

PLANTING SEEDS FOR SUCCESS

ANNUAL REPORT 2015



INNOVATING FINANCE –
A FOCUS ON AGRICULTURE

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MISSION STATEMENT

The EFSE aims to foster economic development and prosperity in the Southeast Europe region² and in the European Eastern Neighbourhood region³ through the sustainable provision of additional development finance, notably to micro and small enterprises and to private households, via qualified financial institutions.

In pursuing its development goal the fund will observe principles of sustainability and additionality, combining development and market orientations.

¹ This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

² The Southeast Europe region in the context on this Annual Report comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Kosovo¹, Montenegro, Romania, Serbia and Turkey.

³ The European Eastern Neighbourhood region in the context of this Annual Report comprises Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.

OUR INVESTORS

DONOR AGENCIES



European Investment Fund
and KfW as Trustees for the
European Commission



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra



Swiss Agency for Development
and Cooperation SDC



Federal Ministry
for Economic Cooperation
and Development



AUSTRIAN
DEVELOPMENT
COOPERATION





INTERNATIONAL FINANCIAL INSTITUTIONS



International
Finance Corporation
WORLD BANK GROUP



Entrepreneurial
Development
Bank



European Bank
for Reconstruction and Development




European
Investment
Bank




Oesterreichische Entwicklungsbank AG


PRIVATE INSTITUTIONAL INVESTORS




SAL. OPPENHEIM




CREDIT
COOPERATIF



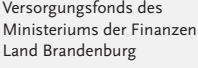
GOOD
GROWTH
FUND



Steyler Ethik Bank



financeinmotion
INVESTING IN DEVELOPMENT



Versorgungsfonds des
Ministeriums der Finanzen
Land Brandenburg

THE FUND'S OTHER PRIVATE INVESTORS PARTICIPATE VIA



SAL. OPPENHEIM

KEY FIGURES 2015

156,404

active sub-borrowers

879.0

MILLION EUROS

in outstanding sub-loans

1,214.1

MILLION EUROS

in investor commitments

944.1

MILLION EUROS

in outstanding investments

76

partner lending institutions

18 %

share of private capital
invested in the fund
(based on investor commitments)

82 %

share of public capital
invested in the fund
(based on investor commitments)

2.9

MILLION EUROS

project volume approved
for the EFSE Development Facility

SINCE THE EFSE'S INCEPTION IN DECEMBER 2005

5.0

BILLION EUROS

of micro and small enterprise
and housing loans disbursed

722,995

micro and small enterprise
and housing loans disbursed

2.0

BILLION EUROS

in committed investments
to partner lending institutions

> 600,000

jobs secured or created
through the EFSE's investment
activities

297

EFSE Development Facility
projects approved for institutional
capacity building, financial sector
support and applied research

13.9

MILLION EUROS

for EFSE Development Facility
projects approved for institutional
capacity building, financial sector
support and applied research

33 %

contribution of partner lending
institutions to project costs
related to individual technical
assistance

LETTER FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

“The best way to remain prosperous in a rapidly changing world is through the ability to innovate, a characteristic that has been part of the EFSE’s DNA since its inception in 2005.”

In 2015, the EFSE region was again confronted with ongoing economic and political change. Record-low interest rates and unpredictably high liquidity persisted as central bankers attempted to spur growth by feeding the market cheap money. South-east Europe also faced additional humanitarian challenges as it became the transit region for refugees from in and around Syria making their way to Western Europe.

In volatile times like these, steadfast yet flexible structures such as the EFSE that can adapt to vacillations in the growth cycle and negative externalities are needed more than ever. The EFSE’s high efficiency and ability to deliver on its development agenda in combination with low impairment figures illustrates its firm roots in the regions it serves. While the investment portfolio remained constant in 2015, the fund persevered and grew its outstanding sub-loans by 10%. Going forward, the EFSE seeks to continue its modest growth while operating responsibly. This strategy places the fund’s focus on qualitative growth.

Agricultural finance is one of the cornerstones of the qualitative growth agenda. Increased farming activity can boost employment as a whole because the agricultural sector in countries the fund serves provides an average of 19% of all jobs. The sector also remains an important contributor to national economies, with agriculture generating an average of 11% of GDP in fund countries.

Conversely, the agricultural sector remains vulnerable to meteorological risks at a time when climate change has been increasing the frequency and severity of catastrophic events such as floods and droughts. Fortunately, technical innovations can mitigate such meteorological risks, and some of the latest advances in the sector include new irrigation technologies and systems, the collection and reuse of waste water, hardier seeds, and improvements to infrastructure for combatting natural disasters.

Broader innovations will be needed should the countries the EFSE serves enter the European Union. Agricultural producers may need to meet EU requirements for consumer protection, including guidelines on the use of pesticides and product hygiene. Furthermore, suppliers to the agricultural industry will have to fulfil EU requirements in areas such as packaging, which will demand a stronger integration of the value chain.

Agricultural producers and the financial sector need to work hand-in-hand to address present and upcoming challenges and create innovative solutions. Currently, progress is being made in a large number of lighthouse projects in agricultural finance, and a wide range of applications have proven successful on the ground. These are the kinds of stories proudly presented in this year’s EFSE Annual Report.

The best way to remain prosperous in a rapidly changing world is through the ability to innovate, a characteristic that has been



part of the EFSE’s DNA since its inception in 2005. One way to improve the quality of our portfolio remains novel methods of financing, both in the form of innovative products in the financial sector and those developed with end-clients. Currently, innovation ranks high on the financial sector’s agenda in the form of Fintechs, which apply technology to augment the efficiency or delivery of financial services at scale. Such changes have been disrupting the traditional businesses of financial institutions, a trend made impressively evident during lively discussions at the 2015 EFSE Annual Meeting in Berlin. Another important topic on the fund’s innovation agenda are partnerships to combat youth unemployment and promote social entrepreneurship in the regions the fund serves.

Since the EFSE accompanied its local partners during the growth phase of the past decade, the fund remains ready,

willing, and able to stand shoulder to shoulder with its partners during the current phase of consolidation. The fund has always bolstered its efforts with its own quality and innovation and shared these advantages with its numerous partners over the years. These and the wide range of the fund’s other strengths will form the core of EFSE partnerships for many years to come.

MONIKA BECK

GREETINGS

RISING TO THE CHALLENGE

Two thousand and fifteen was a year of challenges for the EFSE, with rising flows of refugees and falling commodity prices.

In 2015, record numbers of refugees from Africa and the Middle East made their way to Central Europe via the Balkan corridor, challenging social welfare and integration systems. By the end of 2015, the total number of displaced persons had reached a new record of 65.3 million. They were joined by hundreds of thousands of people from the Balkan countries also seeking asylum in the European Union. Most of these people from Serbia, Kosovo*, Albania and neighbouring countries had to return to their countries of origin. This has created new challenges to be addressed in our partner countries. The only way to achieve integration and reintegration of migrants in the Balkans is if we can create sustainable livelihoods. Supporting the creation of new businesses or helping people to find work are particularly essential aspects in this context. Fostering small business and access to finance, the core objectives of the EFSE, have therefore become more important than ever.

A second challenge was the sharp decline in commodity prices, with negative impacts on economic growth. Political tensions in parts of the EFSE region have further aggravated the situation. With the EFSE, the German government has, however, managed to create a reliable instrument that can be used to provide the people of Southeast Europe with effective support on the ground.



DR. GERD MÜLLER
German Federal Minister for Economic
Cooperation and Development

Photo: Bundesregierung/Kugler

The EFSE has thus proved its flexibility and shown itself to be an important stabilising element in an increasingly unstable environment. The EFSE has shown its worth in the face of these challenges and proved its ability to create tailor-made solutions. The EFSE, as the key public-private partnership agent in the region, managed to place sub-loans totalling EUR 880 million in 2015.

The EFSE, which was initiated by the Federal Ministry for Economic Cooperation and Development (BMZ) and launched together with KfW in December 2005, is thus helping to strengthen economic development in Eastern and Southern Europe, the Caucasus and the region neighbouring the EU. The BMZ is supporting the transformation and reform processes in these regions by means of innovative and new approaches in development cooperation. The EFSE is constantly being further developed and modified to meet changing needs. It serves not only stronger integration in Europe

and stability and peace in the region, but also efforts to jointly address global issues that are important for the future. The progress and outlook may be different for the various countries, but they all share a common history of transformation, and a common future.

EFSE AS A KEY PROVIDER OF FINANCIAL SUPPORT TO RURAL DEVELOPMENT

Having now passed its 10th year of activity, the EFSE continues to contribute to all-important economic growth, development and stabilisation in its regions of operation. The European Commission's contribution to the fund's first-loss cushion alongside other important investors has no doubt played a part in attracting vital private capital and, via the EFSE's diversified investment structure, a large number of targets have been achieved in supporting micro and small enterprises across many countries and sectors. Indeed by the end of 2015, and in South Eastern Europe alone, the EFSE has disbursed over EUR 3.8 billion to end-borrowers.

One sector in particular where the EFSE has had a notable impact is that of agriculture and rural development. The agricultural sector in some of the EFSE's target countries accounts for over 30 % of all employment, with some countries even approaching 50 %. Besides creating and sustaining jobs, agriculture contributes on average 10 % of the GDP across the countries where EFSE operates.



For the European Commission, agricultural support is a fundamental part of EU policy focus in sustainable rural development, in establishing a fair standard of living and for promoting safe food supply chains in regions which most need it. The EFSE clearly stands hand in hand with us on the road to reaching these goals.

CATHERINE WENDT
Acting Director for DG NEAR,
Western Balkans,
European Commission

A PATHFINDER FOR IMPACT INVESTMENT

As both the initiator and a founding investor of the EFSE, we at the KfW are pleased to report that as the fund navigates the first year of a second decade in impact investing, it remains a catalyst for innovation in development finance and consistently finds solutions to the most pressing of problems. One cannot stress enough the fund's ability to create opportunities for people in developing countries by supplying them with financing, the foundation for entrepreneurship.

The EFSE has placed special emphasis on agricultural finance as a means to alleviate poverty and generate both income and employment, as well as combat urban migration. The fund also endeavours to improve food security, which promotes overall economic strength and the independence of partner countries.

The agricultural finance sector has long been overlooked by traditional banks, most likely because it requires specific know-how and faces seasonal variations and weather risks. We at



the KfW are proud to point out that the EFSE continues to help its partners overcome such obstacles by providing innovative credit technologies such as agricultural scorecard systems and IT-based credit solutions.

With more than a decade on the ground, the EFSE has become a touchstone for the impact investment community. The fund's experience in its regions of responsibility remains unmatched, and we are quietly confident the EFSE will lead by example as it continues to provide assistance to those in need well into the future.

DR. NORBERT KLOPPENBURG
Member of the Executive Board of
KfW Bankengruppe

*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

LETTER FROM THE FUND MANAGER AND ADVISOR

The year 2015 was marked by continuing challenges in the markets we serve. We faced shallow growth dynamics, pronounced political instability and conflicts combined with high levels of liquidity in numerous locations. Against this background, the fund entered a consolidative mode; development of the investment portfolio was little changed, growing a net EUR 3.6 million during the year to EUR 944.1 million in December 2015. More specifically, the fund advisory team – which witnessed the second-highest level of annual investments ever – adopted an even more prudent and selective methodology for choosing focal markets and partner lending institutions (PLIs) eligible for new funding. This approach allowed us to fulfil our core principles for responsible lending: disbursing funds where there is a clear need and where we create strong impact in line with the fund’s overall mission. We are therefore proud to report that the 2015 on-lending rate – the level at which PLIs deployed EFSE funding – was consistently at nearly 100%, a record high that underscores the efficacy of our funds in development. At the same time, we held the level of impaired assets at 0.4% without recording a capital loss, an outstanding achievement from our perspective considering the challenging operating environment.

This year of qualitative growth heralded several new initiatives to promote the development agenda of the fund, particularly in the areas of combating youth unemployment, fuelling local currency lending and expanding agricultural finance. For example, we opened a local currency window for Ukraine to offer much needed hryvnia funding in a country exposed to volatile currency movements. In addition, we started discussions on the development agenda for the next five years, and considerations include support of disruptive yet responsible business models in the innovative field of Fintech. All current and future initiatives have one common denominator: their positive effect on our end-clients, who include micro and small entrepreneurs and low-income households. Our initiatives also contribute to healthier, more resilient financial sectors and financial ecosystems.

Another important and successfully managed milestone of the year was the rollover of around 30% of the total funding base, or a value of about EUR 290 million. At the same time, the fund attracted an increased number of private institutional investors, and this subset of shareholders raised its funding contribution to EUR 223 million, or a relative share of 18% of the total capital base. Both the successful rollover and the growth in private capital contributions demonstrate the success of the public-private partnership model.

For the EFSE, the event of the year was our 10-year anniversary celebration. More than 300 guests, including the founding fathers and mothers of the fund, gathered in Berlin in November 2015 to take stock of the achievements. At the same time, the event was designed to set the development agenda for the years to come. While we believe the fund’s past decade has demonstrated more than enough crisis-resilience, elasticity, and strength to deliver development impact effectively and efficiently, our job is still far from complete: New challenges facing our end-clients and the markets we serve call for continuous reflection, renewal, and innovation.

Through their leadership, the EFSE Board of Directors, the Investment Committee and the Development Facility Committee have helped create an environment critical to both the success of the fund and the confidence with which we face the challenges ahead. We are deeply thankful for their guidance and continuous support. By the same token, we know many more stakeholders have made important contributions, including a large group of investors who have entrusted their capital to the fund, PLIs, representatives from central banks and financial sector institutions in our markets, and service providers. We will continue our partnerships in the spirit of trustful cooperation, transparent and open communication, and our strong commitment to advancing the EFSE development agenda.

With such a committed group of diverse stakeholders supporting the EFSE at both the strategic and operational level, we stand ready to shape the development agenda of the fund and will continuously strive to steadily deliver strong results at all levels in the years to come.



JENS GILTJES

Vice President,
Oppenheim Asset
Management Services

FLORIAN MEISTER

Managing Director,
Finance in Motion

SYLVIA WISNIWSKI

Managing Director,
Finance in Motion

ELVIRA LEFTING

Managing Director,
Finance in Motion

THOMAS ALBERT

Managing Director,
Oppenheim Asset
Management Services

INNOVATING FINANCE – A FOCUS ON AGRICULTURE

HELPING CLIENTS ON THE GROUND

INNOVATING FINANCE
A FOCUS ON AGRICULTURE

OUR END-CLIENTS

- Combined agriculture – Helping an agricultural business in Montenegro expand operations
- Increasing productivity – Supporting technology upgrades in Turkey that increase farming output
- Entrepreneurship in practice – Reviving and reapplying farming knowledge in Ukraine

COMBINED AGRICULTURE

FATMIR SPAHIĆ, MONTENEGRO

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



NAME: Fatmir Spahić
BUSINESS: Vegetable farmer
PLI: MFI Alter Modus
COUNTRY: Montenegro

“We realized that without investment there is no progress; every good investment gives multiple returns.”

