Press Release

For immediate release

European Fund for Southeast Europe looks back on five successful years

- **250,000 loans totaling EUR 1.3 billion have created 215,000 new jobs in Southeast Europe**
- **EUR 5.2 million worth of technical support strengthens local financial sectors**
- **Barack Obama honored EFSE at the G-20 summit in Seoul, South Korea, in November**
- **PPP concept stands for sustainable development finance and responsible use of capital**

Frankfurt am Main, December 15, 2010 – Celebrating its fifth anniversary today, the European Fund for Southeast Europe (EFSE), incepted by KfW Entwicklungsbank (The German Development Bank) with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission, can look back on an entirely positive track record in the provision of development finance. With approximately 250,000 loans totaling EUR 1.3 billion, which since its inception the Fund has granted, via local partner lending institutions, to micro and small enterprises (MSE) in Eastern and South Eastern Europe as well as in the Caucasus region, some new 215,000 jobs were created in these regions. Moreover, these partner lending institutions received technical support to the value of EUR 5.2 million for 134 projects. These projects aim at institutionally strengthening the partner lending institutions and at contributing to the establishment of responsible lending practices ("Responsible Finance") in relation to MSE in particular.

EFSE offers long-term financing instruments to financial institutions for the refinancing of loans to MSE in the target regions. MSE are an important growth engine of economies. However, they often only have insufficient access to capital, particularly in Eastern and South Eastern Europe as well as in the Caucasus region.

International award by US President Barack Obama

EFSE's innovative concept of financing small businesses in particular has met with broad recognition world-wide. For instance, only recently, at the G-20 summit in Seoul, the Fund was honored by the President of the United States, Barack Obama, the President of the Republic of Korea, Lee Myung-bak, and the Canadian Prime Minister, Stephen Harper, for being the best worldwide concept to raise private capital for the financing of small and mid-size companies in developing and emerging countries. As part of an ideas competition initiated by the G-20 countries, EFSE was awarded first prize out of 345 submissions from 75 countries around the globe. In fact, EFSE has already become a prime example for developmental funds in other regions and sectors.

Public Private Partnership (PPP) approach enables sustainable development finance

EFSE uses capital provided by government agencies and international financial institutions as a risk buffer for investments made by institutional private investors. By way of a three-tranche model, public funds are used to provide security and leverage private investors' capital. This means that one million euros of public capital enable the inflow of up to six million euros in additional capital from private investors. At present, the Fund's volume stands at EUR 773 million, some 66% of which represents private capital. In addition to banks and foundations, retail investors also indirectly participate in the Fund, via the BN&P Good Growth or ESPA VINIS Microfinance funds of funds, for example. The mix of public and private capital is a guarantee that the money is used efficiently, effectively and responsibly. This also ensures that the needs of developmental finance are covered on a long-term basis. What's more, as the past few years have shown, the Fund is stable and highly crisis-resistant thanks to its structure and professional management.

Dr. Klaus Glaubitt, Chairman of EFSE's Board of Directors, is very pleased with the success of the Fund and stresses the importance of the PPP approach: *"EFSE's PPP approach has proven to be highly successful during the global financial crisis*. *We have been able to continuously acquire new investors, while our partner lending institutions were able to rely on EFSE as a stable refinancing source. During the crisis years of 2008 and 2009 alone, the financial institutions in our target regions were provided with funding to the tune of EUR 300 million for the promotion of MSE, thereby assisting thousands of companies affected by the credit crunch."*

Objectives until 2014

"We are totally committed to raising additional public capital, both for EFSE and other similarly structured development funds. This would enable us to gain more private investors, thereby increasing the developmental effectiveness of such target group-oriented financing approaches. We are now looking to increasingly expand local-currency funding, which is intended to protect borrowers from potential currency risks and over-indebtedness," said Monika Beck, head of the Competence Center for Financial Sector Development at KfW Development Bank, adding: *"In the future, EFSE will also further expand the technical support area, with an emphasis on topics such as risk management and internal control systems. By strengthening the capacities of our partner lending institutions, we are making a significant contribution to the development of the local financial sector. As a result, small businesses have permanent access to long-term capital to finance job-creating investments."*

EFSE is planning numerous additional investments in local financial institutions across the target countries, by 2014, to promote the funding of over 400,000 MSE and, going forward, also mid-size companies. This is intended to create some 400,000 new jobs.

Short profile of European Fund for Southeast Europe

EFSE aims to strengthen the economic development, particularly in the private sector, in Eastern and Southeast Europe as well as the Caucasus region. For this purpose, the Fund offers long-term financing instruments to local financial institutions, enabling the granting of loans primarily to small private businesses. Moreover, the Fund also has a Facility for financing any financial support operations that may be required to assist its partner lending institutions. EFSE was formed on December 15, 2005 out of four multi-donor programs managed by KfW Entwicklungsbank (The German Development Bank) as part of the first public-private partnership initiative for developmental finance. The Fund's four founding countries were Bosnia and Herzegovina, Serbia, Kosovo, and Montenegro, with Albania, Armenia, Azerbaijan, Bulgaria, FYR Macedonia, Georgia, Moldova, Romania, Belarus, and the Ukraine having joined over the past five years. While the capital invested at the time of the Fund's inception stood at EUR approximately EUR 66 million, EFSE is now invested in 67 local financial institutions (carefully examined and selected taking into account both social and ethical factors in particular) to the value of some EUR 650 million. The capital is provided by public donors, international financial institutions as well as institutional private investors. EFSE's donors and investors include the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission, the governments of Austria, Switzerland, Denmark and Albania, KfW, IFC, FMO-Netherlands Development Finance Company, the European Bank for Reconstruction and Development, the European Investment Bank, Oesterreichische Entwicklungsbank, Sal. Oppenheim and Deutsche Bank. The fund is administered privately by Oppenheim Asset Management Services and Finance in Motion GmbH as fund manager and fund adviser, respectively.

For further information please visit http://www.efse.lu/.

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