

Social Performance
Report 2015

Measuring what really matters

www.mfbbva.org/en/informe-2015



BBVA Microfinance Foundation is committed to the success of the vulnerable entrepreneurs it serves. It ensures mission alignment through rigorous measurement of the economic and social development of entrepreneurs over time.

Measuring
what really matters

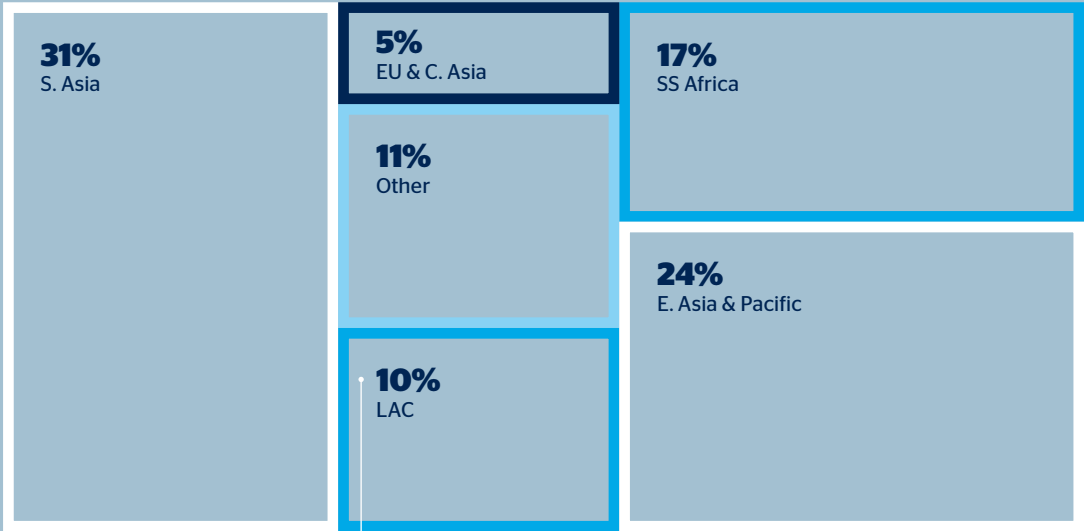
Social Performance
Report 2015

2	BBVA Microfinance Foundation Spain
44	Bancamía Colombia
60	Financiera Confianza Peru
74	Banco Adopem Dominican Republic
90	Fondo Esperanza Chile
104	Emprende Chile
116	Microserfin Panama
132	Microfinanzas PR Puerto Rico
146	Contigo Argentina

Our priority: to serve disadvantaged communities

Globally, 2 billion¹ adults lack access to financial services, i.e. 38% of adults around the world. In Latin America alone there are 210 million¹ people excluded from the financial system. 63 million¹ of the unbanked live in the countries in which

BBVA Microfinance Foundation operates and 27 million² are self-employed or micro entrepreneurs, representing 35% of the labor force, and thus emerging consumers, interested in products and services that are essential to their development.



2bn unbanked¹
38% of adults

210 million¹
unbanked are in Latin America and the Caribbean

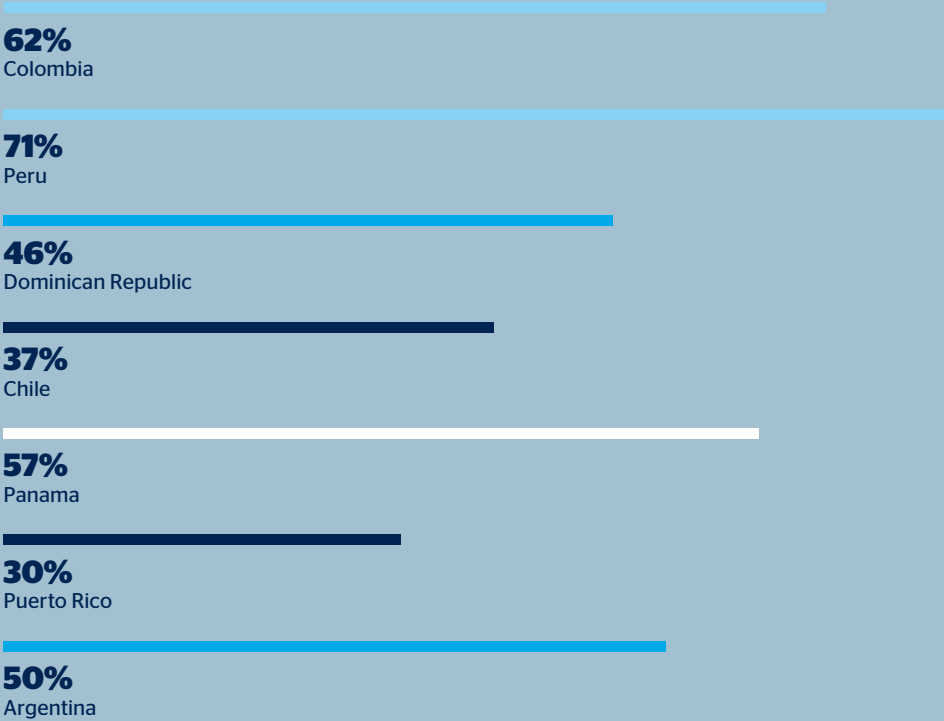
63 million¹
are in the countries in which BBVAMF operates

42 million²
operate businesses in the informal sector

1_Source: 2014 Data, Global Findex, World Bank. The Global Findex database is the world's most comprehensive database on financial inclusion that consistently measures people's use of financial services across countries and over time. It consists of over 100 indicators and is based on interviews with about 150,000 nationally representative and randomly selected adults (age 15+) in over 140 countries. The survey was carried out using randomly selected, nationally representative samples. Denotes the number of respondents who report having an account (as sole title owner or with someone else) at a bank or another type of financial institution.

2_IDB – Fomin 2015, Financial Inclusion in Latin America and the Caribbean: Data & Trends.

Unbanked population by country¹



BBVAMF Group at a glance

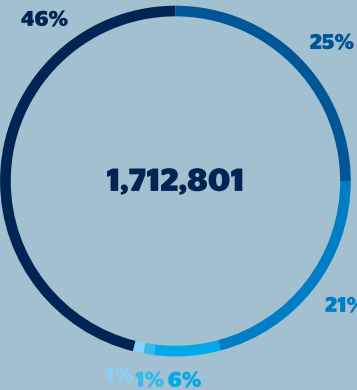
The BBVA Microfinance Foundation (BBVAMF) is a sizeable and growing group of eight microfinance institutions (MFIs) in Latin America (BBVAMFG). Its aim is to become the benchmark financial institution, through its MFIs, for the micro-entrepreneurs with productive activities it serves, by providing responsible financial services that foster sustainable social and economic progress. Using each MFI's extensive experience and local

expertise, BBVAMF brings technology and banking know-how to the entities with which it operates, in order to improve efficiency and scale. BBVAMFG has now reached critical mass, serving approximately 1.7 million low-income clients in seven countries in the region, and with assets at the end of 2015 of USD 1.1bn. Further information is available at:

www.mfbbva.org/en/

Significant scale

Total net clients

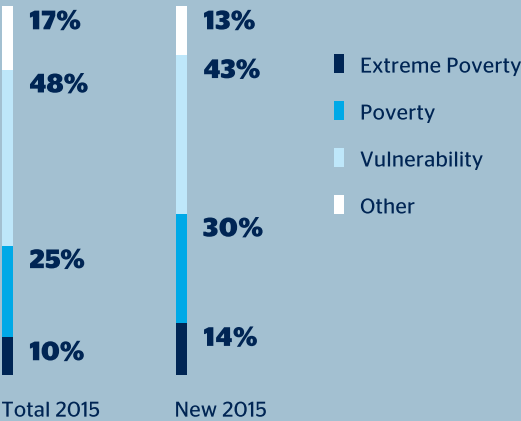


- 785,535 Bancamía
- 435,879 Financiera Confianza
- 361,722 Banco Adopem
- 102,141 Fondo Esperanza
- 15,674 Microserfin
- 10,568 Emprende
- 1,112 Microfinanzas PR
- 170 Contigo

Source: BBVAMFG institutions. BBVAMF calculations.

