

Use of Capital Markets to Fund Microfinance

Whereas

2005 is the United Nations International Year of Microcredit, which focused on two key challenges—meeting the unmet demand for basic financial services and removing the constraints that exclude people from fully participating in the financial sector.

We believe our corporation should be involved in the development of microcredit or microfinance as a means of strengthening emerging market economies and increasing the market for conventional banking among a larger group of customers in these countries.

Microfinance in emerging markets provides a route to bring large numbers of households, who are unbanked and in the alternative economy, into the mainstream economy through development of their skills as small capitalists.

An important route to the development of this microfinance is through the international capital markets, which can provide the funding for local microfinance groups. These local microfinance groups then provide the loans to the borrowers because they have intimate knowledge of the local market and of the enterprising borrowers who need to finance their small businesses.

- As examples, Citigroup with its Mexican subsidiary, Banamex, has underwritten and marketed the equivalent of \$40 million in bonds issued for the Mexican microfinance group, Compartamos. Compartamos provides small loans to some 90,000 mostly rural women to finance their small businesses. It is believed that the development of these small businesses, which are now outside of the conventional economy, will help create a stronger Mexican economy and also, ultimately provide customers to Citibank's subsidiary Banamex. Citigroup also underwrote an issue for a Peruvian microfinance group and is seeking microfinance partners in other countries.
- Deutsche Bank is sponsoring a Global Commercial Microfinance Consortium, which will partner with local commercial banks to lend to microfinance groups. It currently is seeking investors to provide the funding.
- HSBC has just announced its intention to provide for microfinance in the Philippines.
- Finally, among developed countries, a number of the member countries of the European Union have provided the equivalent of \$4.5 billion of microfinance to assist unemployed to start small businesses in an effort to stimulate their economies and relieve unemployment.

We believe not only that our corporation will find this financing profitable but also that the long term financial interests of our corporation will be enhanced.

Therefore be it resolved that the shareholders request the Board to develop policies that will enable our corporation to participate in the funding of microfinance groups through its use of capital markets and to report to the shareholders by the time of the 2007 annual meeting on its plans and achievements in this area.