



***“From Microfinance to Inclusive Finance
The EIF experience”***

*fi-compass conference
Rome, 1 Dec 2016*

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Microfinance: objectives and challenges

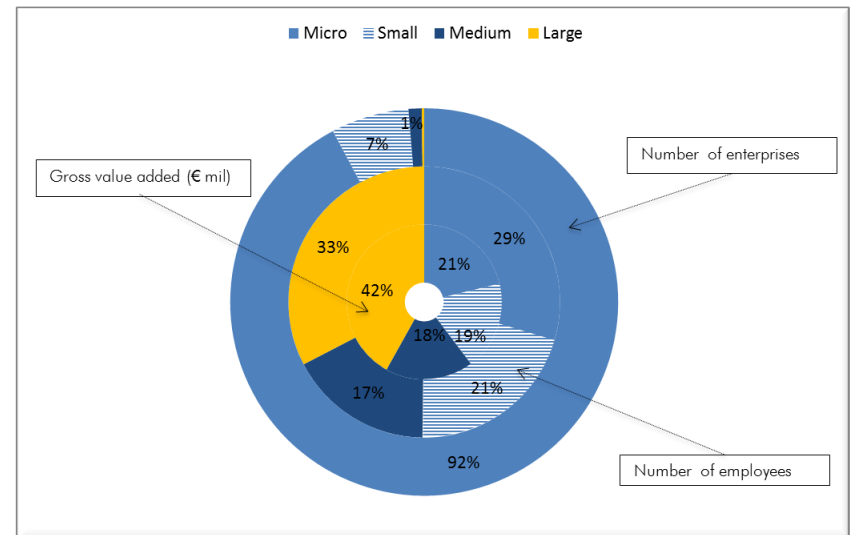
Some figures

- 92% of enterprises in the EU are micro-enterprises
- 99% of the start-ups created in the EU every year are micro-enterprises and small enterprises
- 33% of these start-ups are launched by unemployed persons

This means:

- ✓ Microfinance is an important market segment and has a social as well as financial component (“growth creating engine”)

Remember our starting point:



Challenges of the European Microfinance Market



- ✓ Market is highly heterogeneous & less developed than microfinance market outside Europe
- ✓ Broad range of microfinance institutions (e.g. small non-profit organisations or governments-owned development agencies, large commercial banks)
- ✓ Broad range of microfinance services (heavily subsidised vs. fully risk-priced)
- ✓ Country-specific features, depending on legal framework, economic realities, social inclusion programmes etc.
- ✓ Eastern vs. Western Europe microfinance market

Ensuring a maximum outreach through a flexible investment approach



EIF

Microfinance activity overview

Role of EIF as Catalyst of the European Microfinance Market



- Dedicated Microfinance Team
- Microfinance expertise and established track record
- Financing capacity
- Diverse product offering
- Geographic outreach
- Wide outreach to broad range of financial intermediaries
- Thorough value added and social performance assessment