FATMIR SPAHIĆ



Fatmir Spahić and his company had a problem. “Although my family has been in business since 2001, we were finding that to expand our agriculture operations, we needed more financing. As we did not have enough capital to invest back into the business, we turned to MFI Alter Modus.”

Spahić outlined the situation. “We saw that there was a market and a need for our products. We started out with 1,700 m² of greenhouses and achieved most of our sales in the town of Bar. All the employees in the business were family members, and we tried to keep the profits within the family to reinvest them. After receiving our loan from MFI Alter Modus, we expanded our operations with 500 m² of greenhouses and increased the workforce to also include seasonal workers.

“One of the best investments with the loan was to buy two machines – a dredge and a combine – which cut down on labor time and made our business more efficient. With sales being made in the towns Bar and Budva, we looked at starting an olive grove, and with the help of the loan, we now have an olive grove of 170 trees.”

Today, Spahić is considering the purchase of a truck and replanting the orchard next year. “This was all possible because of the quick and timely loan processing from MFI Alter Modus”, Spahić added.

INCREASING PRODUCTIVITY

MEHMET HOŞÇA, TURKEY

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



NAME: Mehmet Hoşça
BUSINESS: Corn and rice farmer
PLI: Şekerbank
COUNTRY: Turkey

“With the help of Şekerbank, I have managed to expand my farm to grow more produce and buy equipment for planting and harvesting.”

MEHMET HOŞÇA

Mehmet Hoşça is a farmer in the village of Sultaniye in Turkey, and he has been in business since 2003. Although he has managed remarkably well without the help of a bank for over a decade, he recognised that to expand and be more efficient, he needed financing. That is when he turned to Şekerbank.

“I have been growing corn and rice for many years now, and it is very hard work. But I saw that there was a local need and that I would have a market for my produce. In the first year, I had three employees working a small farm, and I catered to serve the village locals who were my customers.”

“Now I have four employees who work the farm producing corn and rice, and I have plans to expand.” With the help of Şekerbank, Hoşça managed to accelerate the preparation process of planting, which was otherwise labor-intensive. He has faced challenges such as plowing the farm while trying to keep down costs which can escalate quickly, especially for large areas. “With the help of Şekerbank, I have learned that technology is the way to go and makes our lives easier by increasing productivity and decreasing the costs.”

ENTREPRENEURSHIP IN PRACTICE

ALEKSANDR LEONIDOVICH KOLOTUTSKIY, UKRAINE

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



NAME: Aleksandr Leonidovich Kolotutskiy
BUSINESS: Crop farmer
PLI: ProCredit Bank
COUNTRY: Ukraine

“I am proud of the success I have achieved, and that I was able to put my earnings back into the business.”

ALEKSANDR LEONIDOVICH KOLOTUTSKIY

Aleksandr Leonidovich Kolotutskiy was ready for a change. “I worked as the head of a collective farm, and after that, I wanted to develop my own agriculture business. Having years of experience, I was confident about starting my own business, and this prompted me to buy 50 hectares of land to create my own farm.”

The business, which he started in 1993, concentrated on growing crops like wheat, barley, corn, sunflowers, turnips and sugar beets. To accommodate the rising demand, a storage space was created with a dryer, a laboratory, a workshop, a garage and an office area.

When Kolotutskiy first approached ProCredit and successfully secured a loan for his business, he couldn't have known about the coming drought that same summer. But ProCredit remained by his side, enabling him to increase his workforce to 40 and upgrade his vehicle fleet. With the help of ProCredit, he is hoping to expand his farm land to 1,500 hectares and extend his activities to include horticultural equipment.

“I am proud of the success I have achieved and that I was able to put my earnings back into the business,” Kolotutskiy said. A real concern for him is the unstable pricing policy of agricultural products, and he is grateful to ProCredit for their understanding and professional service just when he needed it most.

AGRICULTURAL FINANCE – ADAPTING TO A 'GROWING' WORLD

One fact many people may fail to realise is agriculture's importance to the world economy: The sector accounts for 40 % of global employment, according to Eurostat, the statistics office of the European Union. Centred in rural areas, agriculture pays two-fifths of the world's workers, so investing in the sector can clearly help improve job security and reduce poverty in the countryside. As a consequence, farming growth can also curtail migration from outlying areas to cities, population shifts that often lead to further migration across national borders. That is why in the 10th year of the EFSE, the fund's management decided to further bolster its support of agriculture.

Increasing agricultural output could also have long-reaching effects: The International Finance Corporation, a subsidiary of the World Bank, estimates that to feed the world population of 2050, current levels of food production need to double. To reach this daunting yet attainable goal, agricultural finance will play a pivotal role, especially in developing and emerging economies.

But even as the growing global population hungers for more to eat, climate change endangers food production. And with the threat of more and increasingly inclement weather, agribusinesses seek to shield themselves with new products such as advanced irrigation systems and drought resistant crops. Implementing new technologies generally requires additional money, but agricultural operations lie in rural areas lacking the economic might of population centres. Because country areas are usually poorer than cities, it can be said that rural finance reduces poverty to a greater extent than urban funding while improving financial inclusion in regions generally underserved by traditional financial institutions.

In addition, a sustainable and economically viable agricultural sector makes countries less dependent on food imports. This offers protection against two fickle market forces: Changes in global food prices and foreign exchange rates.

ADAPTING TO SPECIFIC MARKETS

Just as nations often differ in culture and language, agriculture's role in the countries the EFSE serves varies widely in importance. Across all EFSE regions – with minor differences between the European Eastern Neighbourhood Region (ENR) and Southeast Europe (SEE) – agriculture was responsible for an average of 10.5 % of GDP in 2014. This compared to 1.5 % in the European Union, according to Eurostat. The data also place Albania as the most dependent on agriculture among the EFSE countries, with the sector comprising 22.6 % of GDP; Croatia trailed the EFSE group at 4.3 %.

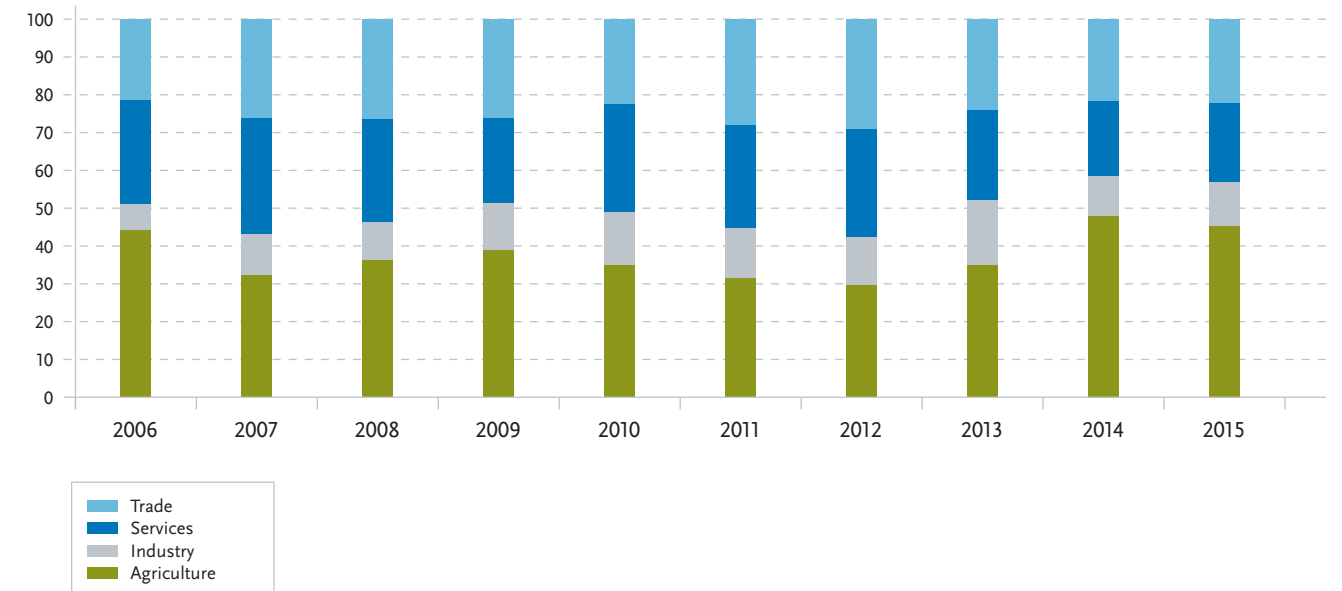
Considering agriculture's importance to GDP and employment, one would expect the sector to attract financing. Sadly, this is not the case because many market participants perceive agriculture as risky. This is why the EFSE has increased its focus on the sector.

AMOUNT OF EFSE SUB-LOANS DISBURSED TO THE AGRICULTURAL SECTOR IN 2015

45 %

CHART 1 MSE SUB-LOANS TO VARIOUS SECTORS (RURAL AND URBAN)

IN %



ADAPTING TO MARKETS WE SERVE

Agriculture already plays a major role at the EFSE. The sector has been the largest industry to be financed with micro and small enterprise (MSE) sub-loans since 2014. In 2015, agriculture received 45 % of the number of sub-loans disbursed, and 33 % in terms of volume. In comparison, the trade sector received 22 % and 27 %, respectively.

The markets the EFSE serves display major differences in sub-loans for agriculture. In 2015, over 40 % of such loans were destined for the sector in Serbia, Armenia or Bosnia and Herzegovina, and up to 100 % of sub-loans in Ukraine supported farms. Conversely, less than 10 % of the sub-loans in Croatia and FYR Macedonia served agriculture. These levels partially reflect the importance of the industry in each market and illustrate that some markets enjoy a larger number of specialized financial institutions for agricultural financing.

Variations between markets and regions also extend to employment in the sector, with the spread ranging from below 10 % in some to over 40 % in Albania. With regards to the two EFSE regions, 25.3 % of the ENR workforce was employed in the agricultural sector in 2014 versus 16.4 % in SEE. The EFSE portfolio reflects these divisions: In the ENR, agriculture accounted for 53 % of the number of sub-loans in 2015; in SEE they only amounted to 43 %.

The EFSE is strongly supporting agricultural finance because of the positive effects the sector can have on the regions it serves. But working with farmers requires experience. Agricultural finance is time-sensitive because loans need to be disbursed in a timely manner. Otherwise, the loan is no longer useful or can even prove counterproductive if pesticides or fertilisers are purchased and applied at the wrong point of the growing cycle. Additionally, prices for crops can be highly volatile, and agricultural finance rarely follows the usual regular payment

schemes of other commercial or private loans. Crop farmers have seasonal cash flows since they need money to buy seeds early in the year and their revenues usually come after the end of the growing season when they sell the harvest. Similar structures apply to livestock farming, where yearly feeding costs have to be calculated against the sales price of animals after they have reached their proper weight.

One of the biggest factors affecting agriculture is the weather. It influences cash flow and yields, and it can create payment risks in crop farming through droughts or floods. In addition, agricultural finance includes not only agricultural production, but also distribution, processing, and marketing.

ADAPTING TO THE LAY OF THE LAND

In agricultural financing, transaction costs are usually higher due to the lower population density and suboptimal infrastructure of rural areas. Generally, thin networks of bank branches cater to the countryside, meaning longer travel times and a lower number of clients served per bank officer compared to colleagues based in urban areas.

CHART 2 AGRICULTURAL VALUE CHAIN

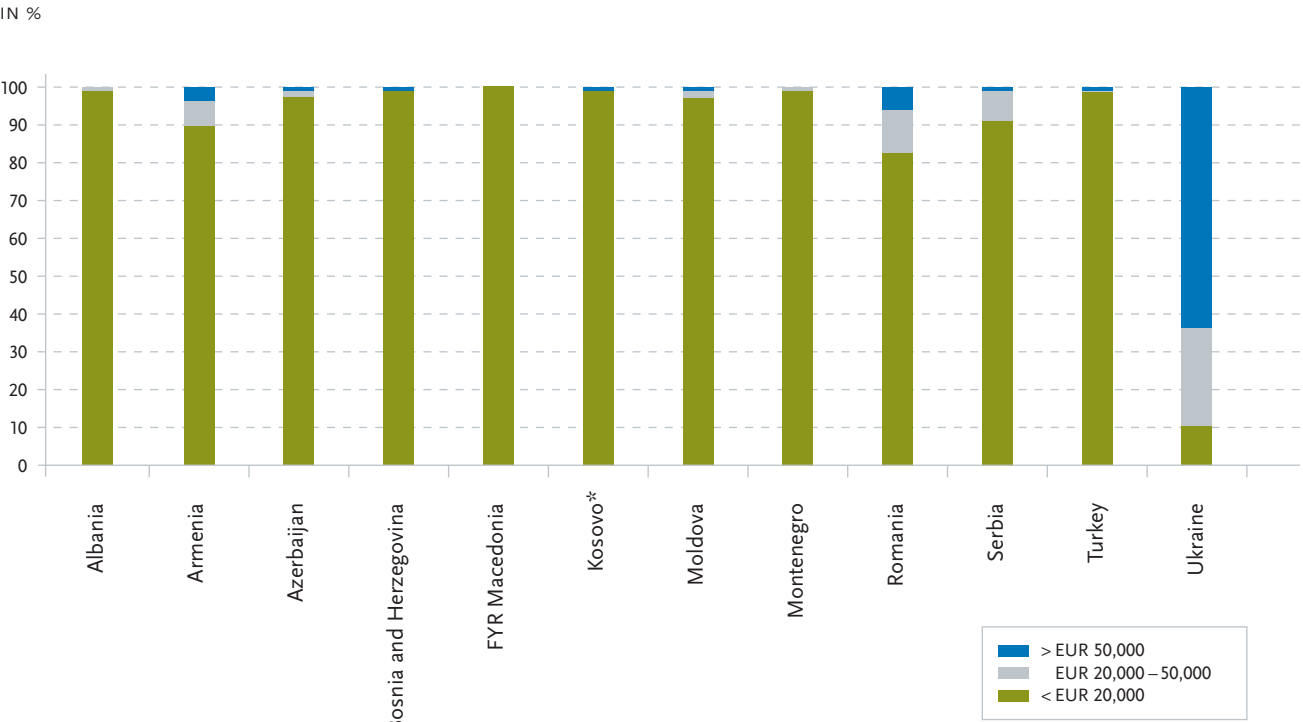


To fulfil the EFSE's agricultural finance mission, especially in rural areas, the fund relies on its partner lending institutions (PLIs) to provide financial support to agricultural businesses. This type of finance requires PLIs to have a special skill set and specific knowledge of the sector. With in-depth understanding of the characteristics of agricultural finance and the creation of reliable processes to handle them, PLIs dedicated to the sector can profit from it.

The EFSE cooperates with a number of PLIs that possess these skills and focus: Agricovert in Romania has 100% of its portfolio in agriculture; ProCredit Bank in Ukraine holds 34.9% of its loan portfolio in the sector; Serbia's Opportunity has placed 45% of its portfolio in agriculture, and at KrK in Kosovo* the portion is 50%.

