

# Cyrano Global

*20y experience in Social Banking  
pioneer in emerging markets*

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## Investment Advisory & Fundraising



### COUNTRIES OF OPERATIONS

Argentina, Armenia, Azerbaijan, Bosnia and Herzegovina, Belarus, Bolivia, Botswana, Brazil, Cambodia, Chile, China, Colombia, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, India, Indonesia, Kazakhstan, Kenya, Kyrgyzstan, Morocco, Mexico, Mongolia, Nicaragua, Nigeria, Uzbekistan, Paraguay, Philippines, Peru, Tajikistan, Uruguay, Uganda.

# A VERY INFLUENTIAL COMPANY



With more than 20yrs experience generating investments in microfinance institutions worldwide, Cyrano is one of the most respected players in the Social Banking (SB) investment industry.

Cyrano's long-term relationship with SBs generates a large scope of investment opportunities. Cyrano started structuring loans to SBs in 1999 and, currently, some of these credit clients are among the top 5 financial institutions of their respective countries. Cyrano has loaned more than US\$8000m to 71 financial entities in 21 countries. The deals are generated and assessed by a highly specialized international team.

**Cyrano has never generated a default or delayed payment to investors**

**The GMF, a global fund managed by Cyrano, reached a pre-sale AA rating (Fitch), the highest of microfinance funds.**

## Pioneer Activities

**Manager of the first microfinance credit funds in the world (LA-CIF for Latin America).**

**Founder & Manager of the first mezzanine microfinance fund in the world (SOLIDUS for Latin America).**

**Manager of the first fund providing liquidity support to worldwide social Banks (Global Exposure) .**

**The only manager providing permanent quarterly dividends and interest payments to investors.**

**The only manager providing investors a thorough risk evaluation and monthly risk report.**



# CYRANO's Track Record

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## Major Figures

- Years in the market: 19
- **Blended IRR to investors during 20yrs in US\$ : 5.5%**
- **Amount of loans extended among all the funds under management: US\$ 819.5m**
- **Default to investors: None**
- **Arrears in payments to investors: None**
- # of Social Banks already financed: 71
- # of Countries invested in: 21
- Lowest Loan amount: US\$ 1m
- **Largest Loan amount: US\$ 120m**

## First Class References

### **MAJOR INVESTORS IN CYRANO's FUNDS**

**CITIBANK** / Equity

**JP MORGAN CHASE** / swaps

**AXA ASSET MANAGEMENT** / Senior Debt

**DEUTSCHE BANK** / Senior Debt

**OPIC (USA)** / Sub & Senior Debt

**IFC, KfW & FMO** / Equity, Sub & Senior Debt

# Key Aspects of CYRANO's Success

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## **IN-DEPTH RISK ASSESSMENT**

Country, industry and counterparty risk factors are identified, understood, analyzed and disclosed.

## **RISK MONITORING**

including a Risk Report sent to investors and investees.

## **RISK ANTICIPATION AND QUICK REACTION**

During the 2008 crisis, CYRANO performed actions that anticipated adverse effects in SBs.

## **CREDIBILITY THAT ATTRACTS OTHER INVESTORS IN SBs**

With CYRANO's loans, SBs attract new investors in a very efficient manner.

## **THE DISCIPLINE AND THE PROFESSIONAL PROFILE OF HUMAN RESOURCES**

CYRANO's Risk Officers are specialized accountants with auditing skills.

## **A PERMANENT REMUNERATION PAID TO INVESTORS**

The portfolio quality generated by CYRANO brings the highest returns of the industry.



# The Services

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**THE SERVICES**

# The Services

<u>Type of Service</u>	<u>Examples</u>
<p><b><u>FUNDRAISING</u></b> The Financial entity mandated Cyrano to reach investors</p>	<p>Promoting a socially-oriented Asian bank, member of a worldwide top 5 financial groups, for US\$ 115m Debt financed by investors from USA, Japan and Switzerland.</p>
<p><b><u>FINANCIAL ADVISORY</u></b> Cyrano had a mandate to structure an investment to be made or sold</p>	<p>A first class French bank had a mandate for Cyrano to sell its Equity position of a social bank in Central Asia.</p>
<p><b><u>STRUCTURING</u></b> The Investor made a mandate to Cyrano to identify, assess and structure an investment in a financial entity</p>	<p>A US\$ 135m Loan extended by a first class US investor to a social bank of Asia.</p>
<p><b><u>CONSULTANCIES</u></b> Cyrano provided specialized advice Related to the financial sector and social programs</p>	<p>Technical Assistance to IFAD (UUNN) for the structuring of a credit program for immigrants of several countries of sub-Saharan Africa</p>



