2012 Annual report

MEF
Microfinance Enhancement Facility

Content

Mission of the fund

THE MISSION

Initiated by KfW Entwicklungsbank ("KfW") and International Finance Corporation ("IFC"), a member of the World Bank Group, co-managed by three leading private investment managers (BlueOrchard Finance S.A., Cyrano Management S.A. and responsAbility Social Investments AG), Microfinance Enhancement Facility S.A., SICAV-SIF ("MEF") was setup in February 2009 as a USD 500 million 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.

Recognised as a unique vehicle for the microfinance industry, MEF has an important signalling effect and contributes to the stabilisation of the microfinance sector. As demonstrated by the crisis situations in Bosnia and Herzegovina, Nicaragua, and most recently India, the crises in the microfinance industry are ongoing. In July 2012 capital markets continue to be volatile and private sector involvement in microfinance unstable. 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 working with leading private investment managers 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 opens the possibility to provide financing to more than 100 microfinance institutions in up to 40 countries and to support lending to as many as 60 million low income borrowers in many of the world's poorest countries.

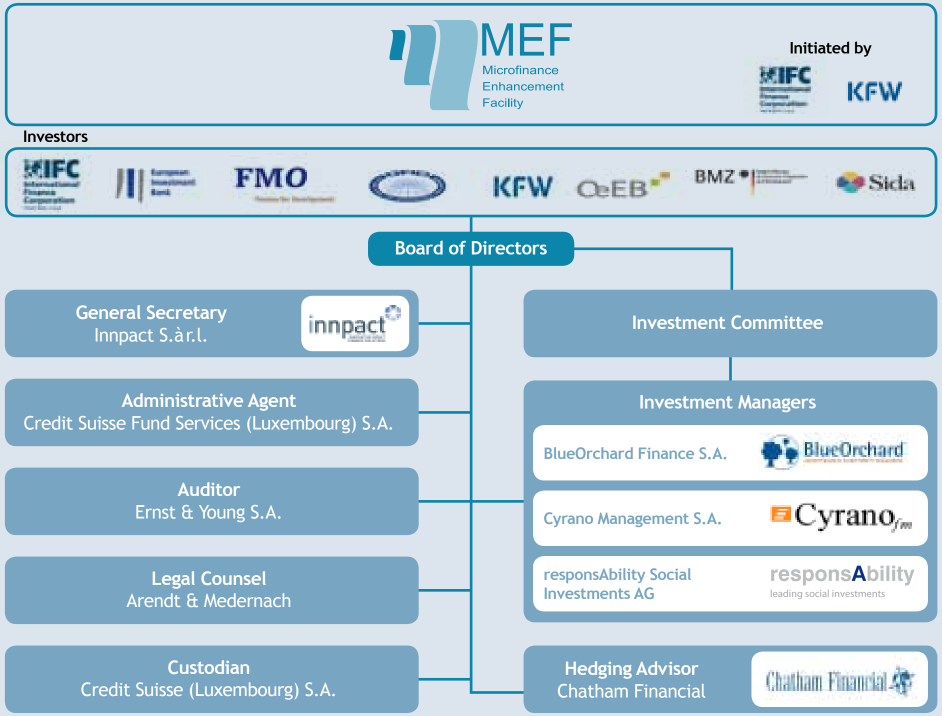
The investment managers are led by MEF's Investment Committee, convening on a monthly basis and composed of reputable professionals of the microfinance industry, Mr. Syed Aftab Ahmed, Mr. Karlo de Waal, and Dr. Klaus Glaubitt.

THE FUND

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

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

The Structure



Board of Directors

Board of Directors

Chairperson
Ms. Monika BECK

Directors
Mr. Robert Peck CHRISTEN (since 21 February 2012)
Ms. Andrea HAGMANN
Mr. Tassilo HENDUS
Mr. Martin HOLTMANN
Mr. Klaus PFEIFFER (until 22 June 2012)
Mr. Karl VON KLITZING (since 22 June 2012)

Investment Committee

Investment Committee

Chairman
Dr. Klaus GLAUBITT

Members
Mr. Syed Aftab AHMED
Mr. Karlo DE WAAL

Letter of the Chairperson

2012 saw a significant improvement of the microfinance market worldwide not only from a financial and business perspective but also from a socially responsible perspective.

Pursuing the trend from 2011, a fair treatment of clients is increasingly a concern for all MFIs as they gradually adopt encouraging social performance practices and implement the Client Protection Principles of the Smart Campaign. They have also pursued their efforts to improve their corporate governance, risk management processes and credit methodology. Despite this overall improvement in the microfinance market in 2012, some private investors have left the market, following the turbulences during 2011 and the introduction of more conservative regulatory requirements. As a consequence and also in response to strong demand from MFIs, the Microfinance Enhancement Facility (MEF) was strongly called upon in 2012, almost doubling its portfolio to USD 364.7 million at the end of 2012.