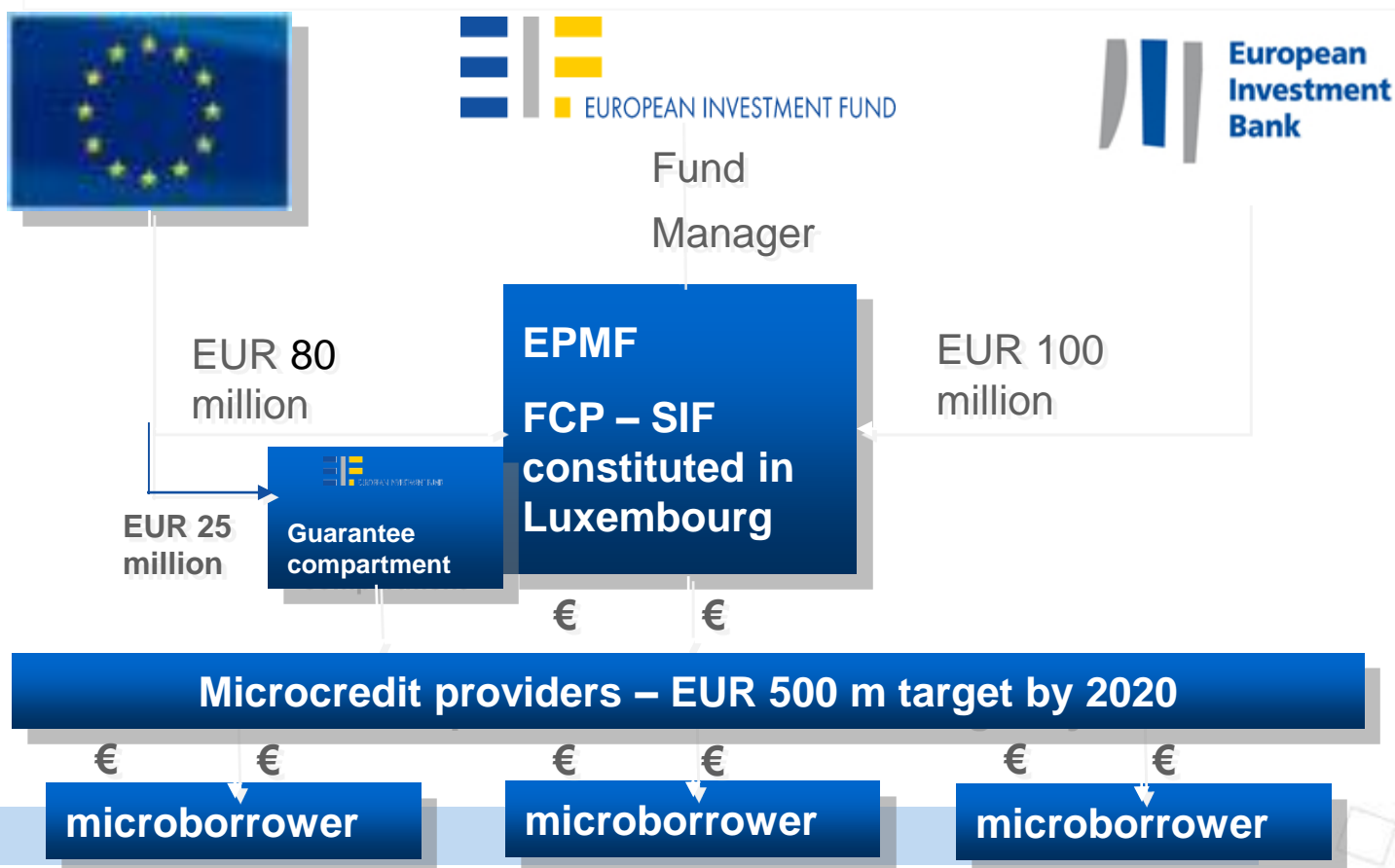


Progress microfinance: fund management

Instruments to support the EU microfinance industry

- EPMF is a EUR 180 m investment fund + a EUR 25 m guarantee compartment
- It is implemented by financing, guaranteeing and investing in institutions that have the capacity to distribute and originate microloans

“...EIF is specialized in developing financial solutions for the development of the European Microfinance sector...”



“ A new programme to support **micro-enterprises and social entrepreneurship** ”



Microfinance

Objective:

- Increase access to microfinance for **vulnerable persons, micro-enterprises** in both start-up and development phase
- Build up the **institutional capacity of micro-credit providers**

Social Entrepreneurship

Objective:

- Support the **development of the social investment market**
- Facilitate **access to finance** for social enterprises

EaSI products

EUR 193m EC + potential additional funding from EIB group
EU28, Iceland, Turkey, FYROM, Montenegro, Serbia, Albania (+ potentially others)



Guarantee

- Guarantee rate **up to 80%** of the microloan – Cap rate **up to 30%** based on E(Losses) of the portfolio
- Guarantee premium does not apply
- **Maximum Loan Amount:** up to EUR 25,000 for MC and EUR 500,000 for SE
- **Up to 5 years availability period** for building up the portfolio
- **No capital charge** (0% RWA) for counterparty risk on the covered part of the micro-loan, given the **EIF's status as Multilateral Development Bank**

Cash products*

Senior Loan

| | |
|-----------------|---------------------------------|
| Exposure Limit: | max 100% of Equity |
| Maturity: | long-term |
| Currency: | EUR or local currency |
| Pricing: | market rates, fixed or floating |
| Security: | None |

Sub Loan / Quasi-equity

| | |
|------------|-------------------------------|
| Type of FI | green field / start up |
| Purpose | capacity building |
| Structure | direct / indirect investments |

* Available from Q1-2017



EIF's Microfinance outreach

*Social impact results**



122
contracts

71 portfolio
guarantees
51 loans
(senior loans,
subordinated loans
and risk sharing
facilities)

24
in EU
countries

Actual:
EUR 440m
of micro-credits
already supported

49,800
micro-enterprises
already supported

45%
unemployed

18%
with no or only
primary education

86,950
Jobs preserved

88%
start-ups**

37%
female
micro-entrepreneurs

* Under the EU programmes "PROGRESS" and "EaSI". Figures as at Mar-16, except social/impact outreach distribution updated at Sep-15

