

26 January 2022

FIRST+

Financial Institution Resilience & **ST**rengthening

Finding Investors in 2022

Funding Opportunities with Oikocredit

Presented by Ufuoma Eghwerehe and Yves Komaclo

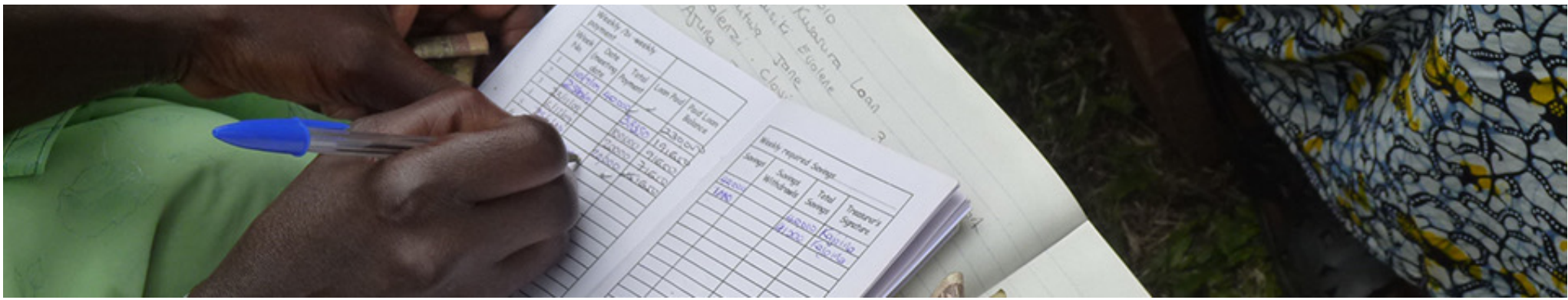


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Finding investors in 2022

Ufuoma Eghwerehe

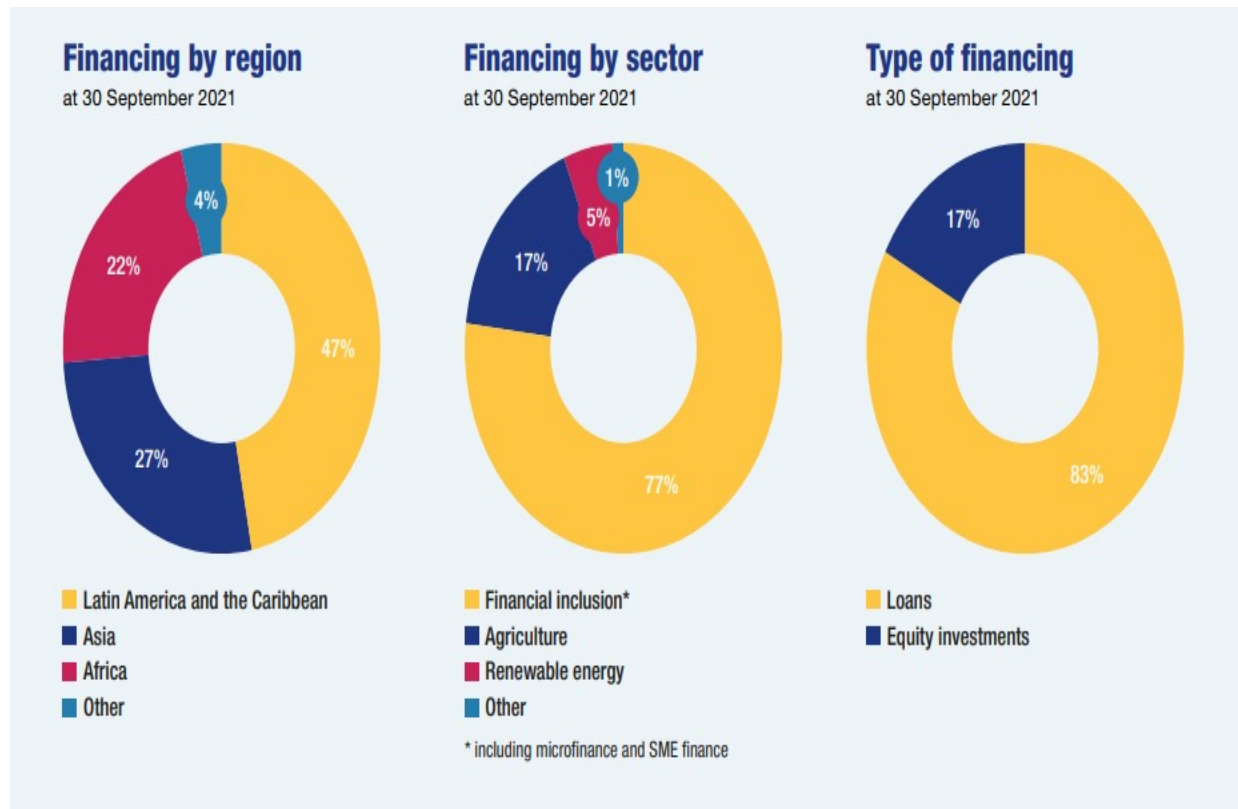
Yves Komaclo

26 January 2022

Global impact investor focusing on 3 sectors

- Socially responsible investor
 - Worldwide cooperative society registered and headquartered in Holland
 - Over four decades in leading positive change
 - Investments in financial inclusion, agriculture and renewable energy
 - Development finance pioneer empowering low-income people to improve their quality of life
 - Support partners in Africa, Asia and Latin America through loans, investments and capacity building

- 527 partners with 32.2m clients reached by Fin. Inclusion partners
- € 1.257m in TA, € 875.8 million development financing outstanding
