2016 Annual report

MEF
Microfinance
Enhancement
Facility

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Mission of the fund

THE MISSION

Initiated by KfW and International Finance Corporation ("IFC"), a member of the World Bank Group, and co-managed by three leading private investment managers (BlueOrchard Finance S.A., Cyrano Management S.A. and responsibility AG), Microfinance Enhancement Facility S.A., SICAV-SIF ("MEF") was setup in February 2009 as a major facility to provide short and medium-term financing to microfinance institutions ("MFIs") facing difficulties in securing financing as a result of the global financial crisis and, in particular, the 2008/2009 liquidity crisis.

Positioned as an efficient microfinance debt fund with an emergency liquidity buffer of USD 60-80 million on stand-by maintained at all time, providing stability to the microfinance market, MEF has an important signalling effect and contributes to the stabilisation of the microfinance sector. In times of uncertainty, a vehicle that can respond quickly and decisively, such as MEF, can provide a stable source of funding.

As a complement to existing sources of funding, MEF focuses on providing liquidity that the market does not offer. MEF is a flexible vehicle structured to meet the needs of MFIs, without crowding out private sector initiatives.

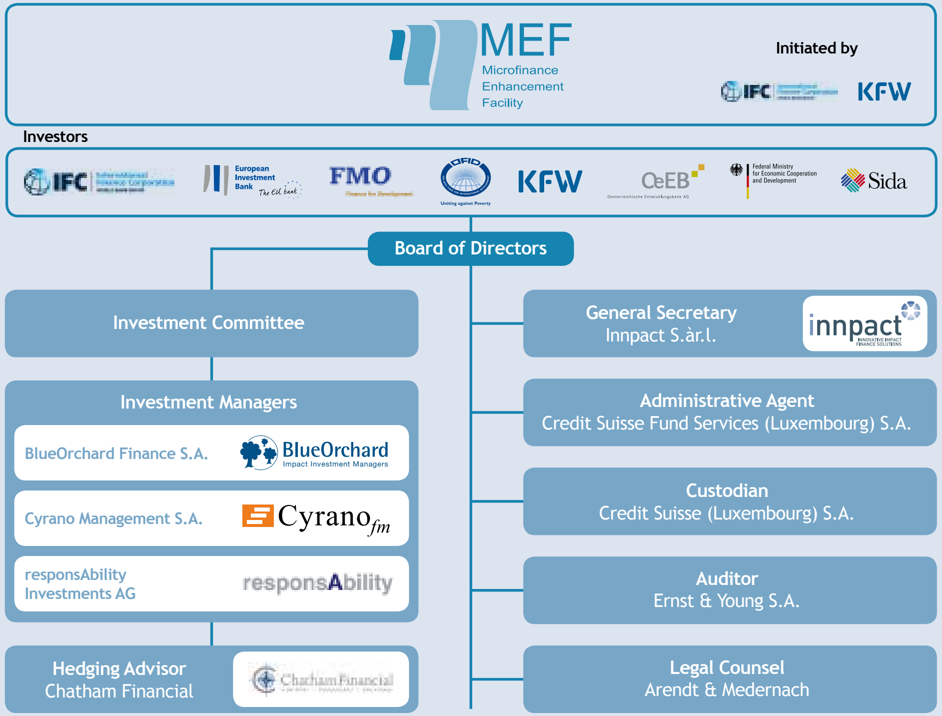
As a demand oriented fund, seeking to respond to the needs of the market and of individual MFIs, it has supported over 450,000 low income borrowers by providing over USD 1.3 billion to more than 145 microfinance institutions in 42 of the world's poorest countries.

The investment managers are led by MEF's Investment Committee, convened on a monthly basis and composed of reputable professionals in the microfinance industry, Mr. Syed Aftab Ahmed, Mr. Karlo de Waal, and Dr. Klaus Glaubitt.

THE FUND

MEF aims to support economic development and prosperity globally through the provision of additional development finance to microenterprises, via qualified financial institutions.

In pursuing its development goal MEF observes principles of sustainability and additionality, combining development and market orientations.



Structure of the fund

Board of Directors

Board of Directors
Chairperson
Dr. Johannes FEIST
Directors
Mr. Martin HOLTMANN
Mr. Robert Peck CHRISTEN
Ms. Andrea HAGMANN
Mr. Angus MACRAE
Mr. Karl VON KLITZING

Investment Committee

Investment Committee
Chairman
Dr. Klaus GLAUBITT
Members
Mr. Syed Aftab AHMED
Mr. Karlo DE WAAL

Letter of the Chairperson

A turbulent year 2016 has come to its end. In this year the MEF has experienced its greatest challenges so far, but it also clearly signalled its unique value to the global microfinance sector, and to its ultimate beneficiaries, the financially excluded population in 40 developing countries.

