

Impact Report

Micro, Small & Medium Enterprises Bonds S.A., Luxembourg
(hereinafter referred as the **“Symbiotics Bond Programme”**)

November 2016

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1. Director Overview

Micro, small and medium enterprises (“**MSMEs**”) play an important role in providing employment in developing countries. They employ the largest number of people in aggregate and generate the majority of new jobs. Deploying capital to MSMEs in underserved economies aims to improve the general wealth condition of low and middle income households and to contribute to sustainable economic development.

One of the most important constraints faced by MSMEs, besides weak investment climate and poor infrastructure, is access to finance. This constraint is more severe in less-developed countries, i.e. emerging and frontier markets¹.

The Symbiotics Bond Programme brings together socially responsible investors and financial intermediaries (“**FIs**”) with the aim of funding MSMEs in less developed countries, improving their access to finance. To this effect, the Symbiotics Bond Programme provides debt financing to FIs located in emerging and developing economies, whereby such FIs on-lend the debt financing to MSMEs. The Symbiotics Bond Programme has been sponsored by Symbiotics, an investment firm dedicated to inclusive and sustainable finance in emerging markets.

In order to increase our capacity to continuously meet the demand of MSMEs for funding we are looking to expand our network of socially responsible investors, and the listing on the Social Stock Exchange will be an excellent way to achieve this.

a. Organisational Summary

The Symbiotics Bond Programme has been set up as a securitisation company, domiciled in Luxembourg and subject to supervision by the Luxembourg regulator. It has been set up as a bankruptcy-remote entity, and operates on a pass-through basis.

The Symbiotics Bond Programme has been sponsored by Symbiotics SA, an investment firm based in Geneva, Switzerland (“**Symbiotics**”), that offers investment advisory, asset management and capacity building for the microfinance and other impact finance sectors. Symbiotics acts as the originating agent on behalf of the Symbiotics Bond Programme, selecting and assessing the financial intermediaries. Furthermore, Symbiotics also acts as servicer of the loans granted to the FIs, and performs an ongoing monitoring of such FIs. As of November 2016, Symbiotics has originated over USD 3 billion of fixed income investments, through approximately 2,800 transactions for 28 different investment funds, financing over 300 FIs in more than 50 emerging and frontier economies.

¹ Report published by IFC Advisory Services. Closing the Credit Gap for Formal and Informal MSMEs, available at: <http://www.ifc.org/wps/wcm/connect/4d6e6400416896c09494b79e78015671/Closing+the+Credit+Gap+Report-FinalLatest.pdf?MOD=AJPERES>

The board of directors of the Symbiotics Bond Programme is composed of:

Yvan Renaud - Director



Yvan is also the COO of Symbiotics, where he joined in 2005. Prior to this, he worked for BlueOrchard Finance where he was the chief operations officer. Before this, he was a microfinance consultant in Peru and a small enterprise consultant in Western Africa and worked as a fund accountant at Capital International in Geneva. Yvan holds a degree in Business Administration from the University of Geneva and a master's degree in Social Policy and Planning from the London School of Economics.

Matthieu Taillandier - Director



Matthieu Taillandier is also a Partner in both the Bank Lending & Structured Finance practice and the Capital Markets practice of Arendt & Medernach. He advises on all types of financing transactions, including secured and unsecured bank lending, structured finance, acquisition finance, asset finance as well as fund financing. Matthieu also specialises in securitisation, advising clients on all aspects of regulated and non-regulated securitisation transactions as well as in capital markets issues focusing on debt issuance and listing. Matthieu is a regular conference speaker and chair the working group on securitisation of the Association of Luxembourg Fund Industry (ALFI). He his member of the Luxembourg Bar and of the Paris Bar.

Philipp Jung – Director



Philipp is also a senior investment advisor at Symbiotics UK Limited, where he joined in 2013 and is currently responsible for Symbiotics' structured finance operations. Prior to this, he worked for the European Investment Fund (EIB group) as a consultant for SME and microfinance investments, for Standard & Poor's in the structured finance ratings department, and previously at the structured finance department of Symbiotics SA. Philipp holds a degree in economics from the University of St. Gallen (CH), a degree in International Management from the Community of European Management Schools (CEMS) and a diploma in law from the University of Law (UK).



b. Commitment to Social Value

The main purpose of the Symbiotics Bond Programme is to contribute to sustainable development by providing access to capital in underserved markets for the ultimate benefit of MSMEs.