** Established no earlier than 3 years

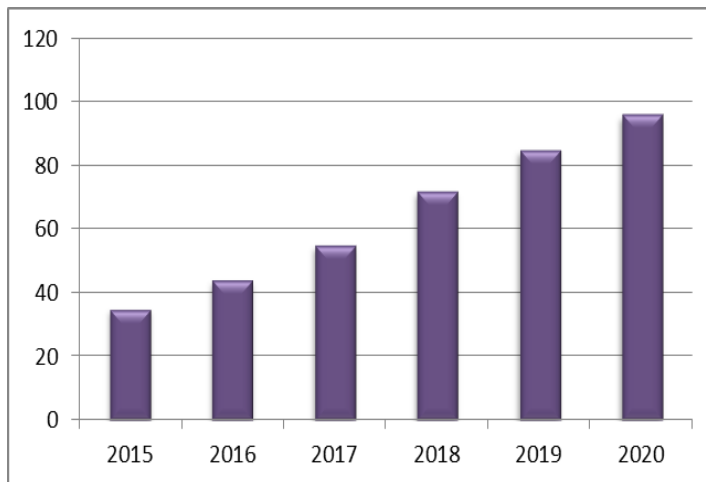
EFSI impact

EaSI Guarantee frontloading

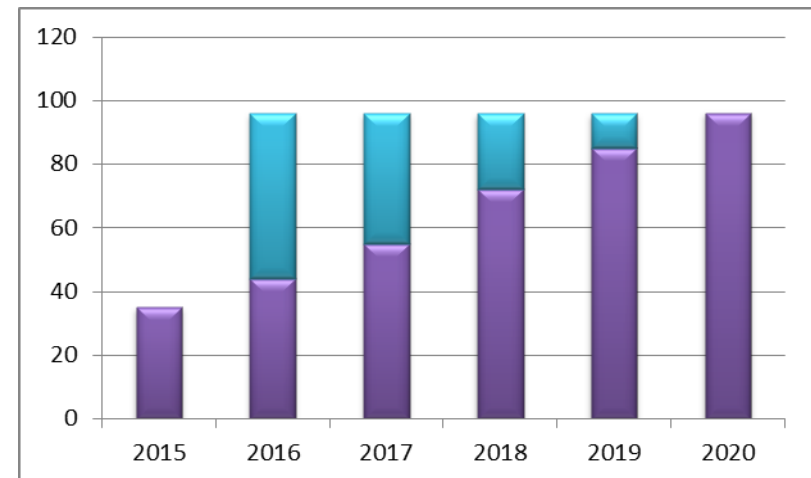
- High value added of Frontloading
 - Enables faster rollout in spite of annual budgetary contribution cycle
 - In lieu of EU Contribution Committed 2016-2020
 - Micro and social enterprises will have faster access to finance
- Modus operandi
 - First, EU Contribution Committed 2014-2015 to be used
 - Second, additional commitment capacity provided by unfunded credit protection from EIB to EIF. EIB would be counter-guaranteed by EU under EFSI
- Annual budgetary appropriations beginning from 2016 will steadily amortize EFSI guarantee

Frontloading concept

EaSI G without frontloading (*)



EaSI G with frontloading (*)



(*) volumes in line with the indicative EU Contribution defined in the Delegation Agreement and based on a total envelope of EUR 96m

EU budgetary commitment for 2016-2020 could be available in 2016

EREM CBSI

A new facility for SME lending

EREM CBSI

Objectives of the instrument

Name of the facility

EREM CBSI (EIB Risk Enhancement Mandate – Cooperative Banks and Small Financial Intermediaries)

Objectives

This new funded instrument is intended for small financial institutions and cooperative banks that do not have access to the EIB support programs for SMEs. Financial Intermediaries will lend these resources to SMEs by ensuring a certain leverage.