This year, microfinance markets in many developing regions continued to expand and scale. The process of financial inclusion continued and in particular in Central & South America, some markets became very active (e.g. Nicaragua) demonstrating that significant funding gaps still exist for micro and small enterprises. In other microfinance markets the transformation processes played a crucial role for the growth of financial intermediaries and were accompanied by improvements in corporate governance, overall sophistication of product offerings, and market entry of new private equity and financial sector investors.

As a result of the economic difficulties in Eastern Europe, Caucasus & Central Asia the Fund saw a significant deterioration in the portfolio quality of its investees. For the first time since its inception the MEF was confronted with restructuring and wind-down cases predominantly in Azerbaijan and Tajikistan, but due to singular events also with one client in Kenya. Following the 2015 trend, some institutions were especially affected which led the MEF to establish provisions representing 3.22% of its gross portfolio. These provisions impact only the C-Shares - and were are grateful to the donors from Germany (BMZ), Austria (OeEB) and Sweden (SIDA) for providing such risk cushion, which enabled a total leverage of the MEF via market-based investments of almost 7 to1.

In this challenging context the well-functioning system of the MEF has proven its reactivity and its efficiency allowing the Fund, thanks to the close monitoring and intense treatment of critical cases by the investment committee, to regain decent recoveries even in difficult situations. MEF, as a DFI-driven fund with an explicit stabilising role, also became a key player in the collective art of restructuring, acting not only as negotiator but also as mediator and facilitator of adequate solutions with the other parties involved in work-out situations concerning the investees of the MEF.

In continuation of 2015 efforts, but also in reaction to regional deterioration of the market conditions, the Fund further balanced its regional distribution by reducing its exposure in Eastern Europe, Caucasus & Central Asia, while increasing its exposure in Latin America & the Caribbean, South Asia and Sub Saharan Africa. With now 28% (2015: 18%) of portfolio in South Asia and Sub Saharan Africa the Fund is more than ever before servicing the low-income countries. Overall, the microfinance sector and its financial intermediaries are projected to continue their expansion in a sustainable

Letter of the Chairperson

manner demonstrating their low correlation to global macroeconomic trends. But 2015/2016 also showed that local currency depreciations, e.g. in commodity exporting countries, are a major threat to hard-currency financed MFIs. With the support of its hedging counterparties, the MEF increased its portion of local-currency loans to 30%, therewith de-risking many of its investees from currency fluctuations.

Despite the volatile environment, MEF continued to pursue its mission and was again able to support the microfinance market around the world. The Fund closed its 2016 exercise with a USD 555 million portfolio outstanding with 102 MFIs in 40 countries including 30 new MFIs in five new countries: Botswana, the Dominican Republic, Mali, Palestine and Tanzania. The total expense ratio (based on the average total assets) has further decreased from 1.48% in 2015 to 1.39% in 2016, making the MEF one of the most efficient funds in the industry.

In this report, we are pleased to highlight the achievements of one partner microfinance institution, Panacredit in Panama and also the stories of some of the many successful entrepreneurs that the MFIs supported by the MEF have assisted including an entrepreneur in Nigeria, farmers in Cambodia and Peru, a foodstuff reseller in Nigeria and a camel breeder in the Gaza strip.

2017 is again proving to be a very busy year as the on-going implementation of the Fund's mission goes hand in hand with securing the Fund's long-term ability to fulfil its mandate.

On behalf of the Board, I would like to take the opportunity to express my thanks to the committed investors of the MEF for their ongoing support in this initiative as well as the service providers and the partner MFIs for their efforts and dedication in supporting the development of the MEF and for their commitment to the Fund's mission. And I want to address our investees, who reach out with great dedication to our ultimate clients, the most vulnerable parts of the population in 102 countries: rest assured that the MEF will continuously stand firm to its mission, and remain a committed and constructive partner even in difficult times.

Supported by Three Investment Managers

BlueOrchard Finance S.A.

BlueOrchard Finance Ltd is a globally leading impact investment manager, specialized in fostering inclusive finance and sustainable growth. BlueOrchard was founded in 2001 by initiative of the UN as the first commercial manager of microfinance debt investments worldwide. To this day, the company has invested over USD 3.5bn in institutions across 70 emerging and frontier markets, providing access to financial and other services to over 30 million individuals at the bottom of the pyramid. BlueOrchard-managed funds drive attractive double-bottom line returns to private and institutional investors, supranational institutions as well as renowned foundations. BlueOrchard Finance Ltd is an asset manager licensed by the FINMA and its Luxembourg entity is a licensed alternative investment fund manager (AIFM) by CSSF.

BlueOrchard
Impact Investment Managers

Portfolio MEF - BlueOrchard

Portfolio managed as of 31 December 2016		
	USD	% total MEF portfolio
Portfolio	326,000,000	59%

Supported by Three Investment Managers

Cyrano Management S.A.

Cyrano is a pioneer Assets Manager specialized in the microfinance industry in emerging markets. Cyrano has developed a rigorous Risk Assessment methodology to analyze in-situ and to monitor the qualitative and quantitative risks of all portfolio MFIs on a monthly basis. This discipline and risk management approach is generating a great portfolio quality for the MEF.

