BEYOND SAVINGS
TOWARDS INCLUSIVE GROWTH

With thanks to our sponsor

S&P Global
Microfinance at Credit Suisse
Financial solutions to link the top with the base of the pyramid

Laura Hemrika
Global Head of Corporate Citizenship and Foundations

December 2016
Our world today
Economic wealth pyramid

The global wealth pyramid
Source: James Davies, Rodrigo Lluber and Anthony Shorrock, Credit Suisse Global Wealth Databook 2013
Credit Suisse
Leadership & Innovative Solutions to Link Top with BOP

32 million people

4'500 million people

TOP
≥ $1m in financial assets

Link

BASE
< $4 a day / PPP

Fin Services | Education | Health | Agriculture | Housing
## Microfinance & Impact Investing at Credit Suisse

Aligning assets across the bank for industry impact and for our clients

<table>
<thead>
<tr>
<th>Private Banking &amp; Wealth Management</th>
<th>Investment Banking</th>
<th>Corporate Citizenship Microfinance Capacity Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing private capital via investment vehicles</td>
<td>Providing public capital via access to capital markets</td>
<td>Providing capacity building via grants and expertise-sharing</td>
</tr>
</tbody>
</table>

- Co-founder of responsAbility
- Product development & offering
- Structuring of microfinance and impact funds
- Administration and custodian of microfinance and impact funds
- Market research

**Expertise and Funding**

- Pioneer global IPOs of MFIs:
- Innovative debt raising for MFIs:
- Complements our business commitment, incl. collaboration on product development, research and communications/events
- Six leading partners to deliver management strengthening, innovation and research projects
- Skill-sharing programs through the Global Citizens Program, Virtual Volunteering and MF Advocates

**Expertise, Grants, Partnerships**

- Co-founder of responsAbility
- Product development & offering
- Structuring of microfinance and impact funds
- Administration and custodian of microfinance and impact funds
- Market research

2012 IFC/FT Sustainable Finance Awards
Special Commendation
Global Sustainable Bank of the Year

2014 Business in the Community Awards
Developing the microfinance industry
Stages and drivers

Uncoordinated Innovation
Market Place Building
Capturing Value
Maturity

Employee Expertise Programs
Microfinance Capacity Building
Credit Suisse Business

Grants/Seed Capital
Expertise
Investment
Impact Investing is about actively placing capital in enterprises that generate a financial return and make a positive social/environmental impact.

### Investment Process

<table>
<thead>
<tr>
<th>Investors</th>
<th>Investment Return</th>
<th>Impact Investment Vehicle</th>
<th>Financing Return</th>
<th>Social Enterprises (selection)</th>
<th>Service Payment</th>
<th>End-Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Retail</td>
<td>□ Investment fund</td>
<td>□ Investment fund</td>
<td>□ Education Programs</td>
<td>□ (Micro-) Entrepreneurs</td>
<td>□ Students</td>
<td></td>
</tr>
<tr>
<td>□ HNWI/Family Office</td>
<td>□ Structured product</td>
<td>□ Structured product</td>
<td>□ Microfinance Institutions</td>
<td>□ Small Farmers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Institutional</td>
<td>□ Private placement</td>
<td>□ Private placement</td>
<td>□ Agricultural Cooperatives</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Impact Investment – back to the client
What matters to our clients

Benefits for Clients

- **Sound Financial Returns**: Delivers steady and positive returns with low volatility (3–6% net return p.a.).
- **Positive Social Impact**: Access to finance for small businesses (microfinance), fair access to markets for small farmers (fair trade), education for high potential students.
- **Portfolio Diversification**: Historically constitutes low correlation vs. other asset classes. Financing SMEs detached from global capital markets.
- **Strong Quality Of Underlying Assets**: Experiences very high repayment rates from asset underlyings (e.g., 98.5% of microfinance clients repay their loans on time, 99% of students repay their loans).

Motives for investing in microfinance

- **Social impact**: 63%
- **Diversification**: 26%
- **Financial return**: 11%

Source: Credit Suisse internal survey, 2008
Microfinance Investing: Hurdles

- Still a young industry
- Lack of pipeline
- Lack of investible MFIs
- Lack of volume
- Lack of track record...
- ..
- ..
- ..
- Lack of management capacity
Microfinance 2.0: Beyond Credit

- Loan
- Leasing
- Payments
- Saving
- Pension
- Insurance
Many risks are internal to the organization...