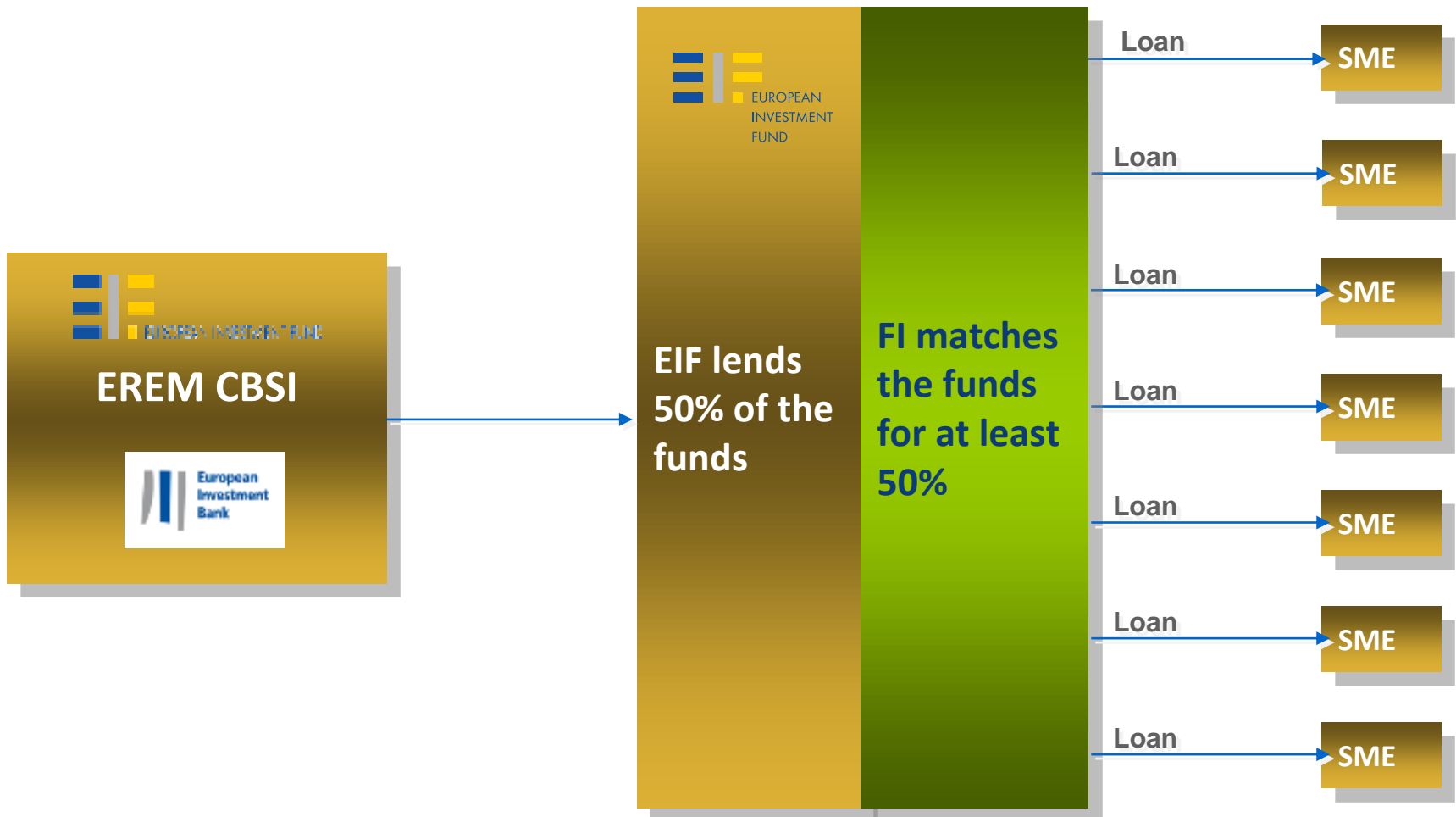
EREM CBSI

Product features

| Product | Senior Loan |
|--------------------------|---|
| Maximum amount available | <ul style="list-style-type: none"><input type="checkbox"/> EUR 12.500.000<input type="checkbox"/> In any case no more than 50% of FI total equity |
| Maturity | <ul style="list-style-type: none"><input type="checkbox"/> Long term - up to a maximum of 10 years<input type="checkbox"/> Grace period negotiable up to 2 years |
| Use | <ul style="list-style-type: none"><input type="checkbox"/> Loans to SMEs |
| Leverage | <ul style="list-style-type: none"><input type="checkbox"/> The financial intermediary has to originate a portfolio which is at least twice the loan received (50% of the portfolio financed with own funds) |
| Collateral | <ul style="list-style-type: none"><input type="checkbox"/> Unsecured |