Serving around 1.7 million clients with an indirect impact on 6.9 million people.

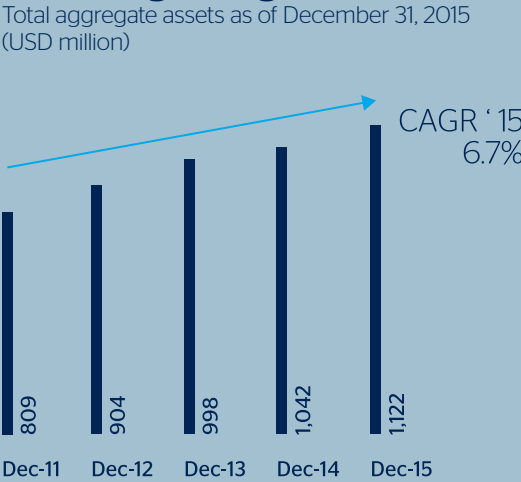
Consistently reaching low-income entrepreneurs



Source: BBVAMFG institutions. BBVAMF calculations.

83% of total clients as of Dec 31, 2015 are vulnerable, of which 35% are classified as poor (i.e. below the poverty line of their respective country).

Solid and growing asset base



Source: BBVAMFG institutions. BBVAMF calculations.

Solid asset base to support MFI growth.

Extensive regional footprint



509 offices across 7 countries through 8 microfinance institutions (MFIs) and 7,910 employees.

Creating long-term value

BBVA Microfinance Foundation (BBVAMF) was incorporated in 2007 as a major component of the corporate social responsibility strategy of its founder, Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), focused on financial inclusion. Headquartered in Madrid (Spain), BBVAMF was set up as a non-profit, independent from it and from the BBVA group in its governance and management, in order to ensure it permanently maintains a social purpose.

BBVAMF operates as a financial holding that actively manages the microfinance institutions (MFIs) in which it has majority stakes with the aim of addressing the financial needs of low-income micro-entrepreneurs in Latin America through *Responsible Productive Finance*, a methodology designed in-house. BBVAMF’s markets span Colombia, Peru, Chile, Argentina, Panama, Dominican Republic and Puerto Rico.

Using a centralized approach, BBVAMF supports the MFIs so that they can optimize their daily operations by providing financing and banking expertise at all levels in order to build sustainable institutions that create real economic and social value in the communities they reach. At the same time BBVAMF safeguards their mission to **boost sustainable economic and social development for disadvantaged people in society through *Responsible Productive Finance*.**

Through a range of departments including HR, Service Delivery Infrastructure, Internal Audit, Compliance, Finance, Impact Assessment, Analysis and Research, to name just some, BBVAMF supports each MFI as required, while building on local know-how and expertise.

2013
Merger of entities in Peru and establishment of Financiera Confianza (Peru)

2011
Purchase of majority stake in Fondo Esperanza (Chile)

2009
Purchase of majority stake and establishment of Emprende (Chile)

2007
Establishment of BBVAMF with a EUR 200mn donation from BBVA Bank (Spain)

2012
Purchase of majority stake in Banco Adopem (Dominican Republic)

2010
Purchase of majority stake in Financiera Confianza (Peru)

Purchase of majority stake and establishment of Contigo (Argentina)

Purchase of majority stake and establishment of Microserfin (Panama)

2008
Purchase of majority stake and merger of Caja Rural Nor Peru + Caja Rural del Sur + Edpyme Crear Tacna: incorporation of Caja Nuestra Gente (Peru)

Incorporation of Corporación para las Microfinanzas PR (Puerto Rico)

Purchase of majority stake and merger of WWB Colombia and WWB Medellin and incorporation of Bancamía (Colombia)

Partners

Founding NGOs	<ul style="list-style-type: none">• Corporación Mundial de la Mujer Colombia• Corporación Mundial de la Mujer Medellín• ONG Adopem• SEPAR (Servicios Educativos, Promoción y Apoyo Rural)• Hogar de Cristo
Multilaterals	<ul style="list-style-type: none">• International Finance Corporation (World Bank)
International investment funds	<ul style="list-style-type: none">• Incofin• responsAbility• Oikocredit

Management team

Javier Flores	CEO
Alejandro Lorca	Finance
Paloma del Val	Legal & General Secretariat
María Oña	Communications
Miguel Ángel Ferrer	Human Resources
Miguel Ángel Charria	Risk Management
Joao Costa	Service Delivery Infrastructure
Rodrigo Peláez	Impact Assessment
Giovanni Di Placido	Analysis & Research
Joaquín Ángel Cortés	Internal Audit
Silvia Duro	Compliance
Miguel Ángel Martín	Commercial Development

Board of trustees

Claudio González-Vega (Chairman)	Professor emeritus at Ohio State University, internationally renowned authority in finance and development particularly in analysis, promotion and regulation of microfinance
Tomás Alfaro	Director of Management and Business Administration graduate studies at the Universidad Francisco de Vitoria (Spain)
María Begoña Susana Rodríguez	University Professor of Corporate Economics and Management Control at La Comercial, University of Deusto (Spain)
Gonzalo Gil	Former Deputy Governor of the Bank of Spain
Nancy Barry	Former President of Women’s World Banking
José Barreiro	Previously responsible for BBVA Group’s Wholesale Banking & Asset Management and Corporate & Investment Banking areas, former Vice-President of Bolsas y Mercados Españoles
Javier Flores	Non-voting member
Paloma del Val	Non-voting member

BBVA Microfinance Foundation

BBVAMF is a microfinance group of reference in Latin America, operating through eight microfinance institutions. Its sustainable and responsible management and its strong emphasis on technological innovation have borne fruit, with solid growth and its proven commitment to serving vulnerable people in society.

1,712,801

Total clients

917,186

Credit clients

314,931

New credit clients

1_ According to each country's official poverty line (distinguishing between rural and urban environments). Source: Each country's national information

centres. Clients whose per capita net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita)

is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_ Clients with primary education at best, as a proportion of all credit clients.

Total Credit
Clients as of
Dec 31, 2015

83%

Vulnerable¹

61%

Women

47%

Primary
education²

30%

Rural
environment

20%

Under 30 years old

New Credit
Clients 2015

30%

Rural
environment

32%

Under 30 years old

43%

Primary
education²

58%

Women

87%

Vulnerable¹

BBVA Microfinance Foundation

BBVA Microfinance Foundation (BBVAMF) has developed a simple and pragmatic approach, applying outcome-focused social performance measurement to analyze the impact of its microfinance activities.

The impact assessment team's purpose is to align BBVAMF's operations with its mission of supporting the end-client's sustainable social development through productive activities. The findings are presented in a yearly report and include both social and economic information as a basis to better understand the client dynamics of the institutions the group supports and ultimately provide a better service. Further work is required to develop these indicators and broaden their scope, given the many layers of complexity involved in monitoring each individual client. However, BBVAMF has been able to draw conclusions from the economic and social performance of its client base over time which suggests that its activity is having a positive social impact.