Pursuing its aim to respond to the short and medium term financing needs of MFIs with strong financial and social performances, the MEF has increased its outreach to MFIs around the world by financing 39 new MFIs in 13 new countries in 2012. In the last quarter of 2012, the MEF made its first investments in India for an equivalent of over USD 10 million which represented 2.75% of its portfolio at the end of 2012.This funding was provided in order to support the liquidity needs of strong Indian MFIs which continue to suffer from the microfinance crisis of 2011. The MEF significantly increased its local currency portfolio to MFIs, almost doubling it in 2012 and amounting to 21.8% of its portfolio by 31 December 2012. The whole local currency portfolio of the MEF is fully hedged to USD, through five different counterparties including TCX. Portfolio quality continues being good with impairments below 1% of total portfolio.

In this report, we have highlighted three microfinance institutions, XacBank (Mongolia), JSC MFO Crystal (Georgia) and MFC Bai Tushum and Partners (Kyrgyzstan) that have partnered with the MEF and also the stories of a toy seller in Sri Lanka and two farmers in Cambodia who have benefited from micro-loans from MFIs funded by the MEF.

I am also pleased to report that the MEF has retained in 2012 its LuxFLAG Microfinance label, evidencing its strong focus on microfinance despite the trend of MFIs to move increasingly towards the financing of small and medium enterprises.

On behalf of the Board, I would like to thank MEF's investors, stakeholders and partner institutions for their commitment to the Fund's mission.

Ms. Monika Beck
Chairperson of the Board of Directors

Photo Johann Sauty © BlueOrchard

Supported by Three Investment Managers

BlueOrchard Finance S.A.

BlueOrchard Finance S.A. was founded in 2001 as the first fully commercial microfinance investment manager worldwide. In its eleven years of existence, BlueOrchard Finance S.A. has grown its assets under management to a current USD 620 million and increased its product range to include open-ended funds and structured products for private and institutional investors seeking to combine financial returns with social impact.

BlueOrchard's flagship product, the BlueOrchard Microfinance Fund (BOMF) has a successful 14-year track record of delivering stable financial returns as well as a contribution to growth and poverty alleviation in emerging economies.

BlueOrchard is equally proud to have been chosen as the trusted investment advisor to international financial institutions, such as IFC, KfW, IADB and others.

The company currently employs 39 people, including 20 investment professionals. Headquartered in Geneva, Switzerland, BlueOrchard has regional offices on four continents: New York (U.S.A.), Lima (Peru), Johannesburg (South Africa), Bishkek (Kyrgyzstan) and Phnom Penh (Cambodia). BlueOrchard Asset Management (Luxembourg) S.A. is a BlueOrchard subsidiary authorized and regulated by CSSF.

Portfolio MEF - BlueOrchard

Portfolio managed as of 31 December 2012		
	USD	% total MEF portfolio
Portfolio	169,902,409	47%

© Cyrano

Supported by Three Investment Managers

Cyrano Management S.A.

Cyrano Management S.A. is a pioneer fund manager specialized in the microfinance industry in emerging markets. Cyrano has developed a rigorous loan methodology to analyze in-situ and monitor on a monthly basis the qualitative and quantitative risks of all portfolio MFIs. Its key strengths are its loan methodology and risk monitoring. Cyrano managed the first credit fund for MFIs in Latin America (LA-CIF), created the only mezzanine fund in microfinance (Solidus) and one of the most successful and solvent global funds (GMF). Cyrano also manages WMF, a local currency fund fully devoted to MFIs in Ghana.

The assets managed by Cyrano overall are currently invested in 27 companies in 11 countries (as at 31 December 2012).

Cyrano fm

Portfolio MEF - Cyrano

Portfolio managed as of 31 December 2012		
Portfolio	USD	% total MEF portfolio
	128,512,756	35%

Supported by Three Investment Managers

ResponsAbility Social Investment AG

With assets under management of more than USD 1 billion, responsAbility Social Investment AG is one of the world's leading social investment companies. Its areas of focus include microfinance, fair trade, SME financing, and other development-related investment themes with potential for growth, such as health care, energy, and education. responsAbility's solutions give people in developing and emerging economies access to markets, information, and other services crucial to their development; they enable private and institutional investors to earn a financial return while at the same time making a positive development impact.

