

Crédit Coopératif & Inpulse

Patient investor : long term debt for long term impact



- ✓ Created in the 19th century by co-operators who wanted a better access to credit
- ✓ A cooperative bank : the capital shares are hold by member-clients of the bank. These same member-clients compose the Board of the Bank, they are the elected representatives
- ✓ Strongly attached to the co-operative values of a cooperative bank: one member-one vote principle, statutory reserves, and the cooperative rebate



Group Crédit Coopératif in a nutshell

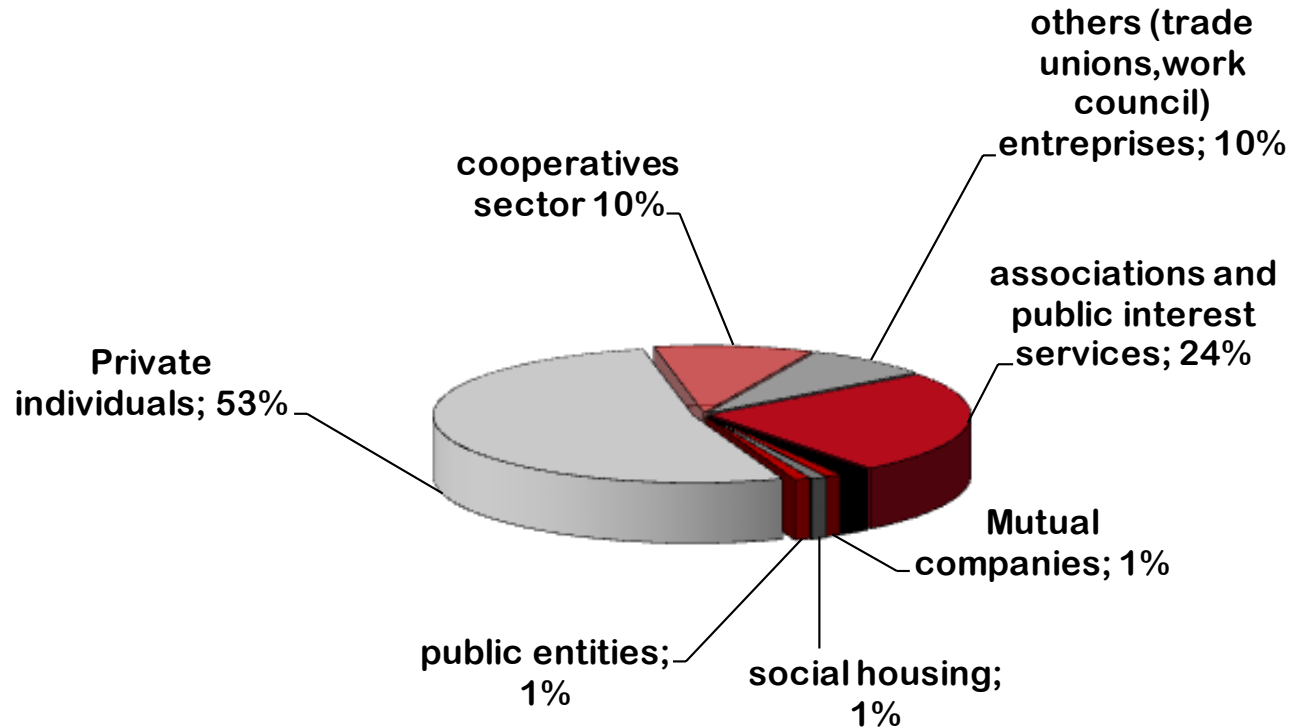
- ✓ **More than 337 100 customers in 2015**
 - ❑ 77% of whom are private individuals (half of them are under guardianship)
 - ❑ 23% are organizations (businesses, associations, ...)
- ✓ **1 792 employees**
- ✓ **Key figures € (end 2015)**
 - Total Assets : 16 Bn
 - Equity : 1,4 Bn
 - Customer deposits : 11,32 Bn
 - Customer loans : 11,99 Bn
 - Net banking income : 401 M
 - Net profit (group share) : 37,8 M
- ✓ **Main subsidiaries : BTP Banque, Bati Lease, ECOFI Investissements, TISE, Inpulse**
- ✓ **14 partner establishments**
- ✓ **Full range of banking services**