A note on information constraints

The information provided is based on quarterly reporting of BBVAMF's underlying microfinance institutions (the BBVAMF Group or BBVAMFG) and has been collated rigorously, after undergoing detailed checks for accuracy and consistency with external sources. The data has been carefully investigated and corrected for measurement problems, the criteria used in each country have been aligned, verified, and finally, the outputs have been validated by both local teams and the BBVAMF impact assessment team to guarantee that the data is thorough and paints a true picture. However, based on the quality of information received and the differing data collection processes involved, BBVAMF acknowledges that accessing accurate information for each individual client at different points in time is a challenge. In general, heterogeneous databases and processes as well as legal realities have in some cases limited the data available for analysis. The BBVAMF impact assessment team has taken steps in the data gathering process to mitigate possible reporting biases and data gaps and ensure the analysis is as robustly accurate as possible. Further details on specific data limitations can be found in the Information Limitations section.

Overview

In 2012, BBVAMF established the impact assessment team, aimed at measuring on a regular basis the degree of success in meeting its social mission through a system of quantitative and qualitative social metrics. With credit clients in particular, BBVAMF has been able to gather a wide range of segmentation characteristics (e.g. environment, education, age, etc.) over time as well as reporting the status of their micro-enterprises (sales, net income, assets and equity)¹. The impact assessment team has defined processes for obtaining and analyzing information periodically and historically to ensure the harmonization, integrity and consistency with external sources of the data received from its various microfinance institutions (MFIs). It is a dynamic process, ensuring a robust, clear and reliable database. BBVAMF currently manages over 25 indicators for each MFI, from both the client characterization perspective as well as the key figures relating to the impact of BBVAMFG's activity.

BBVAMF manages a detailed and high quality client database with historical data which is updated on a quarterly basis.

The information, social objectives and analysis of those indicators are in the process of being incorporated into the policies, procedures and systems of the organization. Information is prepared periodically, which each MFI's board or executive committee then assesses. In the future, specific KPIs and targets will be established for strategic decision making and will ultimately be integrated into day-to-day business activities.

Three main objectives have been identified:

1. Verify the targeting of low-income populations with limited or no access to financing (See *Consistently Targeting Low-income Clients*)
2. Evaluate the support given to clients' financial lifecycle, in particular, with regards to the development of their productive activities (See *Signaling Micro-entrepreneurs' Progress*)
3. Measure and promote sustainable progress, of both the client's and BBVAMFG's activities, through long-term and stable relationships (See *Supporting Client Growth*)

BBVAMFG has committed to targeting poor and vulnerable populations, with 83% of its client base qualified as vulnerable².

The resulting analyses of the impact assessment team's effort in 2015 show that the BBVAMF Group has committed to targeting poor and vulnerable populations, with 83% of its client base qualified as vulnerable². Furthermore, the data shows a correlation between client continuity and an upward move from poverty segments into higher income brackets. While access to financial services alone is not enough to unlock the full potential development impact, access to such services shows that some development potential has been realized. 32% of clients classified as poor are able to overcome poverty after 2 years with BBVAMFG, and over half of remaining clients are able to do so in 4 years³. Since BBVAMF assesses the poverty level by dividing the available income between family members, this positive result has an exponential effect in communities. Client micro-entrepreneurs are also closely tied to their communities, as most are active in retail trading, services or agribusinesses, with steady annual growth rates and low but climbing balance sheet ratios.

1_There are exceptions for some MFIs. Where information is not available, this has been stated.

2_Clients whose per capita net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

3_Clients whose per capita net income was initially below the national poverty line but have, over time, surpassed this threshold.

Committed to creating
an impact

BBVAMF Group offers a range of credit, saving, micro-insurance and transaction products; however, the bulk of the analysis has been carried out on clients owning (at least) credit products given the availability of detailed information about them. Also, it should be noted that as of December 31, 2015, BBVAMF was serving 1.7 million clients⁴ (917,186 credit clients), the majority of whom are in Colombia with 785,535 clients⁴ (356,377 credit clients), followed by Peru with 435,879 clients⁴ (213,152 credit clients) and Dominican Republic with 361,722 clients⁴ (217,992 credit clients). Thus, it is these MFIs that will drive most of the customer trends.

83% of our clients
earn on average
USD 3.5 per
day from their
micro-enterprises’
per capita profits.

4_Total net clients as of December 31, 2015.

5_The terms “profit” and “net income” from a micro-entrepreneur’s business are used interchangeably.

6_Estimated according to poverty and extreme poverty lines assessed by each country’s statistics institutes or other national statistics centres. We consider a client to be poor (or extremely poor) if his/her business profit (net income) divided by the number of members in the family unit is lower than the poverty and extreme poverty lines of his/her country; differentiating between urban and rural environments. Moreover, we say that a client is classified as economically vulnerable (or vulnerable) if his/her per capita business profit is no more than 3 times the poverty line of his/her country and type of environment. The “Others” group covers those clients whose per capita business profit passes this threshold.

7_Throughout, vulnerable clients comprise those clients classified as extremely poor, poor or vulnerable.

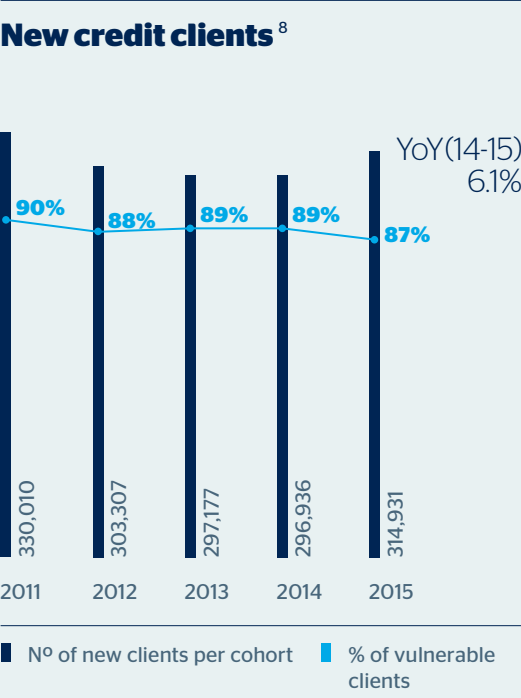
Consistently targeting
low-income clients

Committed to targeting
vulnerable clients

35% of clients are
classified as poor
or extremely poor.

One of the principal findings of the data is that, in line with its mission, BBVAMF Group has consistently targeted low-income clients. BBVAMFG focuses on economic vulnerability as determined by each country’s national poverty lines to capture new clients, i.e. clients whose net income per capita (profit⁵ obtained from micro-enterprises per family member) is less than 3 times the poverty line determined by their national official bodies⁶. Put differently, among our vulnerable clients, each family member receives an average of USD 3.5 per day (USD 3.8 per day in 2014) from their micro-enterprise’s profits. Of those vulnerable clients⁷, 35% are classified as poor or extremely poor, earning on average USD 1.8 per day. Historically, vulnerable clients represent an average 89% (2011-2014) of the clients that join BBVAMFG yearly, a trend which continued in 2015, with vulnerability (for new clients) standing at 87%. Taken together, 83% of all current BBVAMFG clients as of December 31, 2015 were qualified as vulnerable (85% in 2014).