Cyrano managed the first credit fund for MFIs (LA-CIF), created the only mezzanine fund in microfinance (Solidus), and created one of the most successful and solvent global microfinance funds (GMF) which reached an AA pre-sale rating by Fitch. Cyrano also manages WMF, a local currency fund fully devoted to MFIs in Ghana, created with the investment participation of the national Pension Fund of Ghana and KfW.

Cyrano fm

Portfolio MEF - Cyrano

Portfolio managed as of 31 December 2016		
Portfolio	USD	% total MEF portfolio
	121,600,000	22%

Supported by Three Investment Managers

responsAbility Investment AG

responsAbility Investments AG is one of the world's leading asset managers in the field of development investments and offers professionally-managed investment solutions to private, institutional and public investors. The company's investment solutions supply debt and equity financing predominantly to non-listed firms in emerging and developing economies. Through their inclusive business models, these firms help to meet the basic needs of broad sections of the population and to drive economic development – leading to greater prosperity in the long term.

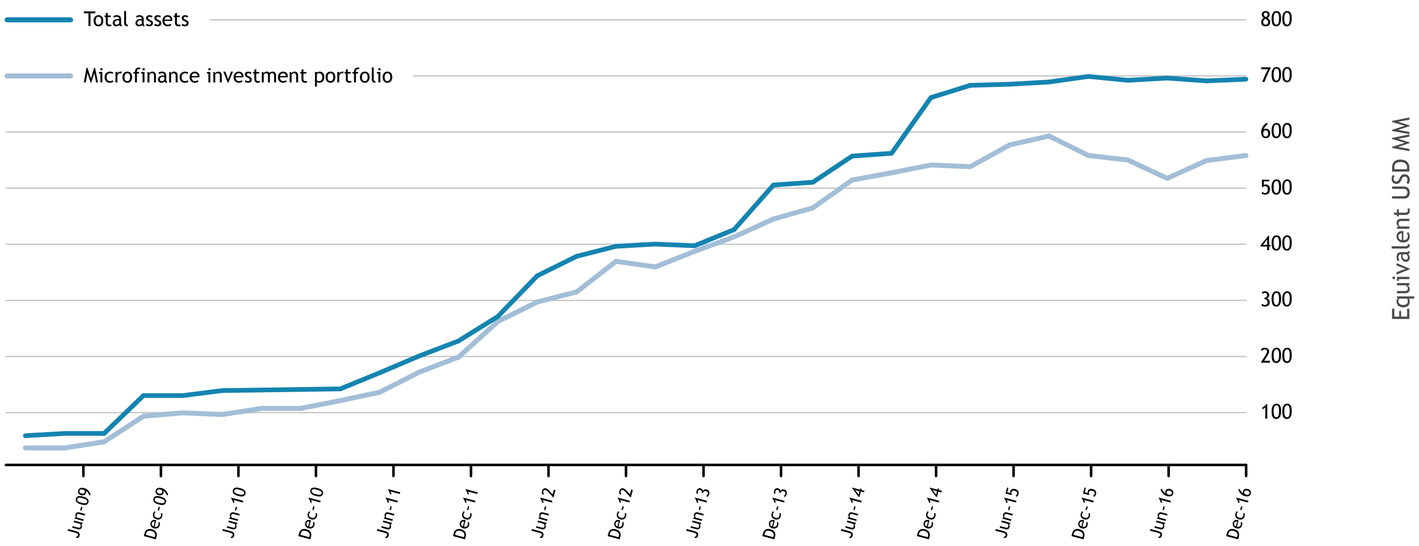
responsAbility currently has USD 3.2 billion of assets under management, invested in over 550 companies across 96 countries. Founded in 2003, the company is headquartered in Zurich and has local offices in Bangkok, Geneva, Hong Kong, Lima, Luxembourg, Mumbai, Nairobi, Oslo and Paris. Its shareholders include a number of reputable institutions in the Swiss financial market as well as its own employees. responsAbility is registered with the Swiss Financial Market Supervisory Authority FINMA.

responsAbility

Portfolio MEF - responsAbility

Portfolio managed as of 31 December 2016		
	USD	% total MEF portfolio
Portfolio	107,300,000	19%