EREM CBSI

Product structure



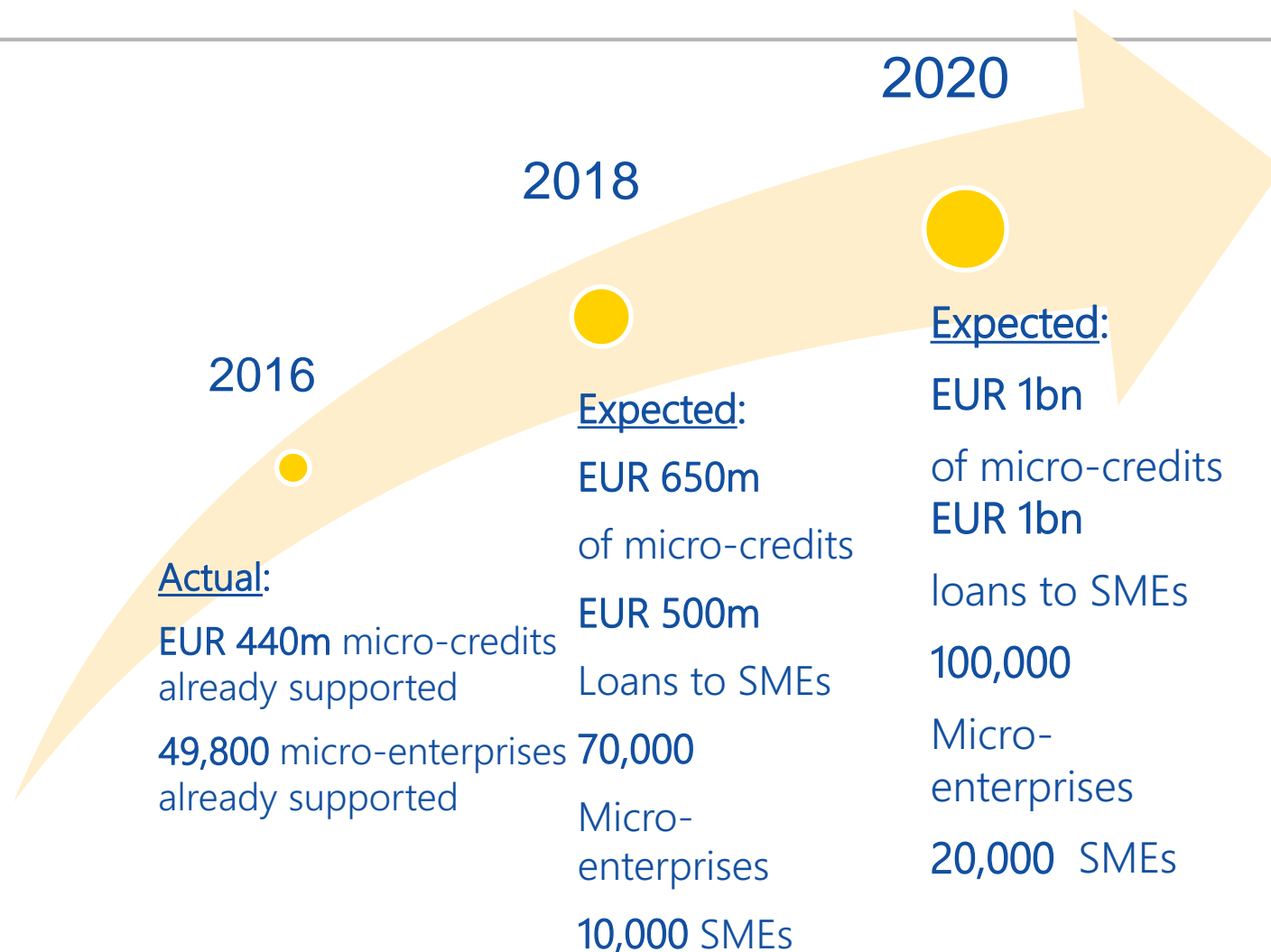
EREM CBSI

Final recipient transactions

| Product | Loans to SMEs |
|--------------------|--|
| Loan amount | <ul style="list-style-type: none"><input type="checkbox"/> From EUR 25,000 to EUR 500.000<input type="checkbox"/> Below EUR 25,000 if covered by EaSI micro guarantee<input type="checkbox"/> A single loan cannot be above 5% of the total loan amount committed by EIF to the FI |
| Final recipients | <ul style="list-style-type: none"><input type="checkbox"/> SMEs with less than 500 employees |
| Sector of activity | <ul style="list-style-type: none"><input type="checkbox"/> All sector covered including agriculture<input type="checkbox"/> Exception of the exclusion list (alcohol, gambling...) |
| Use | <ul style="list-style-type: none"><input type="checkbox"/> Medium/long term investments, working capital, overdraft, leasing |
| Maturity | <ul style="list-style-type: none"><input type="checkbox"/> Minimum two years |

EIF's Inclusive Finance outreach

Impact results*



- Under the EU programmes "PROGRESS" and "EaSI" and EIB group EREM CBSI.
- Actual figures as at Mar-16

Conclusions

- Microfinance is crucial for the development of a cohesive and inclusive Europe
- EPMF and EaSI Financial Instruments have shown to be appropriate for the EU diversified microfinance market
- The new EREM CBSI provides important resources for the expansion of the **inclusive finance** sector





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