finance in motion
INVESTING IN DEVELOPMENT

2015

IMPACT INVESTMENT REPORT

Investing in MSME and Green Finance – Why these topics matter to us

FUNDS ADVISED BY FINANCE IN MOTION – KEY FIGURES

Committed public and private capital
EUR 1.8 billion

Committed private capital
EUR 1.2 billion

Number of countries with investments
22

Committed public capital
EUR 614.3 million

Investment portfolio outstanding
EUR 1.4 billion

Amount of investments made since inception of all funds
EUR 2.6 billion

Number of partner institutions
105

Number of investments made since inception of all funds
423

PORTFOLIO OUTSTANDING BY TYPE OF INVESTMENT

DEBT

Number of senior loans
200

Amount
EUR 1,186.3 million

MEZZANINE / SUBORDINATED LOANS

Number of mezzanine / subordinated loans
18

Amount
EUR 196.1 million

EQUITY

Number of equity investments
12

Amount
EUR 9.0 million

TERM DEPOSITS

Number of term deposits
2

Amount
EUR 13.9 million

Data as at 31 December 2015

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KEY FIGURES OF ADVISED FUNDS

EUROPEAN FUND FOR SOUTHEAST EUROPE (EFSE)	Inception 2005
MISSION	MSME finance via financial intermediaries
TARGET REGION	Southeast Europe, Eastern Europe, Caucasus
INITIATED BY	KFW

FUNDING	
Committed capital from investors	EUR 1.2 billion
PORTFOLIO INVESTED	
Investment portfolio outstanding	EUR 944.1 million
Active partner institutions	76
Investment volume since inception in Dec. 2005	EUR 2.0 million
DEVELOPMENT PERFORMANCE	
Portfolio outstanding on-lent to end-borrowers	EUR 879.0 million
Number of active end-borrowers	156,404
Average size of loans on-lent to end-borrowers	EUR 5,620
Number of loans to MSEs and households since inception in Dec. 2005	722,995
Amount of loans to MSEs and households since inception in Dec. 2005	EUR 5.0 billion
Number of target countries	16

GREEN FOR GROWTH FUND, SOUTHEAST EUROPE (GGF)	Inception 2009
MISSION	Energy finance via both financial institutions and direct investments in renewable energy project companies
TARGET REGION	Southeast Europe, Caucasus, Ukraine and Moldova
INITIATED BY	KFW, European Investment Bank

FUNDING	
Committed capital from investors	EUR 367.7 million
PORTFOLIO INVESTED	
Investment portfolio outstanding	EUR 307.1 million
Active partner institutions	32
Investment volume since inception in Dec. 2009	EUR 394.5 million
DEVELOPMENT PERFORMANCE	
CO_2 savings (metric tons CO_2/yr)	330,741
Energy savings (MWh/yr)	1,275,780
Number of target countries	13

SANAD FUND FOR MSME (SANAD)	Inception 2011
MISSION	MSME finance via financial intermediaries, including equity sub-funds, to enable institutional green-fielding
TARGET REGION	Middle East, North Africa
INITIATED BY	KFW

FUNDING	
Committed capital from investors	USD 172.3 million
PORTFOLIO INVESTED	
Debt investment portfolio outstanding	USD 139.5 million
Equity portfolio (including approved investments)	USD 2.9 million
Active partner institutions	21
Investment volume since inception in Aug. 2011	USD 182.2 million
DEVELOPMENT PERFORMANCE	
Portfolio outstanding on-lent to end-borrowers	USD 92.2 million
Number of active end-borrowers	37,092
Average size of loans to end-borrowers	USD 2,485
Number of loans to MSMEs since inception in Aug. 2011	61,266
Amount of loans to MSMEs since inception in Aug. 2011	USD 192.3 million
Number of target countries	9

ECO.BUSINESS FUND	Inception 2014
MISSION	Biodiversity conservation and sustainable use of natural resources
TARGET REGION	Latin America, Carribean
LEAD INVESTOR	BMZ

FUNDING	
Committed capital from investors	USD 56.1 million
PORTFOLIO INVESTED	
Investment portfolio outstanding	USD 25.0 million
Active partner institutions	2
Investment volume since inception in Dec. 2014	USD 25.0 million

Data as at 31 December 2015

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1 Preface

We take great pleasure in the opportunity to present Finance in Motion's second Impact Investment Report. However, the good fortune our four funds enjoyed last year is being tempered by a renewed sense of urgency to institute the types of changes for which we strive. This is largely due to the fact that the threats we have all been discussing in the abstract are becoming reality before our eyes.

Our societies in the West have enjoyed both multiple decades without war within our borders and an unprecedented prosperity resulting from rapid technological change. These developments have distracted many of us from asking ourselves whether the key foundations of our lifestyles were sustainable, and if these foundations meet the Kantian test of "what if everybody acts this way…?" These questions are now at the forefront of the global discussion.

The opportunity inequality in a globalized world represents one challenge: For the first time since the end of World War Two, core European countries are experiencing a staggering migration of displaced peoples crossing the region virtually at will and numbering in the millions. Many have left their home countries because governments there have failed. Today's migrants know the best ways of how and where to move within days thanks to the proliferation of mobile phones. Because of these factors, the magnitude of this displacement is testing the political and societal cohesion of Europe.

Another challenge comes from environmental changes. We have known for years that per capita energy and resource consumption in western developed countries has been 5 to 10 times that of billions of people in India, China, and Sub-Saharan Africa. Today, billions of people in these areas are closing in on our standard of living and its corresponding level of resource consumption. The shift has been fueled by an accumulation of wealth triggered by our use of these areas as extended work-benches to keep us supplied with cheap goods. The coming competition for clean air and water, and intact strips of nature, could prove fierce. The signs of resource scarcity are clearly apparent: Smog, rising ocean levels, desertification of large tracts of land, and the loss of ice coverage in mountain ranges and on the poles.

WHO WE ARE

Impact financing continues to expand as the world identifies and seeks to remedy economic, social and environmental problems. While we recognize the wide-ranging growth of the sector, we have selected two main sectors that guide our investment decisions:

- **Micro, small and medium enterprises (MSME).** Vital for creating jobs and socioeconomic development, these business often lack access to long-term funding, especially in emerging markets.
- **Environmental finance.** Protecting the planet's climate and natural resources remains arguably the greatest challenge facing humanity. We believe investment in sustainable energy will have consequential ramifications.

WHAT SETS US APART

- **Technical assistance.** Finance in Motion's impact financing experts are paired with in-house teams of technical assistance professionals, both with extensive knowledge and time on the ground in the target regions.
- **Local offices.** We have 13 regional offices to ensure on-site knowledge and oversight.
- **Multiple shareholders.** By combining a diverse range of public and private investors, we draw upon experience with myriad investment environments.
- **Public-private partnership** (PPP)**.** We leverage public funding by structuring impact investment funds so public monies serve as a risk cushion for private investors.

We believe that anyone who pays close attention to world events and has a feel for social and environmental signals has recognized that things are changing. Every day, we at Finance in Motion derive motivation from these realizations, even in in the face of difficult market environments. And we act.

When we detected a need for better access to finance for organic farms and processors along the value chain in Latin America, we (jointly with KfW and Conservation International) developed the new eco.business Fund in late 2014. Some 18 months ago, when one of our teams expressed the desire to use forests to store CO_2 and ease the pressure on remaining natural wooded regions, we acted and are now marketing Arbaro, a sustainable forestry fund for Latin America and East Africa. When migrants were flooding from Turkey through the Balkans, the microfinance fund EFSE took direct action through its Development Facility, and Finance in Motion increased its own donations and collaboration with Balkan NGOs. We acted when the energy fund GGF started preparing to expand its activities into the Middle East and North Africa, helping those precarious economies develop a better energy mix and save on scarce foreign currency often used for importing fossil fuels. We acted when the SANAD Fund increased its financing in 2015 to help the economies of Jordan, Lebanon, Egypt, Tunisia, Palestine and Morocco cope with the challenges of social unrest, the integration of millions of migrants and high youth unemployment. SANAD – with its special window for equity investments – went a step further by greenfielding three new financial institutions in difficult markets like Egypt and Tunisia, where local entrepreneurial drive is strong, but classical banking fails, and a large section of the population deemed to be "high-risk" remains unserved. And, most recently, we began to support small ventures with our own equity investments, including the most recent project, a sustainable aquaculture start-up.

Of course, we were unable to do any this on our own. We can only have an impact with support from local partners in each country, partners we select carefully; once they join our community, we assist them in whatever way possible to overcome any obstacles they may face. In addition, we would be incapable of achieving impact without the close cooperation of key development finance institutions such as KfW, EIB, EBRD, IFC, FMO, and OeEB, to name just a few. For Finance in Motion funds, these institutions are not only key investors, but also invaluable sources of intelligence through their chosen representatives on the fund governance bodies. Furthermore, we could not have an impact without the government sponsors laying the foundations for our funds, foremost among which are the German Federal Ministry for Economic Cooperation and Development, and the European Union. They have entrusted our funds with over half a billion euros of taxpayer money, which is a great responsibility we carry every day. Finally, we wish to offer our sincerest gratitude to the private sector, those

institutional investors, foundations, church and NGO investors, and high net-worth individuals who have increased the leverage of our funds. These organizations and people are our future by design: As concepts are proved and track records built, the public sector is expected to decrease its role in each fund to make way for private investment. Also, we would like to thank our distribution partners in this context, including GLS, Germany's first bank with a socio-ecological mandate. These partners have shown that despite the 2008 financial crisis and falling yields on traditional investments, the impact investment space remains strong and able to raise ever-increasing volumes of financing.

So, while time is running out to address the inefficiencies of our growing globalized world, there are people and concepts out there working to rectify things. There are instruments that can provide resources for those willing to help. By adhering to principles of transparency and the rule of law, alongside doing good, these people and concepts instill a sense of direction and best practice in those newly building economies and societies. Their transition into stability is so very critical to putting a balance back into migration flows and the climate.

It is our sincere hope that you find the results in this Impact Report as motivating as we do. Our successes drive us to excel every day as we endeavor to make a difference, one that keeps a few more families in their homes with their livelihoods guaranteed, or traps a few more tons of CO_2 underground, or protects a few more hectares of the flora and fauna from the overuse of pesticides.