When originating transactions (i.e. selecting the FIs which on-lend to the MSMEs), Symbiotics in its capacity as origination agent performs among other a social due diligence on the FI and assigns a social performance rating to each FI. This rating takes into account 100 quantitative and qualitative indicators, split into 7 different dimensions: social governance, labour climate, financial inclusion, client protection, product quality, community engagement and environmental policy.

Furthermore, Symbiotics is a member of the following initiatives and associations:

- The Association of the Luxembourg Fund Industry
- European Microfinance Platform
- European Venture Philanthropy Association
- The Global Impact Investing Network
- LuxFLAG
- Principles of Responsible Investment
- The Smart Campaign
- The Social Performance Task Force
- Sustainable Finance Geneva
- Swiss Capacity Building Facility
- Swiss Microfinance Platform
- Swiss Sustainable Finance

2. Social Purpose and Context

MSMEs play an important role in employment creation, sustainable economic development and market dynamism across countries. They employ the largest number of people in aggregate and generate most new jobs.

More than 95% of registered businesses in the world are small in size, i.e. classified as micro, small or medium and below 250 employees. Together they constitute the largest private sector employer in any economy. Today more than two-thirds of the world GDP's is generated by emerging and frontier markets and since 2013 emerging and frontier markets have already been producing more goods and services than developed markets. This trend is supposed to continue in the coming decades as the global population reaches 9 billion by 2050. This population growth represents a net increase of about 150,000 people every day, the bulk of which is taking place in low and middle income economies. Most probably, emerging and frontier markets will produce about three-quarters of global output by 2050 and their MSME sector will grow proportionately. Addressing the needs of this sector represents both a necessity and an important opportunity in mitigating the social consequences of this continued population growth. At the same time, it also represents an important value creation opportunity for impact investors.

Access to finance is still the largest obstacle to growth for MSMEs in low and middle income markets. They largely depend on self-financing solutions, as mainstream commercial banks and financial institutions continue to under-serve their needs. MSMEs would benefit from more specialised financing intermediaries, and investors would benefit from supporting this underserved market segment.

The size of the funding gap faced by MSMEs globally (i.e. the unmet debt financing demand) has been estimated at around USD 2.1 to USD 2.6 trillion in developing economies and USD 3.2 to USD 3.9 trillion globally². The total number of MSMEs is estimated to be 360 to 440 million in developing countries, out of which only approximately 13 to 16% reported to have a loan or overdraft while 36 to 44% reported not to have access to a loan or overdraft facility although they are in need of one. This translates to a gap of about 130 to 194 million MSMEs.

The social purpose of the Symbiotics Bond Programme is to reduce this funding gap by bringing together socially responsible investors and FIs, which in turn provide funding to MSMEs.

² Source: Data from the Enterprise Survey by World Bank in 2011.



3. Who Benefits

The Symbiotics Bond Programme is designed to benefit the following entities:

Micro, Small & Medium Enterprises

The ultimate beneficiaries of the Symbiotics Bond Programme are MSMEs, by means of improved access to finance.

FIs which receive funding through the Symbiotics Bond Programme must (a) have at least half of their loan portfolio consisting of loan products or leases granted to MSMEs; and/or (b) contractually undertake to on-lend the financing received from the Symbiotics Bond Programme to MSME clients.

The funding provided through the Symbiotics Bond Programme reached approximately 688,063 MSMEs as of November 2016. More detailed information can be found in Section 6.

Financial intermediaries

FIs which have been selected to participate in the Symbiotics Bond Programme receive funding through the Symbiotics Bond Programme.

Such FIs typically operate in less developed frontier or emerging markets, where financial markets are often less developed and efficient compared to more developed economies. Furthermore, many FIs are relatively small in size. In result, the refinancing products and options available to such FIs are typically limited when compared to FIs that are larger or are operating in more advanced economies.

42 FIs have accessed funding through the Symbiotics Bond Programme as of November 2016. These FIs are located in 18 different developing and emerging countries and the cumulative funding provided to them sums up to USD 482,250,000.

Social responsible investors

The Symbiotics Bond Programme provides social responsible investors with investment opportunities that are:

- Market-priced, i.e. usually benchmarked against market comparables
- In an easily accessible form (ISIN, possibility to be listed, cleared and settled through Euroclear and Clearstream)
- Providing access to countries which are often difficult to access due to very limited investment universe, enhancing diversification

At the same time these investment opportunities are addressing a specific social concern, namely limited access to finance for MSMEs.