- Local presence with regional and country offices in 33 countries



Oikocredit highlights

Key figures

at 30 September 2021

● Total assets	€ 1,257.3 million
● Total development financing outstanding	€ 875.8 million
● Member capital	€ 1,125.4 million
● Total number of partners	527
● Average outstanding financing per partner	€ 1.7 million
● Net asset value per share	€ 213.87
● Result (year-to-date)	€ 14.8 million

Social and environmental performance

at 31 December 2020

Social and environmental performance management is a priority for Oikocredit. We monitor certain social and environmental performance indicators to ensure our partners reach the right target groups and provide services that work towards a positive change in people's lives.

Clients reached by Oikocredit's financial inclusion partners

32.2 million

● % female clients	87%
● % rural clients	63%

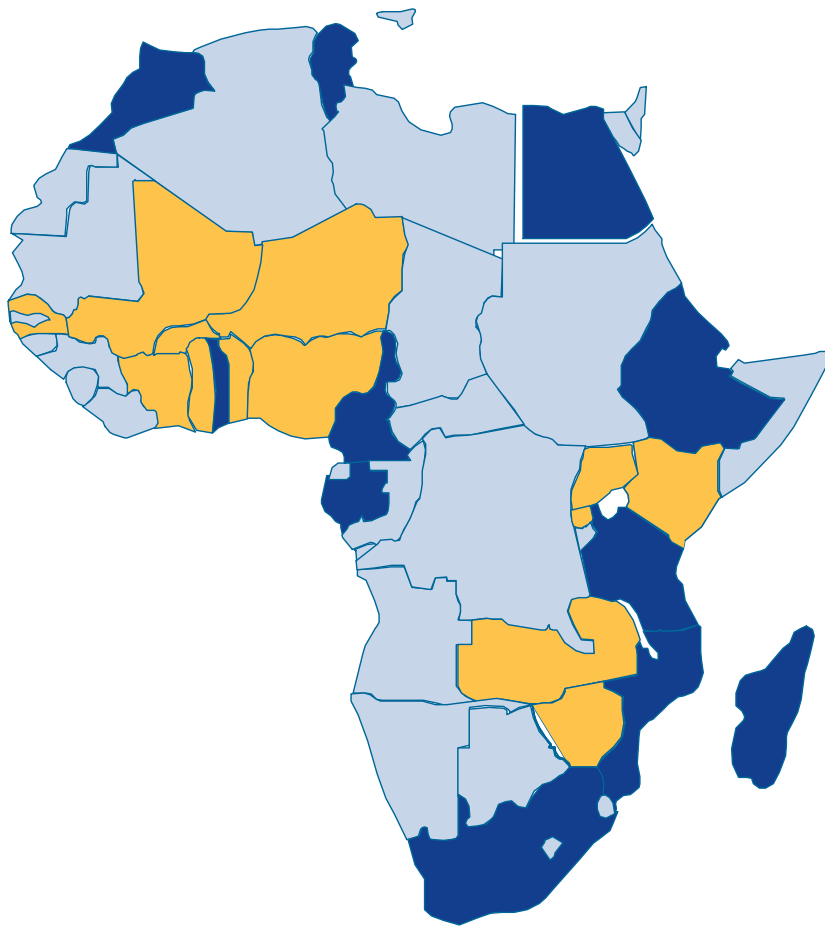
Farmers reached by Oikocredit's agriculture partners