SYLVIA WISNIWSKI Managing Director, Finance in Motion	FLORIAN MEISTER Managing Director, Finance in Motion	ELVIRA LEFTING Managing Director, Finance in Motion

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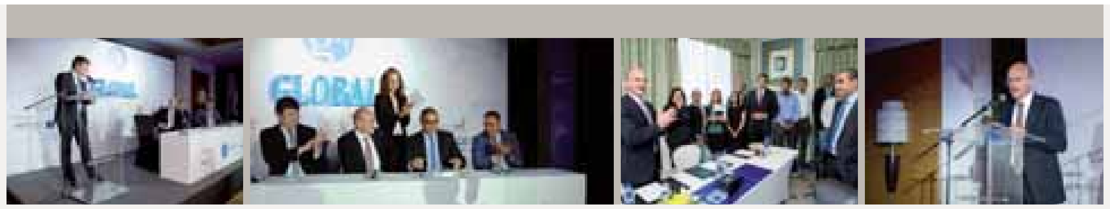
MSME Finance

2.1 Providing finance for MSMEs

Micro-, small and medium enterprise finance (MSME finance) seems to lack the luster and vibrancy of flashier types of impact finance. Because in this field, while it is easy to measure objective parameters like average loan sizes and sectors in which the end-users are active, deeper change effected is often difficult to gauge with common standards. Investments financed by our loans cannot always be linked to employment generation or retention, to gender equality, to responsible resource utilization, improved health or education. But one thing is clear: reaching out to people who otherwise would not have access to formal financial services enables many ideas on this planet to thrive and many businesses or livelihoods to prosper. Everybody will agree with this statement when we point to the 1,600 microloans handed out by over 90 employees at Advans Tunisie, a greenfield microfinance institution (MFI) in Tunisia. This MFI, created by SANAD in 2013, together with the MFI network firm Advans SA and local shareholders, benefits from the newly introduced Tunisian microfinance law.



SANAD ESF CO-FOUNDS GLOBAL LEASING COMPANY (GLC), CAIRO, EGYPT

Global Leasing Company (GLC) is a greenfield leasing company launched in 2015 by a consortium of investors consisting of Wadi Degla Holding, a regional sports club and real-estate management company; Hatem Samir, the company CEO and a veteran leasing executive; and the equity sub-fund of the SANAD Fund for MSME (SANAD ESF), which is advised by Finance in Motion.

Given the first signs of economic recovery in Egypt and the untapped potential of the Egyptian leasing sector to finance a growing backlog of capital investments, a clear need to engage and bolster the development of this vital area was apparent. This recognition was followed by a comprehensive feasibility and market assessment, and after negotiations that extended over almost six months, the investors met to establish a leading leasing company.

True to its mission and developmental agenda to alleviate poverty and foster the creation of employment, the SANAD ESF provided the focus on leasing to small and medium enterprises (SMEs) for the newly founded venture, and the partners agreed that a substantial part of the leasing portfolio would consist of leasing products for SMEs in Egypt.

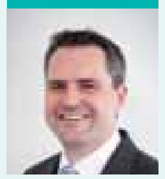
The creation of GLC has proven timely since the Egyptian leasing market is projected to grow rapidly in the coming years with the entrance of five to eight new lessors. Their engagement is expected to improve Egypt's low leasing penetration rate, which hovers at around 0.3 % of GDP, and accelerate gross leasing volumes beyond USD 1 billion. This shift is coupled with a large commercial and development opportunity to serve oft underbanked SMEs, a business sector that accounts for 99 % of enterprises, 80 % of employment, and 60 % of GDP.

Currently, only 3 - 4 % of SMEs in Egypt use a financial institution to fund their investment. According to a World Bank study, more than half of the country's small enterprises believe access to finance remains a major obstacle. GLC occupies a great position to address these SMEs and expand the products in the SME leasing market by providing these enterprises with alternative funding opportunities that match their financing needs in a manner that local banks have so far failed to adequately address.

The first results from operations at GLC are promising and signal that the SANAD ESF is fulfilling its dual focus of generating commercial returns while remaining committed to a strong social mission by supporting the financing of SMEs.

2 MSME Finance

Interview with Karsten Kuehrlings, Head of Securities, GLS Bank



What sort of expectations do your institutional clients have when they invest in impact financing?

Impact investors expect a high level of transparency and clarity about how an investment actually works. They know investment decisions always have a range of different impacts, not all of them necessarily positive. That's why an in-depth assessment and discussion of positive and negative criteria, as well as of potentially contentious issues, are key features of the investment decision. Our clients rate very highly the independent sustainability analysis conducted by our research teams as part of this process. But we should also stress that a balanced risk/return profile is also very important for most investors.

What's stopping you and your institutional clients from financing even more impact investments?

Above all, it's largely the very high regulatory requirements placed on the investment offerings and on the investors themselves that represent a clear barrier to greater involvement in impact investments. This is highly regrettable in light of the huge social and economic challenges on the one hand, and the need to mobilize private investment in these issues on the other.

Why is microfinance an important impact issue for you?

For us, the primary objective of microfinance is to enable the financial inclusion of people on low incomes. Financial inclusion means enabling access to dependable lending and savings opportunities and thus covering key needs of these households in developing and emerging economies. Ultimately, the desires and needs of poor people do not differ markedly from our own. Financial inclusion allows these people to participate in economic cycles that are commonplace for us.

The original motives behind microfinance were to fight poverty and to emancipate women. It's now clear that these goals can't be reached through microfinance offerings alone. That's why microfinance shouldn't just be limited to financing entrepreneurial activity, but should rather be part of a holistic development concept that delivers the greatest impact in combination with other measures in the areas of development aid, development finance, and knowledge transfer.

What other issues in the field of impact investment are your institutional clients looking for or addressing?

They're particularly interested in investment opportunities in the fields of education, ecological farming, and climate protection.

What do you think makes a good impact asset?

What's important for us are authentic, intrinsically motivated asset managers whose core business is to design and manage impact investments rather than it just being a niche activity alongside conventional and potentially highly critical investment issues. Professional, transparent reporting on the social, ecological, and economic outcomes of the investments is very important for us. As are continuous, frank discussions with all stakeholders, discussions that embody a spirit of constructive criticism, one of our key criteria for good impact asset managers.

The GLS Bank was the first social and ecological bank in Germany. GLS stands for "Gemeinschaftsbank für Leihen und Schenken", which translates as "community bank for loans and gifts". The bank was founded in 1974 and it currently finances around 23,000 projects and businesses. The bank issued loans totaling EUR 2.1 billion in 2015.

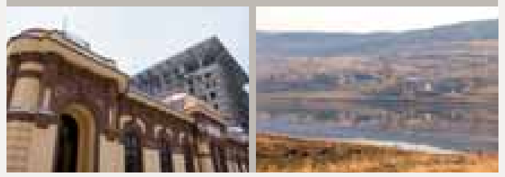
A few of the important goals and objectives reliant on stable, fair and accessible financial services for micro and small enterprises (SMEs) include social cohesion, rural development, employment generation (also for youths), entrepreneurship building, innovation, and competitiveness amongst small businesses.

MSMEs play a crucial role in economies and account, for example, for 60 % of GDP and 70 % of employment across the Middle East and North Africa region (MENA). The level of support for SMEs plays a key role in attempts to graduate informal or gray economies into more formalized ones, in plans to attack the roots of migration and in efforts to advance agriculture, an extraordinarily significant sector for subsistence in so many parts of the world. Along with financial support, the main driver, technical support is also required to realize these goals. It can increase know-how among small enterprises and youth, offer regulatory and legal support to lower entry barriers and simplify tax codes. Such technical support can also let financial institutions focus on important drivers of societal change like innovation, income and development instead of discouraging them with higher reserve and documentation requirements or other obstacles.

We believe finance alone cannot effect change or yield sustainable impact. Capabilities need to be created in financial institutions, among regulators and in civil society, for example, in the form of credit bureaus to manage financing of micro and small enterprises in a professional, sound and sustainable manner that can create the scale required for them to develop.

The EUR 2.2 billion invested by the EFSE and the SANAD Fund, the two funds which focus on MSME finance, resulted in almost 800,000 loans to MSMEs via our partner institutions. This matters to us. It matters to us when we collaborate with a financial institution to launch a new product for formerly non-bankable subsistence farmers. It matters to us when we partner with a large bank to launch a contest for young entrepreneurs and foster the development of a generation with aspirations and the belief in equal opportunities.

Financing and supporting MSMEs is hard work; it requires knowledge, patient capital and sophisticated support. But what is more worthwhile than turning brain power and energy into such multipliers of positive change?



A MANDATE FOR THE MOLDOVAN LEU

Moldova was the scene of another challenging year in 2015. The country was forced to cope with political instability and growing social unrest sparked mainly by the weak rule of law and an unprecedented defrauding of the banking sector to the tune of almost 12 % of the country's GDP. The result was the deterioration of the business and investment environment. Helped by its team in Chișinău, the European Fund for Southeast Europe (EFSE) recognized the deteriorating environment well ahead of time. After initially trying to stem the tide with individual measures to stabilize partner institutions, the EFSE systematically reduced its exposure lending to a point where it only had EUR 8.5 million outstanding to two partner institutions at the end of 2015.

Nevertheless, the EFSE remains committed to Moldova. In this difficult environment, the fund still managed to provide much needed local currency to a trusted partner bank to support the financing needs of local micro and small enterprises amidst a sizeable devaluation of the Moldovan leu and limited access to long-term funding. Furthermore, as a responsible lender, the EFSE continued to play an important developmental role at both individual partner and sector levels by providing dedicated technical support. The key initiative currently supported by the EFSE is the development of a national strategy for financial education, which primarily seeks to increase the level of financial inclusion and rebuild trust in the financial sector.

