



Mikro  Kapital

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Chief Risk Officer

Driving sustainable growth: Impact
Investing in Eastern Europe, Caucasus
and Central Asia

Geneva, 4th June 2024

Microfinance: a solution for small business

- Loans issued to small businesses and entrepreneurs.
- Microcredit aims to fill a gap left by banks, which often find small loans uneconomic or prefer not to lend to entrepreneurs without a track record.
- Microcredit is about social and financial inclusion as well as entrepreneurship and economic growth.
- Intrinsic added value of social impact, promotion of Small Business and job creation.
- Provide funding to qualified SMEs as well as technical support (economic/accounting education).

Microfinance industry

The global market for Microfinance reached **US\$ 182.7 Billion** in the year **2022**.

It is projected to reach a revised size of **US\$ 488.9 Billion** by **2030**.

The microfinance market in **Europe** is estimated at **US\$ 13.4 Billion** in 2022, while **Asia-Pacific** region is expected to record a grow to **US\$ 236.4 billion** by 2030.

Microfinance sector has also continued to grow in terms of the **number of borrowers**, reached **173 million in 2022**. Making an average increase of 5% growth. In terms of demographic composition, **female clients** make **56.9%** of MFI borrowers.

Portfolio Growth



Source: Impact Finance Barometer - ATLAS

Microfinance industry

Performance ratios in 2022

Average Portfolio at risk 30 days of MFIs in the microfinance industry

4.6%

Average Portfolio at risk 30 days of MFIs where ALTERNATIVE invests
(3.8% by end of 2023)

3.7%

Stable year-on-year trends in portfolio quality are also reflected in profitability and the cost of risk. For example, portfolio yield, as measured by GLP, showed a degree of stability at approximately 16.8% to 21.5% in the past 3 years.

On average at the global level, solvency levels remained relatively stable in 2022. For instance, the median MFI equity to assets ratio was nearly in line with levels in 2021, ranging between 18.3% and 19.3%.

Source: Impact Finance Barometer - ATLAS

Why Eastern Europe, Caucasus and Central Asia

Why these regions

- Greatest supply route in history
- Many cultures / Same businesses
- A unique layout of integrated infrastructure, coming from similar cultural backgrounds
- One of the world's most potentially lucrative untapped investment locations

Why microcredit in these regions

- Historical entrepreneurial and merchant DNA
- Create financial inclusion
- Agrobusiness is historically important for all economies in the region: 1/3 of our end-borrowers
- Strong demand for transportation and logistics services: micro leasing

Why Mikro Kapital in these regions

- We focus on what we do best in the countries we know the most
- Transparent link between investors and end-borrowers: "Cut out the middleman"
- Long-standing track record
- Creating Positive Impact by combining competitive financial returns

MIKRO KAPITAL – ALTERNATIVE at a glance

Headquarter: Grand Duchy of Luxembourg – since 2008

Countries:

- Armenia
- Czech Republic
- Italy
- Hong Kong (funding)
- Kazakhstan
- Kyrgyzstan
- Moldova
- Romania
- Tajikistan
- Uzbekistan



297.6

Total Assets €M

380

Invested bonds
since inception €M

10

Countries

172

Portfolio Companies
and operative offices

1,972

Employees

Social Impact 2023

Micro credit & Micro leasing



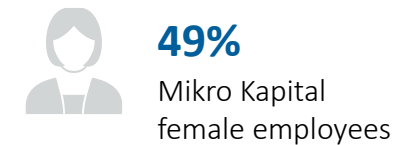
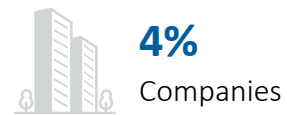
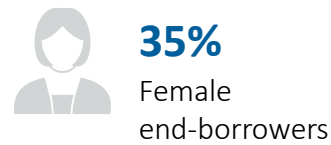
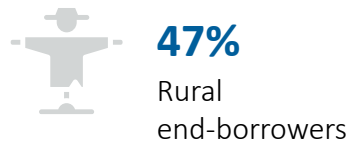
Carsharing



