

Dec. 17, 2020

Dear Friend,

For me, and for many of you as well, this has been the most challenging year of our lifetimes. But it has been remarkable in so many ways as well. The heartwarming acts of kindness, bravery, and sacrifice continue to remind me that hope and positive impact is still a reality. I see this in spades at Friendship Bridge. The increased generosity is, without a doubt, the very element allowing us to continue making incredible strides in our work to empower women in Guatemala. And I am thrilled to share some very positive and exciting updates with you in this newsletter!

>> See next page for details

Our Response + Financial Position: As of December 2020, our portfolio quality continues to be one of the best in the Microfinance industry, with expected full-year write-offs of 3% and end-of-year delinquencies of only 2%, with client retention rates exceeding 76% for all clients. Nearly 95% of our clients continue making their loan repayments from Guatemala, exceeding our expectations and allowing Friendship Bridge to now plan for the future with a clear path forward. We are, as always, impressed and humbled to witness our clients resiliently going the extra mile to meet a variety of adversities.

\$1MM grant for new *Entrepreneur Program*: Friendship Bridge has been awarded a \$1MM grant, the largest in the organization's history, which will allow us to implement our new *Entrepreneur Program* over the next 3 years - a significant component of our next 5-year Strategic Plan.

Virtual Insight Trips to Guatemala: In lieu of hosting our in-person traveling experiences to Guatemala, Friendship Bridge is bringing Guatemala to you! We have hosted three virtual events with our amazing staff and clients to learn more about our work on the ground. These "trips" have been recorded and we invite you to travel with us from the comfort of your home to meet Marcela, Elena, and many others.

As 2020 comes to a close, I am more motivated than ever to go the extra mile for our clients who are doing extraordinary things to adapt to this year's challenges. Thank you for your support in this amazing journey.

Wishing you a safe, healthy and happy holiday season,



Karen Larson,
President and CEO

Our Response + Financial Position

With health and safety at the core of our decision making, Friendship Bridge is responding proactively to meet the needs of our clients and staff, all while ending the year with a healthy balance sheet.



When COVID-19 was first reported in Guatemala, all our direct work with clients was put to an abrupt halt. Strict containment orders helped stop the spread of the virus, but also had a direct and negative impact on our clients' ability to earn income and pay their loans back to Friendship Bridge. We immediately made thousands of phone calls to our clients to offer support with business concerns, emotional needs, and health safety concerns. We offered a 2 month grace period on all loans so clients did not have to choose between making their loan payments and feeding their families. We pivoted our *Health for Life Program* to a telehealth model and started utilizing technology in new and innovative ways. We raised \$65k in less than 30 days to fund an *Emergency Food Relief Program*, which was planned and executed with partners in Guatemala with

lightning speed. We generated \$72k in October for our annual Stay-At-Home Gala through ticketing, donations, and live auction sales. We shored up our liquidity by extending our total \$1.58 million Private Placement investment for another year and increased our investor commitments by more than \$1 million this year. Meanwhile, we developed four different budget forecasts during the year and updated our operations plan several times to adjust to constant changes.

[>> View a 2020 Timeline: Our Response to COVID](#)

In time, we have come to understand the “new normal” and the revised operational needs of our organization. We are happily learning that significantly fewer clients require loan modifications to help them through these trying times. And to our pleasant surprise, we are finding that a large majority of clients are able to make their loan payments again. By adapting or restarting their small businesses and finding new opportunities to earn an income, the repayment rate of loans is significantly higher than we anticipated, over 95%, and it is allowing us to confidently look to the future.

As we develop our 2021 budget, we expect to begin the year with a smaller portfolio and fewer clients than the year before, but with a healthy balance sheet. Friendship Bridge is in a great position to take advantage of opportunities at a time when many other microfinance institutions may have stumbled and/or left the market with fewer options and staff layoffs. Unlike other microfinance institutions, we stepped up. We are using technology to improve business processes, taking on new programming initiatives, and navigating a new strategic plan. Because of this, we expect growth in 2021, not only in existing areas of operations in Guatemala, but new ones as well. Our three main goals for the new year are: Careful and Strategic Growth, Digital Transformation, and Development of the *Entrepreneur Program*.

\$1MM Grant for new *Entrepreneur Program*

Friendship Bridge has been awarded a \$1MM grant to design, pilot, and scale up our new Entrepreneur Program — a major component of our next 5-year Strategic Plan.



One of our main initiatives from our strategic plan we thought we would have to put off is now becoming a reality for us. Most Friendship Bridge clients manage what are called “necessity-driven” enterprises; businesses in which the woman is the sole employee and can provide enough income for her family’s basic needs. But about 5% of our clients can be classified as “leaders” of “livelihood-sustaining enterprises.” Owners of these businesses are highly motivated, enjoy a supportive environment, have an economically-viable business model poised for growth and are the drivers of economic development and new job growth in rural areas. As such, they require a different set of tools and services that are often unmet by the market. Their businesses are often too large for traditional MFIs, too small/risky for commercial banks and do not have the high ROI potential that many venture capitalists/angel investors require. This is why this segment of entrepreneurs has been called the “missing middle” and why Friendship Bridge is uniquely positioned and compelled to serve this segment of entrepreneurs.

With this grant, Friendship Bridge will have the resources we need to “accelerate” these clients’ businesses. The grant will help us to design financial and non-financial tools for these dynamic entrepreneurs; build the necessary infrastructure internally to support this program; and become an important actor in Guatemala, working alongside like-minded partners to bring only the highest-quality services to women entrepreneurs. We are currently in the research/design phase of this program. Once the program is running, we will start small with 75 entrepreneurs in the pilot phase. After we learn from them and make any necessary modifications to the program, we will scale the program by the end of this 3-year grant. The main success indicators of this program will be 1.) increased income of the entrepreneurs, and 2.) employment generation in their communities.

We look forward to the many ways the *Entrepreneur Program* will strengthen Friendship Bridge as an organization and allow us to develop a broader ecosystem of supporting women entrepreneurs in this “missing middle.” Stay tuned for more information and exciting stories on how we are impacting clients with your support!

Virtual Insight Trips to Guatemala

Friendship Bridge hosted three virtual events to connect our donors, volunteers, and partners with our clients in Guatemala.



Reconnecting with Clients: August 27, 2020 See one of our monthly Trust Bank meetings in action in Panajachel. Hear a thoughtful conversation with 7 Friendship Bridge clients, facilitated by our loan officer Cesar Arriola.

Artisan Program: Oct. 1, 2020 Travel to Sololá and visit Marcela's workshop where she makes beautiful, handmade artisan items as part of Handmade by Friendship Bridge. Don't miss the weaving demo from Santos.

Health for Life: Nov. 5, 2020 Meet the amazing doctors and nurses of our *Health for Life* program who provide preventive health services and education to our clients in partnership with Maya Health Alliance. Learn about the natural dyeing process with Elena, an artisan living San Juan La Laguna, Sololá, and see her daughters talk about what they admire most about their mother.

LEARN MORE & STAY CONNECTED

- **2019 ANNUAL REPORT** – We are excited to share our 2019 Annual Report with you where you can find inspiring client impact stories and data points showcasing how we've measured up to our goals. Thank you for your support in leading Friendship Bridge to tremendous success! [>> View the 2019 Annual Report in English and/or Spanish](#)
- **JOIN US FOR MORE VIRTUAL INSIGHT TRIPS IN 2021!** -- We'll be hosting even more virtual visits to Guatemala so you can see firsthand the impact you're making for thousands of women and their families. [>> Subscribe to Get an Invitation](#)