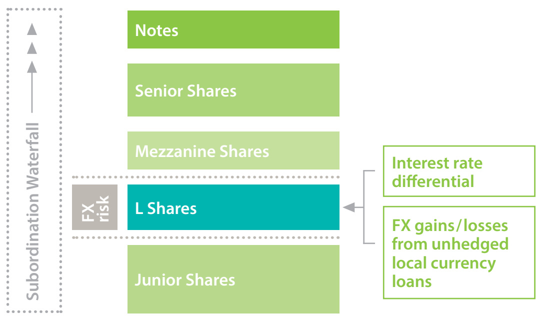
BESPOKE SOLUTIONS FOR LOCAL CURRENCY LENDING – HOME COUNTRY ADVANTAGE

Keeping local currency flowing remains a priority at Finance in Motion, and we tailor solutions to local markets. To protect against currency volatility, we have developed a number of programs specific to the countries we serve.

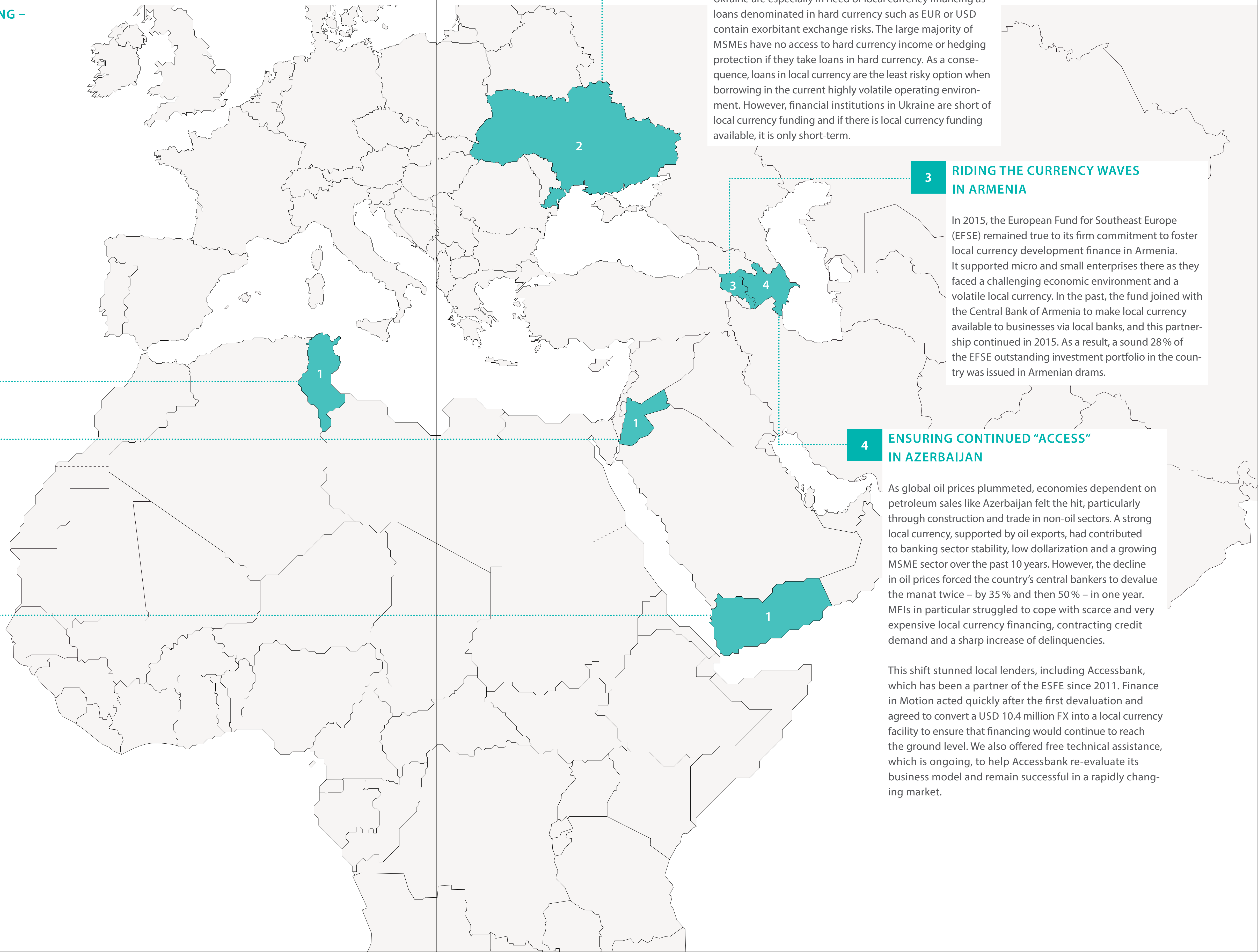
1 CURRENCY RISK IS THE MOTHER OF INVENTION – LOCAL CURRENCY LOANS IN JORDAN, YEMEN AND TUNISIA

Faced with the task of mitigating the risk of local currency fluctuations in the Middle East and North Africa, Finance in Motion and the founders of its SANAD Fund established a special capital layer (L shares) that may be the first of its kind. This layer, with the German government as the public sector sponsor, underwrites risk and protects other SANAD investors against local currency fluctuations. To maintain this buffer, each interest rate for a loan in local currency factors in a likely devaluation effect from the exposure and sets aside this "extra interest". In the spirit of good governance, a committee of experts reviews Finance in Motion's recommendations on such under-writings and the "extra interest" charged.

L-share layer covering the currency exchange risk



As of December 2015, local currency loans amounted to USD 24 million accounting for about 17 % of SANAD's USD 140 million loan book, including Jordanian Dinar and Tunisian Dinar, mainly to microfinance institutions. Where possible, these were hedged with external counterparties, but the majority was covered by the SANAD L shares, i.e., hedged internally.



2 CALMING THE WATERS FOR MSMES IN UKRAINE

In February 2015, the European Fund for Southeast Europe received dedicated first-loss funding of EUR 15 million from the German Federal Ministry for Economic Cooperation and Development for financing Ukrainian micro, small and medium enterprises (MSMEs) in local currency. MSMEs in Ukraine are especially in need of local currency financing as loans denominated in hard currency such as EUR or USD contain exorbitant exchange risks. The large majority of MSMEs have no access to hard currency income or hedging protection if they take loans in hard currency. As a consequence, loans in local currency are the least risky option when borrowing in the current highly volatile operating environment. However, financial institutions in Ukraine are short of local currency funding and if there is local currency funding available, it is only short-term.

3 RIDING THE CURRENCY WAVES IN ARMENIA

In 2015, the European Fund for Southeast Europe (EFSE) remained true to its firm commitment to foster local currency development finance in Armenia. It supported micro and small enterprises there as they faced a challenging economic environment and a volatile local currency. In the past, the fund joined with the Central Bank of Armenia to make local currency available to businesses via local banks, and this partnership continued in 2015. As a result, a sound 28 % of the EFSE outstanding investment portfolio in the country was issued in Armenian drams.

4 ENSURING CONTINUED "ACCESS" IN AZERBAIJAN

As global oil prices plummeted, economies dependent on petroleum sales like Azerbaijan felt the hit, particularly through construction and trade in non-oil sectors. A strong local currency, supported by oil exports, had contributed to banking sector stability, low dollarization and a growing MSME sector over the past 10 years. However, the decline in oil prices forced the country's central bankers to devalue the manat twice – by 35 % and then 50 % – in one year. MFIs in particular struggled to cope with scarce and very expensive local currency financing, contracting credit demand and a sharp increase of delinquencies.

This shift stunned local lenders, including Accessbank, which has been a partner of the ESFE since 2011. Finance in Motion acted quickly after the first devaluation and agreed to convert a USD 10.4 million FX into a local currency facility to ensure that financing would continue to reach the ground level. We also offered free technical assistance, which is ongoing, to help Accessbank re-evaluate its business model and remain successful in a rapidly changing market.

2 MSME Finance

2.2 Technical Assistance for MSME Finance

We at Finance in Motion believe MSME sector development requires meaningful technical assistance (TA) that dovetails with the management of our impact investment funds. This is why we funnel sustained efforts and energies into this vital area, one which forms the backbone of the activities in the EFSE, the SANAD Fund, and the Green for Growth Fund. Younger generations in our target countries, and thus the future of those countries, face serious threats to their prosperity and welfare due to rising brain drain and unemployment, which can drive economic emigration via a path from the countryside to the city and then abroad.

With this in mind, it is absolutely crucial to support MSMEs as engines of employment, whether they be startups or established firms.

While TA helps financial institutions provide targeted, responsible and beneficial MSME services, increasingly we see direct assistance to end beneficiaries as a valid and effective avenue of support. Such assistance includes financial education, help with business skills, support for connectivity platforms, access to funding for implementing energy-saving measures, and aids to certification, e. g., with environmental labels. Basically, TA strives to improve an MSME's business skills, financial management, innovation capacity and competitiveness, while at the same time working to ensure the partnered financial and regulatory institutions provide fair, meaningful and easily accessible financial services. The main topics for technical assistance in MSME finance are as follows:

- **Tapping the potential of agricultural and rural finance**
  In the areas of agricultural and rural finance, the TA acts as a market enabler: Our activities include training, information exchanges, product development, and risk management to help investees begin or strengthen delivery of targeted agricultural finance. We also conduct studies to reveal opportunities in areas such as agricultural insurance, we explore financial technologies as well as tools to bridge geographical distances and bring down costs of rural lending, and we examine the sustainability and energy efficiency nexus of agricultural finance. These areas are key given the employment aspect of our TA: Since the agricultural sector is frequently a major employer, its success helps curtail domestic rural-to-urban migration driven by lack of employment prospects.

- **Generating employment, especially for youth**
  Our TA activities strive to address the provision of responsible finance to MSMEs via our partners in the financial industry. This core activity is the main focus in both the EFSE and the SANAD TA facilities. In 2015, the TA team began focusing more on the topic of employment generation for youth. This entails two dimensions: One addresses and improves the mix of financial products currently offered to the age group, supports young entrepreneurs and financial education, and strengthens existing small to midsize firms that employ significant numbers of young people. The other dimension is direct assistance to farmers or to young entrepreneurs, and it also includes business skills training, or organizing competitions for young businesspeople with financial sector partners. Innovation will continue to play an ever stronger role here, particularly the use of digital financial services as well as support to fintechs, which can achieve the development mission.