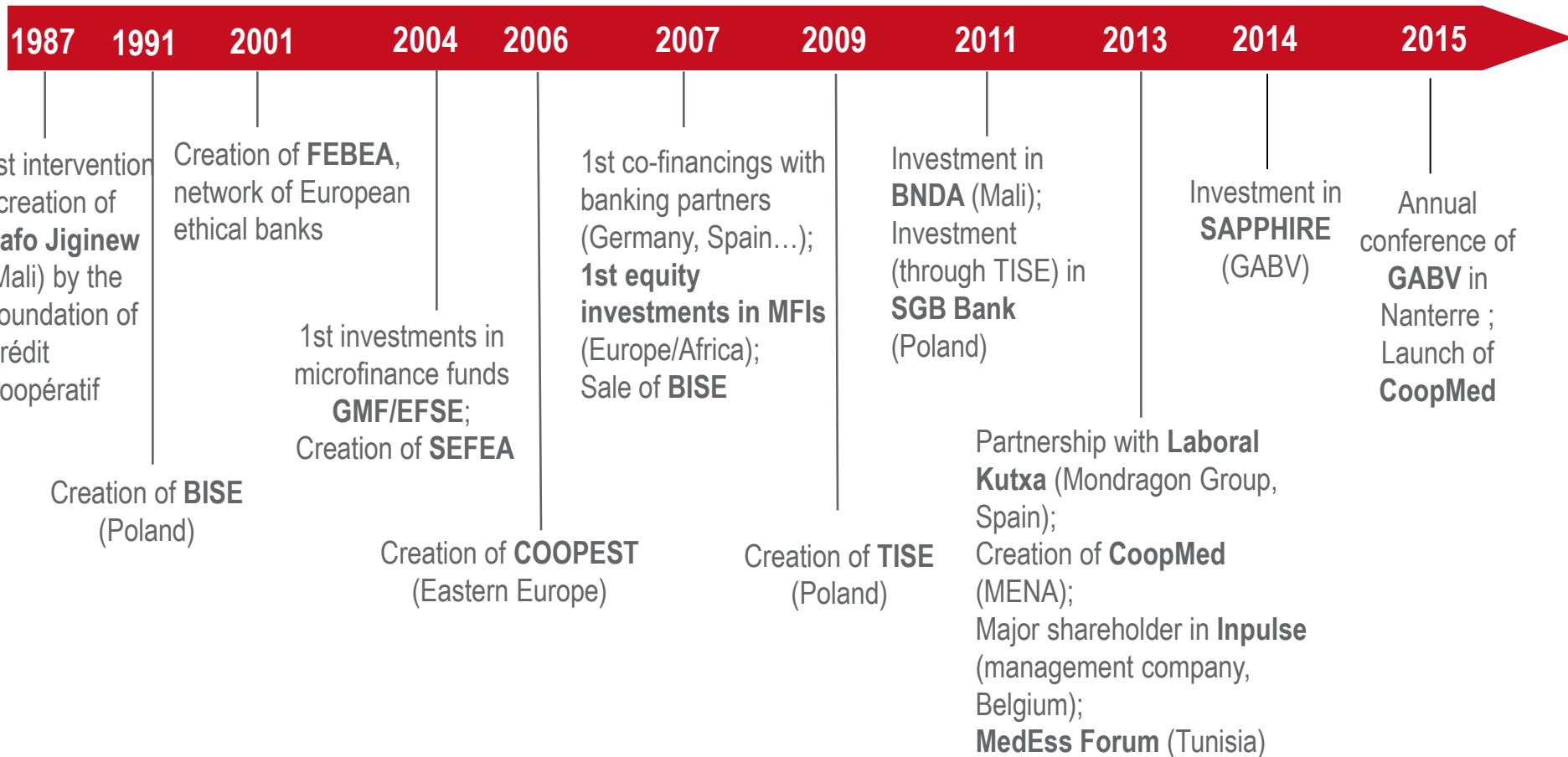
Members as of 31/12/2015

Members sharing capital

(A, B, C and P shares - Legal entities distribution)



