

Deutsche Bank and Microfinance

Uniting Social and Financial Returns



EUROPEAN MICROFINANCE WEEK
Wednesday, 12 November 2008 - Luxembourg

Michael Schneider, Asset Finance & Leasing

1998 - 2008: From Philanthropy to Business Case

DB Microcredit Development Fund (DBMDF)

- Invested 4.2m to 40 MFIs in 25 countries with an impact of USD 55m

DB Microfinance Start-Up Fund

- Supports MFIs in early stages

Global Commercial Microfinance Consortium

- Total capitalization of USD 80 million
- Investors: AXA, Munich Re, Merrill Lynch

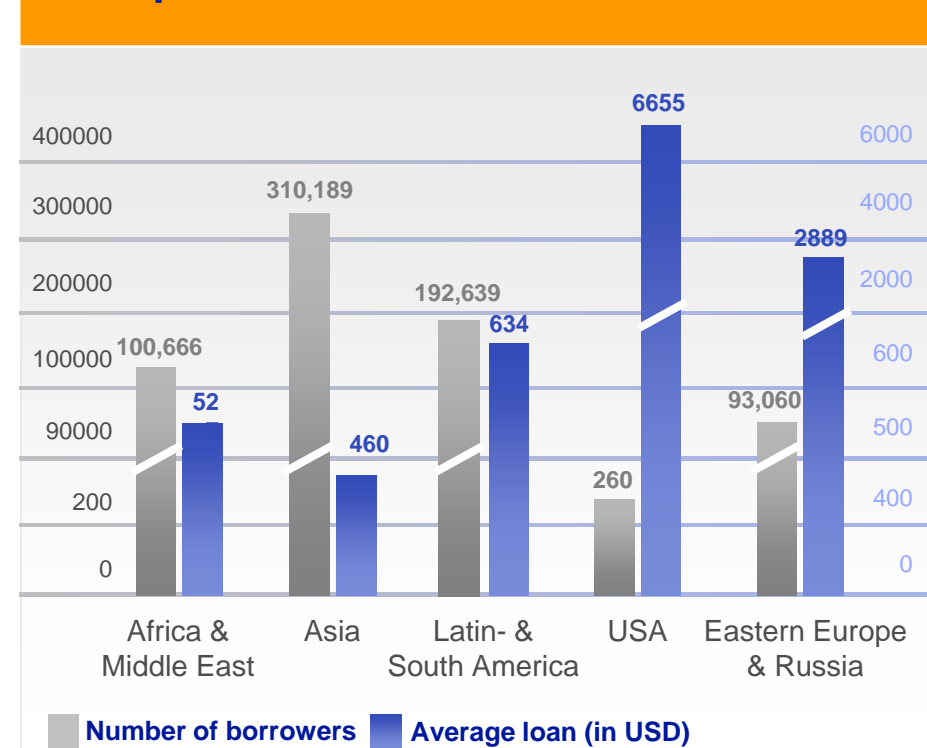
EFSE

- Subscription of EUR 50 million

db Microfinance-Invest

- First rated securitisation of fully subordinated debt issued by MFIs
- First and second loss with private sector investors