Founded in 2003, responsAbility operates as an independent asset manager. Its shareholders are renowned Swiss financial institutions, a social venture capital company, and responsAbility's own employees. The assets managed by responsAbility are currently invested in 400 companies and 76 countries (as at 31 December 2012).

responsAbility
leading social investments

Portfolio MEF - ResponsAbility

Portfolio managed as of 31 December 2012		
Portfolio	USD	% total MEF portfolio
	66,329,913	18%

A facility enhancing MFIs

Key Figures

as at 31 December 2012

Portfolio in detail

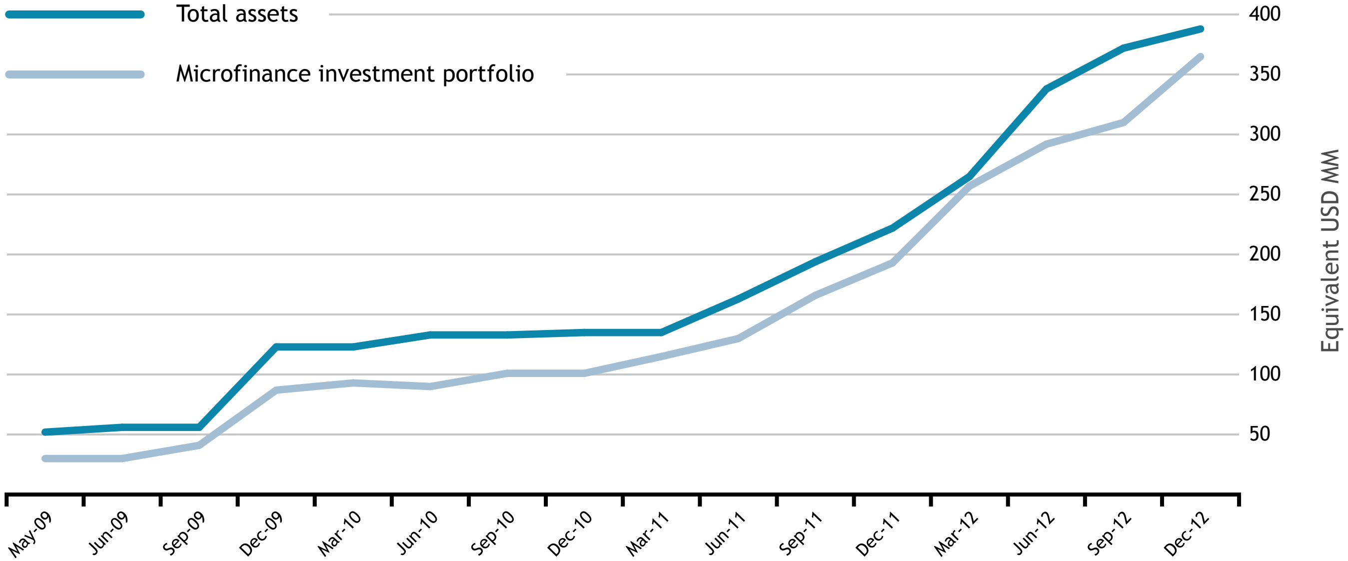
	December 2012	December 2011	Cumulative disbursements
Microfinance investment portfolio	USD 364.7 MM	USD 192.6 MM	USD 472 MM
Short term investments	USD 23.6 MM	USD 29.6 MM	-
Total assets	USD 388.4 MM	USD 222.2 MM	-
Microfinance portfolio as a % of total assets	93.9%	86.7%	-
Total net asset value	USD 376.6 MM	USD 216.4 MM	-
Number of MFIs	77	42	96
Number of loans	116	64	150
Number of countries	32	19	32