Crédit Coopératif's history : 29 years of social and solidarity finance





Investments abroad : microfinance & social economy

Investment companies	Investments through funds	Direct investments
<p>CoopEst (2006) Aim: enhancing financing to SMEs and microenterprises in Eastern Europe (Poland, Romania, Kosovo, Albania,...) Total amount: 42M€</p> <p>CoopMed (2015) Aim: enhance financing to SMEs and microenterprises in the Mediterranean area. Total subscription objective: 20M€ Launching in September 2015: 10,5M€ of subscriptions</p> <p>→ Total commitment in equity and bonds of : 18,56 M €</p>	<p>Investment in funds or in investment companies that finance microfinance institutions or social economy businesses → both in loans and equity</p> <p><i>Examples: EFSE (Eastern Europe), Fefisol, Microfinance solidaire, Etimos Fund, SEFEA (financial tool of FEBEA), I&P Afrique Entrepreneurs, SFRE Fund, ...</i></p> <p>→ Around 12M€ invested</p>	<p>1. Directly into microfinance institutions: Burkina Faso, Tunisie, Kosovo,... Total investment: 2M€</p> <p>2. Into banks that finance local economy: - Banque Nationale de Développement Agricole in Mali in 2011 - some FEBEA/GABV banks (Europe) Total investment: 14M€</p> <p>3. With our subsidiary in Poland: - investment in SGB, first network of cooperative banks in Poland Total investment: + 30M€</p>

So far, Crédit Coopératif has invested more than 75M€ in entities that foster local economic activity both in Europe and developing countries.

A strong commitment to cooperative and sustainable values



Crédit Coopératif has worked with many partners on the European and the international level for many years :



Federation of European ethical and alternative banks (23 members in 12 European countries). Provides also ethical investments in Europe through its investment company called SEFEA.



The Global Alliance for Banking on Values (25 members in 28 countries) supports sustainable banking all over the world through an investment fund, working groups, reports, etc.



Made up of 93 members in 21 European countries.
Organizes international events on microfinance.



Independent and non-governmental organization which supports cooperatives all over the world. 258 members in 96 countries in all sectors



Sectorial organization of the ICA. Helps financial cooperative companies in their development and fights for their rights and interests at the international level



Inpulse

- ✓ **Mission** : Inpulse is a Brussels-based impact-driven fund manager connecting responsible investors with ultimate beneficiaries by supporting socially committed financial intermediaries.

- ✓ **Investment history** :
 - Dedicated team of 11 multilingual and multi-skilled professionals
 - Based in 3 countries : 6 staff in Belgium, 4 staff in Poland and 1 in France
 - Extensive experience in due diligence, risk management, debt, subordinated debt and equity investments, portfolio monitoring in the social economy, microfinance and unlisted sector
 - Total aggregate investment capacity of EUR 58 M – 3 funds under management
 - Geographical scope: Europe, Caucasus and MENA (Middle East and North Africa)
 - AIFM registered.



What do we do?



MISSIONS

- Support local economic development initiatives**
 - promoted by the civil society
- Foster jobs creation and economic opportunities**
 - through the support of local financial actors
- Promote all forms of social economy initiatives**
 - cooperatives, social enterprises, green and micro entrepreneurship....
- Fight climate change**
 - by promoting green initiatives and innovation



WITH LOCAL PARTNERS

- Local financial institutions with a proven economic model (profitability, liquidity, capital adequacy), showing a level of risk standard to the market (PAR) and involved in responsible finance (e.g. SMART clients protection principles)**
 - Microfinance institutions
 - Mutual insurance companies
 - Banks: cooperative banks => microfinance banks => mainstream banks
 - Credit unions & saving associations



Our investment companies

CoopEst

Debt Fund

CEE + Caucasus

40.1 M EUR

Launched in 2006

Investors:

Crédit Coopératif

IFC (World Bank)

Banca Etica

**European Investment
Fund**

No technical assistance

CoopMed

Debt Fund

MENA region

10.5 M EUR

Start in 07/2015

Investors:

Crédit Coopératif

Banca Etica

SEFEA

**European Investment
Bank**

External Technical
Assistance provided by SIDI



Our product offer

- ✓ **Provide long-term and tailored financial services**
 - Senior and subordinated loans
 - With max exposure by financial institution
 - In EUR, USD and in local currencies under condition to hedge currency risks
 - Average duration of loans:
 - ✓ Senior loans: 2-3 years
 - ✓ Subordinated loans: 5-7 years
 - Market rates
- ✓ **Bring a unique financial engineering and expertise :**
 - to local financial institutions to develop a tailored approach for social economy actors and social entrepreneurs
 - Support in implementing dedicated products to social sector
- ✓ **Promote financial and social performance:**
 - CoopMed & CoopEst supports their beneficiaries to measure and better achieve their social mission



