

Expanding our **Microfinance Business**

Message from Bob Annibale

Citi Microfinance works with Citi's businesses and microfinance institutions—from NGOs and cooperatives to regulated banks and multinational microfinance institutions (MFIs)—that provide financial services to underserved and underbanked microentrepreneurs and enterprises.

Our strategy is to partner with and to build on the strength of these partner MFIs to jointly develop new products, reduce costs, manage risks, diversify funding and expand their outreach and scale. As such, we are developing products and services ranging from local currency financing, cash management solutions, treasury products and foreign exchange hedging to product distribution partnerships like microsavings, remittances and life insurance products that expand access to finance.

In Mexico, for example, Citi provides life insurance to more

than one million rural women through Banco Compartamos. In India, with BASIX, and in New York, with Grameen America, Citi is opening savings accounts for their unbanked clients. In the United States, Citi is cofinancing microentrepreneurs through a newly established partnership with ACCION Texas. And in 35 countries, local Citi branches serve MFIs directly, thereby strengthening and deepening our local presence.

Our diverse business experiences have demonstrated that Citi, in partnership with the microfinance sector, can contribute to increased



scale and product choice, and expand access to financial services for the millions of clients that MFIs serve. We look forward to continuing this work to help bring financial opportunity to people around the world.

Bob Annibale

Global Director, Citi Microfinance

Citi Microfinance works with a wide range of institutions to offer financial services to clients outside the reach of traditional financial institutions.

Over the past six years, Citi has contributed to the growth and evolution of business microfinance by helping partner institutions worldwide to develop infrastructure, diversify their product offerings and improve the level of service to microentrepreneurs and enterprises.



2002 — **MiBanco (Peru)**
PEN20 million structured bond

2004 — **Compartamos (Mexico)**
MXP500 million investment-grade bond

2005 — **Compartamos (Mexico)**
Launched life insurance partnership

2005 — **Banco Solidario and Banco Bolivariano (Ecuador)**
Established workers remittances partnership to link families in the United States and Ecuador

2006 — **Kashf Foundation (Pakistan)**
\$22 million local syndication

2007 — **Procredit (Romania)**
\$54 million local syndication, the first private sector syndication in Romania

2007 — **Procredit (Ecuador)**
\$20 million five-year structured loan

2007 — **BRAC (Bangladesh)**
\$180 million securitization of microloan receivables program

2007 — **SKS (India)**
\$44 million asset assignment program

2008 — **ACCION Texas (United States)**
\$30 million asset purchase program

2008 — **Grameen America (United States)**
Launched microsavings partnership

2008 — **BRAC (Bangladesh)**
\$22 million local currency facility with the International Finance Corporation (IFC)

Citi Microfinance is active in more than 35 countries and serves over 100 MFIs, global networks and investors worldwide.

Our mission

Working together with Citi's businesses, product groups and geographies, Citi Microfinance provides microfinance institutions (MFIs) and their clients with products and services spanning the financial spectrum.

Citi Microfinance supports the commercial development of MFIs through

- innovation, financing and product development with partners;
- local currency funding and transaction services;
- corporate finance and capital markets solutions;
- credit, savings, insurance and remittance products; and
- risk assessment framework for the industry.

In addition to our work in the field, Citi has endorsed an initiative of the Consultative Group to Assist the Poor (CGAP [www](#)), which is housed at the World Bank, to help establish "early-stage" best practice in microfinance for consumer protection. Citi Microfinance is represented at the board or steering committee level of a number of leading microfinance industry organizations, including CGAP, the Small Enterprise Education and Promotion Network (SEEP [www](#)), the Council of Microfinance Equity Funds [www](#), the Microfinance Information Exchange (MIX Market [www](#)) and the MicroFinance Network (MFN [www](#)).

Partnering with BRAC in Bangladesh

In 2008 Citi and the International Finance Corporation (IFC) provided BRAC, one of the world's largest MFIs, with a local currency facility designed to benefit its micro-lending operations in Bangladesh. The facility is available in local currency, Bangladesh Taka (BDT), and has a tenor of five years with an amortization structure. This innovative structure will benefit many potential loan recipients; namely the microcredit and small- and medium-size enterprise segments which BRAC serves.

Together, Citi and the IFC, a member of the World Bank Group, financed BRAC with \$22 million, which includes an \$18 million partial credit guarantee from the IFC. The partnership will enable Citibank in Bangladesh to extend additional long-term local currency funds to BRAC, as Citi has also provided financing to BRAC through the first AAA-rated local currency securitization of microfinance loans. Please visit BRAC's website for more information. [www](#)

"BRAC has worked with Citi on a number of financing innovations supporting its growth in Bangladesh, from bank syndications to securitization, and with BRAC Africa as we expand our outreach in underserved markets."

Fazle Hasan Abed
Chairperson, BRAC

“This transaction will lead to wider and more innovative access to finance for U.S. microfinance institutions. ACCION Texas has significant experience in supporting emerging microentrepreneurs, both through business development services and by providing these enterprises with often their only source of formal access to financing.”

Janie Barrera

President and CEO of ACCION Texas

Investing in microfinance in the United States

In 2008 Citi entered into the U.S. microfinance market with a five-year contract to purchase up to \$30 million in microenterprise loans from ACCION Texas. The transaction gave ACCION Texas the funding and the capital relief needed to expand its client acquisition and lending services. This partnership will translate into more investment in small businesses, greater access to capital and increased economic empowerment for the underserved and underbanked.

ACCION Texas's mission is to provide loans to small business owners who cannot otherwise secure access to commercial credit. It has the largest microloan portfolio in the United States and it has provided over \$77 million through 9,500 loans to more than 6,000 clients. [www](#)

Understanding emerging microfinance risks

Citi Microfinance worked closely with the Centre for the Study of Financial Innovation (CSFI) on the *Microfinance Banana Skins* benchmark report to survey the risks facing the microfinance industry as of 2008. The report, which was co-sponsored by the Citi Foundation and CGAP, identifies “Banana Skins”—or potential risks to the microfinance industry—based on responses from survey results from industry practitioners, regulators, investors and others in 74 countries.

One of the report's key messages is that the microfinance sector, which is rapidly expanding and provides access to capital to millions of people, faces many of the same risks as other segments in the financial sector. The report serves as an excellent example of thought leadership and collaboration in support of the microfinance industry. A follow-up survey will be carried out in early 2009.

For more information, please view the report online. [www](#)