542,000

Renewable energy

● Households with access to clean energy	68,000
● CO ₂ emissions avoided (in tonnes)	164,000

Oikocredit in Africa



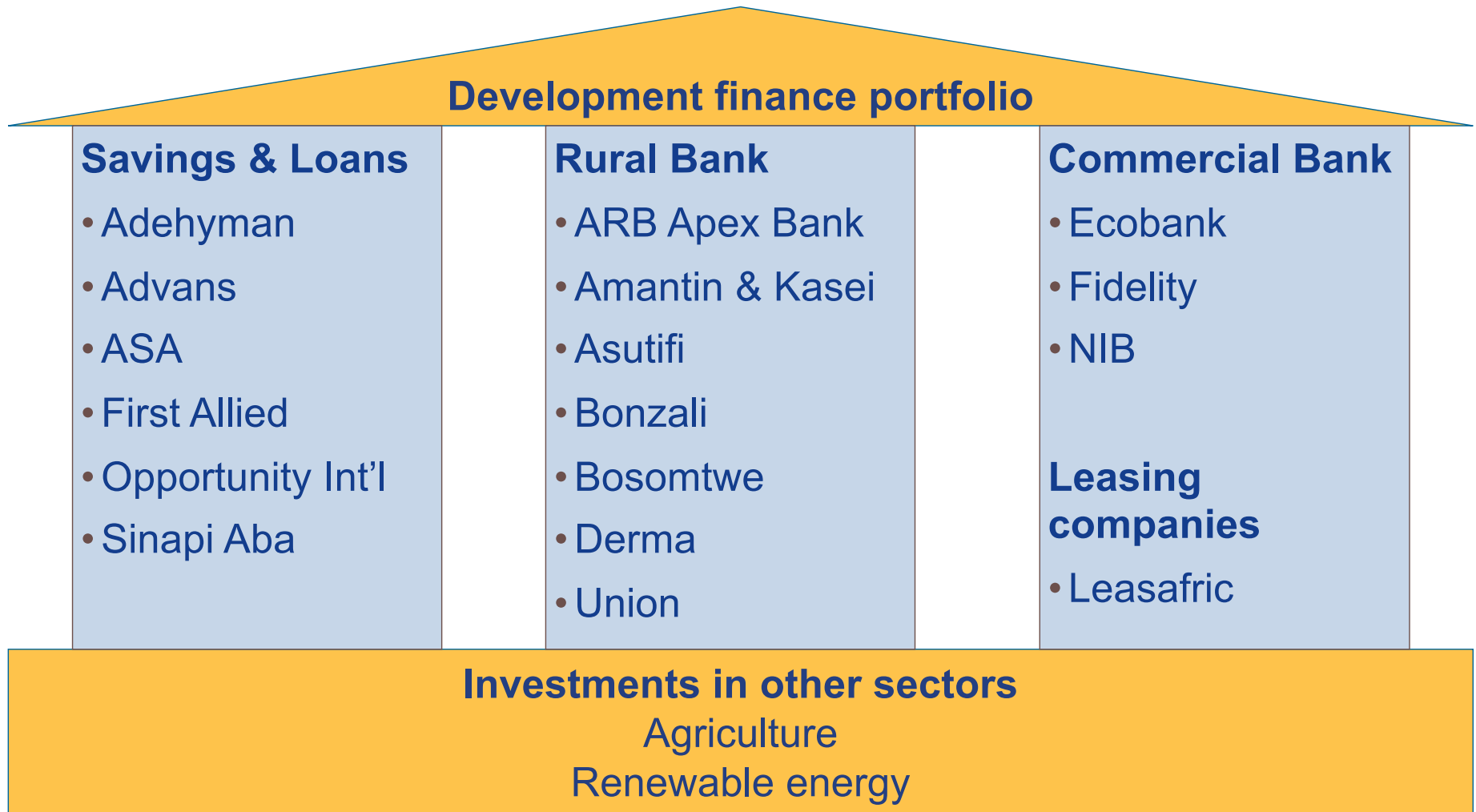
Historical presence in 23 African countries
Lending since the late 70s

With new strategy:

- Focus on 3 sectors
- Operations concentrated in 12 **countries**

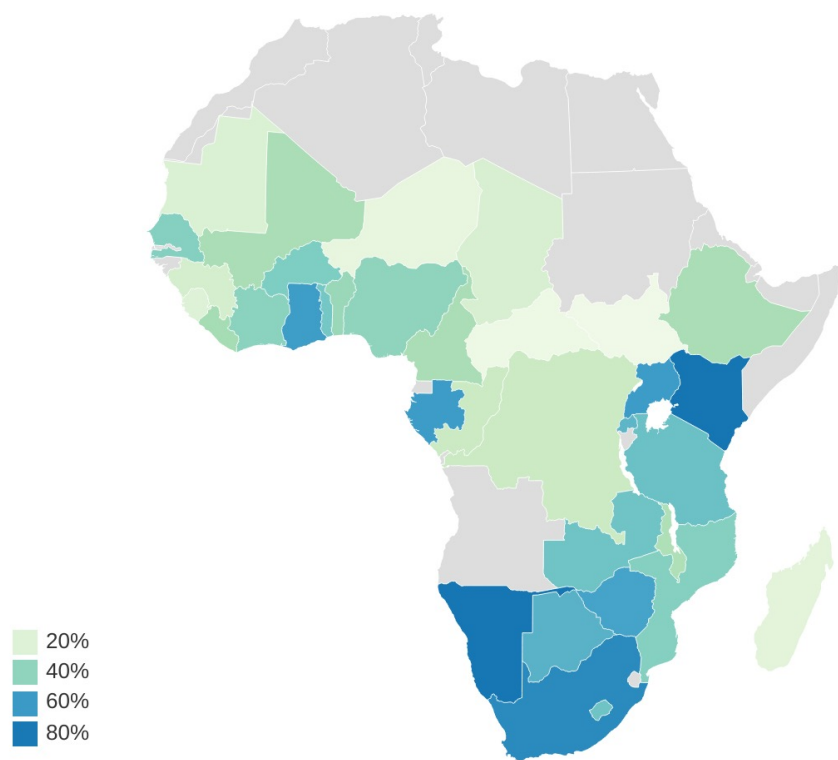
87 partners financially supported

Oikocredit interventions in Ghana



Ghana is key financial inclusion investment destination

Percent of adults age 15+ with an account



Embed this chart

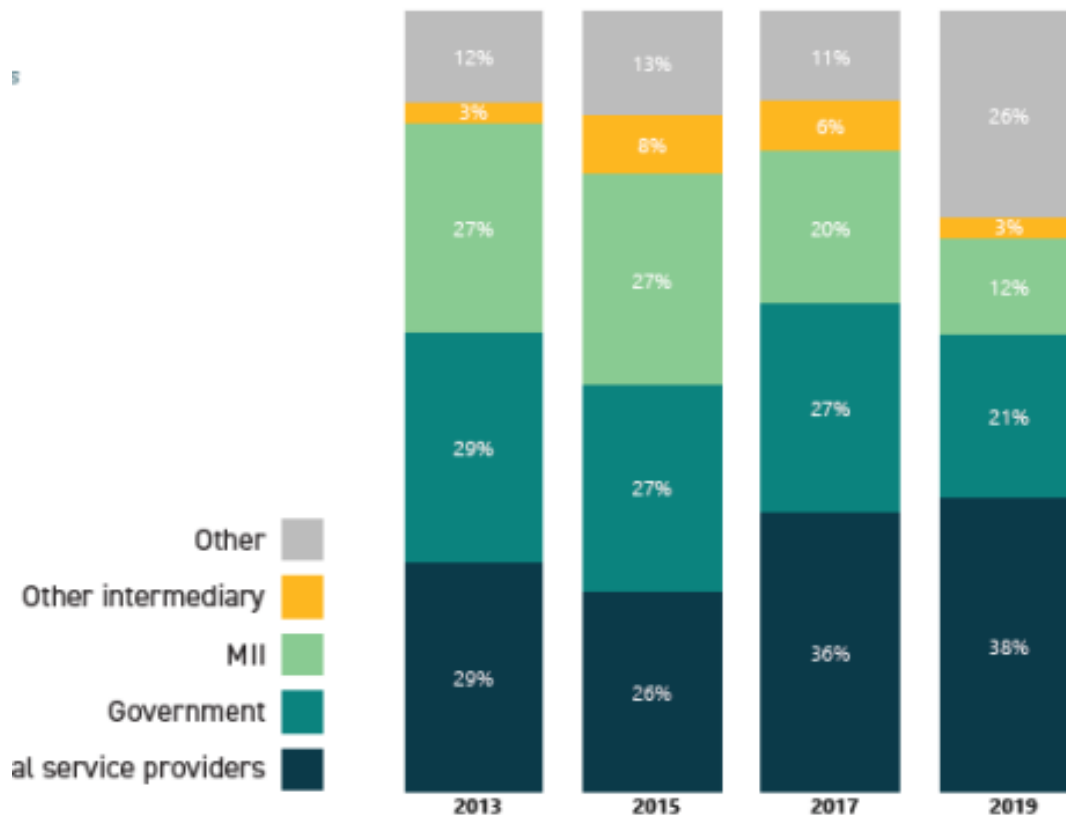
Funding composition by country (2019)