A facility enhancing MFIs

Key Figures

as at 31 December 2012

Portfolio evolution since launch

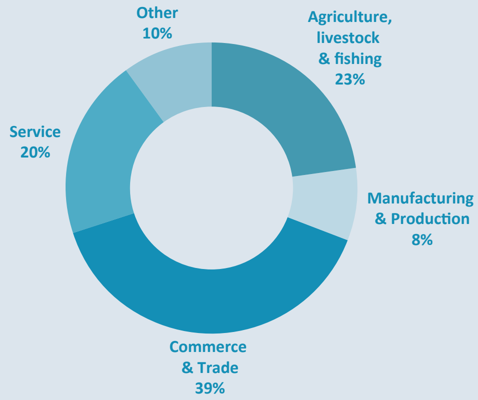


A facility enhancing MFIs

Impact Indicators

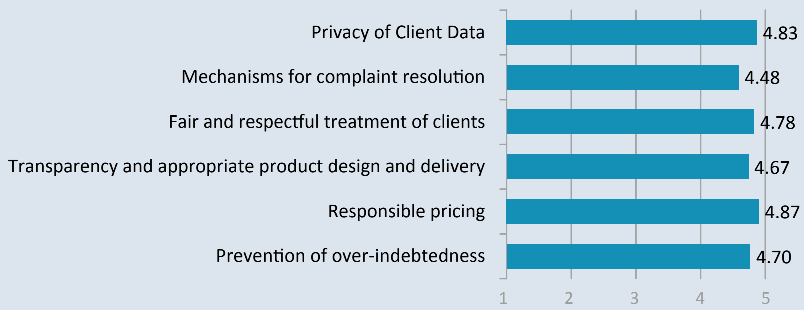
as at 31 December 2012

Sector Distribution of Portfolio



NB: Six MFIs out of 77 have not provided the information related to sectors distribution.

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.

Microfinance Institutions Reach

Borrowers reached	
Total, number	300.919
Percentage of women	51%
Percentage of loans in rural areas	56%
Loans	
Average loan balance (in USD)	3.051
Client Type	**Percentage of portfolio**
Microfinance	59%
SME	26%
Mortgage	3%
Consumer	10%
Other	2%
Product Type	**MFIs offer microfinance through**
Direct loans	84%
Group guaranteed loans	16%

Adherence to social and environmental criteria

Adherence to the Client Protection Principles (CPP)	
MFIs having formally adopted the CPP	85%
Adherence to exclusion list	
Violations of the exclusion list	None

All figures are weighted by the exposure of each MFI in MEF portfolio.

Photo Johann Sauty © BlueOrchard

Activity Report

BlueOrchard 2012 Activity Report

MARKET REVIEW

The microfinance market has shown positive trends both in financial and social terms. At the micro level, average portfolio growth of microfinance institutions stabilized in a sustainable 20-30% range while portfolio quality remained generally high with few exceptions. At the same time, many MFIs strengthened their social performance management and improved their client protection mechanisms. At the macro level, regulators enhanced the regulatory framework in many countries, notably those with fledgling, yet rapidly growing microfinance sectors.

In this context, microfinance investors faced a steady flow of demand for financing by quality institutions.

POOL PERFORMANCE

During the reporting period, BlueOrchard disbursed USD 103.14 million in 37 loans, in 20 countries in its own pool. The amount outstanding as of 31 December 2012 was USD 170 million. The increase of the BlueOrchard pool is in line with the increased demand from existing and new BlueOrchard MFI clients.

BlueOrchard did not experience any payment defaults in 2012 and received significant recoveries from the only restructured loan in its pool (Sunrise, Bosnia and Herzegovina).

MARKET OUTLOOK

It is expected that MFIs will continue experiencing portfolio growth, although rates will vary across regions, depending on the maturity of the microfinance market. It is evident that microfinance markets will continue moving towards formal regulation with separate microfinance laws and specialized regulators.

Investments in the microfinance industry continue to be attractive for Microfinance Investment Vehicules such as MEF despite the interest rate pressures downwards.

Activity Report

Cyrano 2012 Activity Report

MARKET REVIEW

In 2012, emerging markets experienced a mixed macroeconomic performance, with the consequent impact in the evolution of MFIs. Nevertheless, Microfinance Institutions have maintained during 2012 adequate levels of solvency and growth.

Three aspects characterized, in general, MFIs' evolution: (i) a high level of treasury, explained by preventive liquidity positions considering the potential impact in local demand of the recessive USA and European markets, (ii) a more conservative open currency position to avoid USD and Euro volatility impacting local currencies, and (iii) great efforts to maintain portfolio quality despite the impact of the strong competition and the reduction in economic activities.

It is confirmed that new risks appearing in MFIs are mainly related to the potential risks of large loans extended to SMEs. These new loan products generate lower portfolio yield and larger provision expenses.

POOL PERFORMANCE

Cyrano's portfolio pool has not experienced any day of arrears, nor defaults. Consequently, no provisions were required.

MARKET OUTLOOK

For 2013, Cyrano consider that the lower economic growth in China, USA and Europe will jeopardize the expansion of emerging markets. In a context of a very strong competition among MFIs, the reduced commercial activities in emerging countries may affect portfolio quality of MFIs. For this reason, Cyrano will maintain a very close risk monitoring of MFIs in order to prevent some new potential risks despite the fact that MFIs have demonstrated to be better managed and structured to minimize the impact of global economic and political uncertainties.