Portfolio evolution since launch



A facility enhancing MFIs

Key Figures

as at 31 December 2016

Portfolio in detail

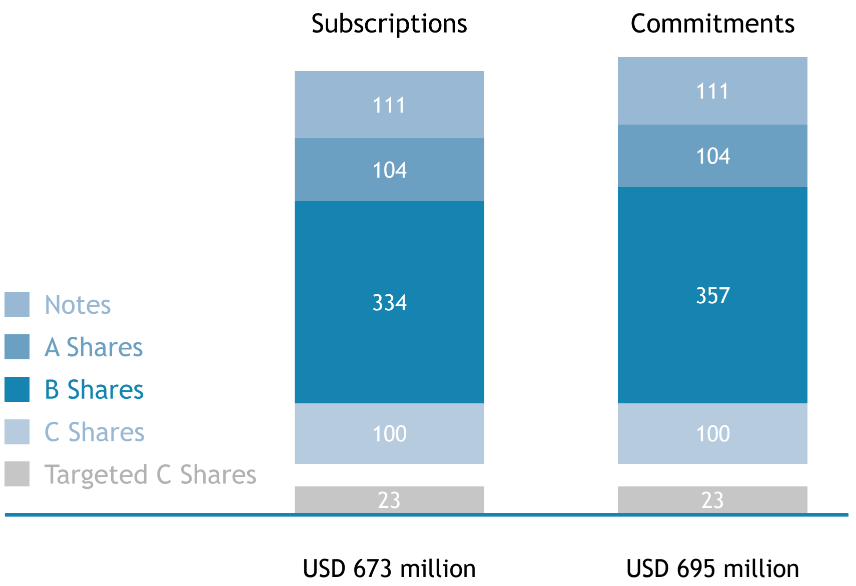
	December 2016	December 2015	Cumulative figures
Microfinance investment portfolio	USD 554.9 MM	USD 555.4 MM	USD 1.394 MM
Cash	USD 112.0 MM	USD 116.2 MM	-
Other short term investments	USD 25.2 MM	USD 26.8 MM	-
Total assets	USD 692.2 MM	USD 698.5 MM	-
Microfinance portfolio as a % of total assets	80.2%	79.5%	-
Total net asset value	USD 551.8 MM	USD 561.5 MM	-
Number of MFIs	102	95	145
Number of loans	183	203	436
Number of countries	40	36	42

A facility enhancing MFIs

Key Figures

as at 31 December 2016

Subscriptions and Commitments

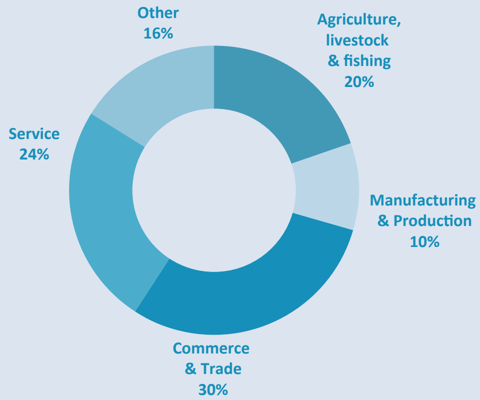


A facility enhancing MFIs

Impact Indicators

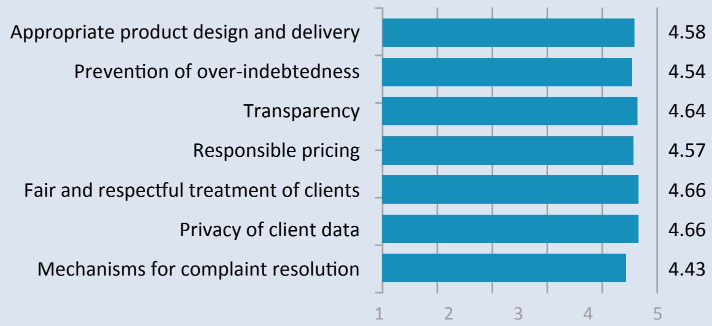
as at 31 December 2016

Sector Distribution of Portfolio



Level of adherence to the Client Protection Principles

(self reported)



The diagram highlights the good scores of MEF's MFIs regarding the adherence to the Client Protection Principles.

Outreach of Microfinance Institutions Financed

Borrowers	
Total, number	544,192
Women, percent	56%
Rural, percent	55%
Loans	**USD**
Average loan balance	1.028
Client Type	
Microfinance	68%
Productive loans	68%
Mortgage	4%
Consumer	18%
Other	10%
Product Type	
Direct loans	78%
Group guaranteed loans	20%

Adherence to social and environmental criteria

Adherence to the CPP	
MFIs having formally adopted the CPP	82%
Adherence to exclusion list	
Violations of the exclusion list	None

All figures are weighted by exposure of each MFI in MEF portfolio except the average loan size.
Please note that 94 out of the 102 MFIs in the portfolio as of 31 December 2016 have reported their social and environmental data.

Activity Report

BlueOrchard 2016 Activity Report

MARKET REVIEW

The performance of microfinance markets worldwide continued its expansion and scale during 2016. The asset growth and portfolio growth of financial intermediaries dedicated to the financing of the micro and SME sector over the year remained above 20% (24% for assets growth and 21% for portfolio growth). Other performance indicators also remained stable (e.g. average return on assets above 2%, and average portfolio at risk over 30 days below 3%).

The process of financial inclusion continued and was further strengthened in a number of new countries that opened to foreign lenders. Notably, the lifting of sanctions in Myanmar created new investment opportunities to reach a large number of underserved entrepreneurs in this market via a range of microfinance institutions.