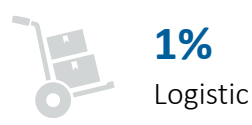
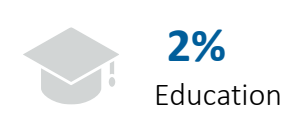
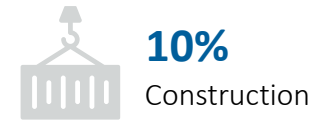
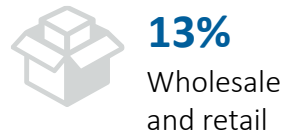
Our SDGs



Impact highlights

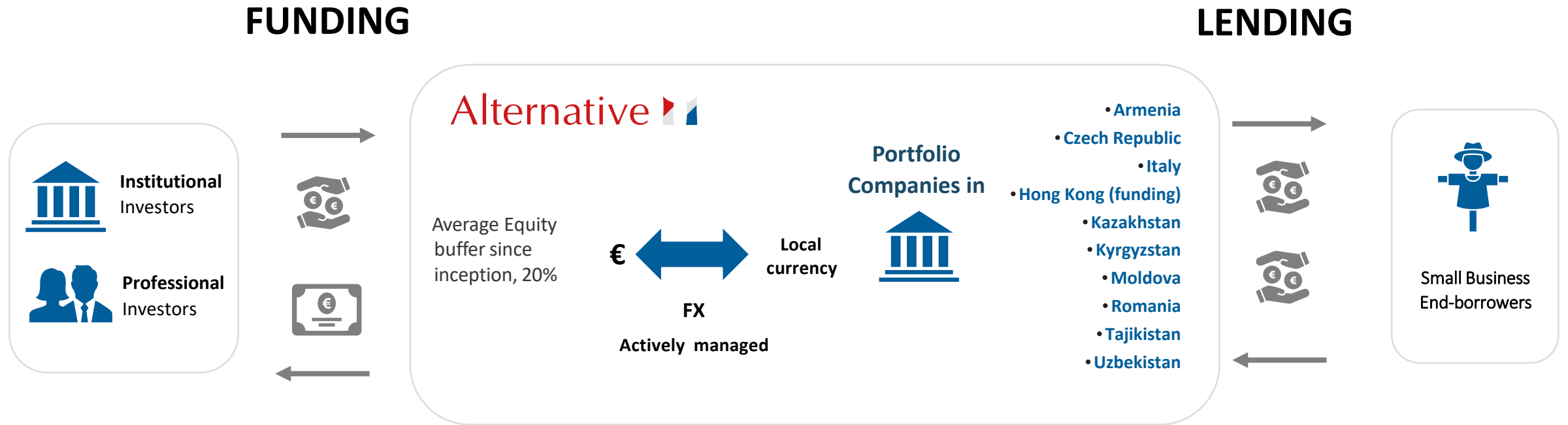


Sector diversification



Mikro Kapital business model

Investing in the whole value chain



Bond Feature:

- Senior unsecured
- Loans to Small Business are fully collateralised
- All bondholders are treated “Pari Passu”

Investment Criteria

Of Portfolio Companies

End-Borrowers' request



Microcredit Products

Micro loans and micro leasing



Small Business only

End-borrowers



Collateralised portfolio only

Guarantee



EBRD

Apply EBRD guidelines



Principle for Responsible Investment

Apply PRI guidelines

Loan Officers perform
Due Diligence

Lending Products

Small Business Situation


Solution




 Cash Flow

 Collateral
(provided by the End Borrower)



 Cash Flow

 Collateral
(provided by leasing company)

 Cash Flow

 Collateral
(provided by leasing company)