Support for the theory that PLIs also benefit from a focus on rural development comes from the shifting importance of MSE loans and rural loans in the EFSE portfolio. In 2006, 48% of the number of disbursed loans went to the MSE sector. In 2015, 65% went to rural areas, a major increase from 31% in 2006.

CHART 3 SIZES OF RURAL SUB-LOANS BY COUNTRY SINCE 2006



ADAPTING TO CRISIS

Last decade's financial crisis hit the agricultural sector hard, with the number of agricultural sub-loans declining from 44% of the portfolio in 2006 to 32% in 2007. At the same time, the volume of agricultural sub-loans slipped slightly to 22% from 23%, resulting in a 42% increase in the average agricultural loan amount to EUR 3,396 from EUR 2,388.

The importance of agricultural sub-loans within the EFSE portfolio first returned to 2006 levels in 2014, when 48% of the number of rural sub-loans and 31% of the volume of the portfolio were disbursed to the agricultural sector. Over time, the number of agricultural sub-loans disbursed annually has proven relatively stable in the markets the EFSE serves.

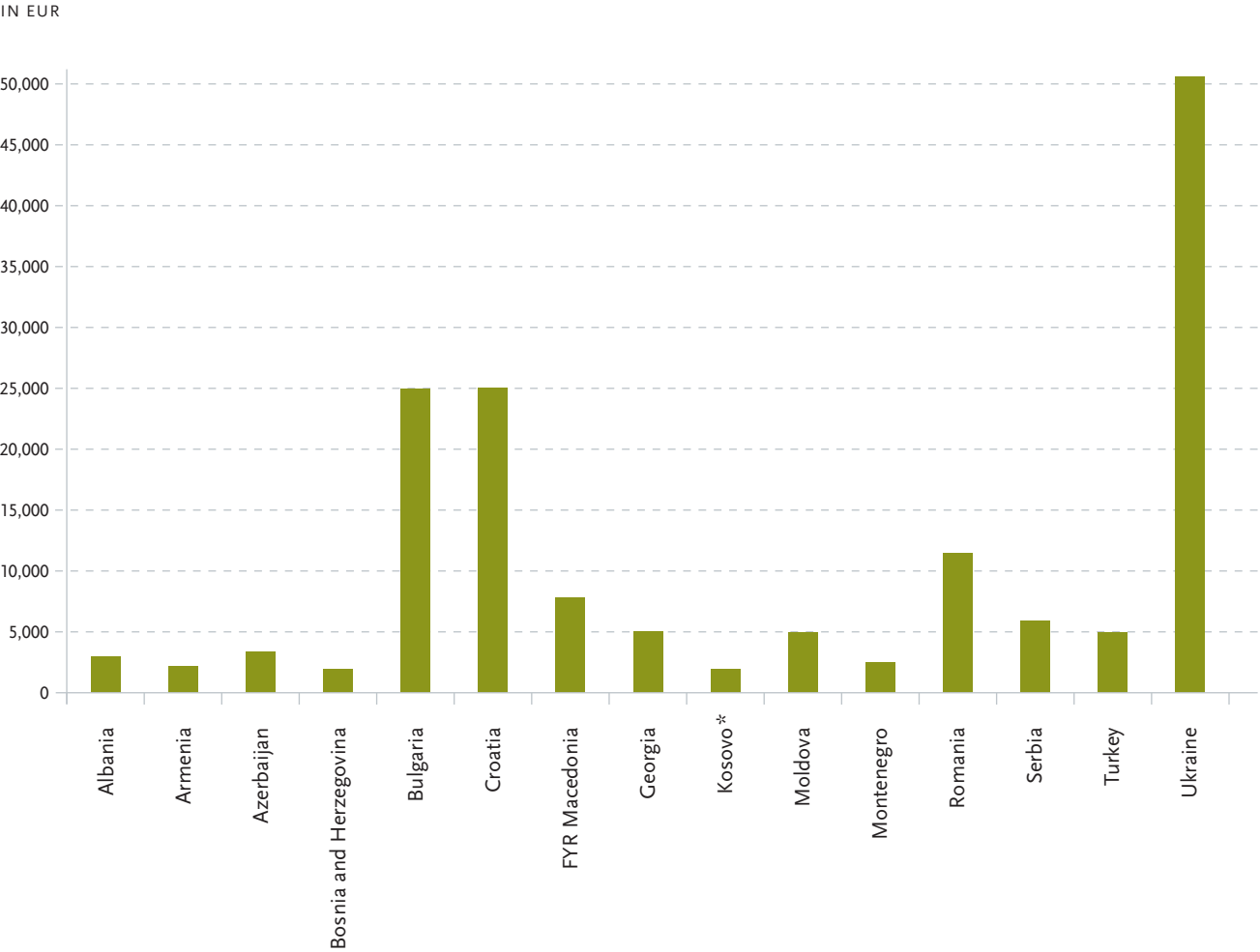
The differences in the characteristics of national agricultural financing also extend to funding levels. Sub-loan sizes differ significantly from country to country, with Ukraine recording by far the highest amount since 2008: more than EUR 50,000. Conversely, sub-loans in Kosovo* and Bosnia and Herzegovina have averaged less than EUR 2,000. This is rooted in the different sizes of farms in these countries: According to a survey of our PLIs, farms average 3.3 hectares (ha) in Bosnia and Herzegovina and around 2 ha in Kosovo* as opposed to 478 ha in Ukraine.



In 2015, 65% of the sub-loans disbursed by EFSE PLIs went to rural areas.

*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

CHART 4 AVERAGE AGRICULTURAL SUB-LOAN AMOUNT BY COUNTRY



However, virtually all rural sub-loans total less than EUR 20,000 (98 % in 2015). In other words, large enterprises in rural areas are an exception outside Ukraine. One reason for this may be the vastness of Ukrainian farms created by the former *kolhosp* system of agricultural cooperatives, which also attract larger companies along the agricultural value chain in regards to packaging or processing. The other extreme is Kosovo*, where the average sub-loan size is below EUR 2,000, possibly an indication of the small scale of rural enterprises.

The average value of sub-loans to the agricultural sector of around EUR 4,000 pales in comparison to the industrial loan average of some EUR 12,000 and around EUR 9,000 for the trade sector. Two reasons for this disparity may be that the agricultural sector is less capital-cost intensive, and business entities in the sector are much smaller. However, the average agricultural sub-loan size has increased to nearly EUR 5,000 in 2015 from around EUR 2,400 in 2006. The rise was most evident in Romania, where the average climbed to nearly EUR 16,000 in 2015 from EUR 3,754 in 2006. Nevertheless, one has to keep in mind that this cannot be linked

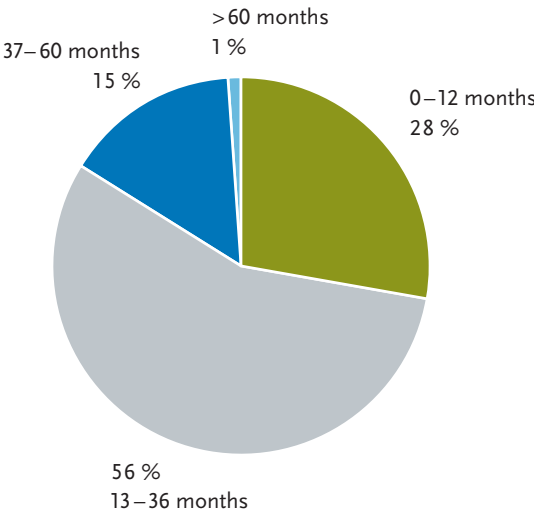
to the GDP development as such, but is mostly a reflection of the different client focus of the PLIs with which the EFSE has been working. In 2006 OMRO dominated the agricultural lending in the Romanian portfolio – primarily with microloans – but in 2015, this role was assumed by Agricovert, which had a stronger focus on commercial farmers.

ADAPTING MATURITIES

Fifty-six per cent of the number of rural sub-loans have maturities of 1–3 years. In comparison, only 53 % of the overall EFSE portfolio falls into this category, which partly reflects the seasonal character of agricultural activities.

CHART 5 MATURITIES OF RURAL SUB-LOANS

(BY NUMBER OF LOANS)



AVERAGE SUB-LOAN AMOUNT DISBURSED TO THE AGRICULTURAL SECTOR IN 2015

EUR 4,920

Maturities above five years are rare in agriculture (1% of the number of disbursed sub-loans). One reason might be that PLIs are reluctant to finance long-term investments in fixed assets as they deem these too risky. Another could be that in many countries, farms are too small to warrant a high level of mechanisation and consequently require less capital for financing machinery. Directly after the financial crisis, maturities decreased for rural sub-loans with the number of maturities below one year rising to 41 % in 2008 from 13 % in 2006.

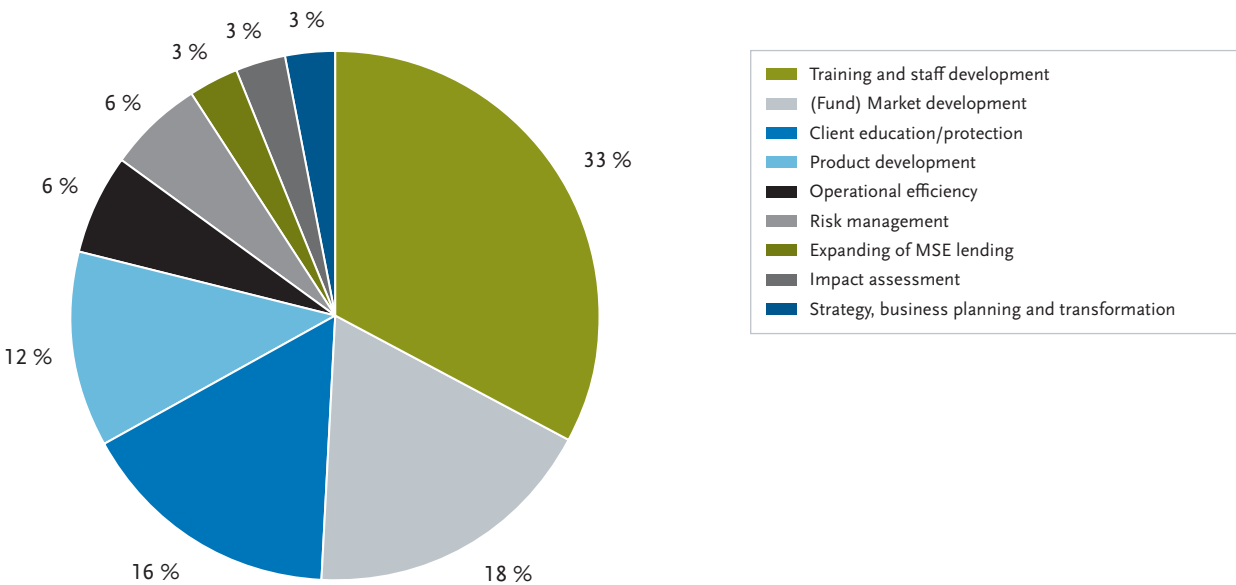
*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

EFSE PLIs WHICH IN 2015 DISBURSED MORE THAN 50 %
OF THEIR EFSE LOAN VOLUME TO THE AGRICULTURAL SECTOR



CHART 6 ACTIVITIES OF THE EFSE DEVELOPMENT FACILITY
IN AGRICULTURAL & RURAL FINANCE

SINCE INCEPTION, IN %



ADAPTING THE DEVELOPMENT FACILITY

In addition to the provision of funding, it is essential for the EFSE to support its PLIs as well as its final target group through the provision of dedicated technical assistance. This is also true for the agricultural sector, where there is a high demand for individual technical assistance due to the special challenges associated with providing tailor-made services to this sector as outlined earlier. In 2015, the EFSE Development Facility (DF) implemented 12 agricultural projects, providing eight partner institutions with individual technical assistance projects on this topic. In addition the EFSE DF enabled two partner institutions to participate in exchange visits with agricultural finance

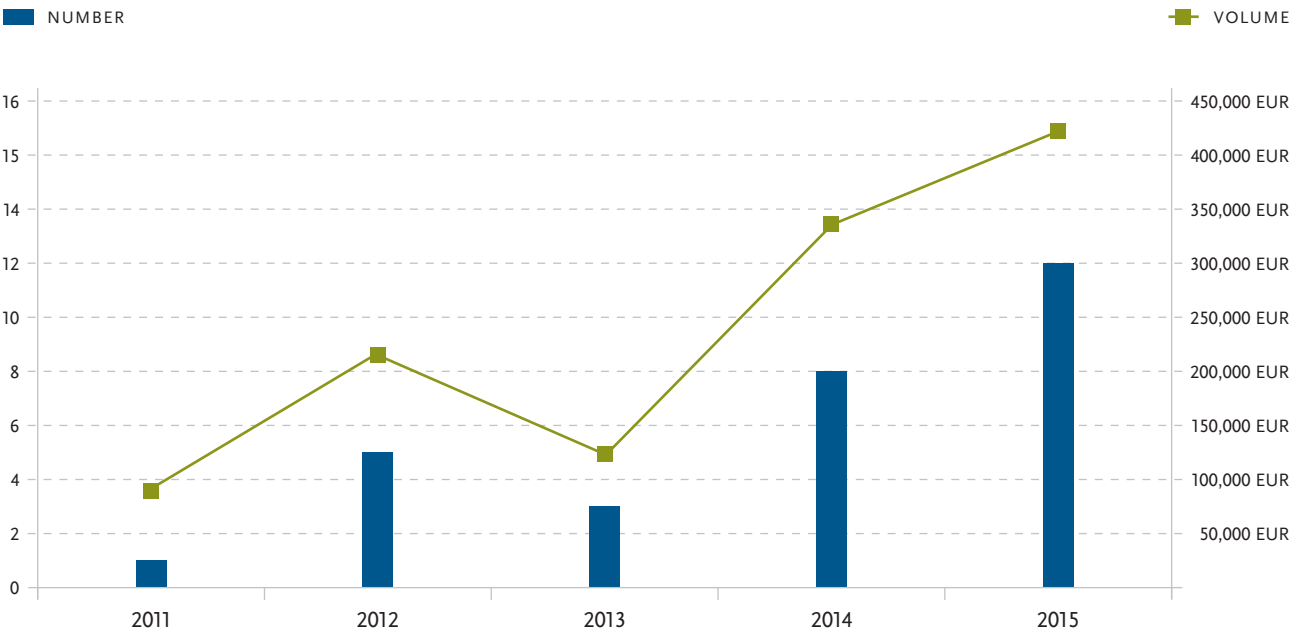
experts in developed countries. Finally, it reached out to a further 26 financial institutions as well as 200 agricultural end clients via workshops and training project. The portion of DF volume approved for new agricultural projects was 14.5%, or more than EUR 420,000.