28 social responsible investors have invested through the Symbiotics Bond Programme since its inception, including investment funds (both microfinance-focussed funds and mainstream emerging market funds), pension funds, banks and private banks.



4. Activities and Operations

The Symbiotics Bond Programme provides debt financing to FIs located in emerging and developing economies, whereby such FIs on-lend the debt financing provided by Symbiotics Bond Programme to MSMEs.

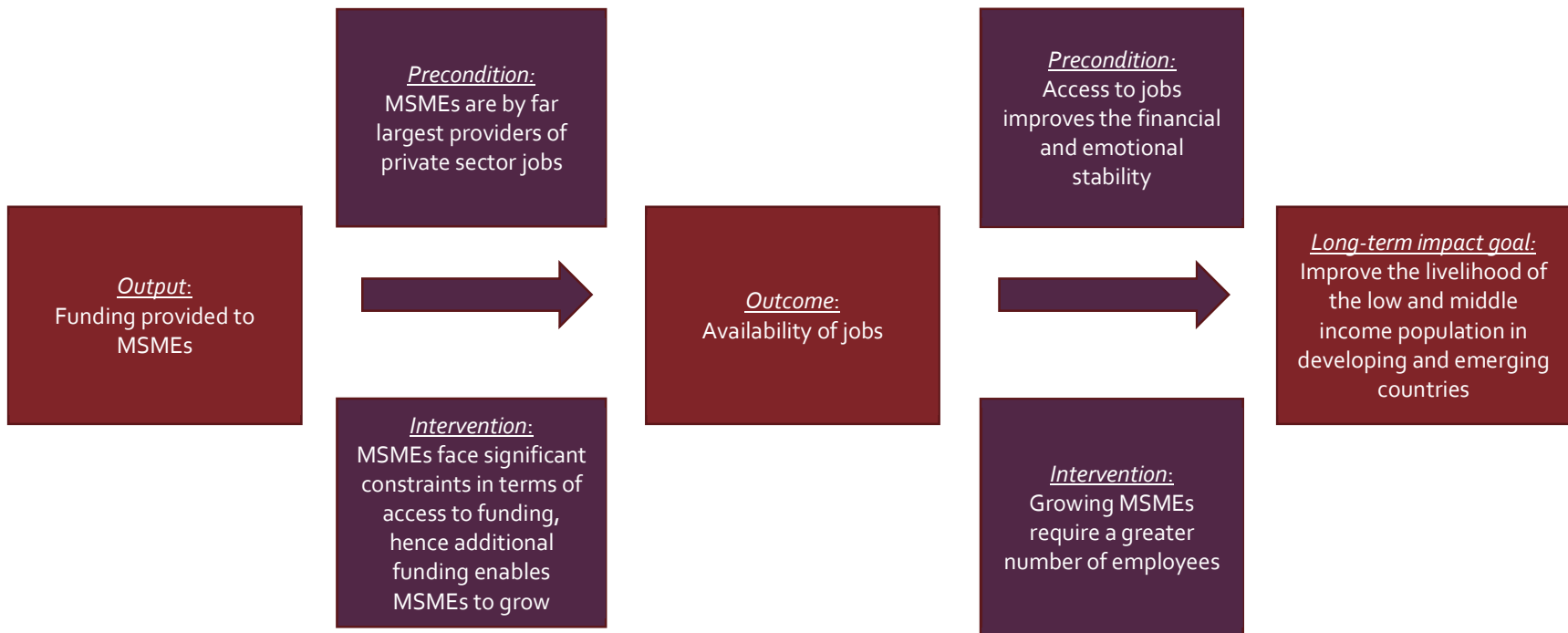
For each transaction, the Symbiotics Bond Programme enters into a loan agreement with the designated FI and issues a distinct bond. Issue proceeds of the bond are used to disburse the loan. Interest and principal received under the loan are passed through (net of certain fees) to the bondholders. Each bond is specific to the relevant financial intermediary and segregated from any other bond issue.

The bonds are purchased by impact funds, traditional fixed income funds, pension funds, foundations or other socially responsible investors. Since inception, the Symbiotics Bond Programme has issued over 55 bonds with an aggregate notional amount in excess of USD 482mn. It has invested in 42 different FI in 18 different developing countries. All the details regarding the bonds issued by the Symbiotics Bond Programme can be found in Appendix A. It contains all our bond issues as of November 2016.