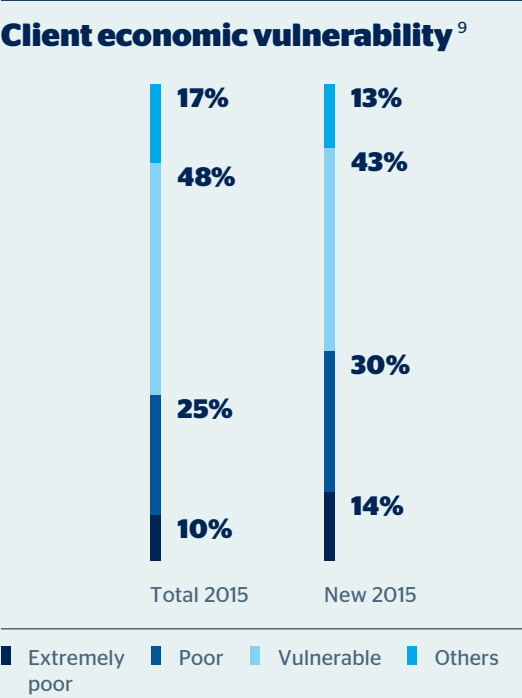
In a mature and competitive market, BBVAMF Group institutions succeeded in enrolling over 314,000 new clients in 2015 and retained the focus on low-income entrepreneurs; 87% of these are vulnerable⁶.



Source: BBVAMFG institutions. BBVAMF calculations.

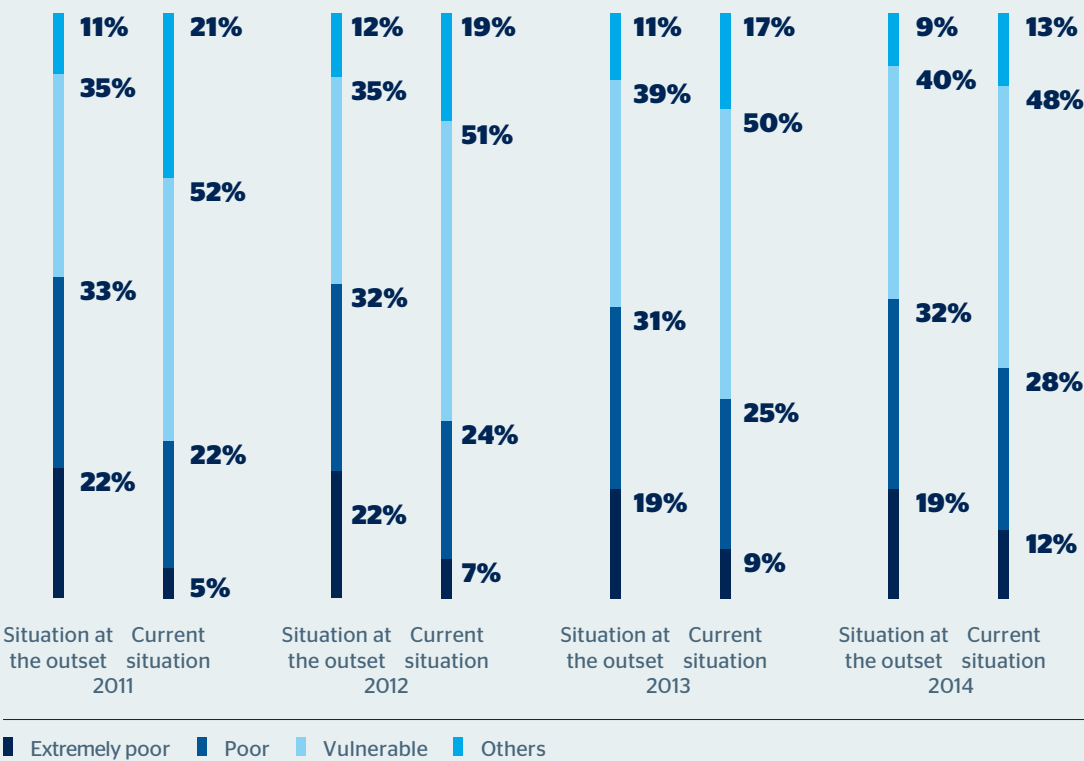
8_Takes into account clients that joined during the year (new clients).

9_According to each country’s official poverty line (distinguishing between rural and urban environments). Source: Each country’s national information centres.



Source: BBVAMFG institutions. BBVAMF calculations.

Client economic vulnerability (by cohort)^{10,11}



Source: BBVAMFG institutions. BBVAMF calculations.

Clients overcoming poverty (by cohort)¹¹



Source: BBVAMFG institutions. BBVAMF calculations.

10_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort still current as of December 31, 2015.

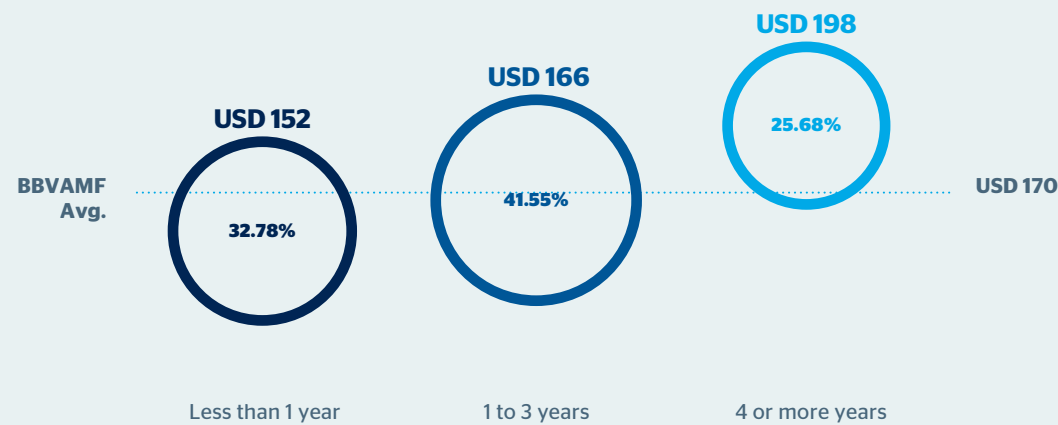
11_Clients participating in the sample are current clients whose data has been updated in the last 12 months.

After 2 years, at least 32% of clients classified as poor or extremely poor at the beginning are generating net income above the poverty line of their respective countries.

To go one step further, clients who joined in a specific cohort and are classified at the outset as poor or extremely poor are those that over time rise up the economic ladder and become vulnerable instead of poor. For example, 55% of the 2011 cohort that continued with BBVAMFG as of December 31, 2015 was classified as extremely poor or poor at the outset and only 27% remained as of December 31, 2015. That is, 51% of all the total clients classified as poor or extremely poor have escaped poverty, or 8,475 people (for the 2011 cohort only).

As clients continue with BBVAMFG, their per capita average monthly net income increases over time. Hence, the length of the banking relationship appears to affect client poverty. Indeed, clients that have stayed longer with BBVAMF evidence higher average net income (USD 198 after 4 or more years with the entity) than those who recently joined (USD 152 if less than 1 year with the entity), with an average income of USD 170 (USD 179 in 2014). Overall, monthly income levels are low for the majority of BBVAMF's clients: USD 26 for 10% of the client base ("extremely poor"), USD 65 for 25% of the client base ("poor") and USD 143 for 48% of the client base ("vulnerable").

Average per capita micro-entrepreneurial monthly net income, by client seniority¹²

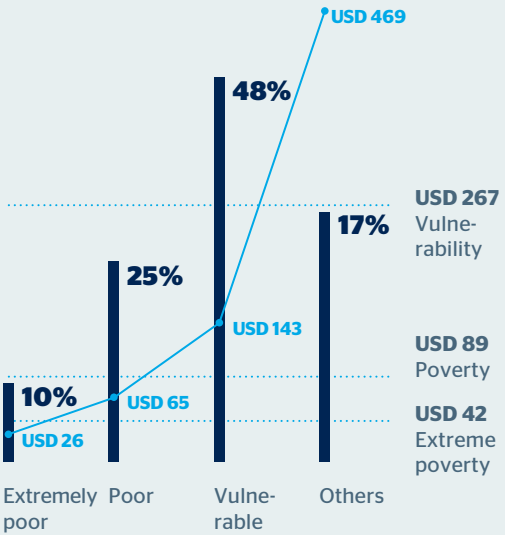


12_Data for the current portfolio as of December 31, 2015.