Such technical assistance aims to support institutions engaged in agricultural finance chiefly by assisting them in identifying,

NUMBER OF AGRICULTURAL PROJECTS IMPLEMENTED
IN 2015 BY THE EFSE DEVELOPMENT FACILITY

12

CHART 7 AGRICULTURAL TECHNICAL ASSISTANCE PROJECTS APPROVED



assessing and increasing their outreach to the end-clients and providing appropriate and responsible products and services to them. Thus the main focus of the EFSE DF's activities on agricultural finance is to provide individual technical assistance to the PLIs, for example, on risk management, product design and training staff. The EFSE DF also promotes mobile financial technical solutions, for example, for loan officers of the EFSE's PLIs in rural areas, which enable them to collect the necessary data (land lot size, expected yield based on the crop in ques-

tion, climate zone, soil, etc.), conduct an on-the-spot preliminary analysis of potential clients, and inform them whether they are eligible for a loan. Moreover, it also strives to increase financial literacy amongst farmers. Here, one method was the creation and dissemination of an educational brochure explaining the risks and benefits of agricultural credit in Romania.

Since its inception, the EFSE DF has implemented 33 agricultural projects on a budget of EUR 1.4 million.

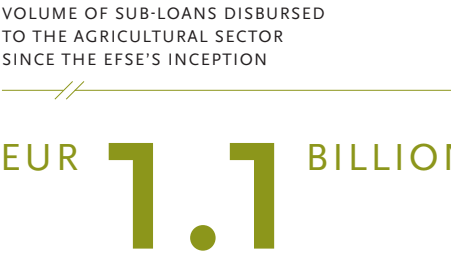


The EFSE is keen to support these areas of technical assistance, as these individual projects all contribute to the capacity building in agricultural finance on a national as well as on a regional level, helping the EFSE to work towards achieving its goals.

In addition, this market development is further supported by the EFSE DF conducting studies to uncover opportunities for agricultural finance, such as in Kosovo* in 2014, or in Ukraine in 2012. More detailed studies followed in a quest to identify what types of agricultural services could best meet the needs of micro, small and medium enterprises such as those launched in Albania or Bosnia and Herzegovina in 2015.

ADAPTING TO CHANGE

The EFSE will continue to tailor its agricultural finance strategy to the challenges that emerge in our target markets. In the past, the fund's management has changed tack when environmental conditions dictated a new course, and this flexibility will continue to serve the EFSE in the future.



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INNOVATING FINANCE – A FOCUS ON AGRICULTURE

OUR PARTNERS IN THE FIELD

INNOVATING FINANCE A FOCUS ON AGRICULTURE

PARTNER LENDING INSTITUTIONS

- Supporting organic farming – Fostering certification in Armenia to expand sales reach
- Bridging the gap – Funding small agricultural businesses in the fertile fields of Kosovo *
- Speed, simplicity and efficiency – Outfitting loan officers with cutting-edge technology to provide better services in rural areas

*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

SUPPORTING ORGANIC FARMING

ACBA – CREDIT AGRICOLE BANK, ARMENIA

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



TOPIC: Supporting organic farming in Armenia
PLI: ACBA – Credit Agricole Bank
COUNTRY: Armenia

One major step for entering these new markets is to assist producers in the certification of their organic products.

ACBA COOPERATION AGREEMENT WITH NABU

ACBA – Credit Agricole Bank (ACBA), a leader in financing primary agricultural in Armenia and an EFSE partner lending institution, places a high priority on environmental issues and strives to support the environmental movement in Armenia within the framework of its corporate social responsibilities.

In January 2015, ACBA signed a cooperation agreement with Germany's Nature and Biodiversity Conservation Union (NABU). This cooperation is in line with ACBA's key business focus to provide banking services to micro, small and medium enterprises in Armenia, which includes a thorough understanding of the current challenges for agricultural producers. The aim of the cooperation is to break the boundaries for agricultural producers as well as for other participants in the agricultural value chain to markets with a high demand for organic agricultural products. By breaking these, these enterprises will be able to enlarge their businesses and create new workplaces.

One major step for entering these new markets – such as in the EU – is to assist producers in the certification of their organic products.

In a second step, the two organizations are also planning to cooperate to protect the environment in Armenia, a goal expected to help create favourable conditions for the development of ecotourism in the country.

The program for certification of organic agricultural products will enable Armenian agricultural producers to raise their product quality to higher levels and serve as a basis for increased exports, particularly to the EU.

In May 2015, NABU and ACBA invited organic food producers to a jointly organized conference that attracted delegates from nearly 150 businesses. The conference also offered training programmes and seminars that drew more than 200 farmers.

Some participants also competed for funding: Of the 40 applicants, eight proceeded to the second round, and four received ACBA and NABU financing for official certification as organic producers.

BRIDGING THE GAP

KRK, KOSOVO*

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



TOPIC: Bridging the gap to organic farming
PLI: KRK
COUNTRY: Kosovo*

“In a small country with fertile ground like Kosovo*, providing financing to small-scale farmers can help make us less dependent on food imports.”

LULZIM SADRIJA, CEO OF KRK

Interview with Lulzim Sadrija, CEO of KRK

What is the position of KRK in the microfinance market of Kosovo*? By the end of 2015, KRK was the third-largest non-banking microfinance institution (MFI) in Kosovo* with a market share of approximately 20% and serving some 7,700 clients and a total portfolio of EUR 13.8 million. Hence, the average loan size in KRK's portfolio was around EUR 1,800. KRK operates a network of 18 branches staffed with a total of more than 100 employees who cover over 70% of the country. The branches are concentrated in Kosovo's most important regions with regards to agriculture. Currently, KRK is the only MFI in Kosovo* designated as a limited liability company; the other MFIs are registered as NGOs.

Why is KRK targeting agricultural financing? KRK is focused on providing small loans to underserved clients predominantly from the agricultural sector, but it also aids rural service companies and other economic actors. This segment, due to its informality and irregular nature of cash inflows, is perceived as having high risks and has not been a target market for banks in the past. However, KRK – through small loan amounts and high diversification among a large number of clients – has managed to successfully and sustainably finance the agricultural sector, which now represents more than 50% of our portfolio.

How does KRK support small farmers, and why is helping them so important? KRK focusses on small farms with low incomes that lack appropriate equipment. In a small country with fertile ground like Kosovo*, these farmers can help make us less dependent on food imports.

KRK provides these agricultural clients with a wide range of specific loan products that include grace periods and payments based on a farmer's individual cash flows. Used to finance year-to-year operations such as the purchase of seeds, these loan products can be adapted to foster the transformation of conventional farms to organic ones. When a conventional farmer turns to organic farming, crop yields tend to drop initially. This is when KRK steps in to bridge the gap until the higher prices for organic products make up for the difference.

What is the EFSE's role? The EFSE is the largest shareholder of KRK and provides strategic support to the microfinance institution.

In addition, the EFSE Development Facility has supported KRK with dedicated technical assistance such as training in agricultural finance, strengthening of credit, and most recently with support for business plan implementation.

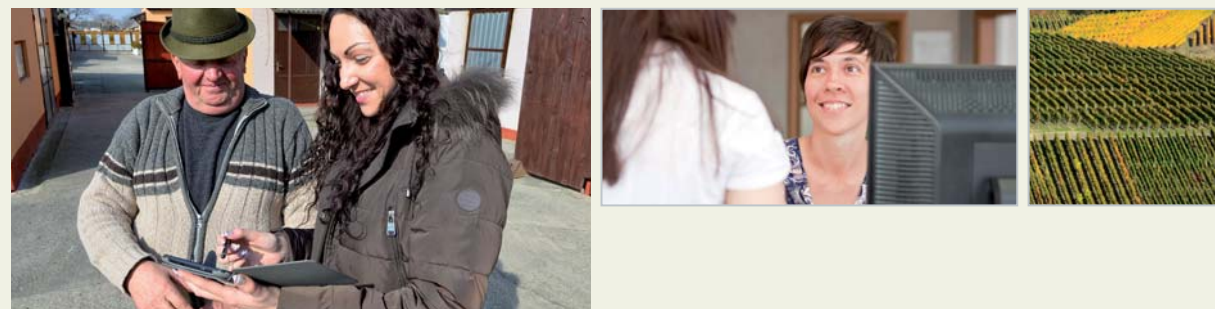
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SPEED, SIMPLICITY AND EFFICIENCY

OPPORTUNITY BANK SERBIA

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



TOPIC: Tablet-processed loans
PLI: Opportunity Bank Serbia (OBS)
COUNTRY: Serbia

“We hope the tablet will soon become OBS’ primary micro-loan processing tool because its speed, simplicity and efficiency are a perfect match for OBS and its clients.”

VLADIMIR VUKOTIĆ, CEO OF OPPORTUNITY BANK SERBIA

Opportunity Bank Serbia (OBS) is a microfinance bank that has been an EFSE partner since 2007. The bank serves clients in Serbia with limited access to finance such as entrepreneurs, micro-businesses, small farmers and other customers in rural areas. With only 20 offices in the country, OBS actively reaches its clients through house calls.

This type of fieldwork takes time, and thus impacts efficiency. Moreover, OBS clients highly value a quick loan approval process. As a result, the bank wanted to expedite this system, which sparked an idea for tablet-processed loans. The goal was to provide clients with loan eligibility information within an hour to let loan officers visit more customers in rural areas in a shorter period of time.

Some three dozen loan officers have been trained to use the bank's 30 tablets. The share of tablet-processed loans up to EUR 3,000 in the agricultural portfolio has exceeded 43% in number and 42% in volume. The bank is striving for even more tablet use, according to Opportunity Bank Executive Board President Vladimir Vukotić. “We hope the tablet will soon become OBS’ primary micro-loan processing tool because its speed, simplicity and efficiency are a perfect match for OBS and its clients.”

Additionally, OBS plans to expand its use of finance technology by developing – in cooperation with the EFSE Development Facility – a loan-processing application for smartphones that will further enhance client acquisition process.

“The goal of OBS is to serve the largest possible number of clients who have limited access to financial services,” Vukotić said. “This is also part of our social performance strategy and is exactly what the tablet project has allowed: a stronger outreach to clients in remote rural areas whose main source of income comes from mixed, small-scale agricultural activity. These clients are not the focus of other banks, and due to the current legal framework that only allows banks to disburse loans, microfinance activities in Serbia are practically non-existent,” Vukotić noted. “Sometimes when we approach these clients, we discover they were not even aware of the fact that they can apply for a loan to boost their production.”

INVESTMENT OPERATIONS – GROWING WITH THE TIMES

Since its inception in 2005, the mandate of the European Fund for Southeast Europe (EFSE) has been to support micro and small enterprises (MSEs) in the regions it serves. During its first 10 years of operation, the fund has supplied financing of EUR 1.9 billion for these businesses via nearly 350 investments in local lenders. And that was just the beginning: The EFSE's partner lending institutions (PLIs) rolled over these loans to more than double this financing to EUR 5 billion in disbursements to more than 720,000 sub-borrowers in their local markets. The fund remained true to its origins in 2015 by continuing to provide widespread and impactful levels of financing and assistance to its partners, investments that permitted local lenders to foster agriculture, housing and small businesses in a range of markets and under distinct macroeconomic circumstances.

For financial institutions, 2015 was no easier than the years before it. Volatility increased, regulatory changes continued and margins were under pressure, all while the fund's target group of MSEs and low-income households felt the effects of economies in recession and further declining employment levels. While this situation led to high liquidity levels at PLIs and low investment activity at the MSE and household levels, the fund experienced strong demand for its long-term and dedicated funding, which often was combined with important technical assistance to address required institutional changes and enhancements.

In 2015, the fund disbursed EUR 226,3 million to 32 PLIs, resulting by year's end in a portfolio of 76 PLIs in the amount of EUR 944.1 million in 15 countries, evidence of both the breadth and depth of the EFSE's coverage, as well as its nature. More than 30% of the financing was destined for the European Eastern Neighbourhood Region, an indication of the rising importance of the fund's role in this area. As EFSE financing increased in some markets, it eased in others: The fund ended the year with its portfolio void of Bulgarian investments due to a challenging market environment under the difficult state of the country's small and medium enterprises and shrinking balance sheets, yet with a forecast to reengage in 2016. Regardless of such examples of shifts and challenges in individual markets, the fund's overall outstanding investment portfolio grew to EUR 944.1 million as of 31 December 2015, virtually on target with the business plan despite high repayments of EUR 238.7 million. As has generally been the case throughout the EFSE's history, all investments approved in 2015 were disbursed to PLIs within the calendar year, a tribute to the fund's dedication to quickly channelling much-needed financing to the markets it serves.

In 2014, the business of agriculture rose in importance to become the top recipient of on-lent EFSE financing, a position it retained in 2015. In terms of the number of sub-loans, agriculture secured 45%, or 33% of the volume. The trade sector placed second – 22% of loans and 27% of volume – followed by services and then industry.

The EFSE played an important role in helping sate demand for housing loans in the markets it serves in 2015; 20% of the year's disbursements to PLIs were earmarked for this sector.

For the fund to facilitate responsible housing finance, its PLIs require adequately priced loans and suitable maturities to structure affordable products that meet the needs of households. In addition to supporting the housing market, the fund also fostered rural development, with 21% of disbursements dedicated to the countryside in 2015.

The environment for MSE finance has become more difficult in the EFSE regions. Lenders have described the increased importance of transaction fees in the face of cost-cutting and declining margins. Irrespective of this trend, the EFSE achieved superb on-lending rates in 2015: Its outstanding sub-loan portfolio of EUR 879 million comprised 156,404 sub-loans and represented an on-lending rate of more than 90%. This success is built firmly on the fund's diverse partnerships, which opened access to a wide variety of MSEs. In 2015, the EFSE teamed up with 41 commercial banks of various scales, 26 microfinance institutions and nine non-bank financial institutions, multiple lending models that often serve disparate clienteles, allowing the fund to reach an varied and wide range of end-borrowers. The PLIs, with their local knowledge and ties to their communities, performed sub-

limely: All PLIs fulfilled their obligations, which means the fund ended its 10th year with no losses and a very low impairment allowance of 0.4%, the result of a well-selected and well-monitored portfolio. The fund's partners continued to supply the entire range of financing products, from very small loans of a few hundred euros to large loans of EUR 100,000. Over 90% of sub-loans were valued at less than EUR 20,000, an example of both continued high demand in the smaller segment as well as the ability and willingness of EFSE's partners to serve this important market.

The close cooperation with PLIs provides the EFSE with the ability to tailor MSE financing to local markets, one of the fund's key strengths. In some cases – especially where partner countries are at the mercy of extraordinary exchange rate vacillations – loans in local currency present the best option. Due to the increased reliance on local currency for EFSE investments, the share of non-EUR financing in 2015 rose 2 percentage points to 25.9% of the overall portfolio, with the year's most notable growth coming in Moldovan leu, Armenian dram, and Ukrainian hryvnya. In the case of the hryvnya, dedicated funds from the German Ministry for Cooperation and Development allowed the

AT A GLANCE

INVESTMENT OPERATIONS

Total outstanding investment portfolio	On-lending rate	Sub-loans disbursed to the agricultural sector (by number)	Impairment ratio	Sub-loans disbursed to the agricultural sector (by volume)	Share of non-EUR financing in 2015
EUR 944.1 million	93%	45%	0.4%	33%	25.9%

EFSE to extend long-term financing to two PLIs in Ukraine so they could support agricultural clients and rural enterprises in the Ukrainian currency. Over the years, some markets the fund serves have seen harsh depreciations of their currencies, so the EFSE is proud to have been able to convert some outstanding foreign currency loans into local currencies thanks to hedges with the Currency Exchange Fund (TCX), with one significant example coming recently from Azerbaijan.