The long-term impact goal of the Symbiotics Bond Programme is to improve the livelihood of the low and middle income population in developing and emerging countries. Emotional and financial stability, and hence access to jobs, is a precondition for such goal. Given that MSMEs provide the largest share of private sector jobs in developing and emerging countries, supporting their growth is key to generate a larger number of jobs made available. However, MSMEs (in particular in developing and emerging countries) indicate that insufficient access to funding is an important constraint to their growth. Therefore, the output of the Symbiotics Bond Programme is to provide funding the MSMEs in order to help address this constraint.. As of November 2016, the Symbiotics Bond Programme has reached 688,063 MSMEs in developing countries.

Please refer to the below diagram for an illustration of the theory of change.

Theory of Change



5. Stakeholders

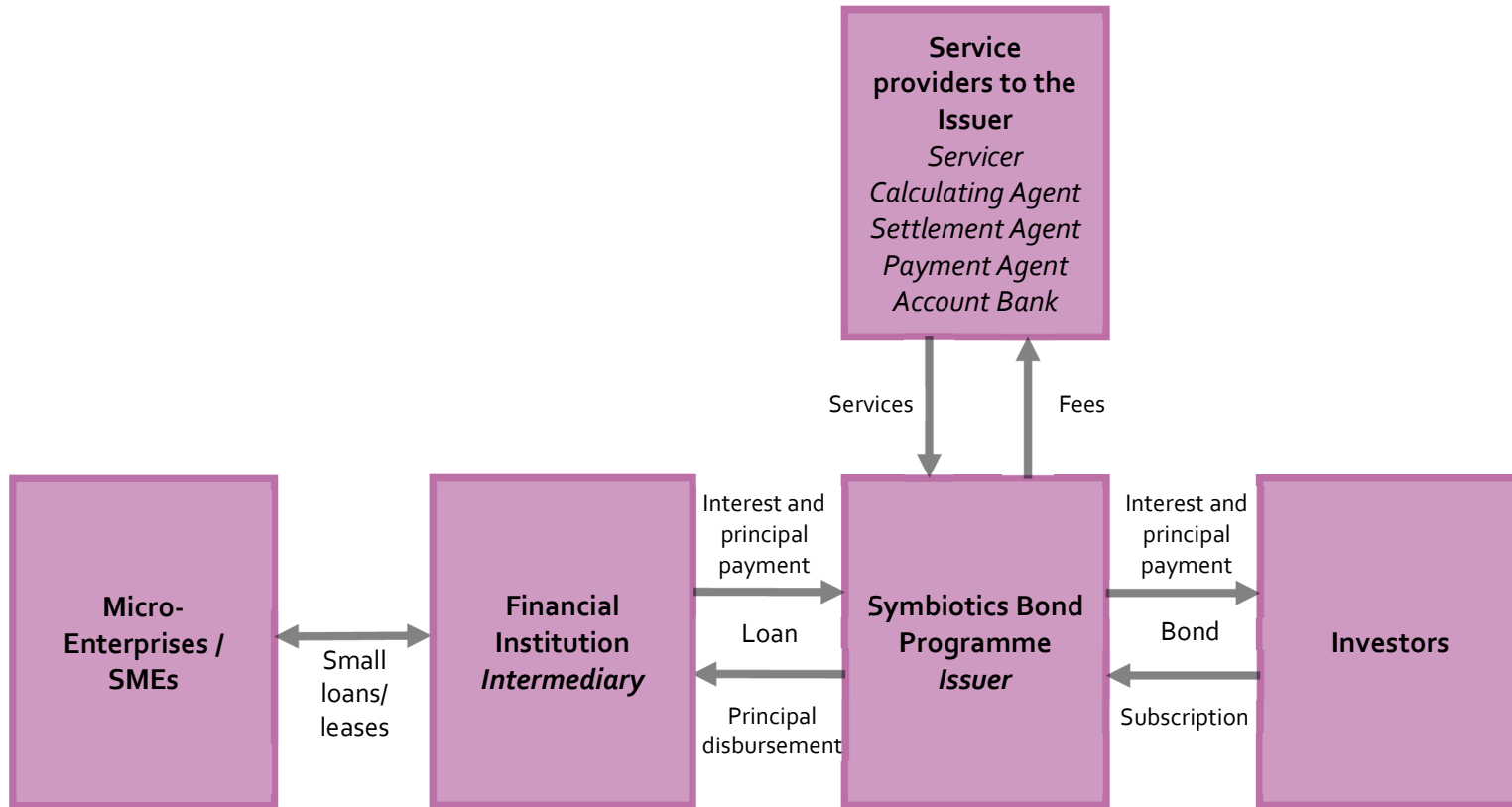
The main stakeholders of the Symbiotics Bond Programme are outlined and described in Section 3 of this report. The service providers can be considered as additional stakeholders of the Symbiotics Bond Programme. These service providers are:

- Servicer, Calculating Agent, and Origination Agent: **Symbiotics** - *daily interaction in relation to the identification of eligible FIs, loan origination, monitoring of each FI, and servicing of the loan granted to an FI.*
- Paying Agent and Settlement Agent: **Citibank NA** London branch and **BNP Paribas Securities Services** Luxembourg branch - *interaction in relation to each bond issuance, both at inception (settlement against investors) and for ongoing payments (interest and principal).*
- Account Bank: **Citibank Europe PLC**, Luxembourg branch, and **BNP Paribas Securities Services** Luxembourg branch - *interaction on each bond issuance in relation to opening the relevant accounts for an issuance.*
- Corporate services provider: **Citco C&T** (Luxembourg) SA - *case by case interaction for various administrative, accounting and back-office needs.*
- Legal advisor, Luxembourg law: **Arendt & Medernach** - *case by case interaction regarding the legal aspects of the bonds and the Luxembourg law loan agreements.*
- Legal advisor, English law: **Reed Smith LLP** - *case by case interaction regarding the English law loan agreements.*
- Auditor: **PwC Luxembourg** - *interaction regarding the annual audited accounts.*

The service providers of the Symbiotics Bond Programme are either prudentially regulated (Account Bank, Paying Agent and Settlement Agent), or subject to non-prudential regulatory supervision (Servicer and Calculating Agent, Corporate services provider, law firms, and the auditor). In terms of anti-money laundering and know-your-customer identification, such tasks are performed by the Servicer (in terms of FIs), and by the Settlement Agent and Paying Agent in terms of the investors, which can only access the Symbiotics Bond Platform through the regulated Euroclear/Clearstream depository system. Furthermore, the Symbiotics Bond Programme is subject to supervision by the Luxembourg financial services regulator (CSSF) as a securitisation undertaking.

The Servicer is also responsible to perform an on-site due diligence and risk assessment in accordance with an established and tested methodology applied by the Servicer. Each FI is independently audited and reports monthly into the Servicer's online monitoring system, which are reconciled with the audited financial statements as they become available.

Structure diagram of the Symbiotics Bond Programme:



6. Evidence of Social Outcome

The outcome of the above-mentioned activities is measured at the MSME level and the FI level.

MSME level

At the MSME level, the key outcome is the number of borrowers to which financing has been provided through the Symbiotics Bond Programme. For each bond, this number is measured based on the ratio of (i) the notional amount of the underlying loan provided to the FI, to (ii) the total assets of the FI, in the financial year when the bond was issued, multiplied by the total number of borrowers of the FI at the time the bond was issued.

The aggregated results are summarised below (data as of November 2016):

Outcome	Indicator	Number of borrowers	Cumulative amount of funding provided to FIs	Average exposure per borrower
Access to finance for MSMEs	Number of borrowers	688,063	USD 482,250,000	USD 700

Furthermore, the borrowers reached by the Symbiotics Bond Programme are analysed taking into consideration three dimensions (data as of November 2016):

- Gender composition of the borrowers

Outcome	Indicator	Number of women borrowers	Total number of borrowers	Percentage of women borrower
Access to finance for women	Number of women borrowers	625,315	688,063	91%

- Location of the borrowers (rural / urban)

Outcome	Indicator	Number of rural borrowers	Total number of borrowers	Percentage of rural borrower
Access to finance in rural areas	Number of rural borrowers	472,038	688,063	69%

- Business activity with a focus on agriculture

Outcome	Indicator	Number of agricultural borrowers	Total number of borrowers	Percentage of agricultural borrower
Access to finance for agriculture activities	Number of agricultural borrowers	243,187	688,063	35%

FI level

At the Financial Intermediaries level, the key outcome is the number of FIs and countries funded. This is measured by:

- Countries covered
- Transactions completed
- the number of FIs funded

The aggregated results are summarised below:

Outcome	Indicator	Number	Amount
Access to finance for FIs	Countries covered	18	
	Transactions completed	55	USD 482 million
	Number of FI financed	42	Average investment per FI: USD 11.5 million



7. Outlook and Challenges

Global population growth is expected to continue to boom in Africa and Asia, which are forecasted to represent 90% of world population by the end of the century. Current rates signal over 150,000 new-borns per day, 90% of which are born in low income households in low income economies. They all have a natural aspiration to access goods and services of first necessity. The unbanked levels often are above 50% of adult population in these regions. To serve this growing unbanked population and its needs, it is necessary to increase our financing activities in developing countries and our client base in developed countries, further pushing MSME impact investing into mainstream financial markets and accessing new geographical markets. We consider this demographic trend to be a major opportunity for the Symbiotics Bond Programme.

In order to enhance our capacity to access socially responsible investors, our intentions are to gradually expand our investor universe and adjust the structure of our product offering where necessary. This represents the main future challenge for the Symbiotics Bond Programme, both in terms of organic growth and in terms of external regulatory environment.

8. Appendix A – Bond Issues

Intermediary	Country	Impact theme	CCY	Notional (m\$)	Coupon (p/a) in %	Maturity	ISIN	Listing	Issue date
ACBA	Armenia	SME access to finance	USD	5.0	6m Libor+3.15	4 yrs	XS1507525662	EuroMTF	Oct-16
Improsa	Costa Rica	SME access to finance	USD	18.5	6m Libor+2.90	2.8 yrs	XS1445749317	EuroMTF	Oct-16
Produbanco	Ecuador	SME access to finance	USD	13.8	6m Libor+4.40	4.6 yrs	XS1438152933	-	Oct-16
AEB	Armenia	SME access to finance	USD	10.0	5.60	2.6 yrs	XS1408524657	EuroMTF	Oct-16
Banco Promerica	El Salvador	SME access to finance	USD	15.7	6m Libor+3.90	3 yrs	XS1496876530	EuroMTF	Oct-16
M-KOPA Group	Kenya	Solar sys. to low income households	USD	4.5	9.20	1.5 yrs	XS1479434661	EuroMTF	Sep-16
Namra	India	Microfinance/fin. inclusion	INR	5.0	12.10	3.3 yrs	XS1470875276	-	Sep-16
SA Taxi	South Africa	SME leasing	ZAR	5.2	3m Jibar+3.80	5 yrs	XS1480018396	-	Sep-16
Compartamos	Peru	Microfinance/fin. inclusion	PEN	18.0	7.30	3 yrs	XS1494008771	EuroMTF	Sep-16
TCF	Namibia	Education finance	ZAR	11.1	3m Jibar+6.20	3 yrs	XS1473464680	EuroMTF	Aug-16
Neogrowth	India	Microfinance/fin. inclusion	INR	6.0	12.35	3 yrs	XS1457568712	-	Aug-16
Banco Continental	Paraguay	SME access to finance	USD	14.0	6m Libor+3.05	4 yrs	XS1438121201	EuroMTF	Jul-16
LOMC	Sri Lanka	Microleasing/fin. inclusion	USD	10.0	4.40	3 yrs	XS1433246649	EuroMTF	Jul-16
Indian SME Pool	India	SME access to finance	INR	4.8	14.30	3 yrs	XS1423878757	-	Jul-16
Fusion	India	Microfinance/fin. inclusion	INR	8.9	11.56	3 yrs	XS1434532948	-	Jun-16
MBK	Indonesia	Microfinance/fin. inclusion	USD	10.0	5.00	2 yrs	XS1419874372	EuroMTF	May-16
Saija Finance	India	Microfinance for women	INR	3.4	12.40	3 yrs	XS1396469675	-	Apr-16
Banco Ficohsa	Honduras	SME banking	USD	6.1	6m Libor+3.15	4.5 yrs	XS1334638951	-	Jan-16
Com. Leas.&Fin	Sri Lanka	SME finance	USD	9.0	6m Libor+3.90	5 yrs	XS1321012210	-	Jan-16
CFPA	China	Micro and SME finance	USD	10.0	4.60	3 yrs	XS1332176657	-	Jan-16
Coopenae	Costa Rica	Access to basic needs	CRC	9.0	4.10	3 yrs	XS1334677850	EuroMTF	Dec-15
Satin Creditcare	India	Microfinance for women	INR	7.0	12.00	3 yrs	XS1336302796	-	Dec-15
Annapurna	India	Microfinance for women	INR	6.0	11.65	3 yrs	XS1320605766	-	Dec-15
ESAF	India	Microfinance for women	INR	9.0	11.7	3 yrs	XS1315883055	-	Nov-15
Prasac	Cambodia	Microfinance for women	USD	5.6	5.90	3 yrs	XS1289589597	EuroMTF	Oct-15
Utkarsh	India	Microfinance for women	INR	5.8	11.90	3 yrs	XS1289588433	-	Sep-15
Madura	India	Microfinance for women	INR	5.5	12.15	3 yrs	XS1264491603	-	Aug-15