Our investors



Milestones in microfinance investment strategy (1/2)



✓ From direct funding on Credit Cooperatif's own balance sheet :

- 2004 : direct investments in MIVs
- 2006 : creation of CoopEst, investment company
- 2007 : allocation of a 5 M€ envelope for direct equity investments in MFIs

- Advantages :**
 - In line with the bank's strategy to support microfinance as one of its core values : cooperation
 - Maturity of investments: between 5 to 10 years
 - On equity investment, no exit option required, patient investor.
 - Possibility in some cases to offer local currencies, with hedging directly managed by the sales floor of the bank, or with the bank managing dynamic FX hedging.
 - No formal TA , but support from the banks's services on specific topics : risk, ALM..

- Weaknesses :**
 - Not the core activity of the bank and thus committees or board not familiarised with microfinance market and recent issues.
 - High capital requirements (RWA) for the bank

Milestones in microfinance investment strategy (2/2)



- ✓ **To the creation of a management company and leverage over Credit Cooperatif's own funds and know how**
 - ❑ **2013 : investment of the bank in Inpulse**
 - Management contract with the investment companies (CoopEst and CoopMed since 2015)
 - Shareholders : ethical banks and impact driven investors from the social economy sector and networks, as well as DFIs
 - ❑ CoopEst : leverage of 2,8 X
 - ❑ CoopMed : leverage of 2,2 X
 - Committed governance : board of directors (representatives of the shareholders) responsible for investment decisions
 - ❑ **Advantages :**
 - Duration of the companies : at least 10 years, liquidity to be organised with the unwinding of the companies at the end of the bonds maturity.
 - LT perspective and thus possibility to invest in emerging or MFIs or on the path of consolidation
 - Subordinated loans up to 7 years, Senior loans up to 5 years
 - Concentration of know how & experience in one company
 - ❑ **Weaknesses :**
 - Not easy to find investors for an investment > 10 years.



FX risk



Objectives :

- Limit risk expose to FX risk
- Limit additional costs for the MFI over the interest of the loan
- CIRS**
 - Availability for the lender or the borrower via banks.
 - Limit in the duration : usually 2 or 3 years.
 - Covers usually only principal & not interest.
- Back to back:**
 - Partnerships with local banks, ex the MFI deposits the loan received in EUR in the accounts of a local bank, and receives a loan from the local bank.
 - If the local bank has a business or use of hard currency(EUR or USD) can offer an interest on the deposit
 - For this to be effectively interesting for the MFI, the local bank should leverage on the deposit (ex X2)
- Repricing option**
 - The risk can be borne by the lender & the borrower, when a currency is pegged on the USD, ex JOD. Set a repricing option



Exemples of LT debt for LT impact



RomCom (Roumania) :

- Vision : encourage entrepreneurship in Romania

❑ LT debt from CoopEst

- 1st loan in 2007. Amount 500 k €, duration 8 years.
- Portfolio at that time : 900 k€
- 2nd loan in 2008. Amount 300k€, duration 7 years.
- Latest loan in 2016, Amount 300 k€ , duration 5 years
- Current portfolio : 7 M€

❑ Management of FX expose :

- Historically financed by a swiss NGO, thus in CHF
- In 2015 RomCom incurred a significant FX loss due to Swiss central bank decision to withdraw from parity with EUR. Difficulties to find LT hedging solutions or local funding.
- Still 40% of its funding in CHF unhedged.



Let our clients have the final word

“When we were about to give up, through our network we learned about Coopest. Immediately after the initial contact we realized that Coopest was much different than the rest of traditional investors in the sector, with strong focus on social performance and willingness to work with small MFIs.”

Dzavid Sejfovic, LIDER (Bosnia)

“I would like to thank CoopEst supporting Lithuanian credit unions as initial support was very key while strengthening the network”

Sigitas Bubnys, LCCU (Lithuania)

“Ce moment récompense notre travail commun, notre persévérance et notre engagement. Merci infiniment de l’occasion que vous m’avez offerte d’exprimer au nom d’INMAA notre fierté d’être votre 1^{er} partenaire”

Rida Lamrini, INMAA (Morocco)