Circle represents the % of total clients

Source: BBVAMFG institutions. BBVAMF calculations.

Average per capita micro-entrepreneurial monthly net income, by client vulnerability^{15,16}



■ % clients ■ Micro-enterprise net income per capita

Source: Each country's national information centres. BBVAMFG institutions. BBVAMF calculations.

13_ Includes clients that joined BBVAMFG since 2011 and have remained.

14_ Number of clients in each cohort still with BBVAMFG as of December 31, 2015 who were in the poor or extremely poor segment at the beginning of their relationship with the MFI and have moved to a higher segment. Weighted average for each MFI based on poor and extremely poor clients at the outset.

15_ Data for the current portfolio as of December 31, 2015.

16_ Poverty lines are for the urban environment and are obtained by calculating the weighted average of the local poverty line by the number of clients in each country.

There seems to be a direct relationship between the length of client banking relationship and poverty levels (i.e. the longer the client remains with BBVAMFG, the higher the monthly p.c. net income).

The commitment to consistently targeting vulnerable clients has resulted in over 42,000 clients no longer being classified as poor¹³. On average, 32% of the clients that join BBVAMF are able to overcome poverty within 2 years while 51% are able to do so in 4 years¹⁴. As the client base expands, the impact is expected to increase.

Every entity in the BBVAMF Group seeks to be the first banking relationship of many low-income clients in order to put basic financial services within their reach. In Peru, 45% of Financiera Confianza's credit clients have entered the financial system for the first time through this institution. BBVAMF is in the process of gathering information from local credit bureaus to better assess clients' activity in the financial system and monitor their level of fidelity to the institutions within the BBVAMF Group, to what degree they have solid banking commitments and their level of indebtedness.

With the concentration of clients spread between those classified as poor and extremely poor (35% in 2015 and 46% in 2014) and vulnerable (48% in 2015 and 46% in 2014), further research with more comprehensive data, both quantitative and qualitative, could provide a better understanding of what is driving these trends and how MFIs can implement changes to better meet client needs. BBVAMF has sought to define client characteristics as a first step to conducting a poverty analysis.

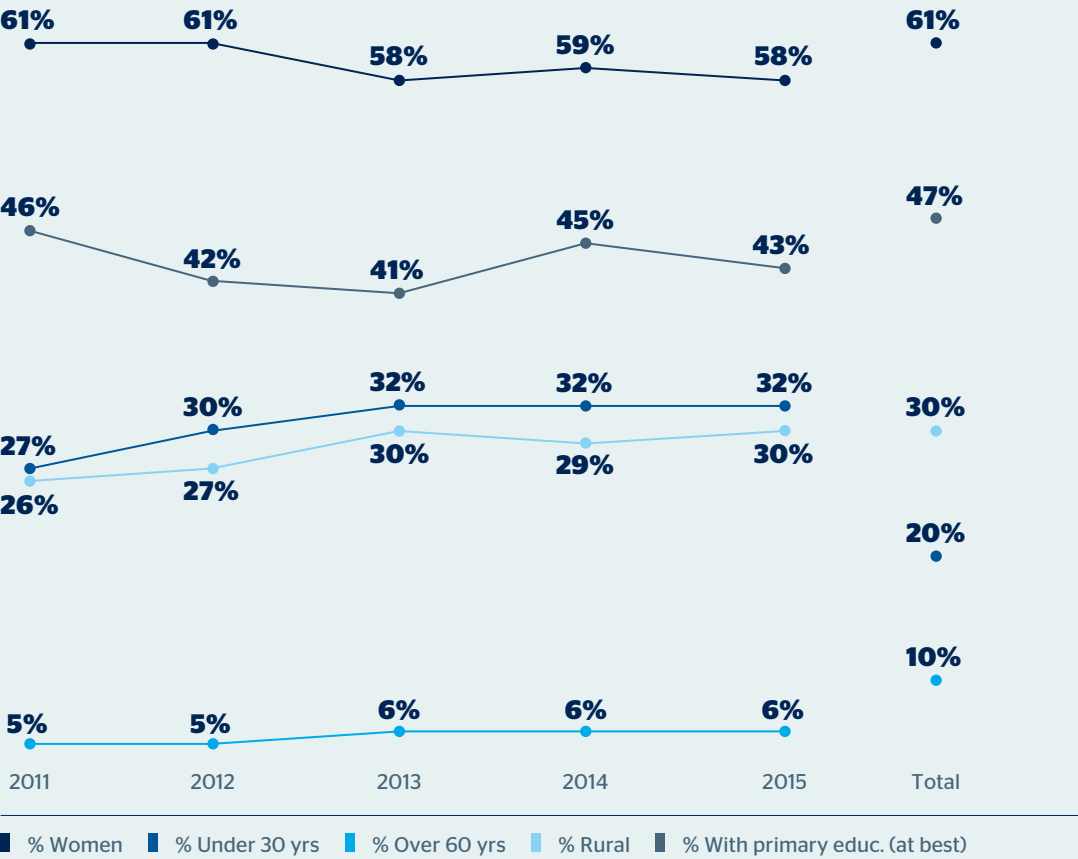
Serving multiple client segments

BBVAMFG casts a wide net in terms of its clients' gender, education, age and environment (rural vs. urban) and has started to monitor this diversity in recognition of the opportunity it provides to better address the needs of specific client groups. BBVAMFG's total client base continues to be composed mostly of women (61%), adults that have received primary education at best (47%), and clients in rural areas (30%). 20% of all BBVAMFG's clients are under 30 years

old (32% of new clients). Interestingly, this diversity has not changed significantly over time, suggesting some correlation between vulnerability and client characteristics.

BBVAMF continues to examine poverty movement trends for sub-samples of clients to identify differences and extract further conclusions. More analysis is required to assess differences in client characteristics and provide an understanding of client populations at various stages of development and poverty over time.

Profile of new credit clients¹⁷



Source: BBVAMFG institutions. BBVAMF calculations.

17_ Takes into account clients that joined during the year (new clients).

Signaling micro-entrepreneurs’ progress¹⁸

To better understand the impact of BBVAMF, it has further monitored the financial performance of those micro-entrepreneurs who remain over time with the institution in the hope of understanding the financial dynamics behind their micro-enterprises. BBVAMFG has gathered data on over 660,000 clients that currently remain and provide information about their results.

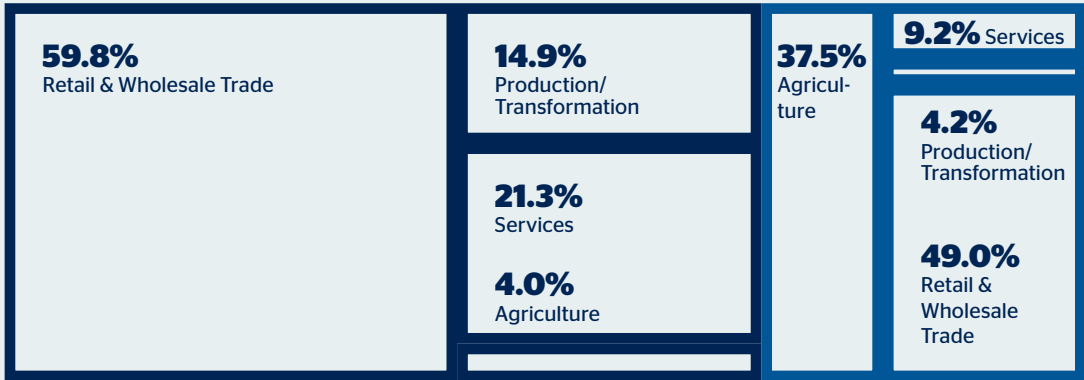
BBVAMFG’s micro-entrepreneurs are mostly in urban areas (70% of all clients) and rooted in trade (57% of the total portfolio) selling tangible products (e.g. food & drinks, crafts, toys, textiles, etc.). In rural areas, agriculture (crop and livestock production, and related activities) is the second most frequent economic activity among clients. Further understanding of sector specialization – and of how micro-entrepreneurs continue and/or develop in their sector – will be key in grasping the financial needs (i.e. cash flow requirements) of these micro-enterprises.