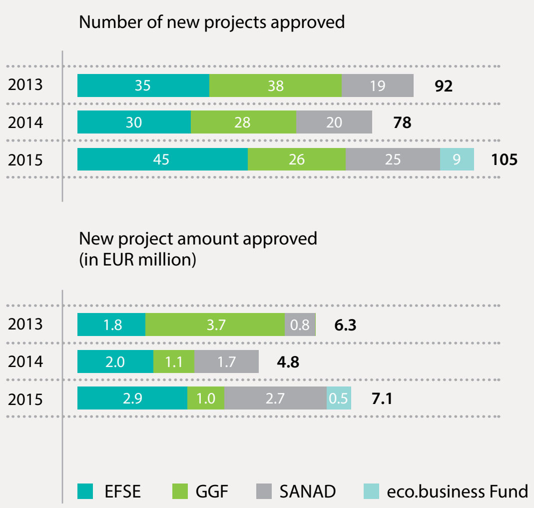
TECHNICAL ASSISTANCE AT FINANCE IN MOTION

Technical assistance (TA) is provided fund for fund via a dedicated team at Finance in Motion that cooperates continuously with the investment team. Depending on the fund, TA activities aim to achieve development impact in terms of better financial access and products for MSME and low income households, employment generation, propagation and support of energy efficiency, renewable energy, biodiversity and sustainable use of natural resources. This is done through capacity building for the funds' partner institutions – both financial institutions and sector institutions e. g. central banks or producers' associations, as well as direct training support to the end clients – for example on the questions a farmer should ask before taking a loan, or a booklet explaining the benefits of energy saving for small businesses.

TA support is provided in three ways. Firstly, as individual support – to investee institutions and to their clients. Our philosophy is that investees require an individualized approach. We take the time to understand the institution's needs in the belief that high quality projects should have a meaningful impact on the institution. Secondly, sector support aims at strengthening the overall financial sector, increasing awareness and outreach for green finance, or for example increasing financial access and financial education. Here the TA facilities work with selected strategic partners including associations, NGOs and in particular the central banks. Finally, targeted research – whether deep dives to identify market opportunities or focused studies on energy savings or topics such as insurance – help to push the frontiers of the funds in terms of identifying new areas of potential impact interventions. The balance of these types of assistance varies per fund, as does the requirement for cost sharing – On the green finance topic there is currently a full funding approach, due to the need to successfully sensitise partners to the issue. On the MSME finance topic and core capacity building activities, partner institutions engaging in the topic are asked to contribute a cost share, to ensure their buy in and ownership of the project.

TA at Finance in Motion is demand driven and responds to the needs of the partner institutions, and to the market. The TA activities have seen a steady growth in 2015 as in previous years:

Cross-Funds TA Overview for 2015



EFSE HELPS FINANSBANK WITH 'BOSSES OF THE FUTURE PROGRAM' IN TURKEY

In 2015, the EFSE technical assistance supported Finansbank in the implementation of the "Bosses of the Future Program", a contest for young start-up entrepreneurs competing for a business development grant. Of the 850 applicants, 20 were selected to participate in a week of extensive training on entrepreneurship, a so-called "mini MBA". The contestants with the top three ideas received a zero-interest loan, and the winner – who developed a 3D printer – was granted the amount required for implementing his business idea. The contest proved to be a great success and is expected to be replicated in 2016, again with the support from the EFSE technical assistance.

SANAD REINFORCES SOCIAL PERFORMANCE AND CLIENT PROTECTION PRINCIPLES IN MENA

The project helped the Vitas Group, a network of MFIs, strengthen and standardize responsible finance practices in three of its four subsidiaries (Vitas Iraq/ACSI, Vitas Lebanon and Vitas Palestine) in the Middle East and North Africa region and improve the social performance survey methodology at the group level.

In collaboration with Vitas Jordan's internal Client Protection Principles (CPP) expert, who conducted a gap analysis for the three Vitas members with questionnaires and tools of the Smart Campaign, an external consultant developed customized CPP training materials for different staff levels at each institution. The two then jointly implemented five-day training programs for Vitas Lebanon and Vitas Iraq in Beirut in June 2015. The program also included the instruction of trainers for selected staff and a detailed discussion of the three gap analyses findings with senior management of both microfinance institutions. On this basis, the external consultant developed recommendations for each institution to pursue a Smart Campaign[1] certification.

[1] The Smart Campaign's Client Protection Principles for microfinance promote the implementation of socially responsible standards and practices throughout the microfinance industry. Client Protection Principles are designed to protect microfinance clients from potentially harmful financial products and ensure that they are treated fairly.

3 Green Finance

Measures financed by the GGF have helped reduce CO_2 emissions by more than 330,000 metric tons annually since the fund's inception

Green Finance

Environmental risks are among the most pressing global challenges of the future.

A failure to slow climate change and adapt to its consequences are among the world's most serious threats. With the achievement of a legally binding and universal agreement on climate at the COP21 Conference in Paris, the global community has sent a strong signal of its commitment to fight climate change. While the focus generally remains on climate change, other environmental risks like water crises, biodiversity loss, soil degradation, and ecosystem collapse remain increasing concerns for global development.

Environmental risks are exacerbated by population growth, a fast growing global middle-class and increasing urbanization.

The current world population is projected to grow by another billion to more than 8 billion by 2025. This is exacerbating the pressure on agricultural production to feed the growing population, which is largely concentrated in developing countries and emerging economies whose natural resources are already strained. Additionally, the middle class in emerging economies is growing fast, which implies changing consumption patterns towards a more resource-intensive lifestyle similar to the western world. Also, the fast growing population in developing countries is increasingly migrating from rural areas into cities in search of a better life, which puts a great strain on urban infrastructures. These megatrends mean that in the upcoming decades the demand for resources such as energy, water and soil will further grow.

THE MOST PRESSING ENVIRONMENTAL RISKS

Climate Change

There is no country in the world that is not experiencing first-hand the drastic effects of climate change. Greenhouse gas emissions continue to rise, and are now more than 50 % higher than in 1990. Furthermore, global warming is causing long-lasting changes to the overall climate system, which without urgent action threatens irreversible consequences.

Extreme Weather Events

The annual average losses from earthquakes, tsunamis, tropical cyclones, flooding and droughts count in the hundreds of billions of dollars, requiring investments of more than USD 6 billion annually in disaster risk management alone. Some of these extreme weather events are considered to have a direct link to climate change, which further increases the urgency of fighting global warming and instituting climate adaptation measures to increase resilience against its consequences, particularly among the weakest sectors of the population.

Water Crises

Access to water is essential for human consumption and food production. In 2011, 41 countries experienced water stress; 10 of them are close to depleting their supply of renewable freshwater and must now rely on non-conventional sources. Increasing drought and desertification is already exacerbating these trends.

Food Crises

According to 2014 estimates, nearly 800 million people are chronically undernourished. This often comes as a direct consequence of environmental degradation, drought and loss of biodiversity. Additionally, more than 90 million children below the age of 5 are dangerously underweight.

Interview with Christopher Knowles, Associate Director at the European Investment Bank (EIB) and Chairman of the Green for Growth Fund (GGF)

Why is the topic of green finance on the agenda of the EIB?

Supporting the environment is one of the main policy objectives of the EU, and given that the EIB is an instrument of EU policy, green finance ranks high on our agenda.

We have established a quantitative target: 25 % of EIB's total financing has to benefit the climate. The EIB has always hit that target, and over the last 5 years provided EUR 90 billion for climate protection.[2]

We also try to push mainstream green finance financing principles across our entire portfolio. This is done among other things through our high environmental and social standards, which are among the toughest in the world and also apply to the GGF. Considering that every project the EIB invests in has to adhere to these standards, these principles have become a powerful tool – and great for marketing – and serve as a seal of quality.

Why did the EIB view the creation of a public-private partnership like GGF as an effective tool for investing in green finance?

To achieve the 2-degree goal, or less, as agreed upon in Paris last year, a significant amount of money is needed: EUR 800 billion would have to be spent each year for the next 25 years just on renewables. Currently, 350 to 340 billion is being spent in total. Clearly, a huge gap is present.

The money to fill this gap will not come primarily from governments, the banking sector or international financial institutions, but rather from the capital markets, notably institutional investors such as pension funds and insurance companies.

That's where the GGF comes in. Due to market failures in banking systems and regulations in developing countries, as well as the nature of the assets, these countries are usually deemed too risky for private investors. As a result of the risk cushion provided by public investors, the GGF offers investors access to these regions.

The GGF's skilful use of small amounts of technical assistance to support customers and projects is also very important to drive up the flow of good quality investment opportunities.

[2] Includes renewables, energy efficiency, sustainable transport, forestry, but excluding investments related to water

The GGF therefore allows deployment of scarce taxpayer money for quality projects that generate a very attractive multiplier in terms of investment on the ground. This adds a great deal more impact to each taxpayer's dollar and helps to manage it in the most efficient way.

How will the results of the COP21 change the environment for green finance?

I am decidedly positive about COP21. Although it's not legally binding, this is the first time in 25 years that every country has signed a joint agreement and is now moving in the same direction. By providing every country with a target and a strategy, the agreement will also raise peer group pressure.

With the roadmaps being reviewed every five years, COP21 also provides a flexible and dynamic system, which sends a positive signal to investors.

How do you see the future potential for green finance?

Green finance will scale up dramatically. Investments in renewable energy alone are expected to double. Clearly, there is massive potential in green finance, particularly when you include measures for land management or sustainable transport systems.

On the investment side, I definitely expect a diversification of players. At the moment they are generally brave equity investors; in the future, pension funds will also seek out and support green finance.

What new innovations in green finance do you see coming, and how will these impact the landscape?

I expect an increasing diversification of instruments. Currently, they are mostly straightforward lending or equity businesses, but I expect this to spread into various instruments, such as structured lending, private equity – especially in the tech sector – or the securitisation of mini bonds.

The world has to learn how to take more risks. This can be done by inventing new structured vehicles, which help to transform investments perceived as higher risk into proposals rated as lower risk. These can then be delivered to investors in packages that the big investors desire.

The European Investment Bank is owned by and represents the interests of the European Union member states. All projects it finances must not only be bankable but also comply with strict economic, technical, environmental and social standards.

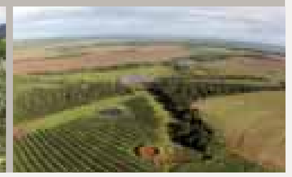
3.1 Investing in Green Finance

Green finance is an integral part of the transformation to a green economy.