# Risk Management

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**THE RISK MANAGEMENT EXPERTISE**

# Assessment and Monitoring

**SBs are willing to pay an additional 50-80bps for CYRANO Loans as they recognize that a loan generated by CYRANO results in a sound technical risk perception, it generates credibility *vis-à-vis* other investors and is based on a long-term relationship**

## Risk Assessment

Eligibility of countries is established based on their macroeconomic stability and friendly policies to attract foreign and private investors. The Social Banking sector of each country is also deeply evaluated. The risk appetite for countries is established by investors but CYRANO refuses to perform services when it is evident that losses could occur and would affect its reputation.

CYRANO performs a very specialized evaluation of the financial performance and social orientation of SBs, in quantitative and qualitative risk aspects.

For each loan, an Evaluation Report is submitted to **investors for approval**.

The initial risk assessment only takes one month as CYRANO has developed a very efficient process that does not jeopardize scope and in-depth identification of risks. For example, legal documentation is reviewed in the course of the first week that **CYRANO's auditors perform their due** diligence.

## Risk Monitoring

**Each financed SB is monitored by CYRANO's specialized team on a monthly basis. Monitoring determines whether the Fund should accelerate the term of the outstanding loan.**

**SBs are visited at least twice a year in order to meet with key management, to audit portfolio, to review loan files, and to double-check any risk component.**

**A Risk Monitoring Report is sent to investors and SBs every month. SBs highly appreciate this report and consider it skin to Technical Assistance (TA). Monthly reports include the following:**

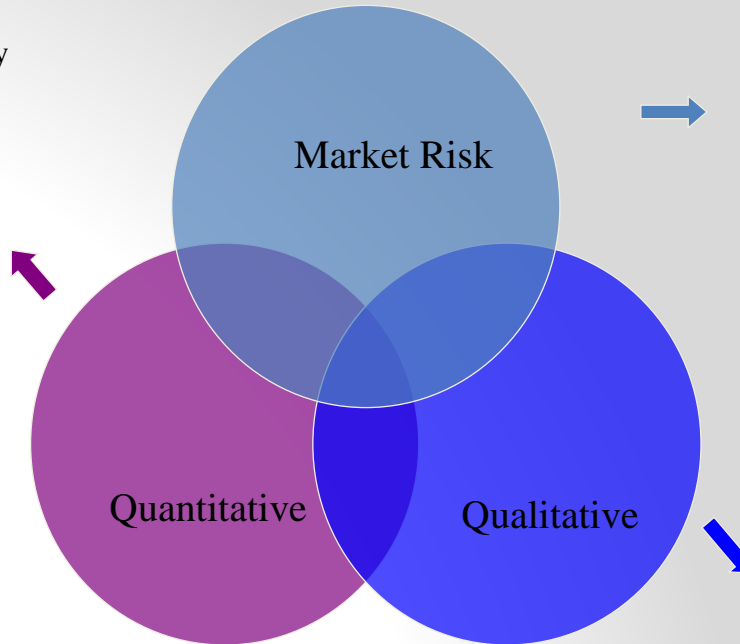
- Covenants compliance of loans
- Financial Statements
- Ratios and Financial Indicators
- Outlook of potential risks
- Market events
- Major counterpart events
- Market and country risk





## Counterparty Risk

- Maturity and Currency matching
- Liquidity
- Assets and portfolio quality
- Capital Adequacy
- Provisioning
- Capital Structure
- Efficiency
- Profitability
- Repayment Capacity



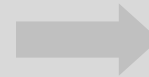
- Country Risk and Regional Correlation
- Interest Rates and Investment Policies
- Regulatory framework
- Performance of the microfinance sector
- Competition
- Government Intervention as micro lender