Due to regulatory changes, demand and opportunities for subordinated debt grew slightly in 2015. Therefore, the fund

ended the year with 16.7 % of the portfolio as sub-debt, which is an important instrument for strengthening the capital positions of specific PLIs so they can achieve high leverage through increased on-lending capacity.

In 2016, the fund expects further roll outs of local currency loans and plans to ensure – with the help of its PLIs – the proper dedication to MSE and housing finance in the face of difficult market circumstances.

In 2014, the business of agriculture rose in importance to become the top recipient to on-lent EFSE financing, a position it retained in 2015.

EFSE DEVELOPMENT FACILITY – CONTINUING TO BRANCH OUT

Two thousand fifteen was a very successful year for the EFSE Development Facility (DF). While partnering with a record 61 financial institutions from all 16 EFSE target markets and providing a wide range of financing to meet our development objectives, the DF also experienced significant growth and outreach to accompany and support the success of investments. Throughout the year, the DF focused on providing high levels of project quality and satisfaction to partner lending institutions (PLIs) and core capacity building in various areas of PLIs' operations. The manager of the EFSE DF pursued an efficient and pragmatic approach supported by fast and effective decision making and management of complex projects.

The year also saw a record number of new projects, volume and implementation. The Development Facility Committee approved 45 projects with a volume of EUR 2.9 million, a 50 % increase in the number of projects and a 45 % rise in volume compared to the previous year.

While quality trumps quantity in these types of projects, the total project volume of EUR 2.9 million in 2015 is nevertheless noteworthy: The EFSE's partners contributed 33 % of their own money for individual technical assistance (TA) projects, a significantly high share. The fund and the DF consider this a very strong sign of PLIs' commitment and ownership of the implemented projects. In total, the DF managed 95 projects worth EUR 5.7 million in 2015, an increase from 76 projects with a value of EUR 4.8 million in 2014.

The DF focused on implementing projects with clear and effective outcomes, pursuing innovative TA approaches and instruments, and analysing new areas of TA. At the same time, the DF sought to streamline internal processes and increase efficiency.

The facility implemented projects in six major areas:

- Responsible finance
- MSE finance
- Agricultural finance
- Local currency lending
- Mobile/branchless financial services
- Housing finance

The DF also fostered several flagship projects, including support for the development of a financial education strategy in cooperation with the National Bank of Moldova; a workshop series on topics such as asset liability management, Basel III requirements and risk management in cooperation with the Central Bank of Armenia; and the development and dissemination of an educational brochure explaining the risks and benefits of agricultural credit in Romania.

Since the end of 2015, the DF has increased its focus on employment and entrepreneurship for young people in the EFSE countries to foster the inclusion of youth in the financial sector. The DF started and successfully piloted initiatives such as direct training and coaching of clients of PLIs, and a start-up contest for young entrepreneurs to support them in specific areas such as financial training, farming or business plan development.

The DF has also been actively assisting Balkan countries trying to manage the severe humanitarian situation involving refugees from states such as Syria or Afghanistan. In 2015, the DF provided EUR 400,000 in financial support to refugees in need that was channelled through two ProCredit Banks in FYR Macedonia and Serbia. The banks are currently providing support to improve the overall situation of refugees. This assistance covers aspects such as sanitation, shelter, medicine, communications, blankets, and daily needs. The banks contract their clients to help,

for example, by having a construction company install toilets or shelters. This approach, in turn, also supports EFSE end-clients, largely micro and small enterprises. ProCredit Bank agreed to join forces with the DF and provide targeted support where most needed.

The DF also implemented projects that deal with innovative topics. These include the Agricultural Loan Evaluation System to increase access to finance for farmers in Georgia, the ongoing development of short educational TV spots on finance in Moldova, and a start-up contest with extensive training sessions and coaching for young entrepreneurs in Turkey. In addition, the DF is currently exploring new areas like agricultural insurance, starting with a feasibility study in Albania and Bosnia and Herzegovina.

With regards to agricultural finance, the DF implemented a number of individual projects with partner institutions to train their loan officers and to improve their lending procedures and product offerings to rural clients. It held workshops on value chain approaches in Turkey and Serbia, and organised a trip for Armenian and Turkish banks to introduce them to Rabobank and agricultural producers in the Netherlands.

The DF continued to build up partnerships with sector organisations, national regulators, international finance institutions and donor agencies, and also promoted regional and sectoral events and knowledge exchanges. The DF cooperated with the

Central Bank of Armenia, National Bank of Moldova, National Bank of Macedonia, National Bank of Georgia, Central Bank of Kosovo, Serbian Banking Association, Kosovo Banking Association, and Association of Professional Risk Managers in Bosnia and Herzegovina, among others. Such projects focused, in particular, on capacity building in the financial sector and financial literacy in the EFSE markets.

Overall, this positive track record has been supported and ensured by the 10 regional offices in the EFSE region and the headquarters office in Frankfurt. This structure increases the effectiveness of projects and guarantees the DF understands the market and the current needs of PLIs so it can respond quickly to demands.

EFSE DF project types can be divided into three areas:

- Individual TA and training
- Financial sector support
- Applied research

INDIVIDUAL TA AND TRAINING

The majority of DF projects concentrated on tailored and rapid individual support for the fund’s partners, whether in the form of training or consultancy, to operate efficiently, responsibly, and profitably, and respond to market changes. In 2015, the EFSE DF managed 52 individual TA projects, which included a range of activities:

- Increasing operational efficiency in a microfinance institution in Bosnia and Herzegovina
- Improving the internal auditing functions at a bank in Armenia
- Assessing and adjusting the credit risk management of a microfinance institution in Albania
- Developing a new SME loan product for a microfinance institution in Bosnia and Herzegovina

Faced with a number of rapid and unexpected disruptions in the regions it serves, the EFSE DF met the challenges with innovative solutions rooted in years of experience on the ground.

The DF successfully piloted initiatives in 2015 such as direct training and/or coaching of PLI clients in specific areas like ecological farming and business plan development.

FINANCIAL SECTOR SUPPORT

In 2015, the DF supported regulators in the partner countries in 35 projects, including:

- Organising a series of trainings for the banking sector in Armenia in cooperation with the Armenian Central Bank
- Supporting the development of a financial education strategy in cooperation with the National Bank of Moldova
- Developing the concept for a financial literacy centre with the Central Bank of Kosovo

The DF also cooperated with banking and microfinance associations, for example, the Kosovo Banking Association, and the association of banks in the Ukraine to provide training for the financial sector.

APPLIED RESEARCH

Studies were aimed at identifying market trends, the financial product and service needs of small businesses and farmers, and monitoring development finance impact and over-indebtedness.

Four key research projects were implemented in 2015:

- Feasibility studies of the agricultural micro-insurance market in Albania and Bosnia and Herzegovina, which sought to identify what types of agricultural insurance products and services could best meet the needs of micro, small and medium enterprises
- A feasibility study on how to successfully implement a farmer credit assessment tool in Georgia
- An impact assessment of EFSE housing loans on energy efficiency and CO₂ reduction in Bosnia and Herzegovina
- An EFSE development impact study with four sub-projects in the three EFSE countries of Armenia, Serbia and Montenegro

AT A GLANCE

EFSE DF HIGHLIGHTS

Ongoing projects under management	Projects launched in 2015	Average cost-sharing by PLIs for individual TA since inception	Number of partners (PLIs and sector bodies) receiving technical assistance in 2015	Total volume of funds disbursed for TA since the EFSE DF's inception
95	45	48 %	61	EUR 13.9 million

INNOVATING FINANCE – A FOCUS ON AGRICULTURE

EFSE DEVELOPMENT FACILITY – GROWING AGRICULTURAL FINANCE

INNOVATING FINANCE
A FOCUS ON AGRICULTURE

EFSE DEVELOPMENT FACILITY

- Establishing agricultural banking – Lenders learn about farm financing in another country and culture
- Implementing an agricultural loan evaluation system – Technology improves agricultural lending in Georgia
- Financial training for farmers – Augmenting knowledge about working the soil with information about finance

ESTABLISHING AGRICULTURAL BANKING

FIBABANKA, TURKEY

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



PROJECT: Field research
PLI: Fibabanka
COUNTRY: Turkey

“Our main goals were to learn how to create an efficient agricultural banking team, define target segmentations and understand Rabobank’s strategy.”

MR AYŞEGÜL ÖZÜTÜRK,
FIBABANKA RETAIL AND SME MARKETING DEPARTMENT HEAD

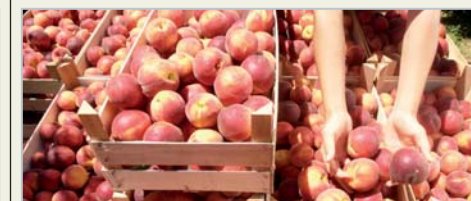
On 1-2 June 2015, the EFSE Development Facility organised an informational visit for four representatives from Fibabanka Turkey to Rabobank Netherlands, the world’s leading food and agribusiness bank. The main objective of the trip was to learn from the Rabobank success story of financing agriculture in the Netherlands and abroad. Through interactive discussions and client visits, the participants learned about main financing approaches in agribusiness, including value-chain financing and Rabobank’s three-pillar credit assessment methodology. The visit was very well received by the participants and is expected to contribute to the further development of agrilending activities at Fibabanka.

Ayşegül Özütürk, Fibabanka Retail and SME Marketing Department Head, said: “Fibabanka recently established its agricultural banking operations, and the visit to Rabobank was very valuable for us, especially at this stage. Our main goals were to learn how to create an efficient agricultural banking team, define target segmentations, and understand Rabobank’s strategy, particularly from a risk perspective. Also, the importance of the proposition of the value chain was well-observed, and following the visit we began to analyse the possibility of such projects for our bank. In addition to hearing about the experiences of Rabobank executives, it was well worth the time to visit several companies that operate in tomato, rose, and dairy production.”

IMPLEMENTING AN AGRICULTURAL LOAN EVALUATION SYSTEM

GEORGIA

INNOVATING FINANCE A FOCUS ON AGRICULTURE



PROJECT: Adapting ALES to the Georgian market
COUNTRY: Georgia

The Agricultural Loan Evaluation System (ALES) evaluates loan applications in a more efficient and effective manner and can, in turn, increase the availability of finance for agricultural MSMEs.

The Georgian agriculture sector contributes significantly to the economy, with 35% of the country's land used for agricultural production. However, agriculture remains unable to realise its full potential and contribute to growth and prosperity in Georgia. The sector accounted for only 9% of GDP in 2014, and agricultural loans represented 3.9% of total gross loans in June 2015.

A major obstacle to agricultural lending is the high cost of evaluating the creditworthiness of borrowers. As a result, a large segment of Georgian agricultural micro, small and medium enterprises (MSMEs) and households lacks access to finance. With this in mind, the EFSE Development Facility commissioned a feasibility study for the integration of the Agricultural Loan Evaluation System (ALES) at Georgian financial institutions seeking to bolster their agricultural lending capacity. ALES, which has been successfully implemented in Turkey's financial sector, is an innovative scoring model that researches and rates agricultural loans through the credit cycles with a comprehensive agronomical database and the non-agricultural financial data of respective clients. ALES evaluates loan applications in a more efficient and effective manner and can, in turn, increase the availability of finance for agricultural MSMEs.

After desk research and initial interviews with Georgian financial institutions and relevant agricultural sector players, the overall feedback on the tool was very positive. More concrete discussions with financial institutions on a possible ALES integration in Georgia are ongoing.

FINANCIAL TRAINING FOR FARMERS

FINANSBANK, TURKEY

INNOVATING FINANCE

A FOCUS ON AGRICULTURE



PROJECT: Training programme
PLI: Finansbank
COUNTRY: Turkey

“The training is providing farmers with important information about irrigation technologies, drought risk and the latest developments on topics such as livestock farming.”

MS ÇİLER GÜLTEKİN
MANAGER OF INTERNATIONAL BUSINESS DEVELOPMENT AT FINANSBANK



With 24% of the working population in Turkey employed in agriculture, the sector accounts for only 9% of GDP, and agricultural loans represent around 3.6% of total gross loans (as of 2014). Financing agriculture is therefore vital to realizing the potential of the sector so it can contribute to employment generation, growth and prosperity in Turkey. Recognizing this, as well as the need to strengthen the economic sustainability and productivity of end-clients, the EFSE Development Facility is currently supporting Finansbank's programme of tailored financial literacy seminars for farmers in eight regions of Turkey.

Çiler Gültekin, Manager of International Business Development at Finansbank, described the process: “The agricultural training programme has been launched in three provinces of Turkey that have significant importance in agribusiness. It is providing farmers not only with financial advice but also with information about irrigation technologies, drought risk and latest developments on topics such as livestock farming. This programme will also be organized in five additionally important provinces: Sakarya, Nazilli, Balıkesir, Acıpayam, and Van. By taking the courses, farmers can learn a range of skills, including what criteria determine financing needs, how to manage financial resources, how to access financial resources, how to create savings and how to respond to financial bottlenecks.”