Economic activity¹⁹

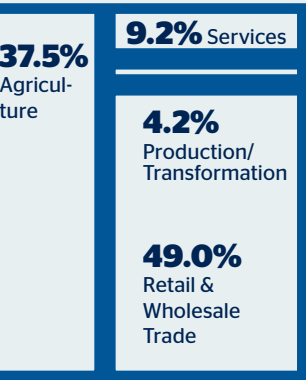
Total



70% urban



30% rural



18_Thorough checks have been undertaken to ensure the data provided by the MFIs is robust. However, further research needs to be conducted on how balance sheet items are valued.

19_Data for the current portfolio as of December 31, 2015.

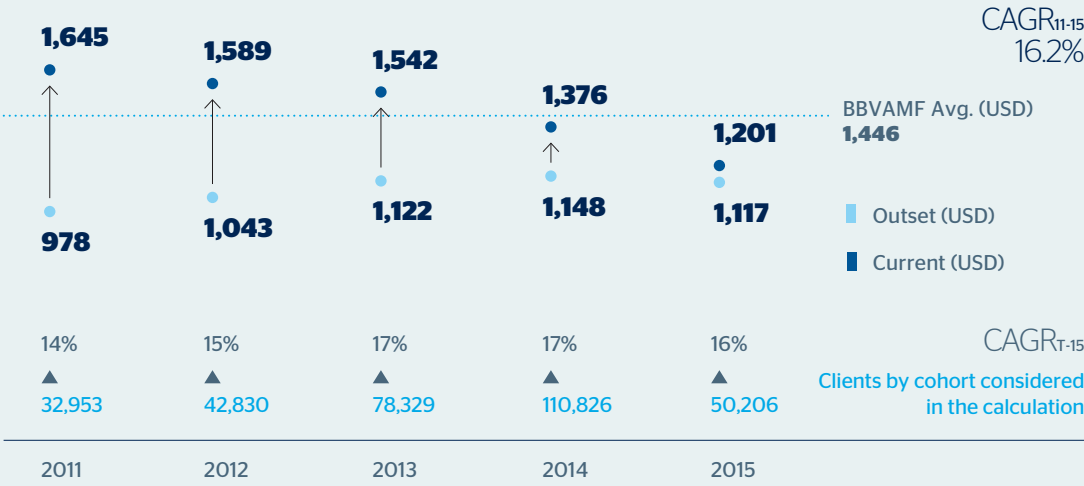
Source: BBVAMFG Institutions. BBVAMF calculations.

Micro-entrepreneurs’ businesses reveal steady growth

Micro-entrepreneurs’ businesses have shown steady growth over time, both in terms of P&L and balance sheet ratios, with an average annual growth rate (CAGR₁₁₋₁₅)²⁰ of 29% for assets, 16% for sales and 16% for profits.

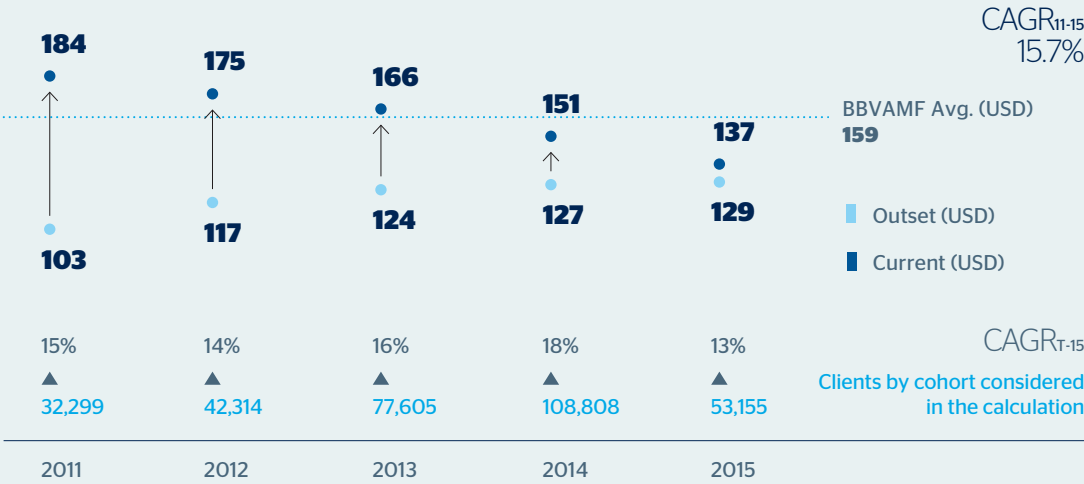
Overall, these are small businesses with low average assets (USD 6,075), sales (USD 1,446) and profits (USD 159) in 2015. These averages vary by sector, reflecting higher asset ranges for manufacturing and agriculture related business vs. services/retail related businesses.

Micro-enterprise average monthly sales (by cohort, USD)²¹



Source: BBVAMFG institutions. BBVAMF calculations.

Micro-enterprise average monthly net income (by cohort, USD)²¹

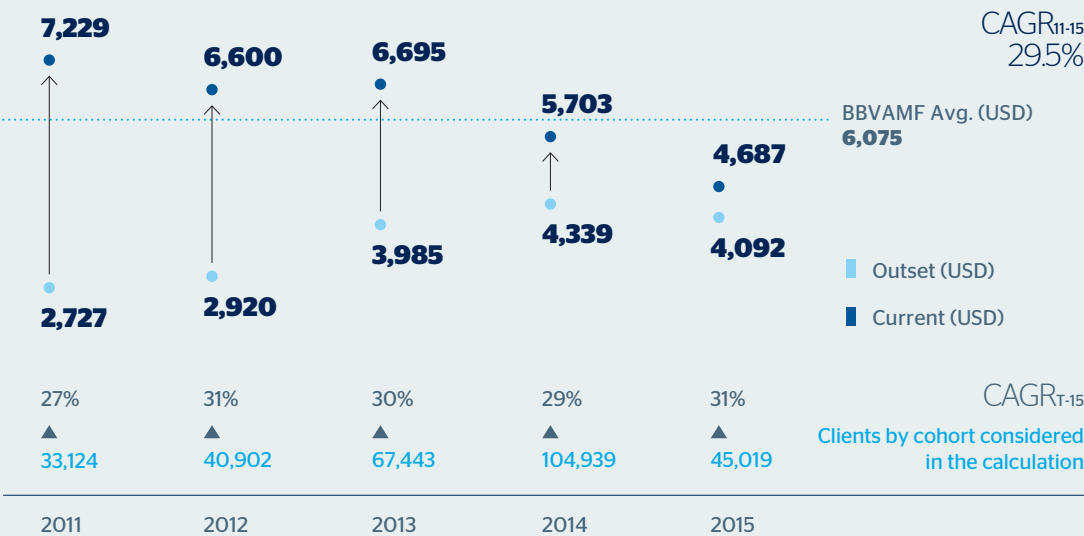


Source: BBVAMFG institutions. BBVAMF calculations.

20_Compound annual growth rate (CAGR).