© responsAbility

Activity Report

responsAbility 2012 Activity Report

MARKET REVIEW

Most developing and emerging economies are a bright spot in an otherwise gloomy landscape. While in 2012, these countries have seen growth slow somewhat, expanding only 5.3% after the IMF had forecast 5.8%, this effect has been largely due to the BRIC nations. Backed by this still very positive development, the global microfinance industry again posted a growth of almost 20% in 2012. Such growth triggered a high demand for debt capital by MFIs globally and opened interesting investment opportunities for Microfinance Investment Vehicles globally.

POOL PERFORMANCE

responsAbility invested a total amount of USD 50 million for MEF during 2012, covering 14 Institutions in 8 countries. Some of these investments were done in the local currency of the MFI (i.e. Kazakhstan Tenge, Azerbaijan Manat or Russian Rouble). The average net spread above the USD 6-months Libor for these deals was a remarkable 6.03%, bringing the average spread of responsAbility's pool to 5.88%.

The main developments of the responsAbility pool were reflected in:

- Portfolio growth of 157% in 2012,
- The addition of 12 new MFIs (4 in 2011),
- The expansion of the geographical coverage to 9 countries (7 in 2011).

MARKET OUTLOOK

While established industrialized nations are unlikely to make much headway in 2013, with their economies set to stagnate for the third year running, developing and emerging economies will again continue to grow rapidly. According to IMF forecasts for the 15 microfinance markets with the largest exposure in responsAbility's portfolio, these economies are set to see an increase in GDP growth to 6.2% in 2013 from a solid 4.7% in 2012. We forecast the growth of microfinance markets to be between 15% to 20% in real terms for 2013. Besides South and East Asia, the most powerful growth is coming from microfinance markets in Africa. One of the main drivers here is technological progress (e.g. payment transactions via cell phone). The greatest threat to microfinance on all continents is politicial interference by but professional monitoring of country risks and broad diversification are effective safe-guards for investors.

© Cyrano

Client story

XacBank

Mongolia

XacBank is the result of a merger, in 2001, of two socially oriented microfinance entities, one promoted by the USA NGO Mercy Corps and the second by UNDP (United Nations Development Programme). Later, a strategic alliance with a local network of financial cooperatives completed the institutional partnership that founded XacBank.

Currently, XacBank is one of the largest banks in Mongolia, serving individual consumers, small- and middle-market businesses and large corporations and offers a full range of financial services. The bank serves approximately half a million consumers with 107 retail banking branches and 1,669 employees.

XacBank is the flagship subsidiary of TenGer Financial Group. TenGer aims to build a transnational group of companies delivering a full range of financial services to people and businesses. Based on the success of the bank, TenGer Financial Group is devoted to expand the XacBank model through equity investments in microfinance institutions of other countries of Central Asia. In September 2012, TenGer established the first Sino-Mongolia Micro Finance Institution along with four other investors such as IFC. With the combined international microfinance knowledge and experience of its investors, Tianrong is in a unique position to lead in the microfinance sector in Xinjiang and elsewhere in Central Asia.

XacBank is a leader in Corporate Governance, Transparency and Corporate Social Responsibility. In 2012, both Moody's and Fitch ratings affirmed the operational scope and the credit capacity of XacBank at "B1" and "B" respectively. The USD 20 million senior loan to XacBank was extended by MEF in two tranches, in 2011 and 2012.

Photo Johann Sauty © BlueOrchard

Client story

Khom Ean, farmer

Cambodia

Khom Ean is 33 years old. A clever and proactive mother, she lives with her elderly mother, husband, two sons, and her daughter. Two of her children attend school, while the youngest is four years old. Farm and petty trade are the primary sources of income for this household.

She has been an AMK client since 2007. After four loan cycles, Ean keeps joining AMK because of the lower interest rates and finance at doorstep methodology. She applied for her first loan from AMK for rice farming, but unfortunately the loan was spent on an emergency when she delivered her third baby. Nevertheless, the repayment for the 200,000 KHRiels (approx. USD 50) loan came from surplus rice yields. Ean combined her second loan, 600,000 KHRiels (USD 150), with her savings from her sesame crop to prepare for rice farming the following season. Rice yield was 3,600 kg per 2.5 hectare of land, and 1,000 kg were consumed. The rest was sold for about USD 780. She paid off her loan and used the remaining income to purchase an ox-cart.

Another unexpected expense arose when her two sons were sick at the same time. When she took time off to care for them, she wasn't able to generate income. Her third loan was spent on her sons' treatment. At the same time, the rice production was not going well, which forced her husband to migrate to find work as a soybean farm worker in the upland province Ratanakiri. Extra income was used to buy one hectare of crop land. Once Ean's sons recovered from their illness, she began to run cereal trade with seasonal products such as cashew nuts, peanuts, or sesame. She collects goods from farmers in her village and neighboring villages and then sell them to wholesalers in the town.