	Ethiopia	Kenya	Nigeria			
	634.31M	581.22M	448.97M			
	Congo, Dem. Rep.	Uganda	Ghana	Rwanda	Burkina Faso	
	236.37M	170.47M	162.50M	149.10M	132.62M	
	Tanzania	Zambia	Malawi	Gambia	Namibia	Sierra Leone
	208.36M	126.64M	80.57M	62.54M	58.27M	55.98M
	Mozambique	Madagascar	Côte D'...	Burundi	Zimb...	Came...
	202.62M	97.05M	65.26M	51.07M	48.70M	45.44M
	South Africa	Mali	Somalia	Mauritania	Togo	
	188.22M	81.41M	65.22M	32.81M	20.9M	
		Senegal	Benin	Sudan	Ang...	
		80.90M	64.98M	Liberia	Niger	

\$7.6 bn total SSA commitments to financial inclusion in 2019, including 3.3 bn for multi-country projects

Significant investments into banks and MFIs

Funding composition by recipient type



- Nearly 40% of the commitments reach FSPs
- 64% of funding target portfolio or wholesale financing
- Bilaterals & multilaterals provide \$4bn
- DFIs and foundations \$3.5bn
- Commercial lenders invested \$12.4 mln in SSA portfolios

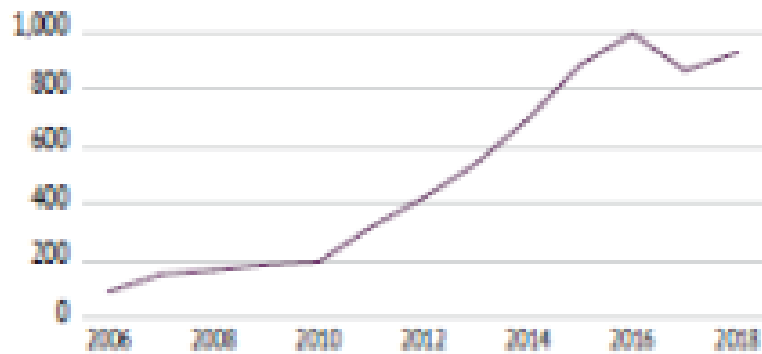
Source: CGAP Cross-Border Funder Survey 2013-2019, n=39 funders

Notes: Data reflects project commitments converted to USD. MII = Microfinance investment intermediary; Other intermediary = Non-MII intermediaries, e.g. bank, apex; Other = Service providers, contractors, etc.

MIVs are active in West Africa

SUB-SAHARAN AFRICA (USD million)

Compounded Annual Growth Rate: 21%



Discussion #1: key challenges

Please share in the chatbox or by raising your hand the key challenges faced by your institution

Please do not hesitate to ask questions on the previous section

OIKOCREDIT FUNDING APPROACH

Investment criteria

Viability risk analysis

- Financial aspects
- Governance, supervision
- Management
- Market aspects
- Production & technology

ESG risk analysis

- Outreach & inclusion
- Client welfare
- Social governance
- Environment
- Responsibility to community and staff