Over the past decades, the need to integrate economic, social and ecological considerations into policymaking and economic development has become widely accepted and is referred to as "sustainable development." A substantial part of sustainable development is the concept of the "green economy" since, in the long term, it forms a precondition for green, sustainable growth and poverty reduction. Green finance is increasingly seen as an important mechanism for promoting a green economy, and since the financial sector often dictates how societies allocate resources, green finance requires investment decisions based on both environmental and commercial factors. Green finance recognizes the importance and value of the environment and its natural capital and seeks to improve everyone's well-being and social equity, reduce environmental risks and boost ecological integrity. In a narrower sense, it refers to specific financial products, which include dedicated loans for measures that use natural resources more sustainably, climate insurance and green bonds.

Finance in Motion's investment activities cover a wide range of green finance sectors, financial instruments, and geographic regions.

Our funds have actively promoted a green economy from an early stage. The graphic on page 22 depicts how we define our current green finance activities across financial instrument categories and green finance themes. The Green for Growth Fund (GGF) has spent more than six years mitigating climate change by investing in energy efficiency and renewable energy measures in Eastern and Southeast Europe.



CUTTING CLIMATE CHANGE BY CUTTING DOWN TREES WITH ARBARO

Save the world, fell a tree? While this may sound counterintuitive, the latest impact fund from Finance in Motion seeks to do just that: Reduce climate change by capturing CO_2 in forests planted and grown mainly for increasing local consumption, and, in turn, lowering pressure on remaining natural woodlands.

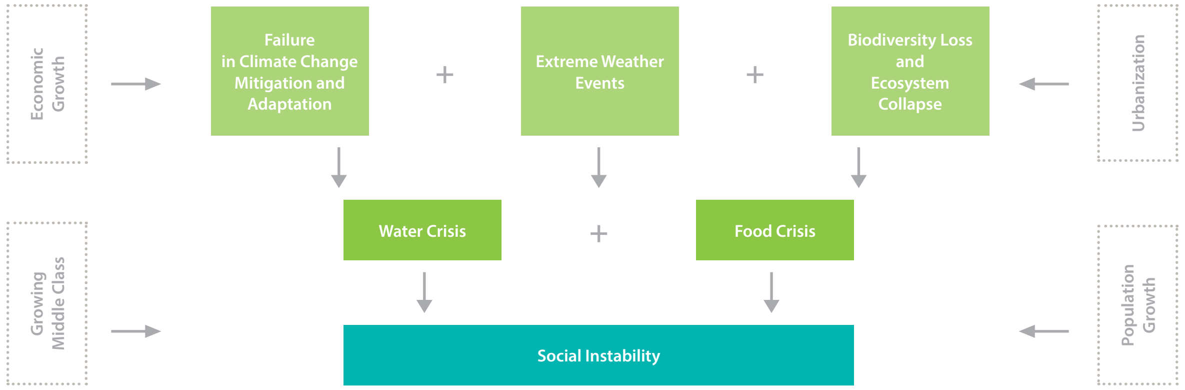
As the Arbaro Fund is our first foray into sustainable forestry investments, we are partnering with UNIQUE, a leading consultancy and management firm for forestry based in Freiburg, Germany. The Arbaro Fund plans equity investments in 8 to 12 sustainable forestry projects in South America and Sub-Saharan Africa. We specifically target niche regions with high wood demand and optimal growing conditions (timber growth rates 3 times faster than in Germany and 5 times faster than in Scandinavia) such as Uruguay, Mozambique and parts of Ethiopia. By carefully choosing local investment partners and by preferring land leases over purchases, Arbaro is expected to show superior returns to other forestry funds, which are seen as one of the most stable asset classes.

The team in charge of the fund offers wide-ranging experience in sustainable forestry, including a long-term presence in the target regions and an exemplary investment and advisory track record. Along with Frankfurt, team members work in Chile and South Africa, and they can seek guidance from further offices in Uganda, Paraguay and Colombia.

Key impact performance indicators for the fund include Forestry Stewardship Council certification of projects, the capture of more than 20 million metric tons of CO_2, and the creation of more than 5,000 qualified jobs.

Structured as a Luxembourg-based GP/LP fund, Arbaro targets a size of USD 200 million. The anchor investors include the European Investment Bank and two other development banks, and first closing including private investors is expected in late 2016.

CAUSES OF SOCIAL INSTABILITY



NATURAL TENSIONS: MANAGING EXPECTATIONS FOR RENEWABLE ENERGY PROJECTS WITH THE GGF

A core competence of Finance in Motion is the management of the environmental and social matters for its investments, not only from a technical perspective, but from all of the other areas this requires. The breadth of our capabilities in this regard was recently demonstrated by the management of expectations for the Lengarica hydropower plant project, an 8.9 MW run-of-river hydropower plant built on the Lengarica river in Albania and financed by the Green for Growth Fund. Construction was completed in early 2016.

Over the past year, several local and international NGOs raised concerns on small hydropower plants in the Western Balkans. Despite the strong care taken in regard to environmental and social matters during the development, construction and current operation of the plant, the Lengarica plant has become a favorite target of NGO concerns due to the project's backing by international financial institutions and its location in a national park, albeit in a zone that allows for the development of such plants. On one hand, renewable project development is critical for reducing CO_2 emissions; on the other hand, project developers are often faced with the well-known "not in my backyard" attitudes of the local population as well as concerns about ecological impacts on local fauna and other environmental and social effects. However, we, on behalf of the fund, took a very careful approach to the environmental and social impact of this project by ensuring that the project's environmental and social baseline was well-studied and documented. The project was designed to support the preparation of an Environmental and Social Assessment and Management (ESAM) plan in line with the International Financial Corporation (IFC)'s requirements, EU standards and international best practice. Furthermore, the project was managed and being independently monitored during construction and the initial operating period by an independent expert on behalf of the project lenders.

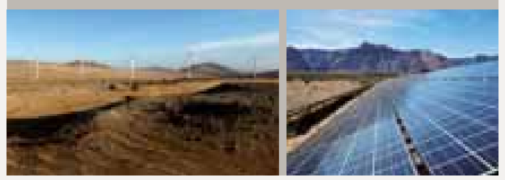
The whole project was guided by a pro-active communications approach towards NGOs. All our different teams worked together on this matter as we collectively care and follow the same stringent standards. This included developing materials to inform fund stake- and shareholders about the facts of the project, coordinating with the other project stakeholders (including the IFC and the Austrian development bank OeEB) before responding to NGO concerns, and developing a technical assistance project to create a map of the types and levels of protected areas according to EU and national laws of selected target countries.

This year, the GGF plans to expand its service to the Middle East and North Africa, areas with a strong potential for solar energy.

The European Fund for Southeast Europe (EFSE) has 10 years' experience in agricultural finance. It has been helping farms in Eastern Europe, Southeast Europe and the Caucasus region update machinery and infrastructure to meet the coming environmental challenges and make food production more sustainable and efficient. The eco.business Fund supports Latin America's transformation to a green economy with a comprehensive investment approach and focuses on agriculture, fisheries and aquaculture, forestry, and tourism, sectors that significantly impact natural ecosystems. The Arbaro Fund is scheduled to soon begin investing in sustainable forestry projects that remove CO_2 from the atmosphere and act as natural carbon reservoirs in Latin America and Sub-Saharan Africa.

An integrated investment approach and specialized teams allow for adapting to the complexity of green finance target sectors.

The investment activities of the funds Finance in Motion advises and manages follow an integrated approach that provides funding and the corresponding technical assistance to strengthen the capabilities of our partners. This, in turn, increases the developmental impact and outreach to the final target groups. To meet the complexity of environmental challenges, we have created specialized teams of dedicated staff for both energy finance and sustainable agriculture. Team members possess extensive international experience in their respective fields and can operate across mandates. Understanding the structure of our target sectors and region-specific environmental challenges plays an important role in product development and the definition of investment criteria and high-quality impact measurement frameworks. Furthermore, the skills of dedicated teams for project finance and equity transactions help structure financial solutions customized to our partner's needs.



EXPANDING THE GGF TO THE MENA REGION

In its more than six years of operation, the Green for Growth Fund (GGF) has proven itself an effective instrument in channeling funding – both public and private – to support energy efficiency and renewable energy in its regions of operation. The fund started in 2009 in Southeast Europe, including Turkey, and expanded in late 2012 to the European Eastern Neighborhood Region. It has disbursed nearly EUR 400 million to 32 partner institutions in 10 countries, saved more than 1.3 million MWh per year and reduced CO_2 by over 330,000 tons annually. In late 2015, the GGF board of directors decided, subject to shareholder approval, to expand the fund's breadth for a second time to include six countries in the Middle East and North Africa (MENA), namely Morocco, Tunisia, Egypt, Lebanon, Jordan, and the Palestinian Territories.

These countries are characterized by their high dependence on fossil fuels, very little renewable energy generation and limited domestic supplies, which has led to high import dependence and high CO_2 emissions. At the same time, their energy demands are growing rapidly due to both economic and population growth, further exacerbating the situation and increasing their need to transition to a more sustainable, greener path. This situation is similar to that of the fund's first region back in 2010, when the level of awareness for efficient and renewable energy was low.

The GGF's track record of success working with the financial sector and in project finance uniquely positions the fund to make a significant and positive contribution to the greening of the MENA region and deliver a strong environmental impact for every euro invested. At the same time, the addition of six new countries with significant growth potential and relatively low correlations to its existing regions will further diversify the fund and enable portfolio growth with the associated economies of scale and improvement in profitability. The expansion is therefore expected to be a "win-win" for the fund, and for the region.

INVESTMENT THEMES-INSTRUMENTS-MATRIX

	Debt via Financial Sector	Corporate Finance	Project Finance	Private Equity
Climate Change Mitigation	GREEN FOR GROWTH FUND; eco business Fund	GREEN FOR GROWTH FUND; eco business Fund	GREEN FOR GROWTH FUND	ArbaroFund*
Climate Change Adaption	EFSE; eco business Fund			ArbaroFund*
Landscapes	EFSE; eco business Fund	GREEN FOR GROWTH FUND; eco business Fund		ArbaroFund*
Water	GREEN FOR GROWTH FUND; eco business Fund	GREEN FOR GROWTH FUND; eco business Fund		ArbaroFund*
Biodiversity	eco business Fund	eco business Fund		

* in pre-marketing

Tackling the challenges of Green Finance

Making green finance an effective instrument requires the right strategies and approaches to overcome barriers inherent to some sectors.

