



SCHWAB CHARITABLE® DOUBLE GIVE PROGRAM

M I C R O F I N A N C E G U A R A N T E E R E P O R T



OVERVIEW

The first two quarters of 2011 have proven to be a developmental time for the microfinance industry as a whole as well as for our partner, the Grameen Foundation.* The growing support of this sector has raised awareness and increased the need for micro-finance institutions to validate the beneficial services they are providing. The Foundation has continued to extend its reach around the world by forming new lender partnerships, recently executing three transactions in Latin America and Asia. Two of those transactions were with existing Grameen Foundation partners: ProMujer in Peru and Crecer in Bolivia. The third formed a new partnership with Sonata Finance Private Limited in northern India. Collectively, these three relationships allowed the Foundation to issue over \$1.2 million in guarantees, which accessed over \$4.1 million in local currency and provided roughly 16,000 loans to micro-entrepreneurs.

PORTFOLIO STATUS

As of June 30, 2011, the Grameen Foundation has issued \$13.2 million in guarantees, with \$7.25 million in incremental guarantees that are approved and pending execution. Countries covered include Bolivia, Egypt, India, Indonesia, Kenya, Peru, and the Philippines. This report highlights the stories of two women who have benefitted from the services provided by the Grameen Foundation, followed by reports outlining the Foundation's Executed Transactions to Date, Approved Pending Execution and the General Pipeline. Finally, this report provides an update on the microfinance industry in India, covering the obstacles and sector trends that continually affect Grameen's operations.



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* Grameen Foundation (www.grameenfoundation.org) is a separate non-profit entity whose mission is to create a world without poverty. Schwab Charitable is a participant in the Grameen Foundation Growth Guarantee Pool, but is otherwise not affiliated with the Grameen Foundation.



BORROWER:
Milena

COUNTRY:
Bolivia

NAME OF MFI:
Crecer

NATURE OF BUSINESS:
Milk products and
school supplies

Milena was living in La Paz where she owned her own shop that sold chicken and juices. She got extremely sick and was hospitalized for six months, which completely drained her finances and forced her shop to close. Milena had to move back to her home town of Palos Blancos, with only \$10 to her name.

She opened a shop and started small, selling cookies, juices and toilet paper while she and her daughters lived on the streets. Milena heard about Crecer from women who were selling goods around her. She joined the Crecer group with the hope to expand her business so she could afford housing for her family. Crecer initially helped Milena's group with a loan of \$3,178, allowing them to increase the merchandise they sold to include school supplies and bags of dried milk.

Milena received additional small loans that she used to buy two refrigerators and a bigger stock of milk, which was selling extremely well. The store was going through so much inventory that the manufacturer of the milk products asked Milena to become an agent of theirs. With continued success, Milena's business became a distributor and purchased a car with a refrigerator to make deliveries.

Milena has been working with Crecer for six years now and serves as the treasurer in her group. She and her daughters can afford to live in a house as they oversee three shops in the area. Milena aspires to open stores in the towns of San Borja and Yucumo, and send her daughters to school, so they won't have to struggle like she did.



BORROWER:
Lata

COUNTRY:
India

NAME OF MFI:
Cashpor

NATURE OF BUSINESS:
Clothing Store

Lata and her husband had struggled to provide adequate food for themselves and their three children. Lata’s husband runs his own small shop which wasn’t well funded or very profitable. They strived to find more consistent and sustainable income so their family could receive proper nutrition, as well as an education to ensure a more promising future.

Lata was drawn to Cashpor to work with and develop a strong community, including people with similar financial goals. She immediately invested in her support group and enjoyed working alongside the other women. Lata received her first loan of \$130 from Cashpor as an initial investment for a clothing business. She purchased a sewing machine with the funds and began mending clothes for customers.

Lata received a second loan from Cashpor, which she used to help her husband expand his shop. Lata and her husband benefitted greatly from the loans and fortified their businesses and the services they offered. They were finally able to provide for their three children, ensuring that they had nutritious meals and an education. Their profits allowed them to save for future expenses, while making improvements on their home. Lata is grateful for the women in her support group and their ability to work together and support each other in reaching their financial goals.