- Information quality
- Governance and Institutional Vision
- Human and Capital Resources
- Strategic Plan
- Market Position
- Shareholders Solvency
- Audit and Internal Control



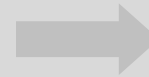
## I) Research & Marketing

- 1 Contact with MFI
- 2 Quick Screening Analysis
- 3 Structure of Potential Investment
- 4 Pre-negotiation with MFIs
- 5 Preliminary Term Sheet



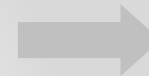
## II) Initial Appraisal

- 6 Letter of Understanding (initial T&Cs)
- 7 Evaluation Invoice (Fee)
- 8 Evaluation Information Request
- 9 On-site Evaluation (including legal review)



## III) Risk Assessment

- 10 Evaluation Report
- 11 Transaction Proposal
- 12 Investment Committee



## IV) Approval



## V) Disbursement



## VI) Risk Monitoring



## VII) Repayment



# The Fund Management Track Record

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**THE FUND MANAGEMENT TRACK RECORD OF CYRANO**

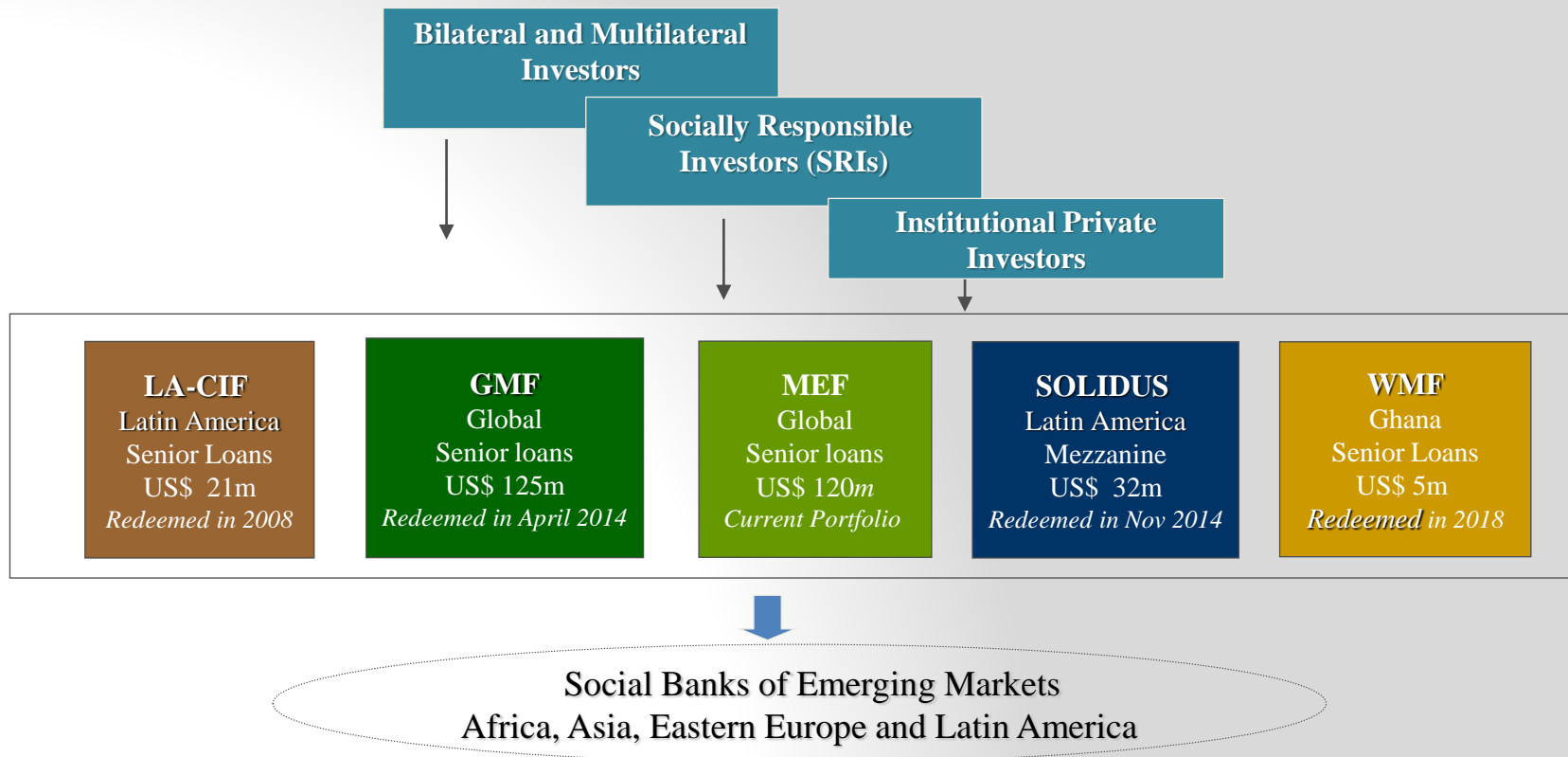
# Cyrano's Fund Family Strategy

Draft



The Fund Family includes different funds that invest in microfinance institutions. Each fund has a specific risk profile based on the portfolio strategy: by geographical diversification, by type of financial exposure (senior loans or quasi-equity) and/or by risk level of SBs.

In addition, each fund offer to investors different risk exposures in its capital structure, including common shares, subordinated loans and senior loans. This strategy allows investors, based on their risk understanding and exposure appetite, the possibility to establish an investment allocation according to a matrix including a mix of risk exposure, expected returns, social orientation and geographic specialization.





# Risk Disclosure

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**RISK DISCLOSURE**

# MAJOR RISKS ASSOCIATED TO AN INVESTMENT IN SOCIAL BANKs (SBs) OF EMERGING MARKETS

## Emerging Market Risks in General.

Investment in emerging markets involves systemic risks related to, among other things, vulnerability of local economies, instability or uncertainty of political systems or policies and international factors. Such risks include political risk such as expropriation of assets, repatriation risk for interest, dividends and capital gains, restrictions on transfers of foreign currency, devaluation of local currencies and inflation, legal framework, changes in fiscal policies which may not favor foreign investors, government intervention in economic activities, wars, revolutions and terrorism, among others.