In the historical microfinance markets (e.g. India and Cambodia) the transformation processes played a crucial role for the growth of financial intermediaries via additional equity injections and the diversification of products and services, as well as of funding sources (e.g. savings and deposits). These transformations were accompanied by improvements in corporate governance, overall sophistication of the product offering, and entry in the market of new private equity and financial sector investors. In Central and South America, some markets became very active (e.g. Nicaragua) demonstrating that significant funding gaps are still existing for micro and small enterprises.

In Central Asia and the Caucasus the economic difficulties linked to currency devaluations and the potential substantial reduction in the repayment capacity of customers further limited lending opportunities for credit institutions. In Tajikistan, in particular, financial intermediaries were impacted by the combined effects of currency devaluation, decline in remittances, and slow demand for financing from micro and small business.

FUND PERFORMANCE

The BlueOrchard pool was further enlarged by adding 4 new countries and 23 new investees in the outstanding portfolio of BlueOrchard as of 31 December 2016. BlueOrchard disbursed USD 186 million in 44 loans across 21 countries during the reporting period. Disbursements increased by more than 42% in 2016 when compared to 2015, which was the former record year for disbursement volume. The BlueOrchard pool reached an outstanding portfolio of USD 326 million as of 31 December 2016.

MARKET OUTLOOK

Overall, the microfinance sector and its financial intermediaries are projected to continue their expansion in a sustainable manner (20-30% growth) demonstrating their low correlation to global macroeconomic trends.

In certain markets the importance of large downscaling banks and/or large commercial banks active in micro and SME lending is expected to provide significant funding opportunities for the MEF (e.g. South America). Funding demands have also increased in regions like Central America, South Asia and East Asia and the Pacific where MEF could further expand its client base and keep an important role in the deepening of financial inclusion.

Activity Report

Cyrano 2016
Activity Report

MARKET REVIEW

With the exception of Cambodia, all countries of Cyrano's pool portfolio in MEF were affected by international crises: (i) significant price reduction of metals and petroleum, (ii) degradation of economies related to Russia, (iii) the decrease of the GDP of China, (iv) increasing devaluation and inflation, and (v) the impact of El Niño in the production of rural areas. SME loans were the most affected in the portfolio MFIs, due to the large loan amounts and the immediate impact in provisions and associated legal costs. As a result, Cyrano did not proceed with some loan renewals and restricted new loans.

POOL PERFORMANCE

In reaction to industry developments Cyrano maintained close monthly risk monitoring of MFIs and coordinated with them to adopt some measures related to risk management in time of crisis. Some loan renewals were avoided and new loans were strongly minimized.

The Cyrano pool was disbursed in 5 countries in 2016. The new disbursements constituted USD 43.5 million in 2016, an increase of 4.2% compared to the previous period. As of 31 December 2016 the outstanding loans in the portfolio reached USD 122 million. Some loans were not renewed and some requests to increase loan amounts were rejected. The evaluation of potential loans with new MFIs in Central Asia were suspended.

MARKET OUTLOOK

Cyrano has continued to work under The same philosophy of very prudent portfolio management that it has held since 2014. The evolution of the global economy is experiencing very important uncertainties due to the potential new macroeconomic policy of the USA and the consequent increasing interest rates that will reduce the financial margin of MFIs. Cyrano will continue to be very restricted in the extension of loans in Central Asia countries. Cyrano will continue to monitor the countries and MFIs in its pool very closely in order to prevent any potential negative impact.

Activity Report

responsAbility 2016 Activity Report

MARKET REVIEW
Emerging markets continued to face challenging market conditions. Global growth was still subdued barely above 2% as business spending lagged in advanced economies, whilst inflation expectation came down. Interest rates barely started to bottom out, commodity prices reached their lowest levels and China's growth slowed further.

responsAbility saw a marked deterioration in the portfolio quality of its investees, in particular those in the CIS region with the exceptions of Georgia and Kazakhstan. Downside risks have become more pronounced with a range of challenges looming including deteriorating conditions in commodity-exporting economies, rising private sector debt in large emerging markets and heightened policy and geopolitical uncertainties. In general, placement capacity in 2016 was still below average. Local currency funding needs increased on the back of currency devaluations versus the US dollar whilst limited hedging capacities and high costs made it difficult to fulfill these demands.

POOL PERFORMANCE
2016 continued to be a challenging year for investments in microfinance. The number of investments decreased to 36 (57 in 2015) amounting to USD 107 million (USD 177 million in 2015) across 10 countries (11 in 2015). The portfolio remained concentrated in Central Asia, which represented 62% of total funds from 70% in 2015, followed by Sub Saharan Africa at 17.2% and South America at 16.5%. Top invested countries were Azerbaijan at 20.2%, Kenya at 18% and Ecuador at 17.4% of total funds. Investments were distributed across 18 institutions (22 in 2015) and USD was the main currency block with 90% of total investments.