Aclea	Cambodia	SME banking	USD	9.0	4y Swap+3.90	5 yrs	XS1258432472	-	Aug-15
RGVN	India	Microfinance for women	INR	5.0	12.35	3 yrs	XS1257748738	-	Jul-15
Fusion	India	Microfinance for women	INR	7.0	12.30	3 yrs	XS1251650286	-	Jun-15
Suryoday	India	Microfinance for women	INR	7.0	12.10	3 yrs	XS1241558276	-	Jun-15
Coopservidores	Costa Rica	Access to basic needs	USD	12.5	5.90	3 yrs	XS1226443676	EuroMTF	May-15
SA Taxi (USD)	South Africa	Micro and SME finance	USD	5.0	3m Libor+3.40	4 yrs	XS1193904940	-	Apr-15
SA Taxi (ZAR)	South Africa	Micro and SME finance	ZAR	6.0	3m Jibar+3.56	4 yrs	XS1193905087	-	Apr-15
Intellegrow	India	SME finance	INR	4.0	11.3	3 yrs	XS1206528009	-	Mar-15
Vistaar	India	SME finance	INR	6.5	12.35	3 yrs	XS1135551494	-	Nov-14
Prasac	Cambodia	Microfinance for women	USD	12.9	5.90	3 yrs	XS1106381327	EuroMTF	Sep-14
Satin	India	Microfinance for women	INR	9.0	12.48	3 yrs	XS1112878480	-	Sep-14
Microcred	Hong Kong	SME finance	CNY	8.0	6.90	2.5 yrs	XS1089634411	-	Jul-14
Grameen	India	Microfinance for women	INR	10.0	12.28	3 yrs	XS1087121718	-	Jul-14
Arohan	India	Microfinance for women	INR	5.0	12.66	3 yrs	XS1082852226	-	Jun-14
Annapurna	India	Microfinance for women	INR	5.0	12.66	3.5 yrs	XS1081518976	-	Jun-14
AccessBank	Azerbaijan	SME banking	USD	10.7	5.35	3 yrs	XS1066738888	EuroMTF	May-14
Coopenae	Costa Rica	Access to basic needs	CRC	9.0	12.90	3 yrs	XS1063931684	EuroMTF	May-14
Khan Bank	Mongolia	SME finance	USD	8.9	5.65	3 yrs	XS1055195322	EuroMTF	Apr-14
Finca Azerbaijan	Azerbaijan	Microfinance	USD	9.7	5.65	3 yrs	XS1051929831	EuroMTF	Mar-14
Compartamos	Peru	Microfinance	PEN	12.8	8.40	2.5 yrs	XS1008561588	EuroMTF	Dec-13
LOMC	Sri Lanka	Microleasing/fin. inclusion	USD	12.6	5.90	3 yrs	XS1005291494	EuroMTF	Dec-13
Utkarsh	India	Microfinance for women	INR	5.0	12.71	2 yrs	XS0984086651	-	Dec-13
Swadhaar	India	Microfinance for women	INR	5.0	14.12	2 yrs	XS0984086909	-	Nov-13
XacBank	Mongolia	Micro and SME finance	USD	9.8	5.65	3 yrs	XS0996977095	EuroMTF	Nov-13
AccessBank	Azerbaijan	SME banking	USD	13.5	5.35	3 yrs	XS0971128516	EuroMTF	Sep-13
AccessBank	Azerbaijan	SME banking	USD	10.0	5.25	3 yrs	XS0853357076	-	Nov-12
MUCAP	Costa Rica	Affordable housing	USD	10.0	6.40	3 yrs	XS0566343637	-	Dec-10
LOMC	Sri Lanka	Microleasing/fin. inclusion	USD	12.0	6.65	3 yrs	XS0566343710	-	Dec-10