21_Data about clients current as of December 31, 2015, whose data has been updated in the last 12 months (which restricts the sample to about 300,000 clients in these figures). The situation at the outset is shown (data in their cohort year) and the situation to the end of December 2015. The situation at the outset is when the first loan is granted.

Micro-enterprise average assets (by cohort, USD) ²¹



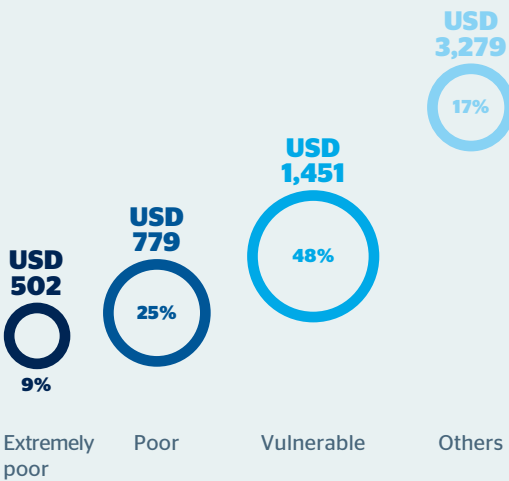
Source: BBVAMFG institutions. BBVAMF calculations.

Evidence shows that the longer the client remains with the MFI, the higher the growth of balance sheet ratios. For example, for clients that joined in 2011, average assets have nearly quadrupled from USD 2,727 at the outset to USD 7,229 in 2015, with compound average yearly growth rates standing at 27% (CAGR₁₁₋₁₅). The asset growth rates are relatively similar for all client cohorts: 31% for those joining in 2012, 30% for 2013 and 29% for 2014. The growth trends are similar for sales and profits.

21_Data about clients current as of December 31, 2015, whose data has been updated in the last 12 months (which restricts the sample to about 300,000 clients in these figures). The situation at the outset is shown (data in their cohort year) and the situation at the end of December 2015. The situation at the outset is when the first loan is granted.

Moreover, assets grow at a higher rate than sales and profit (CAGR₁₁₋₁₅ of 29% for assets vs. 16% for sales and 16% for profits) thus suggesting asset accumulation. Over time, clients' profits have grown at a similar rate to their sales, indicating continued sound management of their businesses. Micro-enterprises thus reflect strong growth potential. In terms of distribution, almost 50% of BBVAMF's clients are achieving average monthly sales of USD 1,451, thus confirming that their businesses are relatively small.

Average monthly sales by vulnerability ²²



Circle represents % of total clients by vulnerability

Source: BBVAMFG institutions. BBVAMF calculations.

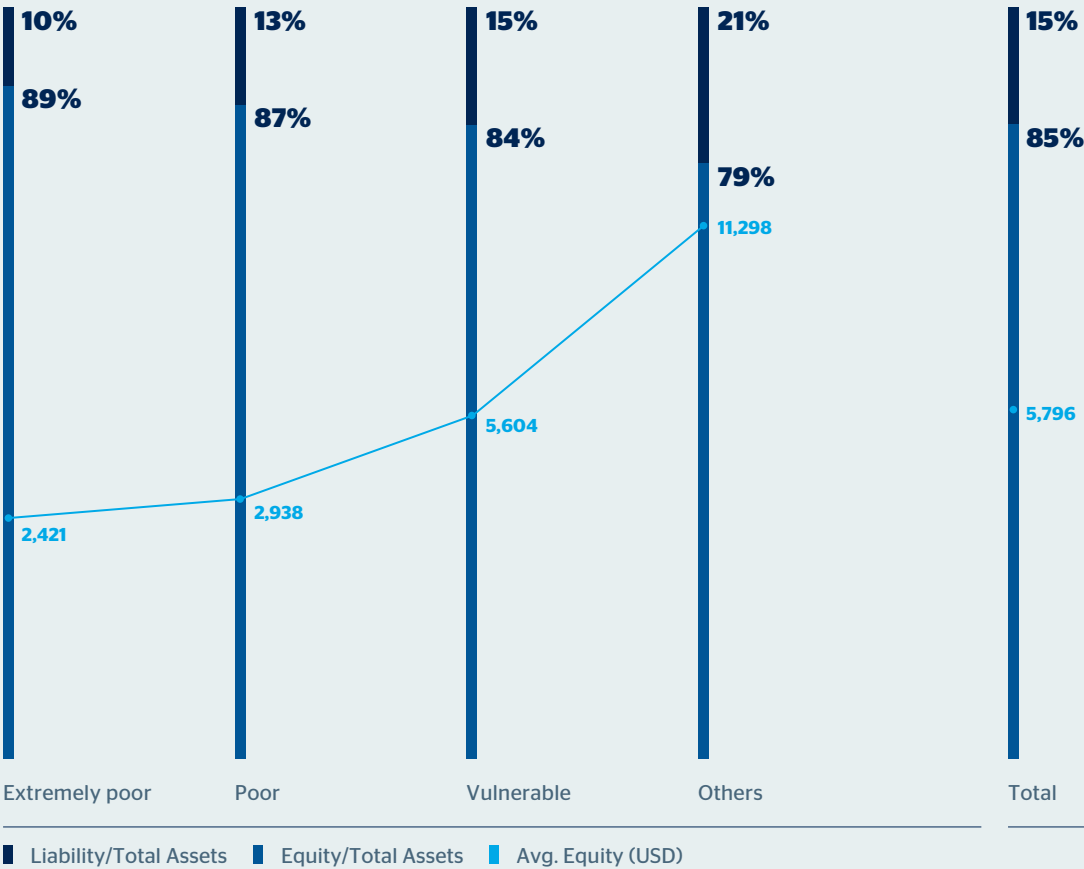
It is our understanding that micro-entrepreneurs' business growth would account for some of the "out of poverty movement" on the part of some of BBVAMFG's current clients. However, these are small enterprises in early stages of development in poorly developed capital markets, which makes it difficult to borrow the funds needed to establish new businesses and take advantage of new investment opportunities.

22_Data for the current portfolio as of December 31, 2015.

Microfinance: the only source of debt funding?

We estimate that a certain degree of the positive correlation between microcredit and growth by the micro-enterprise is a result of the fact that this is one of the few institutional sources of funding for micro-enterprises, or even the only one. In the case of BBVAMFG clients we can confirm this hypothesis since we know that their main source of funding is equity (presumably friends and family), amounting to 85% of total assets. With limited access to unsecured debt, the poorer the client, the less access he/she has to debt funding, with debt representing only 10% of the assets of extremely poor clients and 21% of the assets of the other (non-vulnerable) clients. Interestingly, after providing loans to clients, the average disbursement-to-assets ratio remains relatively stable across poverty segments – between 23% and 24% of total assets. With little capital availability, BBVAMFG institutions endeavor to address the funding gap that other financial institutions are not covering.

Assets, liabilities and equity by vulnerability ^{23,24}



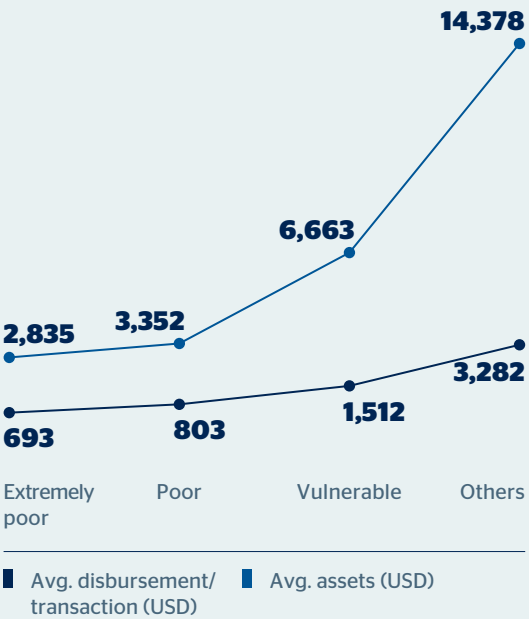
Source: BBVAMFG institutions. BBVAMF calculations.