OPERATIONAL RESULTS

FINANCIAL STATEMENTS

BALANCE SHEET

In EUR on 31 December

	2015	2014
ASSETS		
Gross loans to partner lending institutions	937,818,202	934,419,719
Unamortised discount	(3,501,295)	(3,833,529)
Loan loss allowance	(3,500,000)	(3,785,486)
Net loans to partner lending institutions	930,816,907	926,800,704
Equity investments	4,305,072	4,438,684
Share of investment in associates	2,004,351	1,759,622
Interest accruals on loans	5,595,928	6,030,604
Other receivables	8,543,669	2,094,310
Cash at bank	132,905,631	78,390,736
Total assets	1,084,171,558	1,019,514,660
LIABILITIES		
Accrued expenses	3,979,043	3,835,205
Payable resulting from savings related to Double Taxation Treaties	1,784,806	2,100,625
Withholding tax payable	3,271,695	2,349,699
Payable resulting from interest on Notes	380,680	330,371
Other payables	178,996	27,021,089
Distribution to holders of redeemable ordinary shares payable	14,856,837	12,915,170
Net assets attributable to holders of redeemable ordinary A shares	387,250,054	364,736,795
Net assets attributable to holders of redeemable ordinary B shares	93,940,221	93,940,234
Notes	219,997,961	180,931,623
Total liabilities	725,640,293	688,160,811
EQUITY		
Total share capital (C Shares)	312,581,169	285,888,149
Total share premium (C Shares)	2,408,127	1,719,932
Available-for-sale reserve (C Shares)	873,772	1,007,384
Total retained earnings (C Shares)	42,668,197	42,738,384
Total equity (C Shares)	358,531,265	331,353,849
Total liabilities and equity	1,084,171,558	1,019,514,660

INCOME STATEMENT

In EUR for the period 1 January to 31 December

	2015	2014
REVENUE		
Interest income on loans	43,884,959	40,310,615
Interest income on deposits	134,563	404,730
Dividend income on equity investments	–	109,453
Share of the profit of associates	199,729	187,112
Net change in discount amortisation	332,234	573,886
Other income	8,314,778	8,197,268
Unrealised gain on derivatives	7,572,688	2,028,210
Realised gain on derivatives	2,232,440	1,286,393
Realised and unrealised gain on exchanges	28,490,648	24,259,490
Reversal of loan loss allowance	285,486	520,233
Total investment income	91,447,525	77,877,390
EXPENSES		
Interest expenses on Notes	4,917,868	4,183,235
Withholding tax on interest income	1,486,706	1,368,870
Operating expenses	16,097,057	16,366,809
Development Facility	1,398,454	1,274,123
Other expenses	6,111,549	6,034,523
Unrealised loss on derivatives	65,537	2,262,261
Realised loss on derivatives	8,686,405	5,112,000
Realised and unrealised loss on exchanges	31,864,163	20,857,718
Realised loss on loans	114,604	–
Total operating expenses	70,742,343	57,459,539
Operating profit before tax	20,705,182	20,417,851
Savings related to double taxation treaties	(1,779,620)	(2,095,440)
Distribution to holders of redeemable ordinary shares	(18,995,749)	(16,938,179)
Profit for the year	(70,187)	1,384,232
OTHER COMPREHENSIVE INCOME		
Net gain/(loss) on available-for-sale financial assets	(133,612)	(39,483)
Other comprehensive income for the year, net of tax	(133,612)	(39,483)
Total comprehensive income for the year, net of tax	(203,799)	1,344,749

CASH FLOW STATEMENT

In EUR on 31 December

	2015	2014
OPERATING PROFIT BEFORE TAX	20,705,182	20,417,851
Adjustment for non cash items		
Discount amortisation on loans to partner lending institutions	(332,234)	(573,886)
Loan loss allowance	(285,486)	(520,233)
Foreign exchange conversion of USD shares	12,430,370	11,124,898
Savings related to double taxation treaties	(1,779,620)	(2,095,440)
Operating profit after adjustments for non cash items	30,738,212	28,353,190
Net (increase)/decrease in other accrued income and prepaid expenses	434,676	(402,326)
Net (increase)/decrease in other receivables	(6,449,359)	(391,970)
Net increase/(decrease) in accounts payable and accrued expenses	(121,672)	(1,335,095)
Net increase/(decrease) in other payables	(26,842,093)	(5,835,757)
Withholding tax paid on interest income	921,996	494,666
Cash flow from operating activities	(1,318,240)	20,882,708
Cash flow from investing activities		
Net (increase) in gross loans to partner lending institutions	(3,398,483)	(113,975,779)
(Increase) in share of investment in associates	(244,729)	(285,564)
Cash flow from investing activities	(3,643,212)	(114,261,343)
Cash flow from financing activities		
Cash received on Notes issued/(redeemed/matured)*	39,066,338	34,945,093
Cash paid on Notes redeemed/matured	77,464,091	84,258,383
Cash paid out on shares redeemed	(40,000,000)	(3,100,000)
Distributions paid to holders of redeemable ordinary shares	(17,054,082)	(18,448,967)
Cash flow from financing activities	59,476,347	97,654,509
Net increase/(decrease) in cash and cash equivalents	54,514,895	4,275,874
Opening cash and cash equivalents	78,390,736	74,114,862
Closing cash and cash equivalents	132,905,631	78,390,736

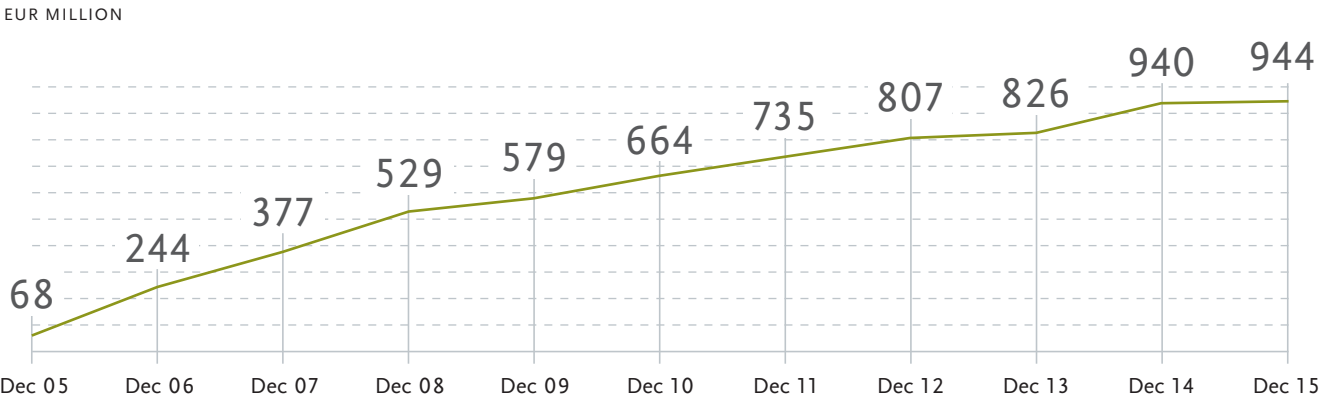
*Net amount

INVESTMENTS

OUTSTANDING INVESTMENT PORTFOLIO

Since inception in December 2005

Total outstanding investment portfolio on 31 December 2015: EUR 944.1 million

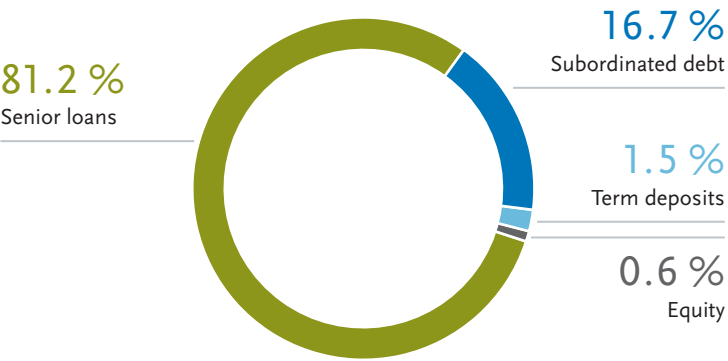


Despite challenging market environments and the highest volume of repayments received within the course of one year since inception of the fund (EUR 238.7 million), the outstanding investment portfolio remained stable at EUR 944.1 million at the end of 2015.

OUTSTANDING INVESTMENT PORTFOLIO BY FINANCIAL INSTRUMENT

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2015: EUR 944.1 million



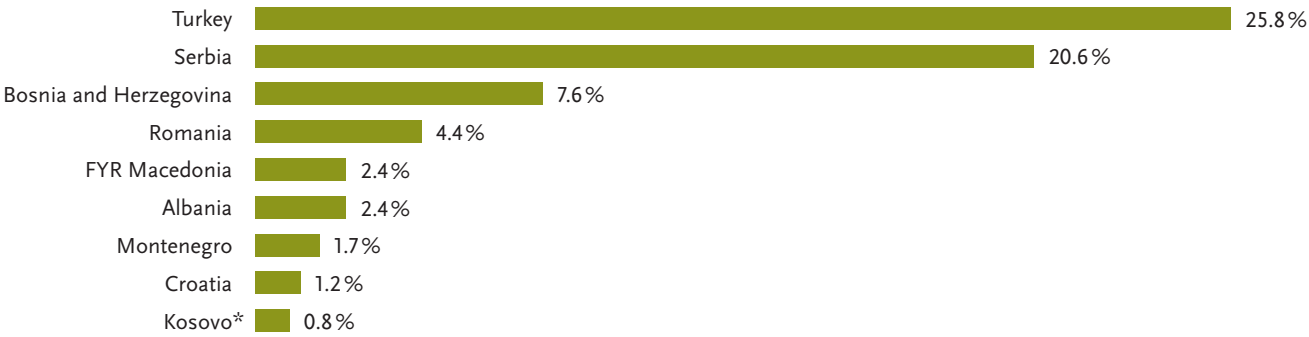
The EFSE's subordinated debt exposure increased slightly compared to the previous year. In addition, the new instrument of investment – term deposits – introduced in 2015 gained a portfolio share of 1.5 % at year-end.

OUTSTANDING INVESTMENT PORTFOLIO BY COUNTRY

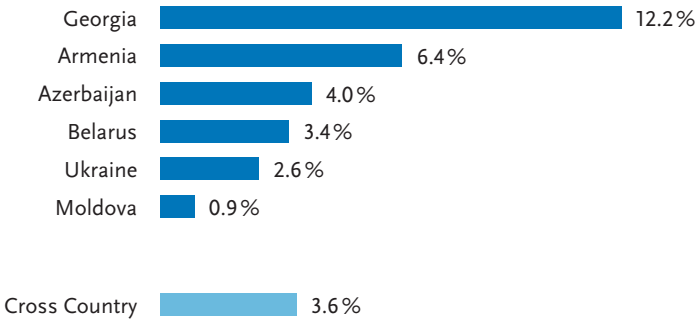
Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2015: EUR 944.1 million

Southeast Europe (SEE)



European Eastern Neighbourhood Region (ENR)



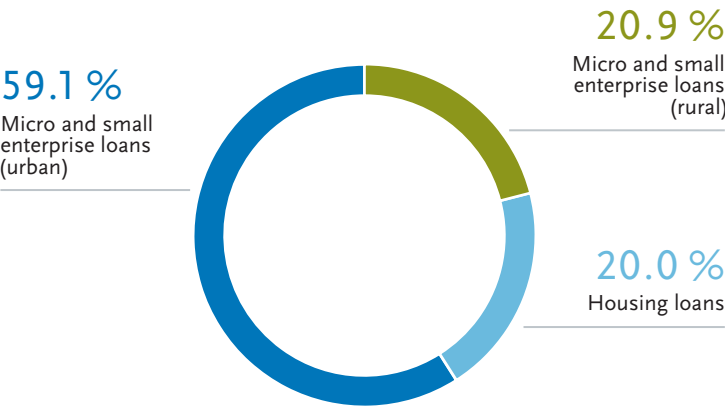
Turkey surpassed Serbia as the country with the largest share of the outstanding investment portfolio, increasing its share from 18 % to 26 %. In addition, Bulgaria was not a country where the fund operates when this report was published, as all EFSE funding to Bulgarian PLIs matured in 2015. In terms of portfolio distribution by region, the ENR share increased slightly to almost 30 % by the end of 2015.

* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

OUTSTANDING INVESTMENT PORTFOLIO BY PRODUCT

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2015: EUR 944.1 million

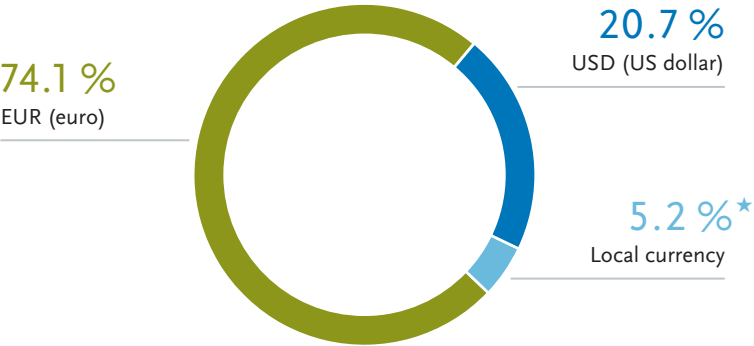


In comparison to the previous year, the portfolio composition by product hardly changed. There was only a marginal shift from urban MSE loans towards rural MSE and housing loans, with both increasing their share 0.2 percentage points.

OUTSTANDING INVESTMENT PORTFOLIO BY CURRENCY

Based on total outstanding investment portfolio

Total outstanding investment portfolio on 31 December 2015: EUR 944.1 million



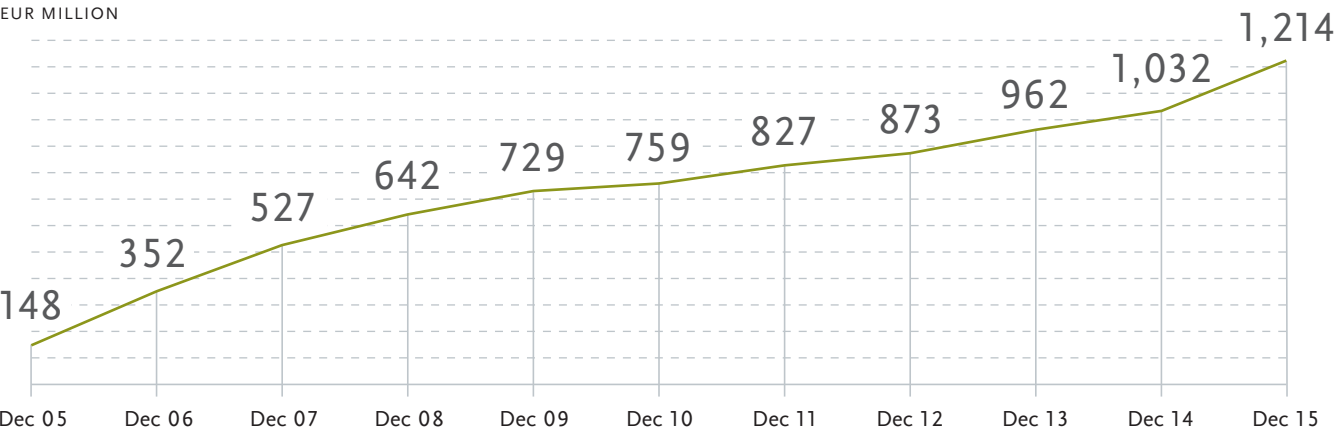
Local currency lending continued to gain in importance, increasing its share of the investment portfolio to 5.2% by the end of the year (vs. 3.4% in 2014). While the share of the EUR portfolio declined accordingly, the share of the USD-denominated portfolio remained unchanged. In 2015, the fund only added exposure in one new local currency (Ukrainian hryvnia).

- ★ 1.8% AMD (Armenian dram)
- 1.5% UAH (Ukrainian hryvnia)
- 0.9% AZN (Azerbaijani manat)
- 0.8% MDL (Moldovan leu)
- 0.2% RON (Romanian new leu)

FUNDING

COMMITTED FUNDS FROM INVESTORS

Total volume of committed funds from investors on 31 December 2015: EUR 1,214.1 million



The fund was able to solve the substantial funding challenge of 2015. Capital commitments were strongly influenced by a considerable volume of scheduled redemptions. Those amounted to EUR 277 million (with EUR 159 million to be booked at the beginning of 2016). At the same time, the EFSE obtained new commitments of EUR 286 million in the course of the year (including top-ups and rollovers).

