This presentation was prepared by EIF. The information included in this presentation is based on figures available for April 2013. Any estimates and projections contained herein involve significant elements of subjective judgment and analysis, which may or may not be correct.
The European Investment Fund: Who we are
EIF is Europe’s leading developer of risk financing for entrepreneurship and innovation

EU specialised institution for SMEs, risk financing Ventures Capital and Mezzanine (fund of funds)
Structuring and Guaranteeing portfolios of SME and microfinance loans/leases
Funding and investing activities in the field of microfinance

Geographic Focus / Intermediaries
EU 27, EFTA, Candidate Countries
Distributing through Banks and Funds

Authorised Capital
€ 3bn
EIB: 61%
EU: 30%
Fin. institutions: 9%

AAA rated

Staffing, Culture and Values
Leading-edge modern institution
Adapting to changing market conditions
Attracting talented staff
High standards of compliance and integrity

Dual Objective of Meeting EU Policy Goals & Generating a Satisfactory Return on Equity
European Progress Microfinance Facility (EPMF)
EIF offers 360° solutions to institutions that operate/plan to operate in EU’s MF sector

Global Objectives
- Generate employment and foster economic development in EU MS
- Increase access to finance for entrepreneurs, unemployed, vulnerable groups, etc.

Operational Capabilities
- Equity and debt to enhance operational capabilities i.e. branch expansion, IT, hiring of staff, etc. (EPPA*, EPMF II**?)
- Technical assistance (JASMINE***)

Financing Capabilities
- Senior Debt (EPMF)
- Subordinated Debt – Lower Tier II (EPMF)
- Hybrid Debt (EPMF)
- Equity (EPMF)

Risk Absorption Capabilities
- Risk hedging through guarantees (CIP*, EPMF, JEREMIE**)
- Products that combine funding and risk hedging elements (EPMF RSI***, JEREMIE)

* European Parliament Preparatory Action (funds entirely disbursed)
** Programme under development for next budgetary period
*** Joint Action to Support Microfinance Institutions in Europe

* Competitiveness and Innovation Framework Programme (2007-2013)
** Joint European Resources for Micro to Medium Enterprises
*** Risk-Sharing Instrument
EPMF is the EUR 200 mm European Microfinance Facility for employment & social inclusion managed by EIF on behalf of the European Commission and EIB

Main purpose of the facility
- To support the development of entrepreneurship activities and micro-enterprises, especially in the social economy
- Particular focus on, but not restricted to the following groups:
  - Female entrepreneurs
  - Young entrepreneurs
  - Entrepreneurs belonging to a minority group or with a disability
  - Sole traders

Facility framework
- EUR 75 m from DG EMP (budget over 4 years) matched by EUR 100m from EIB
- Key deliverables are a gradual social & economic impact over EU-27 member states
- Microfinance activities in the EU are to become a core business line, managed by EIF, in the EIB group
- Contribute to the creation of a sustainable Microfinance industry in both Eastern & Western Europe

“Microcredits are loans (including leasing) lower than EUR 25,000 lent to microenterprises (definition 2003/361/EC), including the self-employed...”
EIF acts as EPMF’s Fund Manager

Instruments to support the EU microfinance industry

- EPMF is a EUR 175 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 specialised in developing financial solutions for the development of the European Microfinance sector...”
How can EPMF collaborate with institutions that provide microfinance?

Typical P&L of an MFI

<table>
<thead>
<tr>
<th>Revenues</th>
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<tbody>
<tr>
<td>+ Interest income</td>
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<tr>
<td>- Interest Expense</td>
</tr>
<tr>
<td>= Net Interest Income</td>
</tr>
<tr>
<td>+ Fees</td>
</tr>
<tr>
<td>+ Other revenues</td>
</tr>
<tr>
<td>= (A) TOTAL INCOME</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- SG&amp;A</td>
</tr>
<tr>
<td>- Other operational costs</td>
</tr>
<tr>
<td>= (B)TOTAL OPERATIONAL COSTS</td>
</tr>
<tr>
<td>(A) - (B) NET OPERATIONAL INCOME</td>
</tr>
<tr>
<td>- Provision expense</td>
</tr>
<tr>
<td>+/- Extraordinary Income / losses</td>
</tr>
<tr>
<td>+ Subsidies</td>
</tr>
<tr>
<td>= Profit Before Tax</td>
</tr>
<tr>
<td>- Tax expense</td>
</tr>
<tr>
<td>= NET INCOME</td>
</tr>
</tbody>
</table>