Creating the right incentives for investments
The exploitation of natural resources typically fails to reflect the real cost of providing them. Price mechanisms for water or energy often include expensive subsidy programs based on social, economic and political considerations that represent neither the environmental costs nor the long-term socio-economic impacts. Consequently, failing to recognize total costs has stymied necessary investments in water- and energy-saving technologies and infrastructure such as efficient irrigation. As long as market mechanisms function incompletely, public-private partnership investment vehicles offer the opportunity to mitigate or offset false incentives. In these vehicles, public investors provide "catalytic" capital ready to absorb extra risks associated with green investments over a long time horizon, thereby helping to correct market failures.

Engaging stakeholders
The "polluter-pays principle" typically does not work for the environment. For example, excessive water pollution through sewage or overuse of pesticides and fertilizers creates high costs across international borders and for society as a whole. To solve these problems, stakeholders need to cooperate on both local and international levels. Our funds aim to serve as stakeholder platforms that join likeminded investors, local financial sectors, government regulators and local industry. In particular, local financial sectors plays a key role. Our aim is to positively influence investing decisions by financial institutions and improve attitudes about sustainability matters. Also, through the use of technical assistance, we create awareness on a producer level for available green technologies, and we train people in sustainable production.



FISH, THE FINAL FARMING FRONTIER

Aqua-Spark, Finance in Motion's first direct investment, is a global fund focused on the aquaculture industry, an area that will need to move to the forefront for mankind to feed itself. We firmly believe that our investment in Aqua-Spark which is based in Utrecht, the Netherlands, produces positive ecological and social impacts. On the ecological side, sustainable aquaculture alleviates overfishing, reduces the need of converting rain forest to farmland, and, finally, supports the world's supply of affordable protein.

The importance of engagement in this sector is clear: By 2050, the global population will reach about 10 billion. Consequently, increasing demand for high-quality nutrition, especially proteins, will place enormous pressure on traditional meat-based agriculture.

Currently, fish feed about 2.6 billion people each day. At the same time, global fisheries are two-and-a-half times larger than what our ocean can sustainably support. Humans take far more fish from the ocean than can be naturally replaced. As the great marine conservation pioneer Jacques Cousteau once said, "We must start using the ocean as farmers instead of hunters. That's what civilization is all about – farming instead of hunting." Fish are the last food that we hunt on a large scale. Nevertheless, fish offer a potential key to overcoming the coming nutrition shortage since they are the most resource-efficient way of producing urgently required high-quality proteins.

For instance, to create just a half kilo of beef, a cow needs to consume about 8,000 liters of drinking water and food up to nine times the weight of the meat it eventually provides. In comparison, fish swim in water but hardly drink it and they require far fewer calories than most land animals. Thus, for fish, we believe farming is future.

By early 2015, aquaculture was expected to have surpassed traditional capture fisheries as the main producer of fish. The current value of the global aquaculture industry is USD 130 billion, which is expected to grow 50 % in the next five years. Managed by Mike Velings and his wife Amy Novogratz, Aqua-Spark only invests in enterprises working toward safe, sustainable production of aquatic resources. Each investment is chosen for its potential to drive financial returns and spur positive environmental and social outcomes. Aqua-Spark's strategy is to build an ecosystem of sustainable aquaculture SMEs across the value chain. The company has reported making five investments in four separate aquaculture projects since January 2015, adding that it expected to make six more in 2016. Recently, funding was earmarked for a California biotech firm seeking to produce better fish feed, an automated Indonesian feeding solution for fish and shrimp, and a fish farm in Mozambique.

Water is a resource we have been keenly observing, and one reason for our involvement with Aqua-Spark is to accrue expertise in aquaculture. We feel that in the future, Finance in Motion will be able to target products to the segment thanks to our symbiotic relationship with the company, and we will be able to introduce our partner to more areas for investments.

Increasing scalability and replicability
Scalability represents a key concern for growing green finance, in particular in developing markets, where the average project size remains small. This scale creates high transaction costs driven by a large number of heterogeneous transactions. To reach sufficient scale, our funds use local financial sectors to efficiently manage green projects. Local financial intermediaries have the necessary infrastructure to reach target clients as well as the capacity for screening and monitoring projects.

Building up a track record
Green finance, and particularly new areas such as conservation finance, are in their infancy and have little or no track records of proof of concepts which show that investing in this field can generate both financial and social returns. Our experience indicates that investment funds usually require strong backing from donors and other public investors as incubators, a phenomenon that should decrease over time as the role of investors with commercial risk-return expectations increases in importance.

Defining measurable impact
Another barrier to green finance is the lack of tested and agreed upon standardized frameworks for monitoring green impact in some areas, for example, for the contribution to ecosystem preservation. Such frameworks are essential to ensure financing is not directed at programs that yield little or no ecological benefits. To diminish this risk, Finance in Motion cooperates with leading NGOs like Conservation International and capitalizes on the expertise of specialized consulting companies such as Germany's UNIQUE forestry and land use GmbH. Additionally, certification with recognized environmental labels can help guarantee that only projects with significant environmental benefits are selected, an approach that is, for example, part of the eco.business Fund investment strategy. On the other hand, in the case of energy related impacts, standards have been set in most regions of the world. To help our partner institutions ensure sub-borrowers meet Green for Growth Fund requirements, we provide loan officers with a software solution from international consultancy MACS Energy & Water called eSave that allows for the input of simple measures such as double-glazed windows or insulation, and results in an immediate response to whether the loan fulfills GGF requirements. The software supplies data on total energy and CO_2 emission reduction for the fund as a whole, and can even drill down to individual measures. For more complex calculations, the fund sends energy consultants to assess projects.

3.2 Technical Assistance for Green Finance

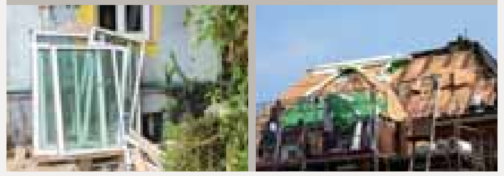
Finance in Motion's technical assistance (TA) activities in green finance can be grouped into sensitization, facilitation, impact and innovation. This differentiation allows us to make the most of green finance through an integrated approach in which investment and TA support one another to promote a green economy.

Sensitization means increasing awareness about the buy-in for green finance, or supporting the incentivization of green finance on the investment side. This includes outreach to potential partner institutions and green finance projects as well as clearly explaining their commercial, reputational and environmental benefits. It also includes sensitizing and educating final borrowers, for example, farmers who may benefit from earning organic certification. Another method of sensitization is for the TA facility of a fund to act as a stakeholder platform that unites investors, the local financial sector, industry and the government in favor of a sustainability mindset.

With regard to facilitation, the focus is on supplying technical expertise and know-how to successfully on-lend green financing to end-borrowers and scale it up to achieve the desired impact, with scalability being facilitated through the local financial sector. For the GGF, this includes the proven and effective package of product development and marketing, using the eSave tool, and energy audits, i. e., equipping institutions with tools to reach the goals, or TA for existing partners. For the eco.business Fund, this can include, preparing tailored lists of eligible investments for the banks. Another key aim is to develop a pool of local experts such as energy auditors for the GGF and training them to build their capacity.

One core TA mandate is to measure impact more effectively to prove investments achieve the desired results and that the ecological benefits are quantifiable. This also includes identifying meaningful indicators that do not limit the ability of funds to reach scale. For the GGF, energy efficiency and CO_2 savings indicators are clear. For the eco.business Fund, the use of recognized environmental labels, combined with an individualized "green list" approach, has been set up on the TA side to achieve measurable impact in support of the investment strategy.

On the topic of innovation, the task is two-fold: First, TA can help identify investment opportunities that bring measurable development impact at the nexus between different green topics, areas where we can leverage our experience across the geographical regions and funds, and beyond. Examples of this include nexuses between agriculture, climate and energy efficiency, or between housing and energy (see story, upper left), or taking a more holistic view to link energy savings with employment generation or overall prosperity. Second, innovation also helps to identify and achieve energy savings along the agricultural value chain. In addition, the TA facilities commission deep-dive market studies to identify new opportunities, thus supporting the funds in building their track record for financial and social impact.



EFSE MEASURES IMPACT OF HOME IMPROVEMENT LOANS ON ENERGY, CO_2 IN BOSNIA AND HERZEGOVINA

Given the importance of housing finance for the European Fund for Southeast Europe, the fund's technical assistance unit commissioned a study to estimate the environmental impact of fund housing improvement loans in terms of energy savings and CO_2 emission reduction. The study focused on Bosnia and Herzegovina, where since the fund's inception in 2006, nearly 12,000 home improvement loans totaling almost EUR 62 million have been disbursed. According to the study:

- Over 25 %, or some 3,000 of the loans, were used to finance energy efficiency. This equates to EUR 10 million of the total portfolio.
- The loans resulted in an average annual primary energy saving of approximately 6.7 GWh and an average annual reduction of CO_2 emissions of 1,650 metric tons.
- The primary energy and CO_2 emissions savings equal the output of around 600 cars or the annual electricity consumption of about 450 households.

ECO.BUSINESS CO-HOSTS CERTIFICATION WORKSHOPS IN COSTA RICA

The eco.business technical assistance unit organized and sponsored the "Business Case for Certification Workshops" with the fund's first partner institutions Davivienda and Scotiabank in Costa Rica to introduce the concept of sustainability certifications within the context of the fund. The objective was to present and discuss the business opportunities associated with lending to certified clients. From a banking perspective, certified clients are attractive as they tend to have a lower risk profile, better management practices and access to higher-end markets.

The workshops confirmed the low level of awareness about the usefulness of social and environmental indicators such as certifications in the risk management process among the banks in the country. However, both Davivienda and Scotiabank showed interest in building up further knowledge in this area and in targeting more clients that pursue sustainable business practices.