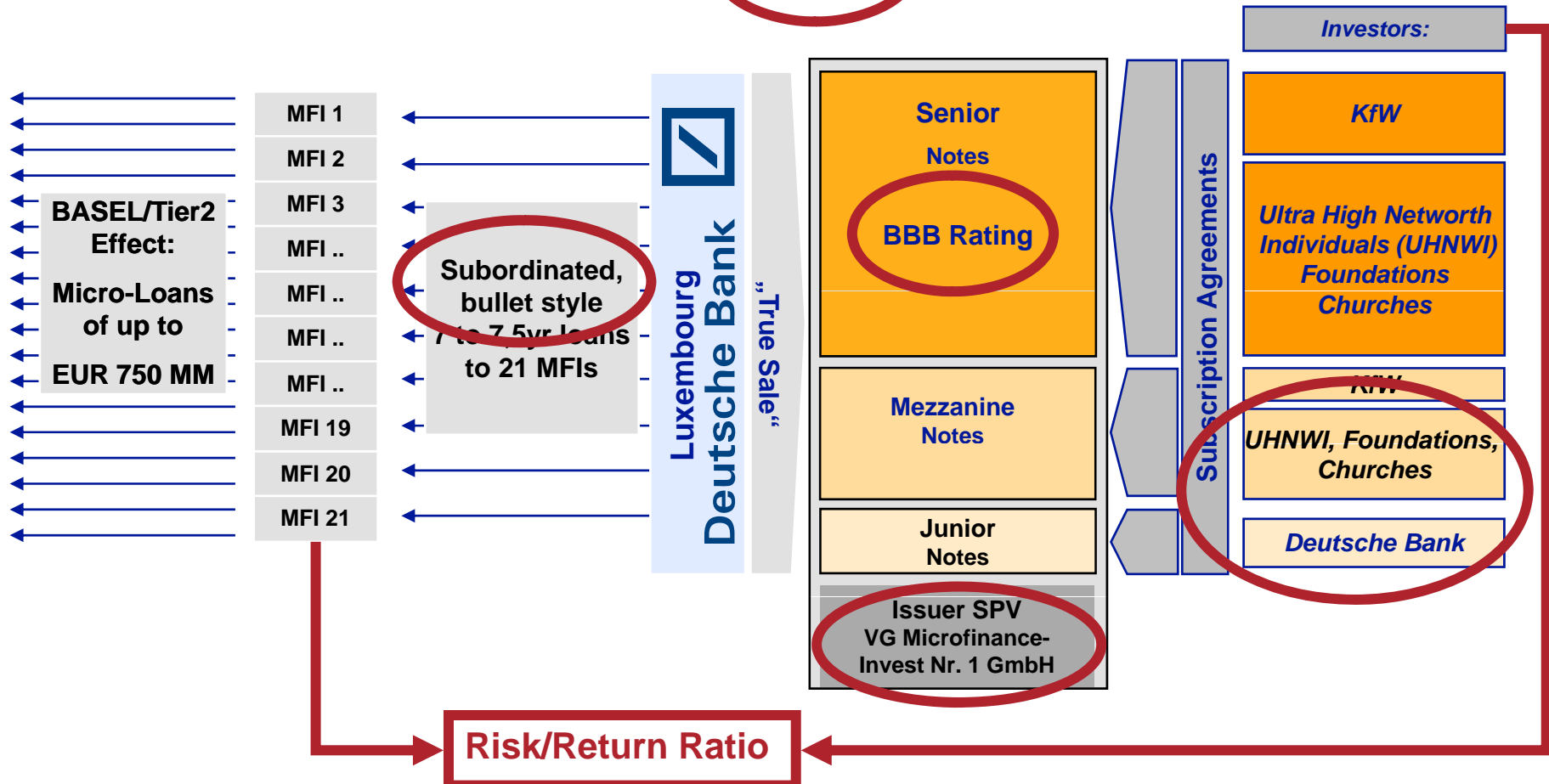
Impact of DB's microfinance activities



▶ Thanks to the first three funds 700.000 people received microcredits totaling up to USD 309 million