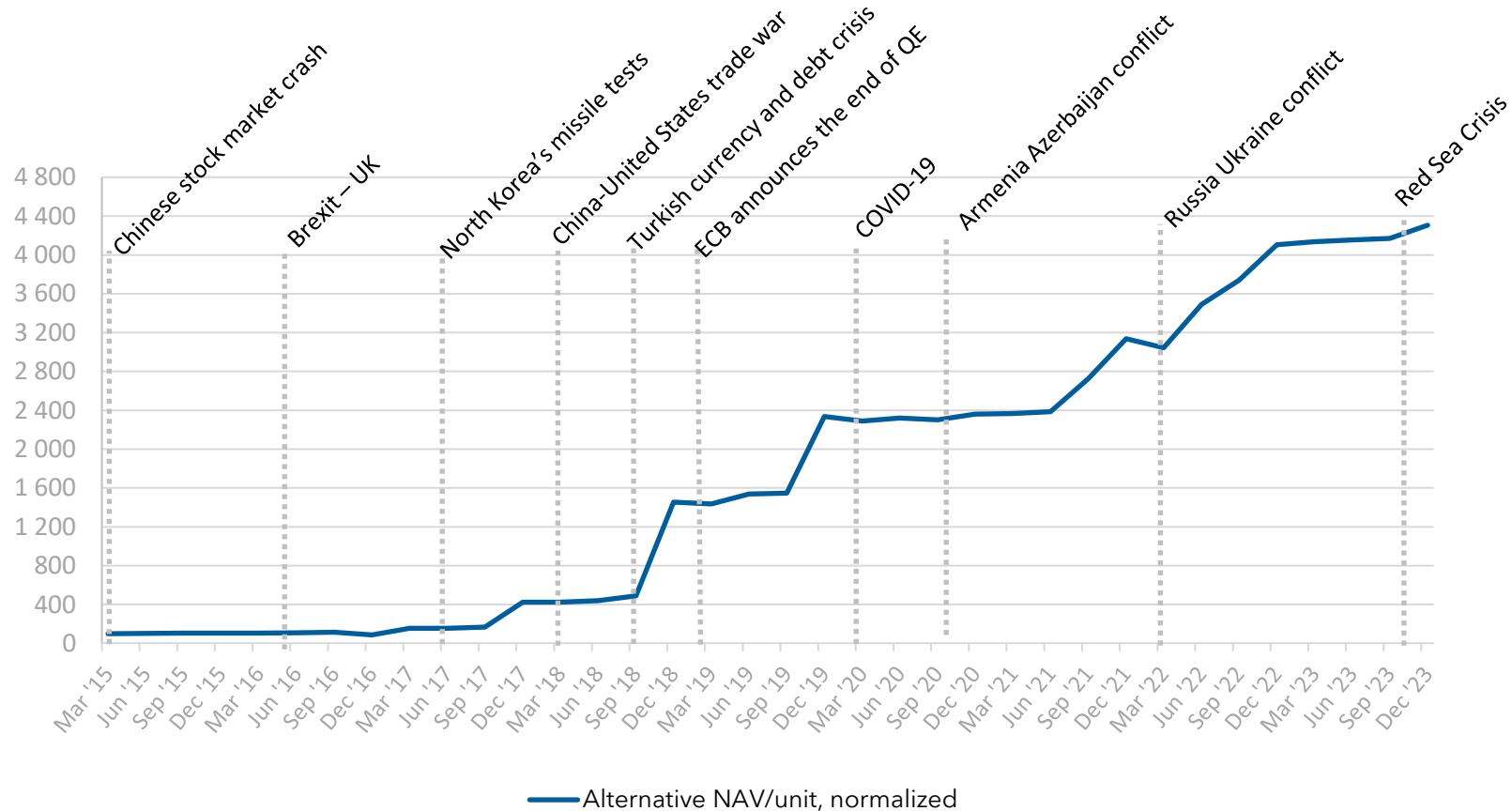
Micro Loan

Micro Leasing

Operational Micro Leasing
(carsharing)