4

Creating Impact at Finance in Motion

4.1 Human Resources

For Finance in Motion, 2015 was a very successful year with strong growth. This was also reflected in the increase of our number of employees, which rose from 117 at the end of 2014 to 138 at the close of last year. In addition, we opened our 13th regional office in Bogotá, Colombia, where eight employees were working by year-end.

To provide a good start for our new colleagues and to ensure effective onboarding, all new starters participate in induction classes, a series of 11 training sessions that correspond to the workflow and departments of Finance in Motion. The aim of these sessions is to provide an overview of Finance in Motion and help our new colleagues quickly gain a solid understanding of our business and workflows. These classes are mandatory for all employees and thus serve our head office and regional offices.

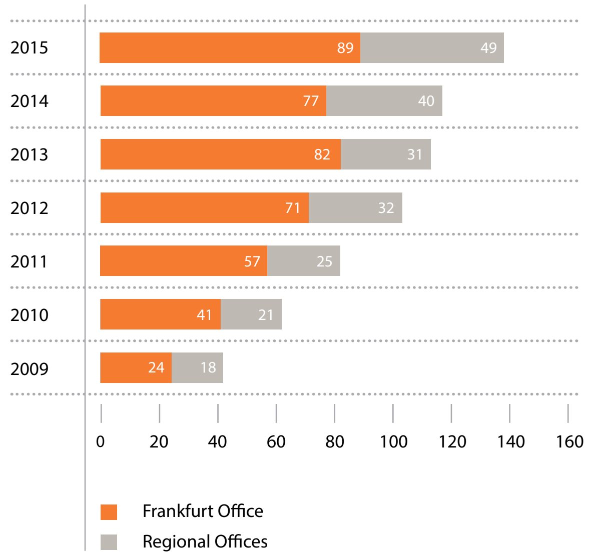
In 2015, we also organized a number of what we call "brown bag" training sessions that were open to all employees. These 90-minute sessions usually took take place during lunchtime and remain a popular method for presenting study results, increasing intercultural understanding, learning about technical issues or disseminating other information.

We also offer structured training and seminars to all our employees. Last year, we arranged more than 40 internal and external sessions for our staff, an average of 2.5 training days per employee. Topics ranged from technical skill classes on subjects like financial modelling and software to soft skill courses on presentation and communication skills.

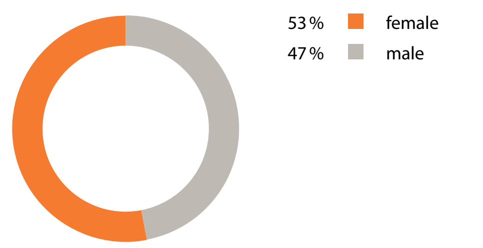
To strengthen our management team and support the ongoing growth of the company, in 2016 we plan training focused on Finance in Motion's organization and leadership culture.

Finance in Motion also actively supports the development of a positive and inspiring corporate culture through events such as the annual strategy and team building meeting for all staff members, and a regular summer party also attended by family and friends. This culture is also promoted by joint sport events such as participation in the JPMorgan Chase Corporate Challenge and a corporate triathlon.

NUMBER OF EMPLOYEES



EMPLOYEES BY GENDER



4.2 Environmental Responsibility

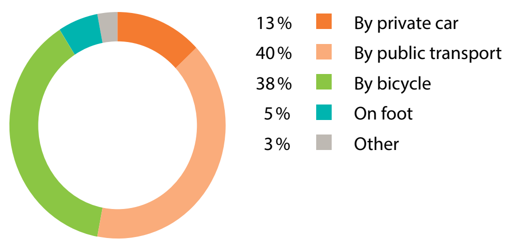
Environmental awareness and the conscious use of resources are an integral part of Finance in Motion's corporate culture. As these are increasingly important aspects of sustainability, Finance in Motion strongly encourages responsible use of resources in its daily operations. This also includes the planning and conduct of travel and meetings, for both employees, and to the extent it can be influenced, the company's business partners.

At the beginning of 2016, Finance in Motion asked its employees about their commuting habits[3] and found that only 23 % of its staff worldwide traveled to work via a private motorized vehicle. An additional 2 % used a combination of public transport and private vehicles. In the Frankfurt head office, this number of commuters using private vehicles fell to 13 %, with 43 % travelling by foot or bicycle. According to a 2014 study conducted by the Stiftung für Zukunftsfragen[4], only 24 % of German employees commute via foot or bicycle, while 53 % use private vehicles.

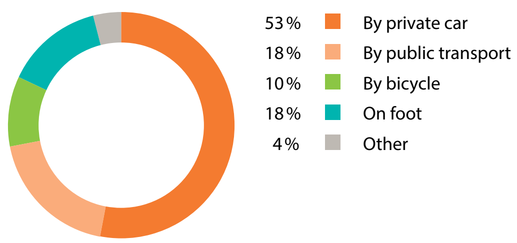
In 2015, Finance in Motion also displayed its growth through increased staff numbers, which corresponded to a rise in overall kilometers travelled. By promoting train use for business trips within Germany, Finance in Motion was able to save 16,289 kg of CO_2 versus driving.

In 2015, the general expansion of our activities contributed to a rise in CO_2 emissions from business flights to 3.48 metric tons per employee from 3.16 tons the year earlier – a reflection of the growth in outreach of our operations, which now extend even farther from our origins in Southeast Europe. Unfortunately, our approach of working close to our assets forces us to travel often. Counterbalancing this, Finance in Motion's decentralized structure has been eliminating many long-haul business trips to visit our investees. Also, to keep travel – and especially long-distance travel – to a minimum, in 2015 Finance in Motion decided to invest into a state-of-the-art video conferencing system. The system allows for video conferencing between the regional offices and between them and the head office to nourish the good relations between the different locations.

FINANCE IN MOTION



GERMANY OVERALL



[3] Participation rate: 67 %
[4] http://www.stiftungfuerzukunftsfragen.de/de/newsletter-forschung-aktuell/253.html

To put these emissions in perspective, however, Finance in Motion's own investment in the Green for Growth Fund led to annual CO_2 savings of nearly half the aforementioned output. By the way, this fails to consider the overall GGF savings enabled by our work, which is hundreds of times that amount. Looking ahead, Finance in Motion's planned purchase of a 1 % stake in the Arbaro Fund is expected to save nearly thirty times these emissions over each of the 15 years of this sustainable forestry fund's operations.

In order to promote green energy, the head office obtains its electricity 100 % from renewable resources. The tariff "Mein Frankenstrom Öko" delivered by its provider WVV is certified by the Technical Supervisory Association of Southern Germany to be completely from renewable sources.

The paper used in the head office is made from 100 % recycled paper. It is FSC-certified and holds the EU ecolabel as well as the German environmental label Blue Angel. Also the more than 300 kg of coffee consumed annually in the head office are bought from a well-respected eco-brand with the EU ecolabel.

The regional offices are also very much engaged in improving environmental standards in their local communities. These steps include recycling waste paper, which in Bosnia and Herzegovina, for example, includes the transport of the paper to one of the few recycling companies in the country.

4.3 Social Responsibility

As part of its Code of Business Conduct and Ethical Behavior, which employees sign when starting at Finance in Motion, the company encourages the social engagement of workers who contribute personal time and resources to socially responsible programs and supports them in such activities to the utmost. This is strong proof of the deep roots that social engagement and socially responsible business practices have in Finance in Motion's DNA.

One such example is fimshare, a charity run by Finance in Motion employees. In 2015, fimshare spent nearly EUR 60,000 on supporting eligible projects worldwide.

Due to its internationality and the multicultural background of its employees, Finance in Motion and its staff has been highly concerned about the refugee situation in Germany and in some of the company's target countries. In Germany, many employees expressed the desire to support refugees locally but were overwhelmed with the number of different initiatives on offer. A working group helped by creating a list of initiatives supporting refugees in the Rhine-Main area, and distributing it via the company intranet.

In addition, Finance in Motion has been providing office space for language courses for female refugees with children. The courses started in October and include childcare so the mothers can concentrate on the classes with the knowledge that the children are in good hands. At the same time, a fund-raising initiative was started to collect money for public transport tickets to the Finance in Motion office for the participants of the language classes.

In the regional offices, by the end of 2015, a collection of ideas was introduced for possible social projects, which Finance in Motion can support in the local communities. These projects are to be financed by the company itself, independent of fimshare. Currently, 11 projects are on the shortlist, and they range from support for maternity hospitals and cafes employing handicapped people to investments designed to improve the local cycling infrastructure and action days cleaning up recreational areas. The final decision on which projects will be supported is expected to be taken in spring 2016.

Another local educational project which Finance in Motion supports is the iHub initiative in Nairobi, Kenya. As Finance in Motion was able to recruit almost all of its software engineers from this initiative, we decided to sponsor two half-day workshops for local students who are in the last stage of their academic career as a way to provide them with optimal preparation for their professional lives.

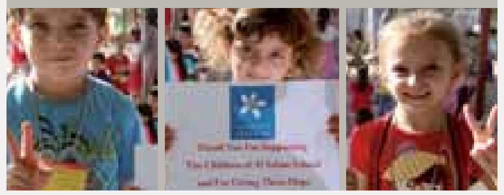
As for the local Frankfurt community, Finance in Motion refurbished several laptops so they could be donated to a local grammar school. Plans are to continue this project in the future.

Finally, Finance in Motion, is a sponsor of the English Theater in Frankfurt, which plays an important role in the cultural life of the city and the wider Rhine-Main area by serving as a meeting place for people of all nationalities and nurturing the international spirit of the region, goals that dovetail with Finance in Motion's corporate culture.

4.4 fimshare – Supporting Development a Step at a Time

fimshare is a member-founded, supported, and managed non-profit association under German law. Developed and created in 2011-12 by Finance in Motion staff, fimshare e.V. is a charity that reflects the dedication of Finance in Motion's employees to supporting the disadvantaged, especially children, around the world. A volunteer organization, fimshare's mission is to contribute to development assistance work around the world, one project at a time.

The association's members play essential roles in each of fimshare's activities. From fundraising, to project development and monitoring, our member's engagement allows the association to make a difference through a variety of projects. This system also allows fimshare to act as a very efficient charity with extremely low overhead so its funds are overwhelmingly funneled to projects.