OUTLOOK
responsAbility still sees fewer investment opportunities than in the past few years but expects a stabilization in 2017 compared to a rather difficult 2016. According to the rA outlook survey, global financing demand growth should come at 10-15%, but placement will be a function of pricing risk/return. The imbalance of financing demand and funds available from public and private sector investors may lead to lower spreads in general, outweighing the higher USD swap rates. We expect that only after a certain time lag, the fund will also benefit from the higher US interest rates.

According to a BMI study, economic growth over the next decade will be strongest in net commodity importing countries that have positive demographic trends and economic reform momentum. Bangladesh, Ethiopia, India, Mexico, Pakistan and the Philippines each tick these boxes and as a result, will have the highest GDP growth over the next decade.

Growth momentum should improve, however, in the medium term. The macro vulnerability has been reduced further, current average inflation is expected to only gradually increase across the low-yielders and should, in fact, fall further among the high-yielders. Argentina and Brazil, which have been in recession, are expected to return to growth in 2017 as both economies are slowly heading towards a recovery. Also, oil prices have started to stabilize with the OPEC agreement on production cut. This should help oil producer and exporter countries, such as Russia and Kazakhstan.

Client story

House for renting

Nigeria

Nkaelang has been a Letshego customer since June 2014 and during the past 18 months he has built a multi-residential property with 5 self-contained apartments in the bustling village of Kanye, just 40 kilometers from the hilly town of Lobatse and 70 kilometers from Botswana's capital, Gaborone. Kanye's economic activity is driven by its proximity to both these major towns/cities.

He is currently laying pavement around the plot grounds and, once this is completed, he will let out the apartments the revenue from which he will put towards completing a house in the nearby village of Moshupa.

After building his home, Nkaelang plans to use part of the cumulative rental income he earns to build a second set of apartments.

Further to this, he is looking to use the income generated from these apartments to provide for his family including paying school fees for his children at nearby private schools that he previously could not afford.

Nkaelang had this to say, *"Letshego is No. 1 to me, and I never take loans anywhere else. I believe in Letshego because they understand and help everyone unlike other institutions. I will continue being a Letshego customer because they treat us very well."*

Client story

Training for success

Cambodia

Mrs. Sokha, 40 years old, lives in a rural area of the Svay Rieng province in south-eastern Cambodia, close to the Vietnamese border. Her husband is a taxi driver and they have four children.

After meeting KREDIT's staff, Sokha decided to join a group in 2015. She got the first loan for KRH1 million or about USD250 for raising chickens, because she knew that KREDIT would provide training to the villagers.

After Sokha and the group were asked by KREDIT's staff to select an agriculture topic, and chicken raising was chosen, the training began. It was conducted at the village chief's house and facilitated by an expert from the District Agriculture Office.

Sokha said, *"During the training, I put all my focus on the session, and asked questions to ensure that I understood everything. I learned a lot of new techniques. In the past, I raised chickens following traditional methods, and very often my chickens died because I did not have any clear guidance. Now I am really confident in chicken raising. I have applied the new techniques and it has made me realize how necessary it is to study before we start a business."*

With the support of her husband, the family is currently raising chickens and some sows and piglets, creating a good income for the family. Sokha is now at the second loan cycle with KREDIT.

Sokha said *"I would like to thank KREDIT for providing valuable support to my family through animal training and loans. In the future, I plan to share this knowledge and experience with other villagers and expand my animal raising business. I hope that KREDIT will continue providing more useful trainings to villagers in the future."*

Client story

Agriculture and livestock

Peru

Lorenza Llacho Quispe has worked in agriculture and livestock in Lari, Arequipa, Peru since she finished high school. In 1999 she joined Fondesurco and got her first loan for USD 500 which she invested in seeds to plant potatoes and beans. At that time, Fondesurco was the only institution that provided loans to small farmers in rural zones in the Arequipa province.

Over the years, Lorenza has had more than 15 loans with FONDESURCO, which have helped her support her business and consequently her household. Since she started to obtain funding from the MFI, she has managed to achieve higher profits, which were in turn invested in agricultural lands in different zones like Cabanaconde, where the better weather condition allows cultivating year long. She has also invested in sheep and cattle.

At this time, her business generates enough revenue to be financially sustainable and she even employs other farmers. The profits from her business have also enabled her to support her family and improve their living conditions as she has been able to build a house and support her children through university education.

Client story

Panacredit

Panama

Corporación de Finanzas del País, S.A. (Panacredit) started operations in Panama in 2008. Since its inception, Panacredit provides payroll discount loans to salaried workers from mainly government organizations. In 2014, Panacredit also started serving low and middle income entrepreneurs by offering microfinance loans through leasing, focusing mostly on vehicle financing such as pick-up trucks or other vehicles for business use. The microfinance portfolio now represents 10% of Panacredit's total portfolio, and it is expected to grow by 10% p.a. for the following two years.

Panacredit is one of the largest Financieras in Panama and it is regulated by the Ministry of Commerce and Industry. Given its legal status, it does not collect savings or deposits. Nevertheless, Panacredit has established a proven track record of raising funds from the Panamanian Stock Exchange since 2008. It holds a BBB (local rating) credit rating with stable outlook.