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Microfinance Guarantee Transactions (as of 6/30/11*)



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Executed Growth Guarantee Transactions						
Microfinance Institution (MFI)	Country	Original Guarantee Amount ¹	Leverage Multiple ²	Original Financing Generated ³	Date Closed ⁴	Max Clients Impacted ⁵
Al Tadamun	Egypt	\$1,000,000	1.5 x	\$1,500,000	07/22/09	15,000
CARD	Philippines	\$4,100,000	2.1 x	\$8,610,000	08/07/09	128,856
MBK Ventura 1	Indonesia	\$750,000	2.0 x	\$1,500,000	12/10/09	19,231
EMFIL	India	\$1,000,000	2.2 x	\$2,243,158	04/09/10	30,313
ProMujer Bolivia 1	Bolivia	\$500,000	3.0 x	\$1,500,000	10/21/10	4,018
ProMujer Bolivia 3	Bolivia	\$600,000	3.3 x	\$2,000,000	10/21/10	5,358
ProMujer Bolivia 2	Bolivia	\$500,000	3.0 x	\$1,500,000	10/26/10	4,018
ProMujer Peru 1	Peru	\$200,000	3.0 x	\$600,000	10/27/10	1,825
Crecer 1	Bolivia	\$500,000	3.0 x	\$1,500,000	11/30/10	3,006
ProMujer Peru 2	Peru	\$300,000	2.0 x	\$600,000	11/30/10	1,825
ProMujer Peru 3	Peru	\$500,000	2.0 x	\$1,000,000	12/16/10	3,042
Crecer 2	Bolivia	\$500,000	3.0 x	\$1,500,000	12/28/10	3,006
Cashpor 1	India	\$145,200	10.0 x	\$1,452,000	03/31/11	12,737
Cashpor 2	India	\$830,000	6.7 x	\$5,529,470	04/01/11	48,504
MBK Ventura 2	Indonesia	\$557,471	2.0 x	\$1,114,943	04/01/11	9,780
ProMujer Peru 4	Peru	\$500,000	2.0 x	\$1,000,000	04/25/11	3,042
Sonata 1	India	\$217,000	5.1 x	\$1,100,000	04/29/11	12,222
Crecer 3	Bolivia	\$500,000	4.0 x	\$2,000,000	06/01/11	4,008
Total Executed GG Transactions		\$13,199,671	2.7 x	\$36,249,571		309,793

Active Approved Transactions* (Pending Execution)					
Deal Name	MFI	Country	Proposed Guarantee Amount ¹	Leverage Multiple ²	Total Financing Generated ³
LAPO	LAPO	Nigeria	\$3,000,000	2.0 x	\$6,000,000
Sembrar Sartawi	Sembrar Sartawi	Bolivia	\$1,000,000	2.0 x	\$2,000,000
Arariwa	Arariwa	Peru	\$500,000	2.0 x	\$1,000,000
PMP5	Pro Mujer Peru	Peru	\$1,500,000	2.0 x	\$3,000,000
MBK3	MBK Ventura 3	Indonesia	\$1,250,000	2.0 x	\$2,500,000
Total Active Approved But Pending			\$7,250,000	2.0 x	\$14,500,000

Six Month Pipeline - Growth Guarantees by Country				
Region	Country	Possible Guarantees ¹	Probability Adjusted Guarantees	Probability Adjusted Financing ²
Africa	Kenya	\$3,500,000	\$300,000	\$600,000
Africa	Mali	\$500,000	\$50,000	\$100,000
Africa	Senegal	\$500,000	\$50,000	\$100,000
Americas	Bolivia	\$2,900,000	\$1,465,000	\$6,850,000
Americas	Peru	\$1,750,000	\$687,500	\$6,875,000
Americas	Mexico	\$750,000	\$112,500	\$225,000
Asia	India	\$7,274,800	\$1,267,460	\$782,233
Africa	Nigeria	\$4,000,000	\$950,000	\$1,900,000
MENA	Morocco	\$500,000	\$25,000	\$50,000
Asia	Indonesia	\$1,750,000	\$997,500	\$1,995,000
Totals		\$23,424,800	\$5,904,960	\$19,477,233

* Guarantee Transactions are for the Grameen Foundation Growth Guarantee Pool, of which Schwab Charitable is a 34% participant.

¹ The guarantee is provided to the local bank in US\$. Against this guarantee the bank gives a local currency loan to the MFI.

² This shows for every dollar of guarantee provided how many dollars of loan the MFI is getting, probability adjusted.

³ The local bank gives the loan to the MFI in local currency. This loan amount is converted to US\$ at the applicable exchange rate to get total financing generated.

⁴ Date the transaction was closed (i.e. the MFI received the local currency loan from the local bank)

⁵ The local currency loan received from the local bank is divided by the average loan size of the microfinance borrowers reached directly this round.