Microborrowers

<table>
<thead>
<tr>
<th>ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building + Fixed Assets</td>
</tr>
<tr>
<td>+ Debt Obligations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liab. + SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
</tr>
<tr>
<td>+ Quasi-Equity Obligations</td>
</tr>
</tbody>
</table>

Senior Loan ; RSL (funding element)

Subordinated Loan

Equity

Guarantee ; RSL (risk coverage element)
EPMF is designed to provide tailored funding to eligible intermediaries through different types of financial instruments

- Public and private bodies which provide Micro-finance to Micro-enterprises (as defined in Commission Recommendation 2003/361/EC) in the EU Member States. These include:
  - Financial institutions (Bank and non-bank)
  - Microfinance institutions
  - Any other public and private bodies established on national, regional and local levels in the Member States which provide microfinance to persons and micro-enterprises in the Member States

- Selection criteria:
  - Financial standing
  - Commitment to Micro-finance
  - Expected impact in terms of financing volumes (i.e. # of beneficiaries, geographic reach, etc.)
  - Commitment to Social and Financial objectives (sustainability)

EPMF can work with both established and incipient intermediaries involved in microfinance
Evolution of EPMF to date
To date EPMF has committed a total of EUR 114m across 15 EU Member States.

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume (Guarantees)</th>
<th>Commitment (Loans)</th>
<th>Total</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>4,000,000</td>
<td>0</td>
<td>4,000,000</td>
<td>1.69%</td>
</tr>
<tr>
<td>Belgium</td>
<td>4,400,000</td>
<td>0</td>
<td>4,400,000</td>
<td>1.86%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0</td>
<td>17,500,000</td>
<td>17,500,000</td>
<td>7.38%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0</td>
<td>8,000,000</td>
<td>8,000,000</td>
<td>3.37%</td>
</tr>
<tr>
<td>France</td>
<td>33,600,000</td>
<td>2,000,000</td>
<td>35,600,000</td>
<td>15.01%</td>
</tr>
<tr>
<td>Greece</td>
<td>6,000,000</td>
<td>8,750,000</td>
<td>14,750,000</td>
<td>6.22%</td>
</tr>
<tr>
<td>Ireland</td>
<td>11,100,000</td>
<td>0</td>
<td>11,100,000</td>
<td>4.68%</td>
</tr>
<tr>
<td>Italy</td>
<td>0</td>
<td>15,750,000</td>
<td>15,750,000</td>
<td>6.64%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>2.11%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>47,400,000</td>
<td>0</td>
<td>47,400,000</td>
<td>19.99%</td>
</tr>
<tr>
<td>Poland</td>
<td>16,723,000</td>
<td>3,771,074</td>
<td>20,494,074</td>
<td>8.64%</td>
</tr>
<tr>
<td>Portugal</td>
<td>3,150,000</td>
<td>8,750,000</td>
<td>11,900,000</td>
<td>5.02%</td>
</tr>
<tr>
<td>Romania</td>
<td>8,000,000</td>
<td>16,473,462</td>
<td>24,473,462</td>
<td>10.32%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0</td>
<td>8,750,000</td>
<td>8,750,000</td>
<td>3.69%</td>
</tr>
<tr>
<td>Spain</td>
<td>0</td>
<td>8,000,000</td>
<td>8,000,000</td>
<td>3.37%</td>
</tr>
</tbody>
</table>

As of 28/02/2013, all amounts in euro.
How to work with EPMF
EPMF – Selection Process

- First Screening
- Due Diligence Meetings
- Commercial & Legal Negotiations
- Team Recommendation
- Approval Process by the Board of Directors
- Monitoring
- Closing / Signature / Commitment
- Investments
- Risk & Portfolio Management
- Legal Due Diligence
- Compliance

Note: to apply for a guarantee under EPMF, please send an application through EIF’s web site www.eif.org
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