INVESTOR COMMITMENTS BY INVESTMENT CLASS

On 31 December 2015

INVESTMENT CLASS *	VOLUME (EUR MILLION)	SHARE (%)
Notes	221,533,361	18.2
A shares	455,076,793	37.5
B shares	176,196,760	14.5
C shares	361,317,776	29.8
Total	1,214,124,690	100.0
Subscribed (NAV)	1,061,254,906	

* Not all commitments in shares and notes were subscribed on 31 December 2015; all commitments are shown as gross commitments.

At the end of 2015, 87% of the fund's capital commitments were subscribed. The share of private investors continued to grow, with a marginal increase of the share of notes to 18.2% in 2015.

INVESTORS BY TYPE OF INVESTMENT CLASS
On 31 December 2015

NOTES	B SHARES – MEZZANINE TRANCHE
Crédit Coopératif	Central Bank of Armenia
Private Investors via Deutsche Bank	EBRD
Private Investors via Sal. Oppenheim	EIB
Sal. Oppenheim	Finance in Motion
Steyler Ethik Bank	FMO
Versorgungsfonds des Ministeriums der Finanzen Land Brandenburg	IFC
	KfW
	OeEB
A SHARES – SENIOR TRANCHE	C SHARES – JUNIOR TRANCHE
BN&P – Good Growth Fund	Central Bank of Armenia
EBRD	European Commission (with European Investment Fund and KfW as trustees)
EIB	Government of Austria (ADA)
FMO	Government of Denmark (DANIDA)
IFC	Government of Germany (BMZ)
KfW	Government of Switzerland (SDC)
OeEB	OeEB
	Republic of Albania

EFSE DEVELOPMENT FACILITY

TOTAL SCOPE OF ACTIVITIES
Based on total project volume

	CUMULATIVE, FROM 2006 TO 31 DECEMBER 2015		2015 APPROVAL	
	Volume (EUR)	Share (%)	Volume (EUR)	Share (%)
MSE lending	7,375,422	53.1	788,606	27.5
Agricultural and rural finance	1,386,797	10.0	417,009	14.5
Housing finance	155,966	1.1	–	0.0
Local currency lending	536,871	3.9	27,264	1.0
Mobile financial services	205,833	1.5	20,755	0.7
Responsible finance	2,867,580	20.6	681,207	23.7
Other	1,361,087	9.8	934,150	32.6
Total	13,889,556	100.0	2,868,991	100.0

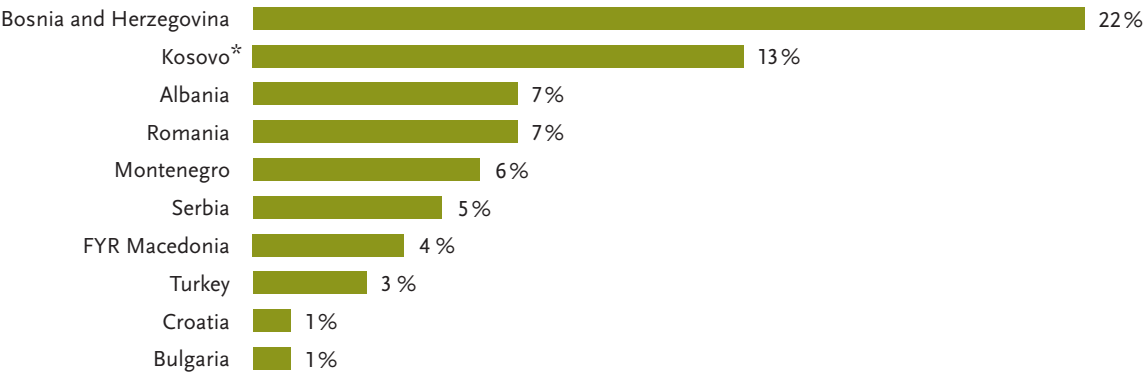
The EFSE Development Facility (DF) offers tailored technical assistance and training to the fund's partner lending institutions, conducts high-level research that includes development impact assessment, and contributes to strengthening the region's financial sector through advisory support at the governmental agency level and by actively fostering responsible finance. The DF implements projects on a range of relevant topics with micro and small-enterprise lending, responsible finance, and agricultural and rural finance remaining key topics.

TECHNICAL ASSISTANCE (TA) PROJECT DISTRIBUTION BY COUNTRY

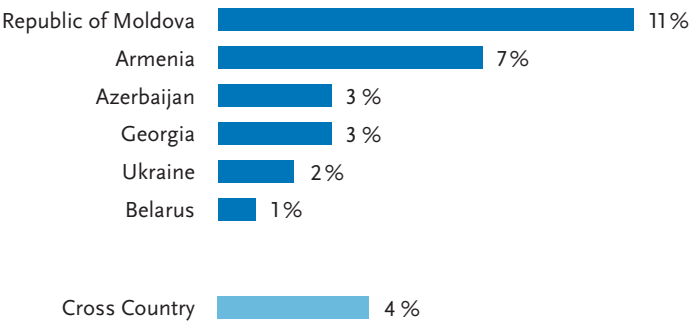
Based on number of projects

Cumulative, from 2006 to 31 December 2014

Southeast Europe (SEE)



European Eastern Neighbourhood Region (ENR)



The largest share of technical assistance activities (by number of projects) was in Bosnia and Herzegovina (22%), followed by Kosovo* (13%) and the Republic of Moldova (11%), with these three markets accounting for just under half of the total projects implemented since inception.

*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

TECHNICAL ASSISTANCE (TA) FUNDING CONTRIBUTIONS BY FUNDING SOURCE

Based on amounts approved

All projects
Cumulative, from 2006 to 31 December 2015

	IN EUR	SHARE (%)
TOTAL NUMBER OF PROJECTS: 297		
Total project budget	13,889,557	100.0
Partner contribution (PLIs and sector institutions)	3,402,310	24.5
EFSE Development Facility contribution	10,371,798	74.7
Contribution by EFSE Development Facility donors (and third parties)	115,449	0.8

Since inception, partner lending institutions (PLIs) and third parties have contributed approx. 25% of the costs towards project budgets.

Individual technical assistance projects only
Cumulative, from 2006 to 31 December 2015

	IN EUR	SHARE (%)
NUMBER OF PROJECTS: 192		
Project budget	8,976,954	100.0
PLI contribution	2,984,925	33.3
EFSE Development Facility contribution	5,876,580	65.4
Contribution by EFSE Development Facility donors (and third parties)	115,449	1.3

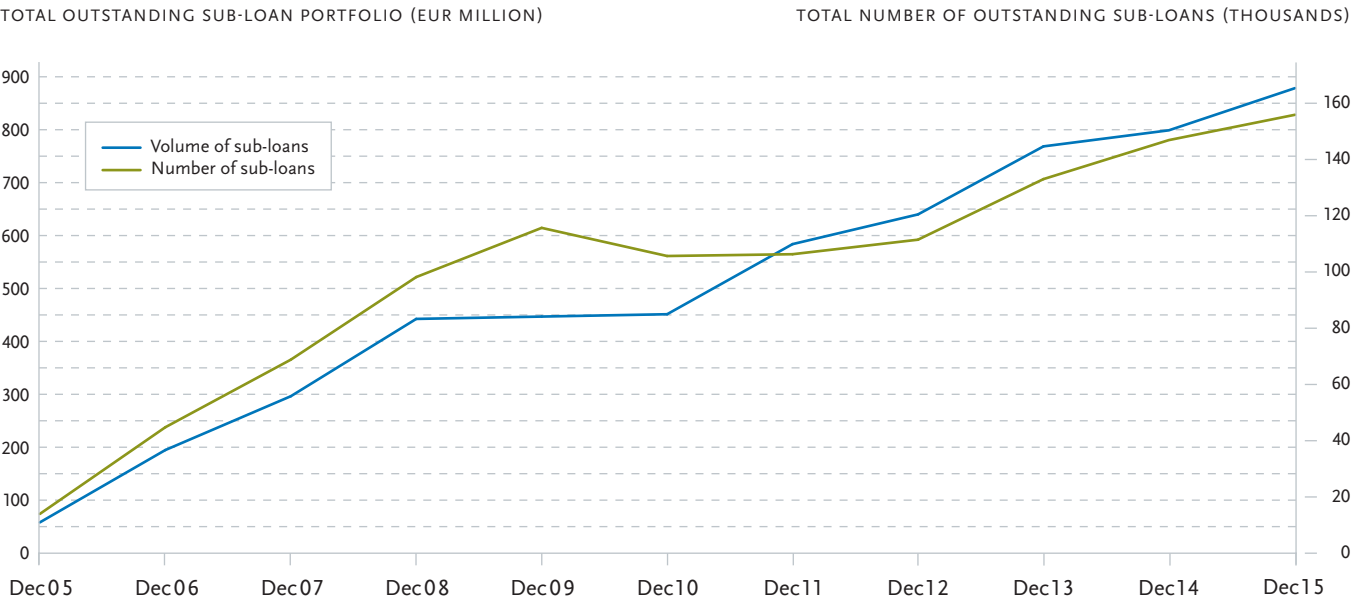
Since inception, PLIs have contributed approx. 33% of the costs relating to project costs for individual TA projects.

DEVELOPMENT IMPACT

OUTSTANDING SUB-LOAN PORTFOLIO

Since inception in December 2005

Total outstanding number of sub-loans on 31 December 2015: 156,404
Total outstanding sub-loan portfolio on 31 December 2015: EUR 879.0 million



With 156,404 sub-loans at the end of 2015, the number of outstanding sub-loans reached its highest level since the inception of the EFSE. As the increase in volume was higher than the increase in the number of outstanding sub-loans, the overall average sub-loan amount outstanding rose to EUR 5,620.

OUTSTANDING SUB-LOAN PORTFOLIO BY PRODUCT

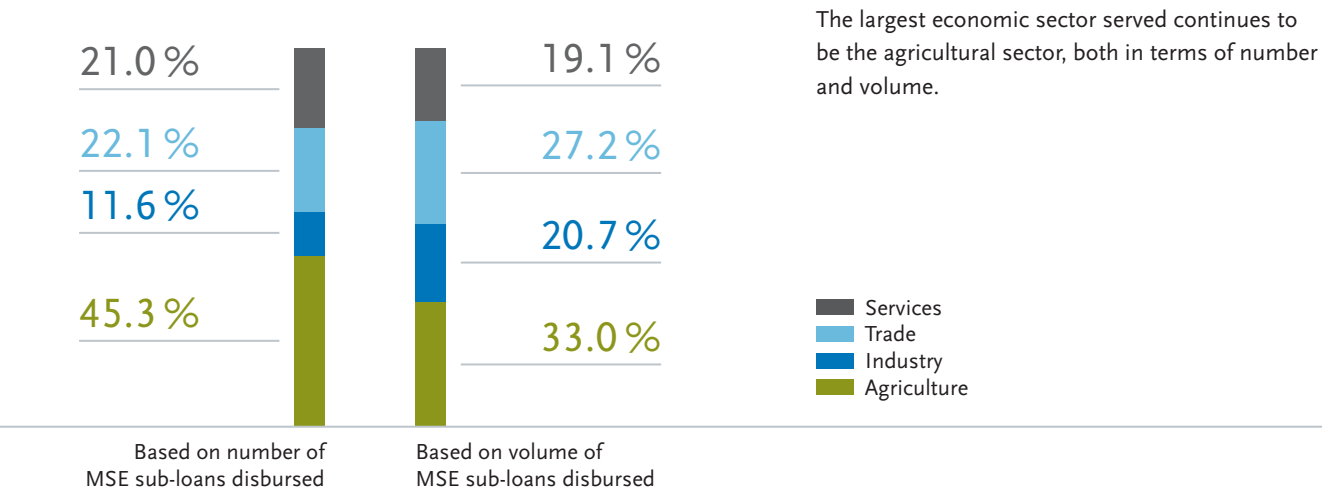
On 31 December 2015

	2015	2014
Outstanding sub-loan portfolio to end-borrowers (EUR million)	879.0	798.5
Micro and small-enterprise loans – urban/rural	693.4	649.1
Housing loans	185.6	149.4
Number of active end-borrowers	156,404	146,828
Micro and small-enterprise loans – urban/rural	145,603	139,483
Housing loans	10,801	7,345
Average outstanding sub-loan amount (EUR)	5,620	5,438
Total sub-loan volume disbursed in 2015 (EUR million)	879.9	865.4*
Micro and small-enterprise loans – urban/rural	828.0	852.1*
Housing loans	51.8	13.3
Total number of sub-loans disbursed	126,064	124,593*

* Adjusted figure for 2014

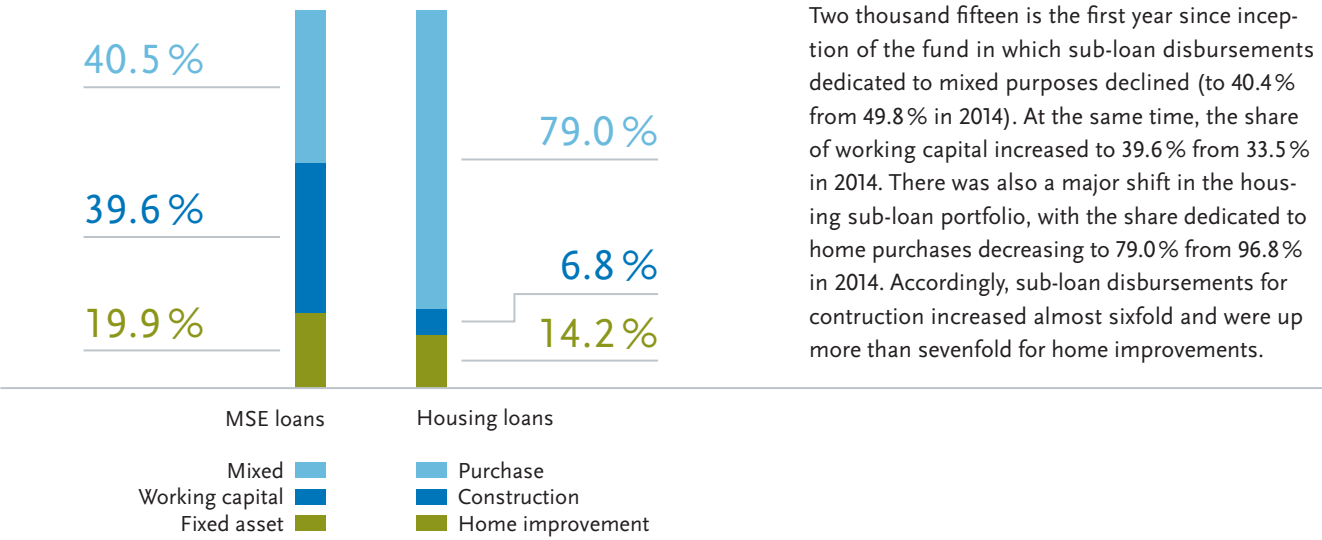
SUB-LOAN DISBURSEMENTS BY ECONOMIC SECTOR IN 2015 – MICRO AND SMALL-ENTERPRISE (MSE) LOANS ONLY