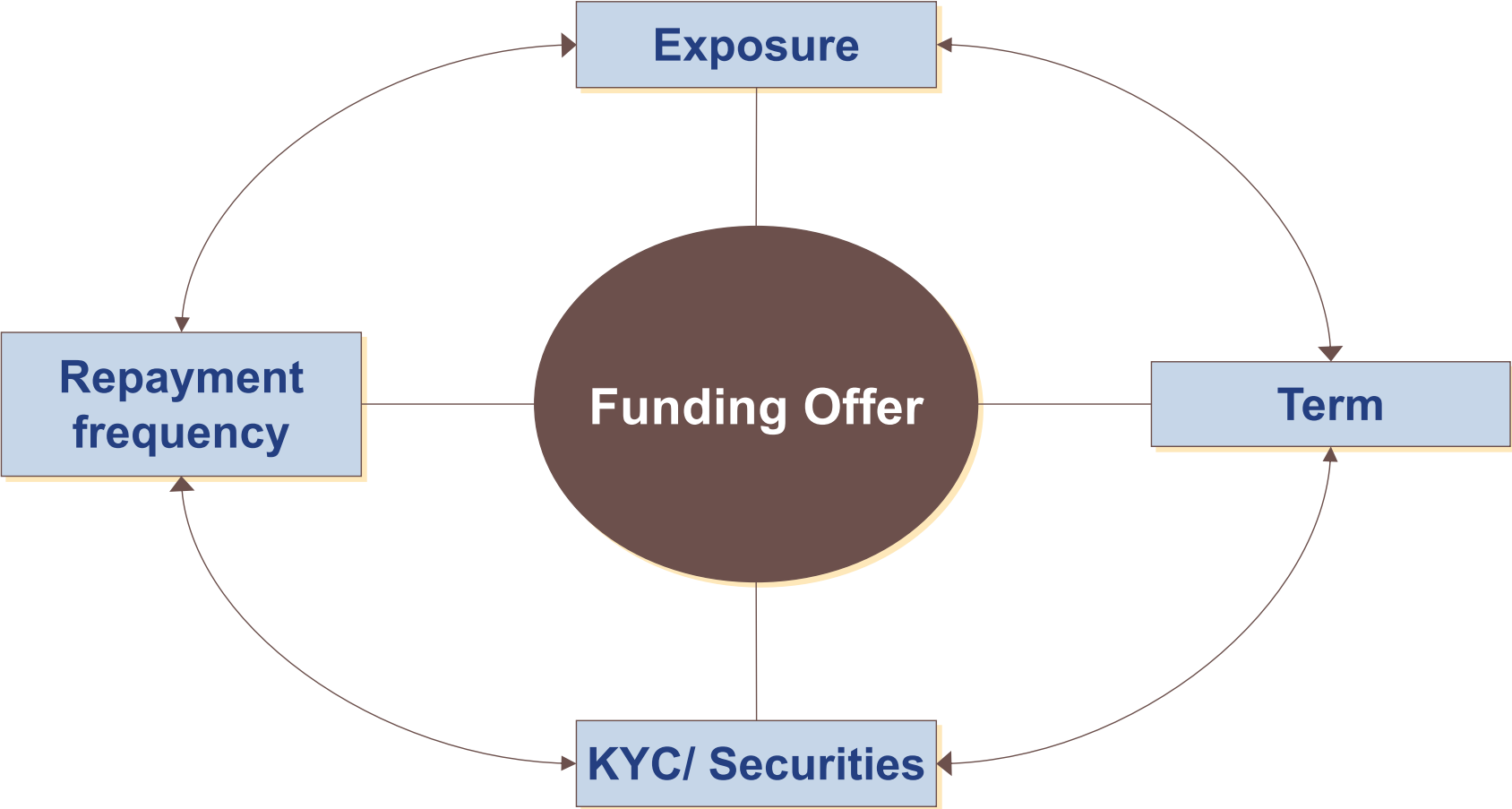
INTEREST RATE CALCULATION MODEL

External cost of capital	Depends on the currency <ul style="list-style-type: none"> • Euribor • Libor (being phased out) • Ghana 182 day Tbill
Operational cost coverage	Depends on life cycle and size of project
Country risk	Applicable for USD or EUR loans Included in base rate for GHS loans
Project risk	Based on project viability risk score
Special Discounts	
TOTAL	

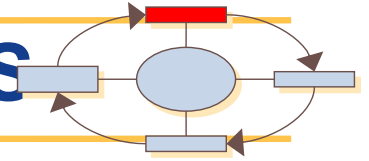
OPERATIONAL CHALLENGES (MFIs)

- Problems identified
 - Difficulty meeting Oikocredit standards
 - Regional MFIs vs rest of World, higher PAR ratios
 - Regional PAR remains high
- Key partner weaknesses
 - Inadequate internal control
 - Weak treasury management
 - Unsatisfactory portfolio and credit management
 - Weak governance