## Government Intervention and Political Risk.

Government actions in certain developing countries that could increase the risk for micro-borrowers include the following: foreign investment controls and adverse changes in regulatory structures, as well as anti-usury laws. Potential foreign exchange controls could include suspension of the ability to convert funds from local currency and repatriation of investment, as well as restrictions on the repatriation of funds.

## Uncertain Regulation of SBs.

Some countries in Asia, Africa, Eastern Europe and Latin America have adopted specialized legislation creating financial institutions specialized in microfinance and organizing dedicated supervision of their portfolios. Such regulation often encourages the disclosure of standard financial information and establishes prudential norms that, in turn, promote the development of the microfinance industry. Nonetheless, countries in which Social Banks (SBs) are located may have risky or incomplete regulatory environments. This may prompt risks of potential changes of the legal framework. Law enforcement may also be lax, or inconsistent and the enforceability of legal decisions may be inadequate.

# RISKS ASSOCIATED TO AN INVESTMENT IN A SOCIAL BANK (SB) IN EMERGING MARKETS

## Currency Exchange Risk.

The funding of SBs can be in U.S. Dollars, Euros or in local currency. Therefore, a currency risk exposure is possible. The investments may be hedged in order to avoid losses due to any adverse fluctuation of exchange rates.

## SB Business Risks.

Challenges facing SBs include matching of currencies and maturities, liquidity, assets and portfolio quality, profitability and margins, capital adequacy, capital structure, operating efficiency, and repayment capacity. Other, more qualitative challenges for SBs are information quality and transparency, strategic plan, market position, shareholders' solvency, institutional vision and management capacity, organizational effectiveness, human capital resources, as well as audit and internal control processes.

## Risk of Liquidating Investments upon Default or Bankruptcy.

The market value of investments may fluctuate with, among other factors: changes in market rates of interest, general economic conditions, world political events, developments or trends in any particular industry, the situation of financial markets and the financial condition of SBs. In an event of default of a loan, or bankruptcy of a SB, there can be no assurance that the proceeds from liquidating investments will be sufficient to fully repay any amounts payable to Investors.

## Tax Considerations.

The tax aspects of investing in an investment vehicle are complex. Investors should consider hiring professional advisers who are familiar with the investor's tax situation and with the tax laws and regulations applicable to foreign investments.