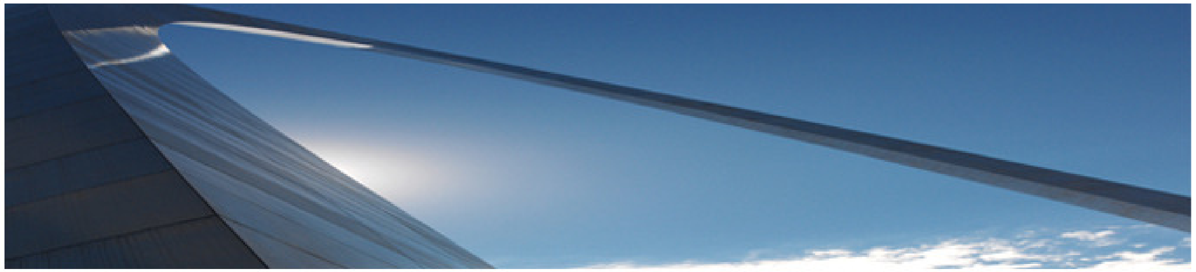
The Private Investor’s Perspective

Panel Discussion at EFSE’s annual meeting

May 2007



A Passion to Perform.

Deutsche Bank

Deutsche Bank's activities in microfinance

Deutsche Bank and ProCredit Group

- Deutsche Bank maintains a close business relationship with the ProCredit Group which is witnessed by a variety of transactions
  - DB was sole arranger of ProCredit Holding AG's inaugural bond issue in the European capital markets consisting of a EUR 25mn 10yr tranche and a EUR 20mn 7yr tranche which was launched in September 2005
  - This dual tranche represents the first ever bond issue of a microfinance entity in the European capital markets
  - A further milestone was the securitisation of a microfinance portfolio for ProCredit Bank Bulgaria in May 2006. The fact that KfW and EIF provided guarantees for the senior note was of paramount importance for this transaction. It allowed ProCredit Bulgaria to obtain a new funding source at attractive costs and represents the first "true sale" securitisation out of Bulgaria

Deutsche Bank‘s activities in microfinance

Deutsche Bank’s Microfinance Consortium

- DB launched the “Global Commercial Microfinance Consortium” in November 2005. The Consortium is a unique venture of private and public sector investors who have joined together to apply their business know-how, capital and development initiatives to define market-based solutions to address the alleviation of global poverty. The effort is designed to provide credit to the self-employed poor
- The fund has a volume of USD 75mn
- DB acted as lead arranger and managed the sale of the USD 75mn fund, utilizing its industry-leading distribution to place the transactional globally. And the Community Development Finance Group and Microfinance teams have also championed the Consortium’s cause.
- The Consortium will provide local currency financing for up to five years to Microfinance Institutions (MFI), which, in turn, provide credit to the self-employed poor, such as street vendors, traders, farmers and service providers

Deutsche Bank's investment in EFSE

Important features from an investment bank's point of view

Issue size

- EUR 50 mn subscription amount appropriate given total balance sheet of EFSE, no highly liquid paper but sufficient to place tranche with various investors

Tenor

- Strong demand for short and medium term maturities, long maturities rather difficult to sell due to flat yield curve
- 3yr and 5yr tenors are typical benchmark maturities for FRNs
- 5yr maturity of EFSE tranche very good fit given its benchmark status and the current yield environment, slightly higher spread than 3 years attracts additional demand

Format

- Documentation off EFSE prospectus convenient way
  - One legal shelf for all EFSE notes
  - Investors prefer prospectus based notes to stand alone documentation
- Existing bond transfer procedure (obtain acceptance by the Administrative Agent) makes secondary market trading slightly more difficult, but limited impact due to buy & hold strategy of most target investors

Deutsche Bank's investment in EFSE

Important features from an investment bank's point of view

Coupon

- A floating rate transaction has several advantages compared to a fixed rate issue
  - A floating rate issue attracts the broadest investor base for a new issuer
  - Lower spread compared to equivalent fixed rate transaction
  - New issue process not as dependent on market movements as a fixed rate
  - Usually no new issue swap necessary for issuer
- Floating rate note format of EFSE's inaugural tranches is right choice.
- In case some investors prefer fixed rate coupon DB is able to swap the floating cash flows into a fixed rate

Currency

- EFSE's currency home market is EUR as it offers the deepest investor base and, hence, the most attractive pricing
- USD denominated issuance is possible but one should keep in mind that the investor base is limited to „offshore" investors due to onerous legal requirements for domestic issuance in the US (SEC registration, 144a)
- EFSE should use its home market and stick to the EUR in order to generate maximum investor attention and competitive pricing

Investors

- Given the features of EFSE's tranche issued in March 2007 (5yr tenor, FRN, EUR denominated) we see the folloing target investor groups: banks, asset manager, insurance companies and pension funds
- A rating might prove crucial for some investors whereas other investors have already bought non-rated paper

Outlook for the microfinance sector

- DB is confident that microfinance as an asset class is going to sustain its growth for the following reasons
  - Double bottom line returns, i.e. combination of commercially attractive and socially responsible investments
  - Attractive risk/reward profile of microfinance investments given low default rates of underlying credits and interesting pick up for private investments
  - Continued investor interest in new asset classes which have low correlaton to existing asset classes
  - Strong growth of microfinance portfolios worldwide which makes refinancing an ever more important issue for MFIs
  - Microfinance capital markets products tend to become more sophisticated (for example CDOs)
- The interplay between capital markets and development finance as shown by DB buying and distributing senior EFSE notes promises to yield more successful transactions that combine on-site network/expertise of MFIs with the structuring and placement capabilities of global capital markets