Total number of MSE sub-loans disbursed in 2015: 122,792
Total volume of MSE sub-loans disbursed in 2015: EUR 828.0 million



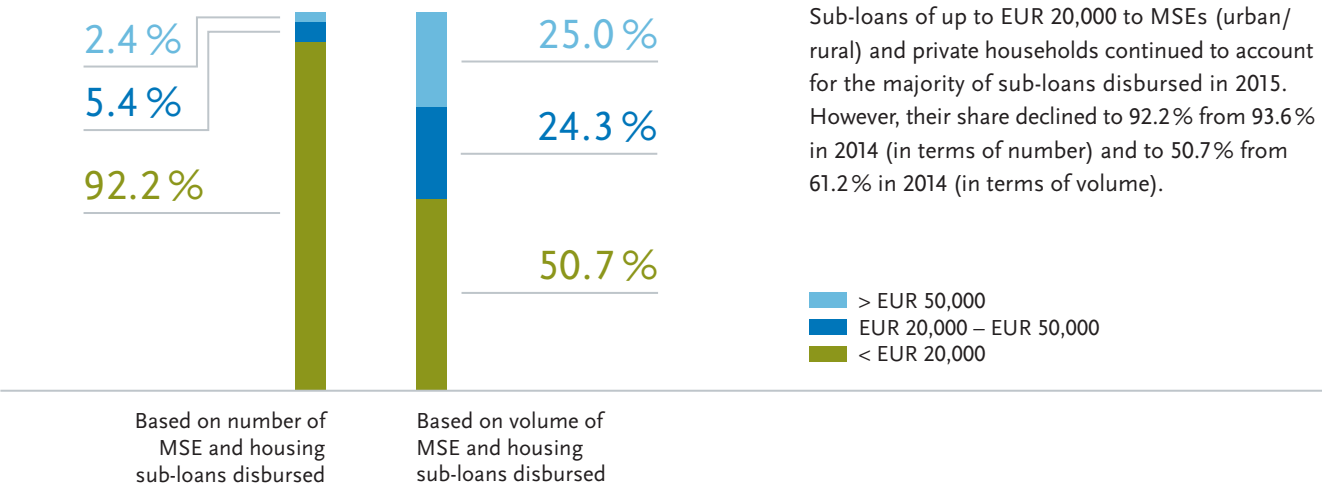
SUB-LOAN DISBURSEMENTS BY PURPOSE IN 2015 – MICRO AND SMALL-ENTERPRISE (MSE) AND HOUSING LOANS

Total volume of MSE sub-loans disbursed on 31 December 2015: EUR 828.0 million
Total volume of housing sub-loans disbursed on 31 December 2015 EUR 51.8 million



SUB-LOAN DISBURSEMENTS BY SIZE IN 2015 – MICRO AND SMALL-ENTERPRISE (MSE) AND HOUSING LOANS

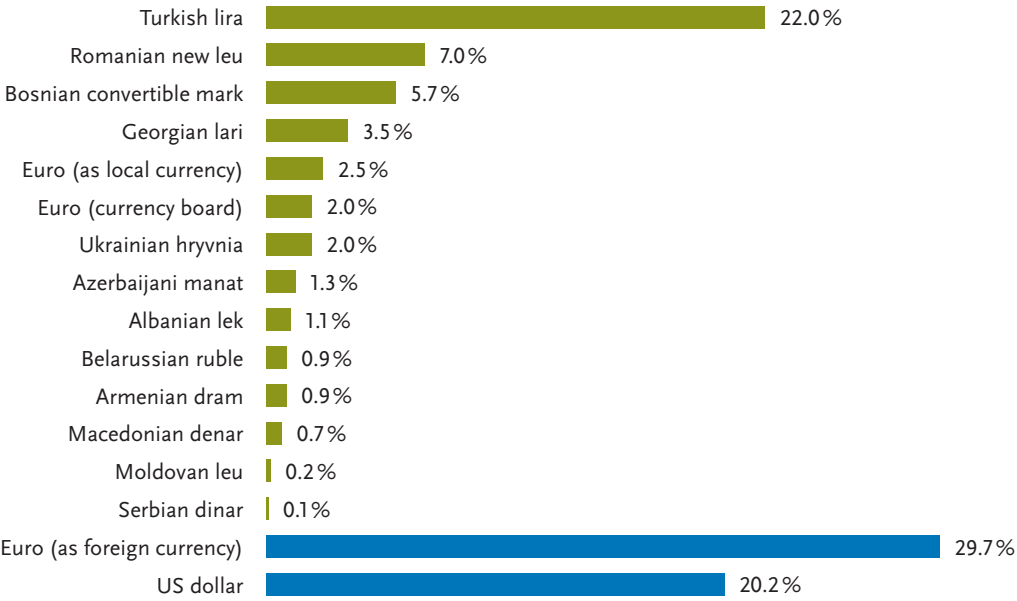
Total number of MSE and housing sub-loans disbursed on 31 December 2015: 126,064
Total volume of MSE and housing sub-loans disbursed on 31 December 2015: EUR 879.9 million



OUTSTANDING SUB-LOAN PORTFOLIO BY CURRENCY

Based on total outstanding sub-loan portfolio

On 31 December 2015: EUR 879.0 million



In the year under review, the local currency sub-loan portfolio remained almost unchanged at 50.0%. In terms of the local currency portfolio composition, the Turkish lira significantly increased its share to 22.0% from 14.1% in 2014. At the same time, the EUR-denominated sub-loan portfolio declined to 29.7% from 36.3%, and the USD-denominated sub-loan portfolio increased its share to 20.2% in 2015 from 14.7%.

PARTNER LENDING INSTITUTIONS

OVERVIEW BY COUNTRY

COUNTRY		
ALBANIA	Commercial banks	Banka Kombetare Tregtare Sh.A.
		Banka Kombetare Tregtare, Kosovo Branch
	Microcredit organisations	Fondi BESA Sh.A.
		NOA Sh.A.
ARMENIA	Commercial banks	ACBA – CREDIT AGRICOLE BANK CJSC, ARMENIA
		ARARATBANK OJSC
		Inecobank CJSC
	Non-bank financial institutions	ACBA Leasing CO CJSC, Armenia
AZERBAIJAN	Commercial banks	Bank Respublika, OJSC
		Muganbank OJSC
	Microcredit organisations	FINCA AZERBAIJAN Non-Bank Credit Organization LLE
	Microfinance banks	AccessBank CJSC
BELARUS	Commercial banks	Belarusky Narodny Bank OJSC
		Belorussian-Russian Belgazprombank Joint Stock
BOSNIA AND HERZEGOVINA	Commercial banks	Intesa Sanpaolo Banka d.d.
		Komercijalna Banka A. D. Banja Luka
		NLB Banka d.d., Sarajevo
		NLB Razvojna banka a.d., Banja Luka
		Raiffeisen Bank d.d. Bosna i Hercegovina
		Sberbank BH d.d. Sarajevo
		MCF MI-BOSPO
		Microcredit Company EKI LLC Sarajevo
	Microcredit organisations	Microcredit Company Mikrofin LCC
		Microcredit Foundation EKI
		PARTNER MIKROKREDITNA FONDACIJA Tuzla
		MF Banka a.d. Banja Luka
		ProCredit Bank d.d.
	Microfinance banks	

COUNTRY		
CROATIA	Commercial banks	Zagrebačka banka d.d.
CROSS COUNTRY	Non-bank financial institutions	ProCredit Holding AG & CO. KGAA
	TCX	TCX
FYR MACEDONIA	Commercial banks	Halkbank AD, Skopje
		NLB Tutunska Banka AD Skopje
	Microcredit organisations	Mikrokreditna Fondacija HORIZONTI Skopje
GEORGIA	Commercial banks	JSC Bank of Georgia
		JSC Bank Republic
		JSC TBC Bank, Georgia
	Microfinance banks	JSC ProCredit Bank, Georgia
KOSOVO*	Commercial banks	Banka Për Biznes Sh.A.
		NLB Prishtina Sh.A.
	Microcredit organisations	Agjencioni për Financim në Kosovë
		KEP Trust
		Kreditimi Rural I Kosoves LLC
MOLDOVA	Microcredit organisations	JV MFO Microinvest LLC
	Microfinance banks	CB ProCredit Bank S.A.
MONTENEGRO	Commercial banks	Erste Bank AD Podgorica
		NLB Banka AD Podgorica
		Societe Generale Banka Montenegro AD
	Microcredit organisations	MFI Alter Modus DOO Podgorica
ROMANIA	Commercial banks	Banca Transilvania S.A.
	Microcredit organisations	S.C. Opportunity Microcredit Romania IFN S.A. – OMRO
		Patria Credit IFN S.A.
	Non-bank financial institutions	AGRICOVER CREDIT IFN S.A.
		Motoractive IFN S.A.

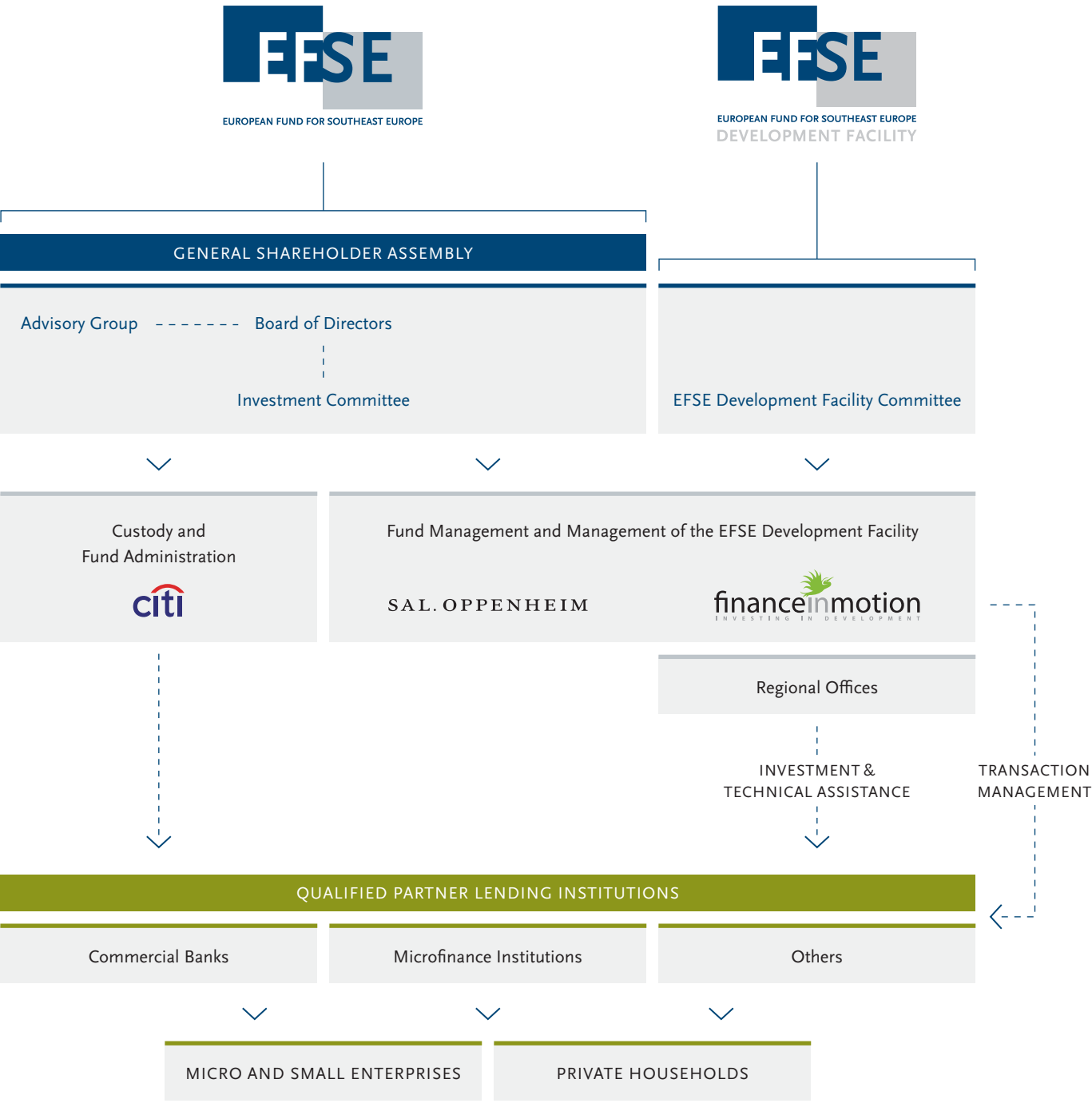
* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

OVERVIEW OF PARTNER LENDING INSTITUTIONS BY COUNTRY

COUNTRY		
SERBIA	Commercial banks	Banca Intesa a.d. Beograd
		Halkbank akcionarsko drustvo Beograd
		Komercijalna banka AD Beograd
		RAIFFEISEN BANKA AD BEOGRAD
		Sberbank Serbia a.d. Beograd
		UniCredit Bank JSC
	Microfinance banks	Opportunity Bank A.D., Novi Sad
		ProCredit Bank a.d. Belgrade
		Intesa Leasing d.o.o., Beograd
TURKEY	Commercial banks	Alternatifbank A.Ş.
		Burgan Bank A.Ş.
		Denizbank A.Ş.
		FİBABANKA A.Ş.
		FİNANSBANK A.Ş., TURKEY
		Odea Bank A.Ş.
		Şekerbank T.A.Ş.
		Finans Finansal Kiralama A.Ş.
	Non-bank financial institutions	Garanti Finansal Kiralama A.Ş.
		Yapı Kredi Finansal Kiralama A.O.
UKRAINE	Commercial banks	Megabank, PJSC
	Microfinance banks	JSC ProCredit Bank, Ukraine

APPENDICES

ORGANISATIONAL STRUCTURE



Initiator and lead investor: **KFW**

BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS



FROM LEFT TO RIGHT
Peter Reiniger, Dominik Ziller, Hubert Cottogni, Monika Beck (Chairperson), Franz-Josef Flosbach, Christoph Achini, Syed Aftab Ahmed, Roland Siller (missing: Klaas Bleeker)

INVESTMENT COMMITTEE



FROM LEFT TO RIGHT
Markus Aschendorf, Monika Beck (Chairperson), Peter Reiniger, Karlo de Waal, Syed Aftab Ahmed

EFSE DEVELOPMENT FACILITY COMMITTEE



FROM LEFT TO RIGHT
Markus Aschendorf (Chairperson),
Eva van den Heuvel,
Hans Ramm

EFSE ADVISORY GROUP



The Advisory Group to the EFSE's Board of Directors comprises high-ranking representatives of the central banks in the regions the EFSE serves. Providing a link to local realities, concerns and needs, its members share local experiences and convene to make recommendations about fund policies and operations. The Advisory Group plays a pivotal role in forging successful regional cooperation, which has become even more important in developing a joint approach towards mitigating the risks made evident in the aftermath of the global financial crisis and in the unfolding Eurozone debt situation.

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* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ISJ Opinion of the Kosovo Declaration of Independence.

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