Her most recent loan cycle of 1,000,000 KHRiels (approx. USD 250) was also used for rice production, while profits from the cashew nut trade were invested on cassava growing in Ratanakiri province where her husband lives. She hopes this year that her family's livelihood will be better than last year as she has new household income activity.

She added that she would like to thank AMK for helping poor people like her to improve their living standard as well as their sources of capital."

Client story

JSC MFO Crystal

Georgia

Established in 1998 as a small pilot microfinance programme by a local NGO, JSC MFO Crystal is a dynamically growing microfinance organisation supporting micro and small businesses in Georgia with the objective of poverty reduction and sustainable economic development. Through the expanding network of regional offices, Crystal offers a wide range of financial services to low-income and economically viable entrepreneurs. Committed to good corporate governance, Crystal aims to keep an optimal balance between social objectives and uncompromised financial performance.

Crystal provides loans to micro and small enterprises and households, mostly through an individual lending methodology, as well as other financial services such as remittances, money transfers, etc. Crystal boldly finances start-up businesses and is mainly focused on non-collateralized lending.

In 2011, the MFI was honoured in the Smart Campaign's call for "Plain language loan contract" for its outstanding efforts to ensure that clients fully understand the terms of their loan contract. In 2012, the company was also granted with Certificate of Merit by CGAP for Financial Transparency and has been awarded with the highest Platinum Prize from MIX Market for Social Performance reporting.

Crystal is the First Georgian MFI to obtain international commercial lending and conducting credit and social ratings. It was also the first non-bank MFI in Georgia to attract international equity investments. In 2008 Crystal established a social fund and since then regularly finances a number of social, charity and humanitarian projects focused on different categories of vulnerable groups (IDPs, disabled children, elderly people).

The institution operates mainly in Western Georgia through a network of four regional branches in Kutaisi, Poti, Zugdidi, and in Tbilisi since 2007, and twelve service centres.

During 2012, Crystal experienced a rapid growth with its number of active clients increasing by 55% and its loan portfolio increasing by 28% with an average credit size of USD 960. Despite fast portfolio growth (60% on average in the last 3 years) Crystal's credit portfolio quality remains one of the best in the whole Caucasus region and PAR>30 is permanently below 1%. In 2012 Crystal updated its credit rating and received a "BBB" grade which is three notches higher than the previous one.

The MEF decided to provide financing to Crystal to support its growth at a time the market was reluctant to provide the MFI with sufficient liquidity. The senior debt financing of USD 1 million allowed the MFI to increase the number of customers reached and to improve the quality of its services.


© responsAbility

Client story

Indra, shop keeper

Sri Lanka

Indra Geethanjali is a 35 year old Sri Lankan living in a village outside the small town of Balangoda. The town of Balangoda is one of the largest towns in the southern province of Sabaragamuwa - approximately 145kms away from Sri Lanka's capital, Colombo. Indra and her husband have a 13 year old son who goes to town school. Despite being educated upto her Ordinary Level (O-Level) exam, life was not easy for this intelligent and enterprising young lady and her family.

Five years ago, Indra and her husband started a small business of selling toys near the main bus station of Balangoda town. They made trips to Colombo to buy toys and bring them back to the town in view of selling them in their shop. Things were slow at first and the family didn't earn enough to sustain a normal standard of living. Indra knew that the cost of making trips to Colombo was too much to bear for the small quantity of toys they could bring back. Realising this she borrowed LKR 20,000 (USD 160) from a local money lender in the hope to improve their business. However, hopes soon turned to despair. Indra realised that the expected daily payment for the loan was just too high for the couple to bear. Business became difficult and soon the couple was back into financial trouble.

Indra first heard of LOMC at a village level meeting organised to raise awareness in her community. Sitting at the meeting, surrounded by many people in her village, she became aware of how LOMC could give her reliable access to affordable credit. "Just listening to them gave me hope. LOMC mobilised us into a group and took time to advise us", Indra says. Borrowing Rs. 25,000 (USD 200), to repay her previous loan and buy more toys, at an affordable monthly instalment made things better.

Indra is now in her 4th cycle with LOMC. Her current loan of LKR 125,000 (USD 1,000) was used to renovate her shop as well as to buy more stocks. The couple has expanded their product range to selling utensils as well. She plans on further expanding her shop by adding more shelves and cabinets and also increasing the range of goods. She credits LOMC for helping her through the crisis. "I now purchase toys in bulk from Colombo, reducing my transportation cost. We make our repayments at the monthly village meetings held by LOMC to mentor and guide us. Business is now profitable. LOMC has truly given me something to look forward to".