TURKEY – SUPPORT TO THE AL SALAM SCHOOL FOR SYRIAN REFUGEES

A large number of Syrian refugees live in camps in Turkey close to the Syrian border. The Syrian Kids Foundation, a Canadian NGO, runs the Al Salam School in Reyhanli, Turkey, which provides free education to 1,880 Syrian refugee children. Donations from fimshare are supporting the salary of a refugee teacher for one year, and the education of 12 children over the same period.

NEPAL – BUILDING HOUSING FOR EARTHQUAKE VICTIMS

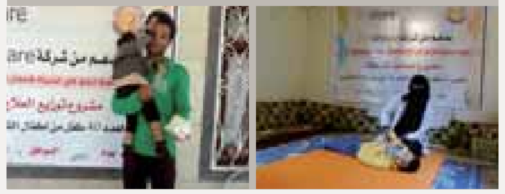
fimshare is working with Sambhav Nepal, an NGO that seeks to relieve poverty by building homes and shelters for those in need in Nepal. During the earthquake in early 2015, a significant part of Nepal's population lost either part or all of its housing. One of the poorest peoples in Asia, the Nepali have rarely had access to the resources needed to rebuild. Sambhav works to counteract this shortcoming in its home region of Gorkha by finding those in greatest need and supporting their rebuilding projects. fimshare is supporting the reconstruction, managed by Sambhav, of a house for a family whose home was destroyed in the earthquake and who has since been living in a temporary shelter.

From fimshare's inception, Finance in Motion has remained a strong supporter of the charity through both regular donations and an employee donation-matching scheme. In 2015 alone, Finance in Motion donated over EUR 125,000 through contributions. With its matching programs, fimshare members are able to leverage each euro they contribute into three euros received by fimshare.

INDIA – SUPPORT FOR FEMALE STREET CHILDREN IN DELHI

fimshare is funding the food and education of four girls at the Arushi Girl Shelter Home in Delhi for two years in cooperation with the Salaam Baalak Trust, an Indian non-profit with 25 years' experience in supporting street children in several Indian cities by providing room and board, education, health care, and counseling services. fimshare's contribution will not only cover the basic needs of the girls, but will support efforts to improve their literacy and education, steps expected to contribute to their ability to start a new life off the streets and escape poverty.

Finance in Motion and fimshare's members have allowed the charity to focus on what is truly important: its projects. Each project is developed, proposed, and monitored by a fimshare member.



YEMEN – HELPING LOW-INCOME CHILDREN WITH CEREBRAL PALSY

Yemen is in the throes of a civil war that has put society's most vulnerable at greater risk. Working with the Yemeni Right to Life Foundation for Cerebral Palsy (RLFCP), fimshare is supporting children with cerebral palsy through the purchase of much-needed equipment. Established in 2006, RLFCP remains one of the few specialized institutions in Yemen that works with disabled children, and it provides medication, education, physical therapy, and rehabilitation services to more than 150 young people. Thanks to fimshare's donation, RLFCP was able purchase additional physical therapy equipment, among others that can be transported for visits to children's home, who could otherwise not be served in light of the current conflict in the country.

Over its first three years, fimshare has implemented 19 projects across four continents. Past projects have supported education and schools, funded the reduction of poverty, provided needed assistance in response to catastrophes and improved infrastructure (e.g. providing access to electricity).

fimshare has supported small development projects all around the world, even in countries our funds do not yet serve, as long as a fimshare member promoted the corresponding project. The featured projects provide an overview of some of the initiatives that fimshare supported in 2015.

MOROCCO – CARING FOR ORPHANS IN CASABLANCA

The Association Marocaine pour le soutien de l'Orphelin (Moroccan Association for the support of orphans) is a non-profit volunteer organization in Casablanca that provides housing, food, and education to orphans in the Greater Casablanca region who would otherwise be forced to live on the street. The association has a home for children, but the site's facilities have become outdated and ineffectual. fimshare support is allowing the association to improve the home's kitchen and sanitary facilities, as well as in purchase materials for its classrooms to support the children's ongoing education.

BOSNIA AND HERZEGOVINA – SCHOLARSHIPS FOR THE CHILDREN OF SREBRENICA

Srebrenica is infamous as the scene of the worst massacre of the Bosnian war, when over 8,000 men, women, and children were killed over 10 days in July 1995. Following the atrocities, much of the population fled the area, but many returned to the impoverished rural area after the war. Today, numerous returnee families face dire economic conditions in a region with 90 % unemployment, a situation that precludes many from sending their children to school. Recognizing the importance of education, fimshare is donating to the national Alumni Association of the International Islamic University of Malaysia to help provide scholarships for 10 socially disadvantaged children of returned families.

CROATIA – ASSISTING REFUGEES THROUGH THE CROATIAN RED CROSS

In October 2015, fimshare teamed up with Finance in Motion to assist refugees in need in Croatia through a donation to the Croatian Red Cross (CRC). The funds went to help the CRC's efforts to provide refugees travelling through Croatia with needed food, water, hygiene items and first-aid kits, in addition to other humanitarian relief and emergency medical services.

Glossary

BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BMZ	Bundesministerium für wirtschaftliche Entwicklung und Zusammenarbeit (German Federal Ministry of Economic Cooperation and Development)
COP	Conference of the Parties
CPP	Client Protection Principles
E&S	Environmental and social
EBRD	European Bank for Reconstruction and Development
EFSE	European Fund for Southeast Europe
EIB	European Investment Bank
ENR	European Eastern Neighbourhood Region
ESF	Equity Sub-Fund
FMO	Netherlands Development Finance Company
FSC	Forest Stewardship Council
FX	Foreign exchange
GGF	Green for Growth Fund
IFC	International Finance Corporation
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
MENA	Middle East and North Africa
MFI	Microfinance Institution
MSEs	Micro and small enterprises
MSMEs	Micro, small and medium enterprises
NGO	Non-governmental organization
OeEB	Oesterreichische Entwicklungsbank
PPP	Public-private partnership
SEE	Southeast Europe
SME	Small and medium enterprise
TA	Technical Assistance

Finance in Motion – Investing in Development

OUR CORPORATE STORY

Finance in Motion is an asset management firm solely dedicated to development finance. Through a Public Private Partnership approach, our mandates leverage public funds and attract private capital for investing into development finance. Using these funds, we provide access to patient, sustainable capital in markets and sectors in which the risk-return tradeoff for traditional private funds investing alone is perceived as too high.

We provide tailored financial solutions to banks and other financial intermediaries in developing countries and emerging markets. Through these investments our partners support micro, small and medium enterprises (MSMEs) as well as low-income private households and promote green finance products. In addition, we provide project finance for renewable energy ventures. Our integrated service platform goes beyond mere financing: we design investment vehicles and continue to strategically advise and develop them, providing a suite of services promoting rigorous diligence, risk management, and monitoring to ensure that public and private monies are used judiciously and appropriately while maximizing development impact. Just as important, we provide technical assistance management expertise to build capacity at all levels, ranging from local partners to the overall financial sectors in our target countries.

Our experience enables us to optimize the capital structure and strategic positioning of the funds entrusted to our management in view of changing market needs. As an institution overseen by the German Financial Supervisory Authority (BaFin), we strive to uphold the highest standards of corporate governance and transparency, both within Finance in Motion and across the funds we manage.

Our strong local presence and dynamic, multinational team, enable us to keep the finger on the pulse of our markets and respond to the specific needs of our partners and clients.

The people of Finance in Motion have been contributing to our continued success story making Finance in Motion one of the leading development finance companies worldwide. Our mandates encompass the European Fund for Southeast Europe (EFSE), the Green for Growth Fund (GGF), the SANAD Fund for MSME (SANAD) and the eco.business Fund, which offer strong demonstration cases in environmental finance and MSME finance. By enlarging our portfolio we are also continuously building profound knowledge in new development topics and new geographic regions.

MEMBER OF

GIIN MEMBER · FNG Forum Nachhaltige Geldanlagen · CFA Conservation Finance Alliance · Microfinance Centre

SIGNATORY OF

the smart campaign · PRI Principles for Responsible Investment

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SIGNATORY OF

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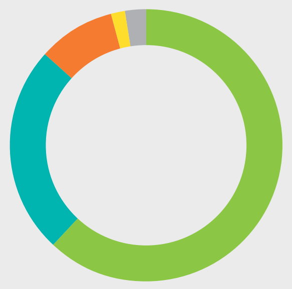
Funds Advised by Finance in Motion – Key Breakdowns

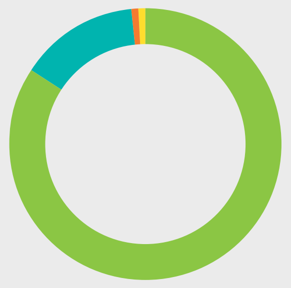
Finance in Motion – Key breakdowns

PORTFOLIO BY REGION



61.9 %	SEE
24.7 %	ENR
9.3 %	MENA
1.6 %	Latin America
2.4 %	Cross country

FINANCIAL INSTRUMENTS



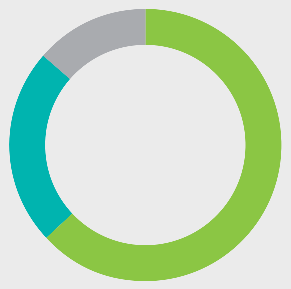
84.4 %	Senior loans
14.0 %	Mezzanine/subordinated loans
1.0 %	Term deposits
0.6 %	Equity investments

SOURCES OF FUNDING

65.7 %	Private capital
34.3 %	Public capital

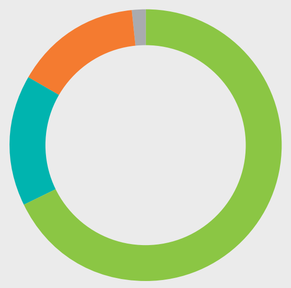
Data as at 31 December 2015

THEMATIC DISTRIBUTION



63.1 %	MSME finance
23.5 %	Green finance
13.4 %	Others (Housing EFSE)

PARTNER INSTITUTIONS



67.9 %	Commercial banks
15.6 %	MFIs
15.0 %	Non-bank financial institutions
1.5 %	Others

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