KEY PARAMETERS OF OUR PRODUCT

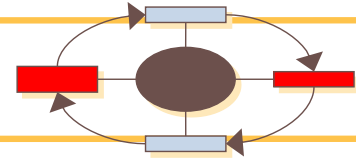


ESTABLISHED PRUDENTIAL GUIDELINES



- Relative loan size
 - Oikocredit loan size < total equity
 - Oikocredit loan size < 30% of gross loan portfolio (good practice: GLP > 80% of total assets)
 - Oikocredit loan size < total deposits savings for coops
- Capital adequacy
 - Debt/equity ratio < 5x for unregulated MFIs
 - Solvency ratio in line with Bank of Ghana prudential requirements
 - Extent of borrowing
- Others
 - Recent ratings (Microfinanza CCC, Planet Rating C minus)
 - No credible external auditing firm, then exposure limit?

DEFINING ADEQUATE TERMS



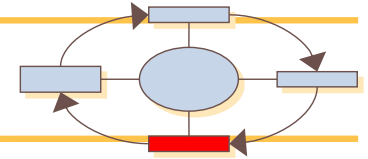
LOAN DURATION

- Young or small MFI partner
 - offer a 3-year term, all inclusive,
 - to quickly establish a credit history and (optionally) qualify for follow ups.
- First time mature MFIs
 - offer a 4-year term, if total assets are less USD10 million
- Existing or mature MFI partners
 - Longer term loans if proven ability to manage non subsidized financing.

REPAYMENT FREQUENCY

- Risk management
 - Quarterly repayments
 - Interest payments be made quarterly or monthly.
- Simple, regular repayment schedule for new partners or second / third tier MFIs.
- Line of credit to first tier MFIs (upon request)

ESTABLISHING LEGAL ASSESSMENT



- Compliance information requirements
 - Ownership structure, licence, statutes
 - Board and management profiles, source of wealth
 - AML procedures

- Usual securities required
 - Portfolio pledge
 - Guarantee from parent company
 - Mortgages

Discussion #2: Q&A

Please ask your questions in the chatbox or by raising your hand

Please share your fundraising experiences, is your institution looking for local vs. international investors; debt vs equity vs grant.

Please do not hesitate to ask questions on the whole presentation

Is there anything we have not covered?

PRODUCT OFFERING

STRAIGHT LOAN

KEY FEATURES

- Wide range of amounts, from EUR 500k to EUR 10 million
- Interest rate related to base + premium
- Possibility of local or hard currency
- Arrangement fee
- Maturity up to 6 years for local, up to 10 years for hard currency
- Possibility of grace period up to 18 months
- Securities / collateral requirements
- Defined repayment schedule

PARTNER BENEFITS

- Loan amount structured based on the project cash flows
- Interest rate: affordable, can be fixed or variable
- Choice of currency open to partner and based on source of project cash flows (wide range available)
- Arrangement fee competitive
- Repayments in the same currency as disbursed
- Grace period aligned with the business needs
- Repayment schedule designed based on partner's cash flows

COMMON EQUITY

KEY FEATURES

- Wide range of amounts, typically from EUR 1 to 5 million
- Possibility of investment in local or hard currency
- Oikocredit patient investor
- Arrangement fee

- Voting rights

- Dividends

- No security

PARTNER BENEFITS

- By increasing capital base, improves balance sheet structure, helps with compliance to Central Bank prudential ratios
- Large amount of facility enables partner to support long-term growth
- In case of default, Oikocredit is paid after lenders
- Partner benefits from genuine Oikocredit commitment
- Partner benefits from Oikocredit representative on the board who brings expertise, knowledge
- Partner can buy out Oikocredit
- Facilitates liquidity management of long term cash flows with small dividend payments
- Saves partner on cash outflows

CREDIT LINE

KEY FEATURES

- Wide range of amounts, from EUR 500k to EUR 10 million
- Possibility of local or hard currency
- Open availability
- Maintenance fee
- Arrangement fee
- Revolving facility
- Maturity variable, renewable annually
- Securities / collateral requirements

PARTNER BENEFITS

- Able to meet partner growth expectations and cash flows requirements
- Cost effective : saves partner money because charged only on disbursed amounts
- Flexible : useful for trade finance
- Useful for liquidity management: funds are made available upon request, redrawing is also possible when needed
- Forex management: reduce the risk of foreign currency exposure
- Less assets pledged: alternative securities through tripartite agreements