Client story

Bai Tushum & Partners

Kyrgyzstan

MFC Bai Tushum and Partners CJSC (BT&P) started micro lending activities in Kyrgyzstan in 2000, following the merger of two international NGOs microfinance programs (ACDI/VOCA from USA and Caritas from Switzerland). In August 2002, BT&P received the authorization from the National Bank of the Kyrgyz Republic (NBKR) to operate as a microcredit agency according to the law "On Microfinance Organizations". In 2011, BT&P obtained a deposit license and in the beginning of 2012 initiated the process to operate as a bank. BT&P operate as one of the largest microfinance bank in 2013.

BT&P is one of the four largest microfinance institutions in Kyrgyzstan, with about 20% of market share. As of December 2012, BT&P reported 28.464 loans outstanding, with an average loan size of USD 2.216. BT&P covers all the Kyrgyz Republic territory through its 62 branches.

In addition to micro loans, BT&P provides individual and group loans for trade, manufacturing and services, equipment, businesses abroad, mortgage and consumer lending.

It is pertinent to underscore that BT&P is the first Kyrgyz MFI that attracted share capital investment from leading international investors. It has been properly recognized through numerous international awards for its financing activities in rural areas. Also, in 2010, BT&P obtained a "ß+" rating on its social mission from the international agency M-Cril.

Since establishment, BT&P has adhered to its policy of socially responsible financing. In 2009, BT&P became a member of the "Six Principles of Protecting of the Rights and Interests of Clients" Program, CGAP's international campaign to promote socially responsible lending. In addition, the company adheres to international environment protection standards and norms.

Following the financial crisis, Kyrgyz banks asked for a lot of guarantees to lend money to MFIs. The MEF decided to provide a senior debt loan to BT&P. It permitted the MFI to continue its growth and to support additional customers.

Photo Johann Sauty © BlueOrchard

Client story

Ky Thoy, farmer

Cambodia

Ky Thoy is 37 years old. She earns money from rice farming, cheal making (a kind of traditional basket), chicken raising and mats and baskets weaving.

Ky Thoy's household income and assets have since increased significantly, thanks to her access to VisionFund's small loans over the past two years.

Her daily income has increased from USD 0.5 before the loan to USD 5, which enables her to get better food and some pocket money for her son. She now owns a paddy field of one hectare (previously only 0.5 hectare).

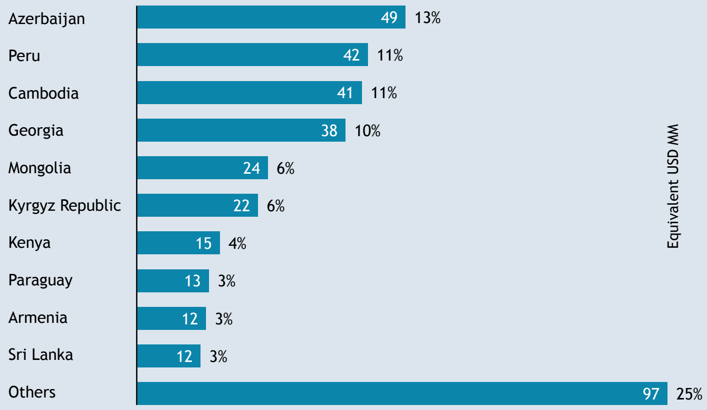
"I plan to borrow USD 250 to build a new wooden house and to buy zinc panels for the roof". Her current source of income will be sufficient for repayment, she revealed. With more loans from VisionFund, she will also start a grocery business, buying cheal from other villagers to sell for profits.

Thanks to VisionFund she could improve her living standards and she hopes her son will be able to complete tertiary education and get a job.