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Performance/Impact of Closed Microfinance Guarantees (as of 6/30/11*)



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Figures in US\$ unless otherwise noted

A. Guarantees Performance*	
1. Donor-Guarantor Commitments	
a) Total amount of Guarantees committed by Schwab Charitable / Total Guarantee pool	\$10,000,000/29,450,000
b) Total Guarantees issued from the pool	\$13,199,671
c) Room left in the Guarantee pool	\$16,250,329
d) Total Approved/Pending Transactions	7,250,000.00
e) Total Pipeline of Additional Guarantee Transactions	\$23,424,800
f) # of Participating MFIs	8
2. Leverage	
Amount of Local Financing Raised (US\$ equivalent) ¹	\$36,634,628
3. Tenor	
Average Tenor of Local Financing (in years) ²	2.1
B. Participant MFI Performance*	
1. Portfolio Quality	
a) Weighted Average Portfolio Growth ³	6.4%
b) Weighted Average Portfolio At Risk (PAR) >30 days ⁴ as % of Gross Loan Portfolio ⁵	1.3%
2. Capital Structure	
Weighted Average Debt to Equity ⁶	2.8
3. Profitability	
a) Return on Assets ⁷	5.7%
b) Return on Equity ⁸	19.9%
C. Impact*	
1. Client Outreach	
a) total # of clients impacted this quarter ⁹	15,057
b) total # of clients impacted (cumulative) ¹⁰	2,577,103
c) % of Clients Who Are Women	95.0%
2. Average Loan Size Data	
a) Average Initial Loan Size (Weighted average in US\$) ¹¹	\$216
b) Average Initial Loan Size to Gross Domestic Product (Average) ^{12, 13}	4.5%

* **Guarantee Transactions are for the Grameen Foundation Growth Guarantee Pool, of which Schwab Charitable is a 34% participant.**

- ¹ The local bank gives the loan to the MFI in local currency. This loan amount is converted to US\$ at the applicable exchange rate.
- ² Number of years the Guarantee will be outstanding
- ³ Total outstanding loans given to clients' growth quarter over quarter
- ⁴ PAR>30 = Portfolio-at-Risk greater than 30 days
- ⁵ PAR is the most accepted measure of portfolio quality. The value of any loans that haven't been paid back for a period of more than 30 days divided by the amount of outstanding gross loan portfolio. As a policy, Grameen Foundation will not issue Guarantees (on Schwab Charitable's behalf) in favor of any MFI if the PAR is greater than 5%.
- ⁶ The ratio of debt funding to equity funding, looking at how a company is financing its assets. This measures how the MFI is financed. For most MFIs, this ratio should be less than 5x.
- ⁷ Net operating income divided by the average total assets. Measures how well the MFI uses its assets to generate returns.

- ⁸ Net operating income divided by the average total equity. Calculates the rate of return on the Average Equity for the period. The ratio is frequently used as a proxy for commercial viability.
- ⁹ This is the number of microfinance borrowers who have received small loans from the bank loan backed by the Guarantee this quarter.
- ¹⁰ This is the number of microfinance borrowers who have received small loans from the bank loan backed by the Guarantee since the Guarantee was issued.
- ¹¹ Initial loan size of the client, often taken as a measure of how poverty focused the MFI is. MFIs that provide lower initial loan sizes are targeting clients that are poorer and are significantly further away from accessing commercial credit.
- ¹² Measures the initial loan size of the client as a percentage of GDP per capita. Demonstrates how large the loan is in terms of the average individual's productivity.
- ¹³ Source: IMF



COUNTRY RISK UPDATE: INDIA

Since the establishment of the regulatory framework by the Reserve Bank of India on May 3, 2011, there has been little definitive movement in the microfinance sector. The Indian government recently published a draft of the Micro Finance Institutions Bill, providing a more inclusive view of the proposed regulatory framework for the microfinance sector. Although far from finalized, the draft bill has provided a degree of certainty about future regulations and is seen as a welcome development for many in the sector.

Most recently, there have been reports of some liquidity beginning to flow back into the sector, but liquidity constraints continue to be a harsh reality as banks and other investors wait to see the outcome of the regulations. The Foundation is continuing to monitor the situation with Grameen Capital India, their joint venture in the country, and is pursuing opportunities to support top performing, socially focused microfinance institutions as the industry continues to recover.

These statements were taken from the 2nd Quarter 'Donor Guarantor Report' provided by the Grameen Foundation.

Schwab Charitable™ is the name used for the combined programs and services of Schwab Charitable Fund, an independent 501(c)(3) nonprofit organization, and Schwab Charitable Trust Services, a limited liability company owned by Schwab Charitable Fund. The Fund has entered into service agreements with certain affiliates of the Charles Schwab Corporation.