guarantee;
- **Automatic inclusion** of operations in the portfolio (based on eligibility criteria);
- Monitoring/*follow-up* by EIF (**quarterly reporting** on a loan by loan basis)

*"The origination, due diligence, documentation and servicing of the Beneficiary Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures.*

*(...)*

*Eligible Beneficiary Transactions will be automatically covered, by way of submitting inclusion notices on a quarterly basis until the end of the relevant Inclusion Period."*



## Main advantages

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

# Product Set Up

**Guarantee Agreement establishes several conditions for the implementation of facility, namely:**

- Innovation Eligibility Criteria;
- Final Recipient Eligibility Criteria;
- Final Recipient Transaction Eligibility Criteria;
- Portfolio Eligibility Criteria.

**To ensure the fulfilment of those conditions, BPI put in place several tools and procedures, namely:**

- Standard product features: a specific credit line was created - **Linha BPI/FEI Inovação II**;
- **Standard contract support documentation**, including **commitment letters** for each Innovation criteria;
- **Standard operational procedures**, focusing on the specificities of the InnovFIn Facility, namely Eligibility Criteria:
  - ✓ 1<sup>st</sup> screening/analysis of eligibility criteria is made by the Commercial Teams;
  - ✓ Qualitative assessment of “subjective” Innovation criteria by Special Operations Department (Corporate Banking);
  - ✓ Final documentation verification by Operations Department, within contracting procedures;
  - ✓ Portfolio composition limits periodically monitored by Marketing Department.
- **Standard loan contract** with specific clauses related to the fulfilment of eligibility criteria.

**Objective:** to make the screening and validation of eligibility criteria and the inclusion of loans in the facility as much objective and simple as possible, so that it can be mainly carried out at the commercial and operational levels, with low operational risks

# Linha BPI/FEI Inovação II | Product Features

## Max. Portfolio Volume

- € 200 Mn

## Eligible Transactions

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

## Target Companies

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

which fulfil *Innovation Eligibility Criteria*, as well as other eligibility conditions



# Linha BPI/FEI Inovação II | Product Features



## Maturity

- Min: 1 year
- Max: 10 years

## Grace Period

- Up to 1 year
- Exceptionally, up to 3 years, for loan transactions with maturity larger than 5 years

## Min Loan Amount

- € 25,000/transaction

## Max Loan Amount

- € 7,5 Mn per transaction/company

# Linha BPI/FEI Inovação II | Product Features

## EIF Guarantee Fee

- 0,50% per annum for SMEs
- 0,80% per annum for Small-Mid Caps
- 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)
- *Spreads*: set up on a competitive basis
- BPI transfers to the final beneficiary, the **Financial Benefit** arising from EIF guarantee

**Standard Product features ensure compliance with EIF requirements**

# Linha BPI/FEI Inovação II | Advantages

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

- No consumption of “*de minimis*” aid limit for the final beneficiaries of the line (SMEs and Small Mid-Caps);
- **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.

# Marketing and Promotion

**BPI's InnovFIn implementation strategy (as per the EOI) includes several marketing and promotion initiatives, namely:**

- **External Communication**

- ✓ Press Releases, Advertising
- ✓ BPI Corporate Site
- ✓ BPI Corporate Newsletter
- ✓ Sales Support Material
- ✓ Seminars & Events

- **Internal Communication**

- ✓ Intranet: specific highlights and dedicated product area
- ✓ Internal weekly Newsletter

- **Sales Training and Promotion and Sales Targeting**

- ✓ Internal events with Corporate Centres
- ✓ Sales targets

According to the proposal made to EIF in the EOI to become a financial intermediary in InnovFIn SME Guarantee, **BPI has been making strong marketing and promotion efforts** of the new credit line supported by that Facility, as detailed in the next slides.

# Marketing and Promotion

## External Communication on agreement signature and product launching: Press Release and Advertising

Focus: leveraging on BPI's excellent performance in RSI  
(BPI/FEI Inovação) and the launch of the new Facility



O BPI e o FEI assinam o primeiro acordo de garantia InnovFin em Portugal no âmbito do Programa Horizonte 2020 para o financiamento de empresas inovadoras.