By the end of 2016, Panacredit was operating 11 branches while serving 8,500 clients. Six of the branches are located in the main capital, Panama City, due to the presence of the Panama Canal and the business opportunities there. Nevertheless, Panacredit has 5 branches in other cities in order to diversify its portfolio and to serve entrepreneurs in other areas.

Microfinance in Panama is not fully developed. There is an unmet demand for microfinance loans but the microfinance institutions are few. Panacredit, as a new player in this sector, plans to contribute towards the entrepreneurial development by providing opportunities to low and middle income families.

Client story

Sale of provisions and food stuff

Nigeria

Helen Ugbuga sells foodstuff, provisions and household items at the market in Lagos State, Nigeria. She joined Grooming Centre in 2008 because of their group lending credit facilities. With time, she has become a group leader. The group is called Trust Union – named 'Trust' to reflect the trust that she and other group members have towards each other and also towards Grooming.

Helen borrowed several facilities and currently has two facilities of USD 750 each. These facilities have been used to grow her business. With the current facility, Helen was able to purchase a deep freezer and generator (as a power back up) for her business.

The profits from this business have also enabled Helen to support her family and improve their livelihood. As an example, Helen has been able to support two children through university education.

Client story

Farmer

Gaza Strip

18 Years ago, Amneh, a mother of 7 children, and her husband started to raise camels on a small plot of land by their house in Rafah in Gaza strip. Starting with a camel and a few farm animals, all of the family worked on this small project, working on the farm, feeding the animals and cleaning the farm.

Amneh and her family worked hard on the project, developing it over the years - adopting different strategies to market their product to the local community, keeping in mind the economic situation in Rafah in particular and Gaza in general. They started to accept payment from customers in installments, which improved sales and created more loyal customers. Aside from raising camels, the family bought cows and started to produce cheese and dairy products becoming one of the main dairy product producers in the Rafah area.

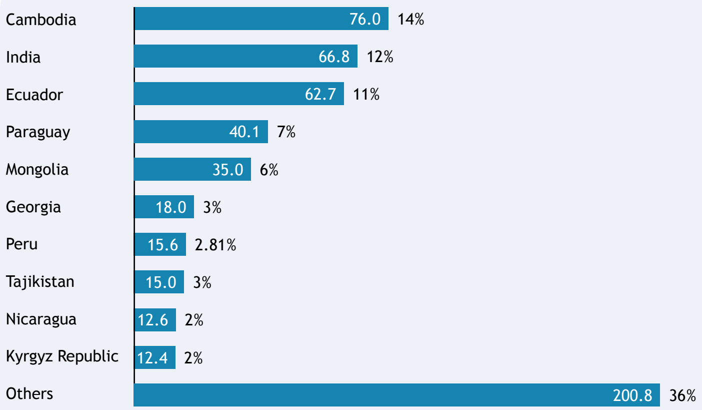
Now, 18 years since Amneh started her project with a small loan of USD 200 from FATEN in 1999, Amneh continued to take out loans from FATEN to reach 15 loans with a total amount of USD 100,000. The project grew larger as Amneh bought a small plot of land to expand the farm, equipment and more farm animals, and even a small pickup truck to distribute the product. The project that started to support her and her 7 kids, now supported a family of 22, as her 3 boys married and continued to work on the farm. Amneh replaced her small family home with a larger 3 floor building, housing her family and her 3 kids and their families.

Nominated by FATEN, Amneh won the first prize for the Queen Sabika bint Ibrahim Al Khalifa Award for Best Producing. Amneh aims to develop and expand her project with a Poultry farm and more livestock that will help her hire more workers and employees in her farm.