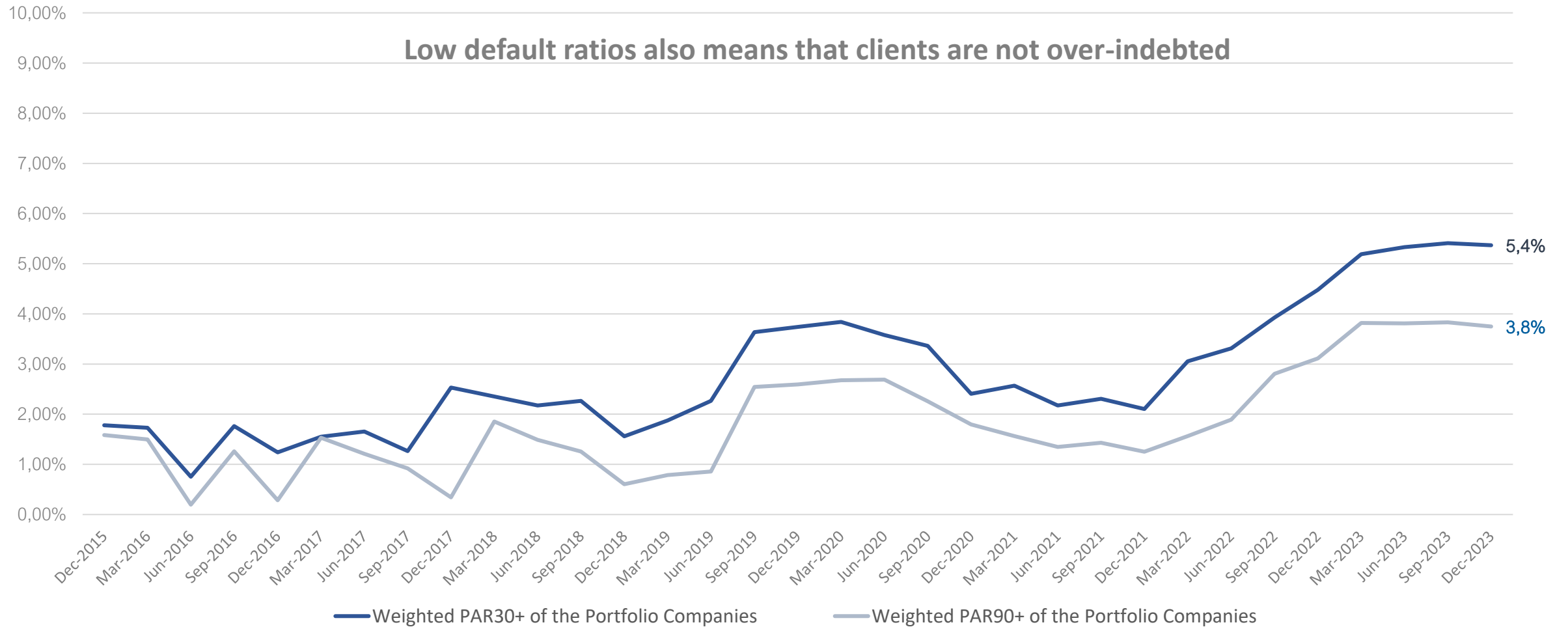
Microfinance: an uncorellated asset

Microfinance is historically less sensitive to political and economic turmoil



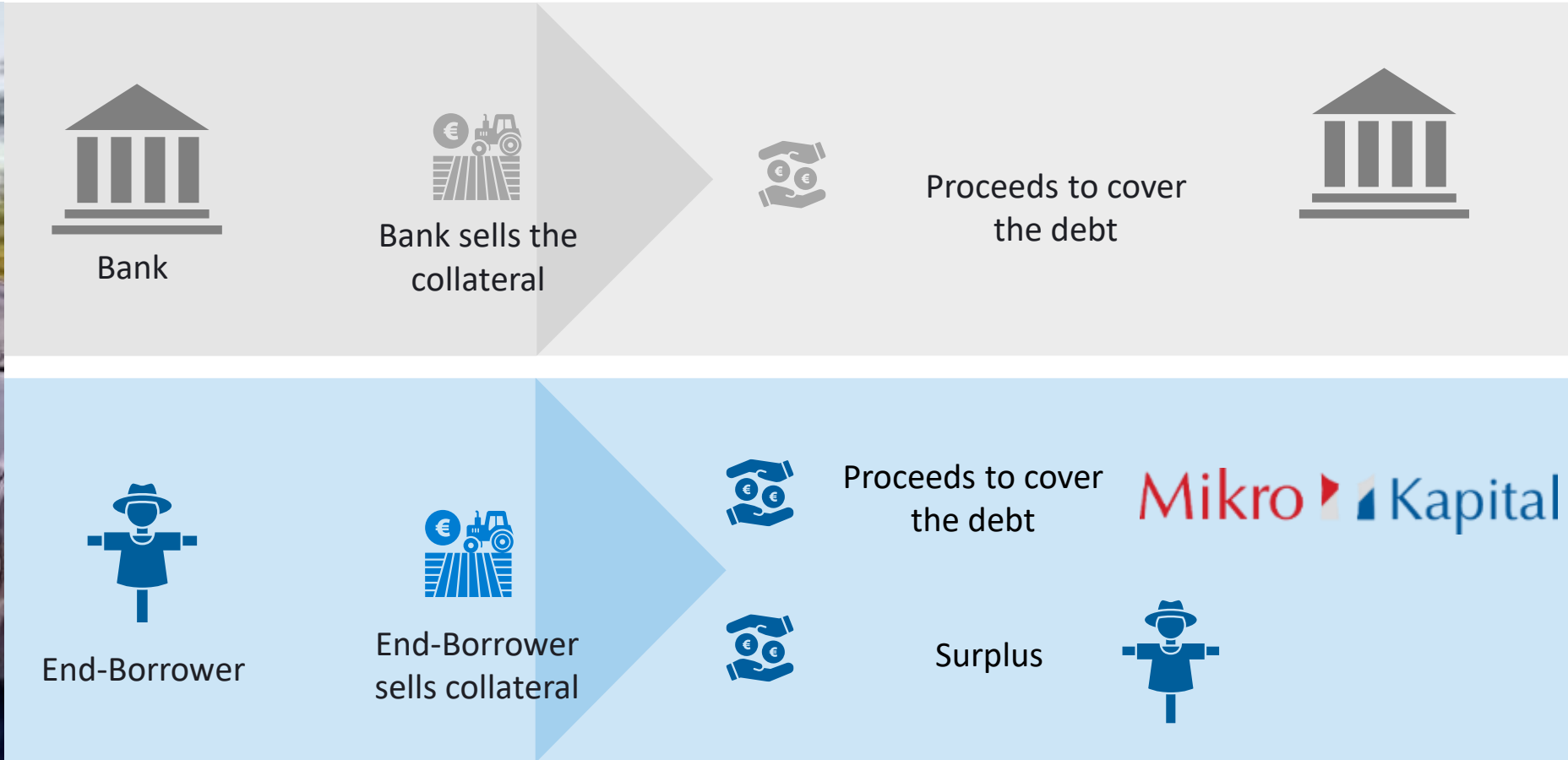
Strong focus on risk management

Risk Metrics: PAR30+ (portfolio at risk more than 30 days) , PAR90+ (portfolio at risk more than 90 days)



what if the client default

Maximize the proceeds derived from the sale of collateral



Case study

Investing in a car to develop business opportunities and increase family income



My name is Bakytbek, I am married, father of two children from Kyrgyzstan.

Due to the lack of higher education, I had no opportunity to get a good job in my country.

So, I decided to go to Armenia with wife to look for a better opportunity. Childrens stayed with my parents.

In Armenia I worked at a construction site as a worker, my wife worked as a waitress, However, we faced difficulties with obtaining official permission to live and work there. Staying in Armenia unofficially could result in large fines and even being sent back to our home country.

We decided to return to our homeland, and I started selling small horned cattle at the market. The money was only enough for food and small expenses. Additionally, I worked part-time at a construction site on an as-needed basis. Gradually, the requests increased, so I bought the necessary tools to offer my services as an independent contractor. However, it was very difficult to reach the locations where my services were needed using public transport, and taxis were very expensive. Friends recommended that I apply to banks for a car loan. I applied to several banks, but all of them required official confirmation of income, which I could not provide. Every bank turned me down.

I saw an advertisement for Mikro Leasing on Instagram and decided to apply. The company employee helped me understand which documents were needed and how to apply. The same day I applied, I started looking for a car. The approval was very fast, and in three days, I became the owner of a car. This allowed me to significantly reduce my expenses. I also started providing taxi services in the evening, which gave me additional income. Now, I am planning to apply for another loan to buy a car for my wife and a bigger one to provide passenger transport services between our village, the nearby villages, and the nearby city.

Mikro Kapital

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