O Fundo Europeu de Investimento (FEI) e o Banco BPI assinaram um acordo para fomentar o crédito a pequenas e médias empresas (PME) bem como a empresas de média dimensão (*mid-caps*) ao abrigo do Programa InnovFin – Financiamento da União Europeia para empresas inovadoras, uma iniciativa apoiada pela Comissão Europeia em nome da União Europeia.

O novo acordo permitirá ao Banco BPI proporcionar às empresas inovadoras em Portugal o acesso a um total de financiamento de 200 milhões de euros nos próximos 2 anos, com o apoio de uma garantia prestada pelo FEI no âmbito do Horizonte 2020 - Programa-Quadro de Investigação e Inovação da UE. A operação permitirá ao Banco BPI disponibilizar financiamento adicional às empresas inovadoras, em condições vantajosas.

Em Lisboa, aquando da assinatura, o Director Executivo do FEI, Pier Luigi Gilbert, afirmou: “É com grande satisfação que assinamos o nosso primeiro acordo de Garantia InnovFin para PME em Portugal, com o Banco BPI. Estamos muito satisfeitos com os resultados alcançados no Instrumento Financeiro de Partilha de Risco assinado com o BPI há um ano e meio e estamos convictos de que, em conjunto, poderemos apoiar ainda mais empresas inovadoras nos próximos 2 anos”.

O Comissário Europeu para a Investigação, Ciência e Inovação, Carlos Moedas, disse: “É com grande satisfação que apresento um acordo que permitirá às empresas inovadoras portuguesas o acesso a uma importante linha de crédito de 200 milhões de Euros nos próximos dois anos. A inovação é a peça-chave do crescimento e da criação de emprego na Europa e o programa Horizonte 2020 o seu principal instrumento. Ao facilitar o acesso das PME a financiamento para investigação e inovação estamos a investir no crescimento da economia portuguesa e da União Europeia”.

Fernando Ulrich, Presidente do Banco BPI, acrescentou: “O BPI é o principal parceiro comercial do Grupo BEI em Portugal na concessão de crédito de médio e longo-prazo a PME e “mid-caps”. Esta posição resulta do desempenho eficaz do Banco em todas as transações e operações anteriormente formalizadas, nomeadamente o inovador Instrumento de Partilha de Risco lançado pelo FEI em colaboração com a Comissão Europeia. Estamos satisfeitos por, mais uma vez, o BPI ter sido o primeiro banco português a ser escolhido pelo FEI para a implementação da Garantia InnovFin para PME. Posso afirmar que continuamos determinados em manter este nível de desempenho nos próximos anos.”

**Linha BPI/FEI Inovação II**

## 200 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) o primeiro acordo de garantia em Portugal ao abrigo do InnovFin, no âmbito do Horizonte 2020, destinado a apoiar empresas inovadoras, em particular PME.

Este acordo enquadra o lançamento da Linha BPI/FEI Inovação II, no montante de 200 milhões de euros, que visa o financiamento de investimentos e de fundo de maneo de empresas inovadoras, com menos de 500 colaboradores, em condições competitivas.

O BPI foi a primeira instituição financeira a lançar em Portugal o Risk Sharing Instrument, antecessor do InnovFin. O Banco liderou a colocação deste instrumento com um total de 160 milhões de euros, beneficiando 220 empresas inovadoras.

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



# Marketing and Promotion

## External Communication

### BPI Corporate site

- Homepage: highlights and news (launch and follow-up)
- Specific page with main details <http://www.bancobpi.pt/empresas/financiamento/investimento/bpi/fei-inovacao-ii>

### BPI Corporate newsletter

### Sales support materials

- Clients' Brochure

## Internal Communication

- Intranet



# BPI's Experience in the RSI Facility

- BPI **RSI Guarantee Agreement** signed on April 17<sup>th</sup> 2013 - Agreed Portfolio Volume: € 60 mn.
- BPI launched a specific commercial product - **Linha BPI/FEI Inovação** - fulfilling all RSI requirements.
- 1st loans granted in the beginning of June.

## Strong performance in the RSI placement



**Facility increase  
(from € 60Mn to € 160Mn) in November,  
7 months after signature**

BPI RSI Facility – Quarterly evolution of the portfolio