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk</th>
<th>Score out of 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategy (6)</td>
<td>7.19</td>
</tr>
<tr>
<td>2</td>
<td>Risk management (4)</td>
<td>6.90</td>
</tr>
<tr>
<td>3</td>
<td>Change management (−)</td>
<td>6.77</td>
</tr>
<tr>
<td>4</td>
<td>Technology (15)</td>
<td>6.66</td>
</tr>
<tr>
<td>5</td>
<td>Repayment capacity (−)</td>
<td>6.64</td>
</tr>
<tr>
<td>6</td>
<td>Macro-economic risk (13)</td>
<td>6.60</td>
</tr>
<tr>
<td>7</td>
<td>Product risk (12)</td>
<td>6.60</td>
</tr>
<tr>
<td>8</td>
<td>Credit risk (2)</td>
<td>6.58</td>
</tr>
<tr>
<td>9</td>
<td>Governance (5)</td>
<td>6.53</td>
</tr>
<tr>
<td>10</td>
<td>Management (8)</td>
<td>6.51</td>
</tr>
<tr>
<td>11</td>
<td>Financial capability (11)</td>
<td>6.31</td>
</tr>
<tr>
<td>12</td>
<td>Political interference (7)</td>
<td>6.28</td>
</tr>
<tr>
<td>13</td>
<td>Competition (3)</td>
<td>6.23</td>
</tr>
<tr>
<td>14</td>
<td>Client relationships (14)</td>
<td>6.16</td>
</tr>
<tr>
<td>15</td>
<td>Staffing (10)</td>
<td>6.08</td>
</tr>
<tr>
<td>16</td>
<td>Regulation (9)</td>
<td>6.04</td>
</tr>
<tr>
<td>17</td>
<td>Venture risk (−)</td>
<td>6.02</td>
</tr>
<tr>
<td>18</td>
<td>Reputation (−)</td>
<td>5.95</td>
</tr>
<tr>
<td>19</td>
<td>Funding (18)</td>
<td>5.76</td>
</tr>
<tr>
<td>20</td>
<td>Criminality (−)</td>
<td>5.08</td>
</tr>
</tbody>
</table>

*In the survey Microfinance Banana Skins 2014
Microfinance Capacity Building Initiative (MCBI)
Market development and capacity building to develop more diverse financial services

Mission
Market development and innovation by strengthening MFIs’ ability to serve the increasingly diverse financial needs at the base of the pyramid through:
• Enabling product and services development and innovation across sectors beyond traditional microfinance products
• Developing strong industry partnerships and knowledge sharing
• Effectively leveraging Credit Suisse’s skills, expertise, financial and social capital
• Continuous measurement and optimization of impact

Credit Suisse expertise sharing and employee engagement:

<table>
<thead>
<tr>
<th>Global Citizens Program</th>
<th>In-the-field skills-based volunteering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virtual Volunteering</td>
<td>Innovative remote skills-based volunteering program leveraging international teams</td>
</tr>
<tr>
<td>Microfinance Advocates Network</td>
<td>Events, news and local volunteering</td>
</tr>
</tbody>
</table>
Microfinance Capacity Building Initiative (MCBI)
Grant programs with global Reach

- Accion
  - Venture Lab
  - Centre for Financial Inclusion

- Women’s World Banking
  - Leadership and Diversity for Innovation Program

- Opportunity International
  - Empowering Generational Change through Education

- FINCA International
  - Sustainable Agriculture Finance Initiative
  - Swisscontact
    - Microleasing Innovation

- SCBF with Habitat
  - Sustainable Housing Initiative

- PlaNet Finance
- SCBF/Habitat for Humanity
- Women’s World Banking
- Opportunity International
- Accion
- Swisscontact
- FINCA International
Focus on Women: Women still face greater financial exclusion in every geography and across every income level

Source: World Bank FINDEX database/Women’s World Banking
Expanding Financial Access

Women’s World Banking develops innovative financial products to meet the dynamic needs throughout a woman’s life

- Savings (S)
- Credit (C)
- Insurance (I)

Source: Women’s World Banking