PREFERRED EQUITY

KEY FEATURES

- Wide range of amounts, typically from EUR 1 to 5 million
- Possibility of investment in local or hard currency
- Arrangement fee
- Voting rights
- Coupons and dividend payments
- Note can be redeemable
- No security

PARTNER BENEFITS

- By increasing capital base, improves balance sheet structure, helps with compliance to Central Bank prudential ratios
- Large amount of facility enables partner to easily on-lend, to plan long-term growth
- Partner can limit Oikocredit voting rights
- In case of default, Oikocredit is paid after lenders
- Facilitates liquidity management with coupons and small dividend payments saving partner on cash outflows
- Partner can buy out Oikocredit

SUBORDINATED DEBT

KEY FEATURES

- Applicable for financial intermediaries
- Wide range of amounts
- Interest rate related to base + premium (higher than classic loan)
- Possibility of local or hard currency

- Arrangement fee
- Maturity typically long

- Possibility of long grace period or even bullet

- Soft securities if applicable

PARTNER BENEFITS

- Large amount of facility enables FS partner to easily on-lend
- In case of default, Oikocredit is paid after other lenders

- By increasing capital base, helps with compliance to Central Bank prudential ratios
- Facilitates liquidity management of long term cash flows with tenor at least 5 years and long repayment intervals
- Saves partner on transaction costs
- Frees key assets for other productive use

DEPOSIT

KEY FEATURES

- Applicable for financial intermediaries
- Adequate range of amounts, from EUR 2 to 5 million
- Maturity : between 6 and 24 months (renewable)

- Deposit in hard currency

- Less information requirements

- No arrangement fee
- No securities or collateral requirements

PARTNER BENEFITS

- Large amount of facility enables partner to easily on-lend
- Lowers the average cost of capital
- Facilitates liquidity management of short to medium term cash flows
- Single tranche disbursement improves asset / liability management, forex management
- Quick project decision turnaround
- Helps with compliance to Central Bank prudential ratios
- Saves partner on transaction costs
- Frees key assets for other productive use

CAPACITY BUILDING

KEY FEATURES

- Linked to a loan/ equity contract
- Partial grant
- Access to expertise, certification
- Partner driven
- Joint selection of consultants
- Diverse range of needs (SPM, Risk mgmt, agri VC, product development, market positioning)
- Availability after agreement signature
- Dedicated CB/SPM unit
- Monitoring & evaluation

PARTNER BENEFITS

- Validates Oikocredit commitment to long-term relationships and value addition
- Affordable, reduces overall cost of working with Oikocredit, reduces operational risk
- Directly addresses partner's needs; partner is in control; true open Oikocredit cooperation
- Choice given to partner, focus on partner performance, development and sustainability
- Immediate implementation, short lead time
- Ensure Oikocredit service quality, knowledge transfer
- Ensure product improvement through feedback

Risk management in microfinance

- Oikocredit staff initiation
- Training of trainers
- Sector workshop
- Mentoring program
- Results

Matrice de contrôle du risque
Situation actuelle

Probabilité	Presque certain	5		19	1, 4, 5	
	Probable	4	8	3, 13, 23, 25, 29	2, 21	
	Possible	3	10, 18	6, 7, 11, 12, 16, 20, 24, 26, 28, 30	14, 15, 17	
	Peu probable	2	27	9, 22		
	Rare	1				
		1	2	3	4	5
		Insignifiant	Mineur	Modéré	Majeur	Catastrophique
		Impact				



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- February 2, 1:00 Webinar: Agriculture Finance: Applying a Value Chain Approach (Part 1), John Guzowski
- February 8, 1:00 Webinar: Ag Finance: Overcoming the Obstacles (Part 2) for Savings and Loans
- February 9, 1:00 Webinar: Ag Finance: Overcoming the Obstacles Part 2) for Rural Banks
- February 10, 1:00 Webinar: Ag Finance: Overcoming the Obstacles (Part 2) for Microfinance and other institutions
- February 17, 9:00 Workshop on Emotional Intelligence (Accra)
- February 24, 9:00 Workshop on Emotional Intelligence (Kumasi)

Want to know more about FIRST+?
Contact Binyam Tadesse at btadesse@capplus.org

**UPCOMING
EVENTS**

Thank you for your attention

Presentation : *GH perspectives*

Presented by:

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