

LuxFLAG Microfinance Label granted to the European Fund for Southeast Europe (EFSE)

The European Fund for Southeast Europe (EFSE) is one of the first three Microfinance Funds which have been granted the LuxFLAG Microfinance Label by the Luxembourg Fund Labeling Agency asbl (LuxFLAG), one of the first rating agencies for investment funds, on 1 February 2007.

In July 2006, an association of prestigious Luxembourg organisations founded LuxFLAG. Grand Duchess Maria Teresa has been honorary chairwoman of the association. The Label is to ensure ethically-oriented investors that capital will be used in an ethically-correct manner and will be directly invested in the microfinance sector. An additional objective of the Label is to increase interest of private investors in the relatively young microfinance sector, which in the past has been financed mainly by development institutions.

EFSE is an investment fund which was set up on 15 December 2005 in Luxembourg. Its primary objective is to foster economic development in the Southeast European region through the provision of long-term financing instruments to local financial institutions. These funds are used to refinance loans to micro and small enterprises and to private low-income households.

As of the end of 2006, the Fund has reached more than 44,000 end-borrowers with an average loan amount outstanding of about EUR 4,300. Approximately 88% of the outstanding subloans are comprised of loans under EUR 10,000. This underscores the development orientation of EFSE and the Fund's focus on micro credits. Within the first twelve months of operations, EFSE has more than doubled its investment volume, thus positioning the fund among the biggest microfinance funds worldwide with a total outstanding portfolio of EUR 244.5 million at 38 partner lending institutions.

EFSE has been set up as a public private partnership. Initial funding came from the Federal Ministry for Economic Cooperation and Development (BMZ), the European Union, as well as the governments of Austria and Switzerland. Additional capital has been provided by the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), the Netherlands Development Finance Company (FMO) and KfW from

Germany. In addition, the Fund aims at acquiring private capital of institutional investors.

Within less than a year after inception, EFSE has mobilised funding commitments of more than EUR 100 million from private institutional investors. As part of EFSE's business strategy, future funding is planned to be sourced almost exclusively from private institutional investors.

The Fund Promoter is KfW. The Fund Management is executed by Oppenheim Pramerica Asset Management S.à r.l. Bankakademie Frankfurt is the advisor to the Fund Management. The Luxembourg branch of Citibank International plc is acting as the custodian and administrative agent of the Fund.

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ABOUT EFSE

The European Fund for South East Europe (EFSE) was launched in December 2005 and aims at supporting economic development and fostering prosperity by providing financial means for private entrepreneurs and households through qualified commercial banks and micro finance institutions.

Visit EFSE's website: www.efse.lu

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