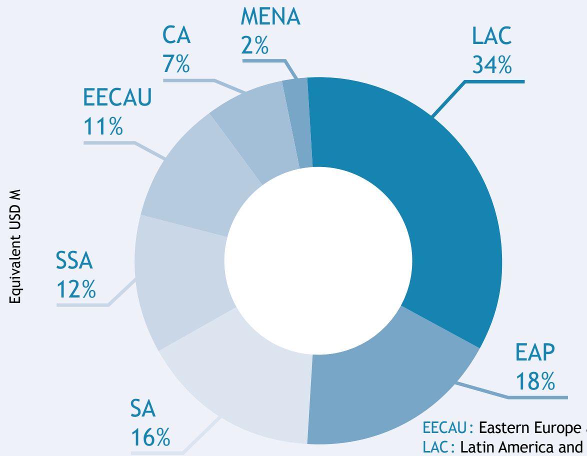
The Portfolio

as at 31 December 2016

Country distribution
Microfinance investment portfolio
Equivalent USD MM

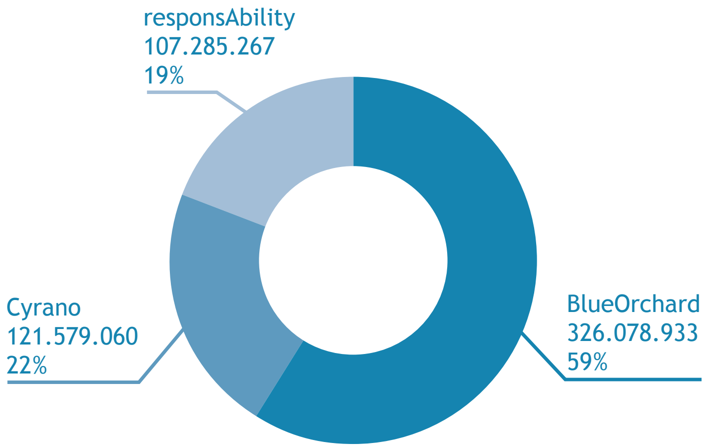


Regional distribution in %
Microfinance investment portfolio

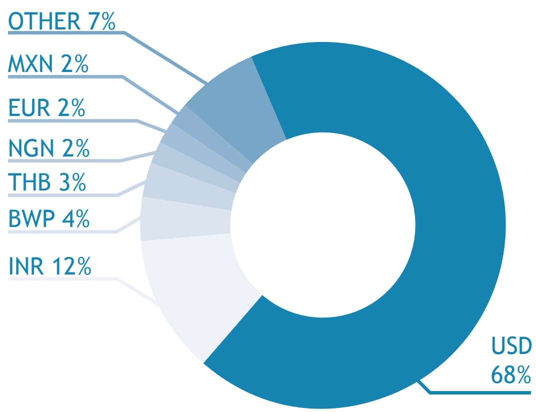


EECAU: Eastern Europe and Caucasus
LAC: Latin America and the Caribbean
EAP: East Asia and the Pacific
SSA: Sub-Saharan Africa
SA: South Asia
MENA: Middle East and North Africa
CA: Central Asia

Investment Manager distribution in %
Microfinance investment portfolio - Equivalent USD



Currency distribution in %
Total portfolio
All investments hedged to USD



Other includes:
CRC, PEN, KZT, TND, TZS, XOF, PLN, AZN, RUB, ZMW

The Investors

Investors

KFW

OeEB Oesterreichische Entwicklungsbank AG

Federal Ministry for Economic Cooperation and Development

Sida

IFC International Finance Corporation WORLD BANK GROUP

European Investment Bank The EU bank

FMO Finance for Development

OFID Uniting against Poverty

Private Investors

GastroSocial

Heilsarmee

previs Vorsorgen mit Durchblick

Other Private Investors participating via

Deutsche Bank

GLS Bank das macht Sinn

Balance Sheet

as at 31 December 2016 - in USD

ASSETS	2016	2015
Loans to MFIs	554,429,576	555,380,715
Current assets	137,813,893	142,115,636
of which: cash & cash equivalent	112,090,029	116,299,477
Other assets	618,347	1,047,996
Total Assets	**692,861,816**	**698,544,347**

LIABILITIES	2016	2015
Notes	75,000,000	107,639,700
Current liabilities	66,031,815	29,398,058
of which: cash & cash equivalent	18,121,805	19,301,147
Accruals and deferred income	---	---
Total Liabilities	**141,031,815**	**137,037,758**
Net Assets	**551,830,001**	**561,506,589**

Income Statement

as at 31 December 2016 - in USD

INCOME	as at 31 December 2016	as at 31 December 2015
Interest on loans	39,183,798	40,965,098
Upfront fees	1,849,488	1,907,429
Other income	992,123	496,726
Total Income	**42,025,409**	**43,369,253**
EXPENSES		
Management fees	(5,933,791)	(7,110,922)
Legal, advisory and audit fees	(334,296)	(428,835)
Administration, custodian and domiciliation fees	(659,763)	(639,826)
Other expenses	(6,181,074)	(5,116,754)
Total Expenses	**(13,108,924)**	**(13,296,337)**
NET OPERATING RESULTS		
Net income from investments	28,916,485	30,072,916
Net realized and unrealized gains/losses on foreign exchange	(10,142,749)	(14,773,382)
Net realized and unrealized gains/losses on swaps and forwards	2,313,042	1,645,504
Value adjustments relating to loans	(12,641,561)	(5,637,199)
Net increase/decrease in Net Assets as result of operations for the year/period	**8,445,217**	**11,307,839**
MOVEMENT IN CAPITAL		
Subscription of shares	---	66,217,861
Redemption of shares	---	---
Advance of dividend	(18,121,805)	(19,301,147)
NET ASSETS AT THE END OF THE YEAR/PERIOD	**551,830,001**	**561,506,589**

Board of Directors

Microfinance Enhancement Facility SA, SICAV-SIF

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Investment Managers:

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- Cyrano Management S.A.
  Calle Bolivar # 472 / Ofic. 702 - 703
  Miraflores Lima 18 Peru
- responsAbility Investments AG
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