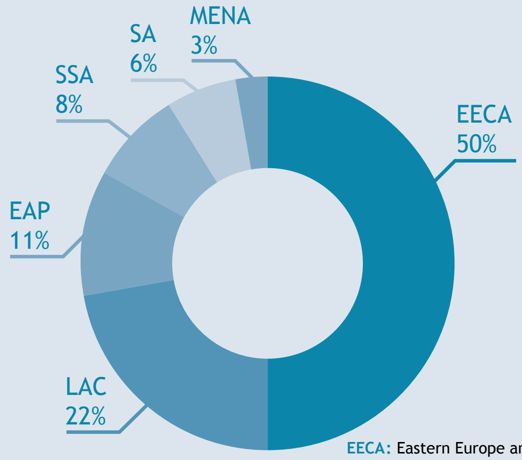
The Portfolio

as at 31 December 2012

Country distribution
Microfinance investment portfolio
Equivalent USD MM

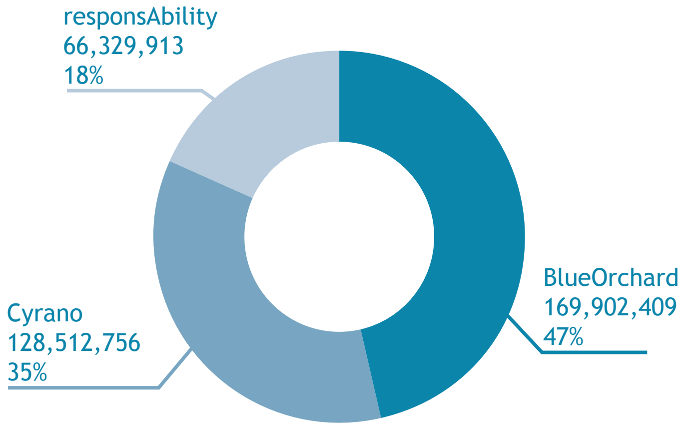


Regional distribution in %
Microfinance investment portfolio

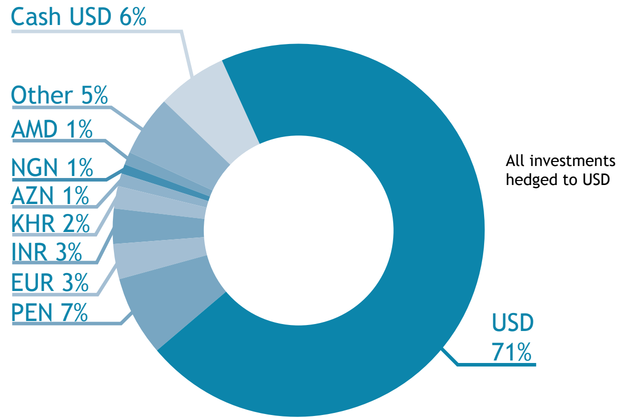


EECA: Eastern Europe and Central Asia
LAC: Latin America and the Caribbean
EAP: East Asia and the Pacific
SSA: Sub-Saharan Africa
SA: South Asia
MENA: Middle East and North Africa

Investment Manager distribution in %
Microfinance investment portfolio - Equivalent USD



Currency distribution in %
Total portfolio
All investments hedged to USD



Other includes:
COP, MXN, THB, RUB, XOF, GHS, ZMK, XAF, KZT

The Investors

*Balance Sheet **

ASSETS	as at 31 December 2012	as at 31 December 2011
Loans to MFIs	364,704,321	192,589,223
Current assets	27,322,739	29,594,006
of which: Cash & cash equivalent	21,173,237	25,713,748
Other assets	5,430	35,166
Total Assets	**392,032,490**	**222,218,395**

LIABILITIES	as at 31 December 2012	as at 31 December 2011
Current liabilities	15,457,640	5,775,223
of which: Cash & cash equivalent	10,161,137	4,678,376
Accruals and deferred income	---	---
Total Liabilities	**15,457,640**	**5,775,223**
Net Assets	**376,574,850**	**216,443,172**

*in USD

Income Statement *

INCOME	2012	2011
Interest on loans	18,797,253	9,404,807
Upfront fees	2,035,513	1,115,842
Other income	105,554	26,373
Total Income	**20,938,320**	**10,547,022**

EXPENSES	2012	2011
Management fees	(3,656,707)	(1,836,287)
Legal, advisory and audit fees	(386,211)	(293,930)
Administration, custodian and domiciliation fees	(399,531)	(243,906)
Other expenses	(1,443,491)	(831,234)
Total Expenses	**(5,885,940)**	**(3,205,357)**

NET OPERATING RESULTS	2012	2011
Net income from investments	15,052,380	7,341,665
Net realized and unrealized gains/losses on foreign exchange	2,417,536	(1,941,925)
Net realized and unrealized gains/losses on swaps and forwards	(6,672,325)	22,380
Value adjustments relating to loans	(1,009,726)	(300,491)
Net increase/decrease in Net Assets as result of operations for the year/period	**9,787,865**	**5,121,629**

MOVEMENT IN CAPITAL	2012	2011
Subscription of shares	160,504,950	85,209,488
Redemption of shares	---	---
Advance of dividend	(10,161,137)	(4,678,376)
NET ASSETS AT THE END OF THE YEAR/PERIOD	**376,574,850**	**216,443,172**

*in USD

Board of Directors

MEF Annual report 2012

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