db Microfinance-Invest Nr. 1 Structural Overview and Special Product Features

USD, Local FX, EUR Investment EUR Funding





Product Features reflecting **Current Industry Discussions**

1

Subordinated Nature of Loans

2

Local Currency Loans

3

Transparency / Cost Efficiency

4

Rating / Benchmarking

5

First / Second Loss with Private Sector

6

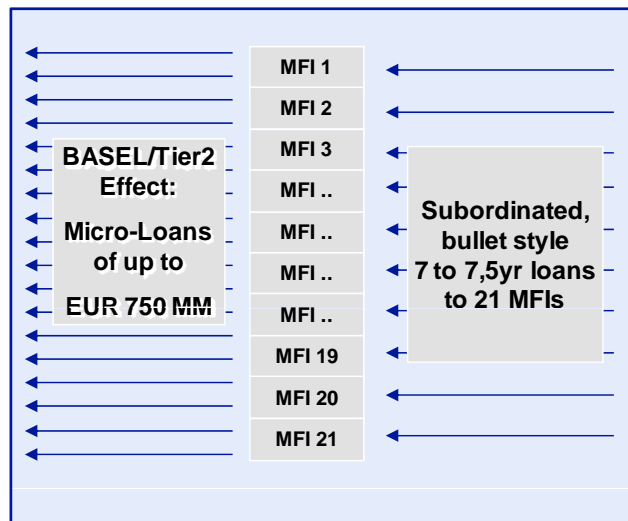
Risk / Return Ratio, Ultimate Measure of “Uniting Social and Financial returns”

Challenges in distributing Microfinance Investment Vehicles

1

Asset Challenges

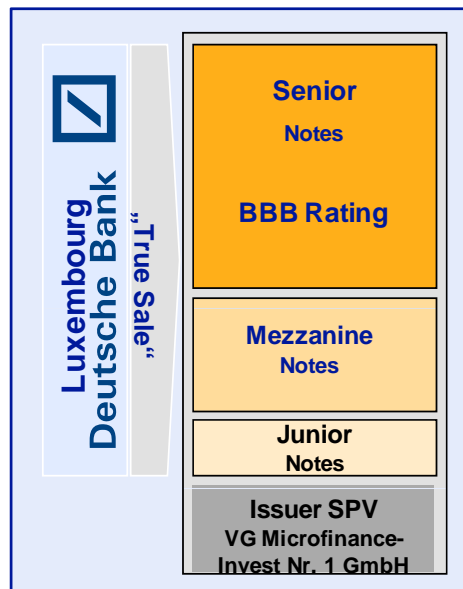
- Diversification
- Correlation
- Yield Mismatch
- [Social Impact]



2

Structural Challenges

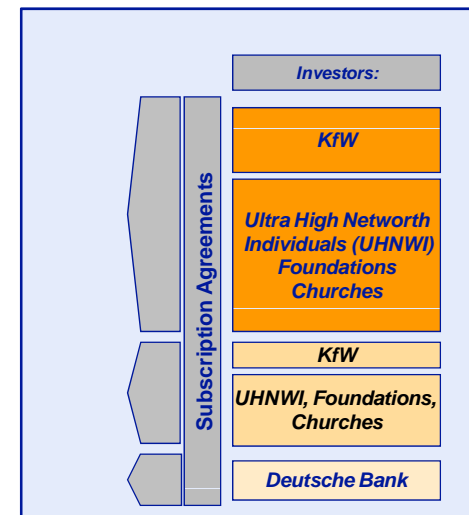
- Simplicity
- Rating
- Transparency
- Transparency
- Transparency



3

Marketing Challenges

- Philanthropical
- vs.
- Market Based Approach
- Financial Sector Crisis
 - Global Recession
 - [...]
 - Otherwise Easy!





Case study: German Parliament allowed retail investment funds to invest into microfinance

- German Parliament agreed in December 2007 retail investment funds to invest into microfinance
- Eligible instruments: direct loans to MFIs and listed securities of MFIs
- Restrictions to ensure retail investor protection:
 - Only regulated and supervised MFIs
 - loan portfolio of MFI larger EUR 10m
 - bank license required
 - IFI involvement of 5% ownership and voting rights
 - Locally listed securities less than 15% of a fund's volume
- Good news for the funding situation of the microfinance sector...
- ...but: How to effectively issue a retail investment fund in the light of these restrictions? Core microfinance portfolio plus emerging market bonds??

Thank you for your attention!



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