With equity representing 85% of micro-entrepreneurs' assets, BBVAMFG intends to address a major debt-funding gap.

23_Declared assets and liabilities for credit risk evaluation purposes (i.e. not including the loan principal granted).

24_Data for the current portfolio, as of December 31, 2015.

Average assets and disbursement by vulnerability ²⁶



Source: BBVAMFG institutions. BBVAMF calculations.

Very often, vulnerable clients being served by BBVAMFG are entrepreneurs who do not make a clear distinction between their home and their company, and in some cases the funding received may be used indistinctively. Given that BBVAMF Group's purpose is to finance its clients' productive activities, further research must be undertaken on the way in which micro-entrepreneurs are using these funds and their profits, in order to better understand their real cash cycle and investment needs.

Impact on employment

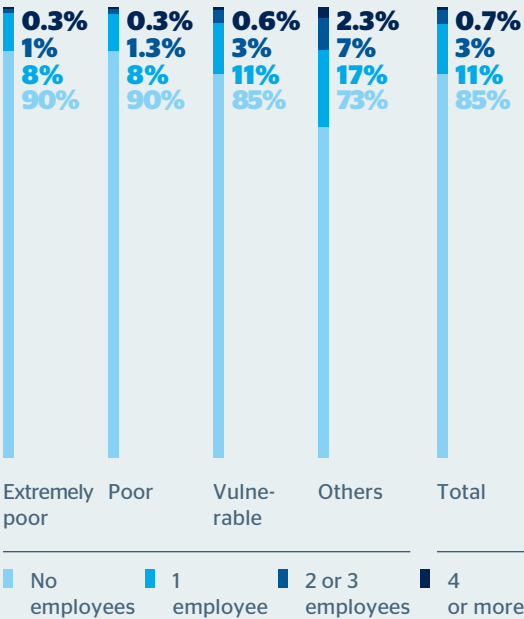
The BBVAMF Group's efforts are having a demonstrable indirect social impact: its clients provide employment to 214,817²⁵ people. As the micro-entrepreneurs' businesses grow, they employ more people and as such, data reflects an increase in the employment rate of 8% on average (8% in 2014) after 2 years of their banking relationship.

However, only 15% of BBVAMF Group's total client base has one or more employees and the more vulnerable the client, the fewer jobs are created. Supporting the growth or creation of employment amongst clients will be one of the key areas in which to achieve increased impact.

25_Figure based on 55% of total clients as of December 31, 2015, since this information is not available for Bancamía (Colombia). Extrapolating to include Colombia, BBVAMFG's clients are generating 214,817 additional jobs.

26_Data for the current portfolio, as of December 31, 2015.

Micro-enterprises' employee breakdown^{27,28}



Source: BBVAMFG institutions. BBVAMF calculations.

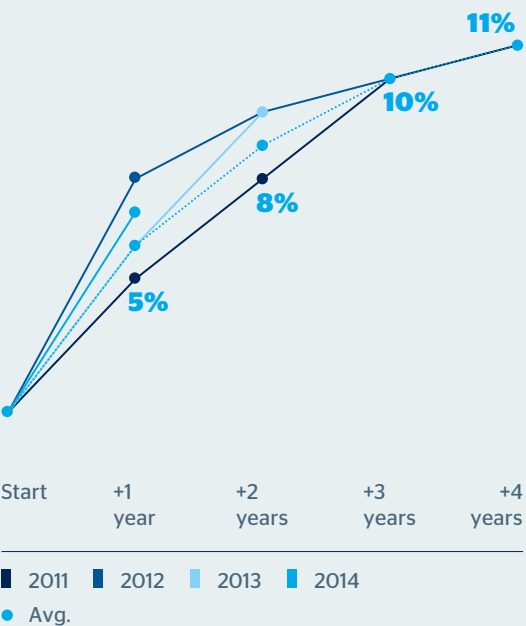
55% of BBVAMFG's clients generated 119,214 additional jobs.

27_Data for the current portfolio as of December 31, 2015.

28_Information available for Banco Adopem, Financiera Confianza, Emprende, Fondo Esperanza, Microserfin, Contigo and Microfinanzas PR.

29_Micro-enterprises in each cohort still in BBVAMFG's portfolio as of December 31, 2015 that have increased their employee base. Cumulative figure. Information available for Banco Adopem, Emprende, Microserfin and Microfinanzas PR.

Job creation (by cohort)²⁹

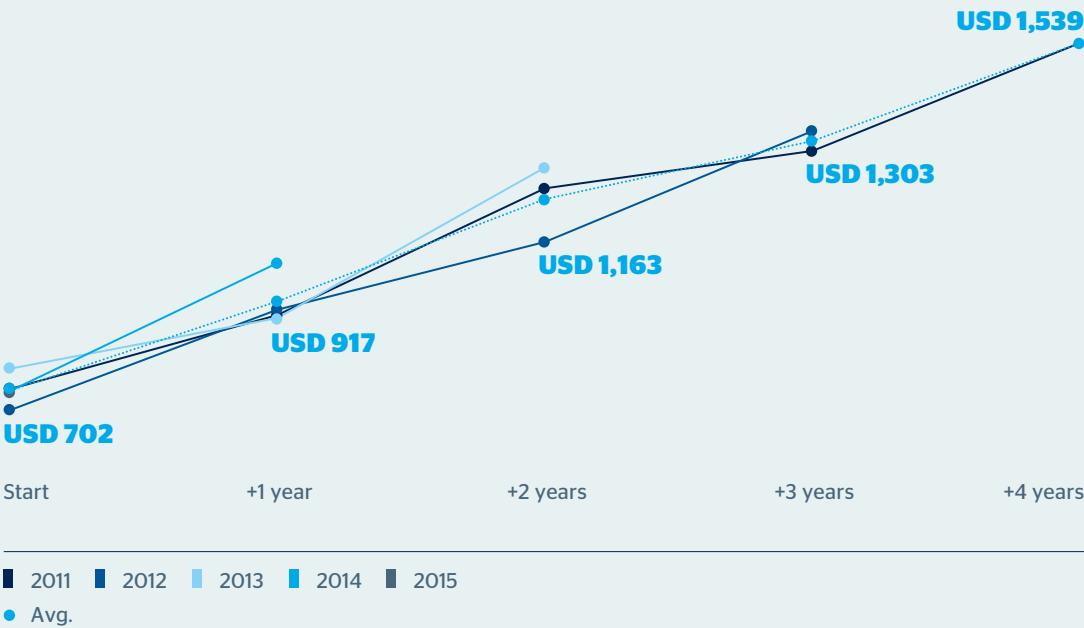


Source: BBVAMFG institutions. BBVAMF calculations.

Supporting client growth

Credit, combined with the effort and skills of micro-entrepreneurs, can create the conditions necessary for the development of income-generating activities. Furthermore, and of greater importance, the access to permanent credit (vs. scarce public money earmarked for specific poverty eradication problems) could bring about a lasting solution. For clients that remain with BBVAMFG, indeed, we observe that the average credit disbursed increases over time (CAGR₊₄ 22%), as does the average saving product (CAGR₊₄ 23%)³⁰.

Average disbursement per transaction (by cohort)³¹



Source: BBVAMFG institutions. BBVAMF calculations.

30_CAGR of average disbursement or average savings (average of all cohorts).

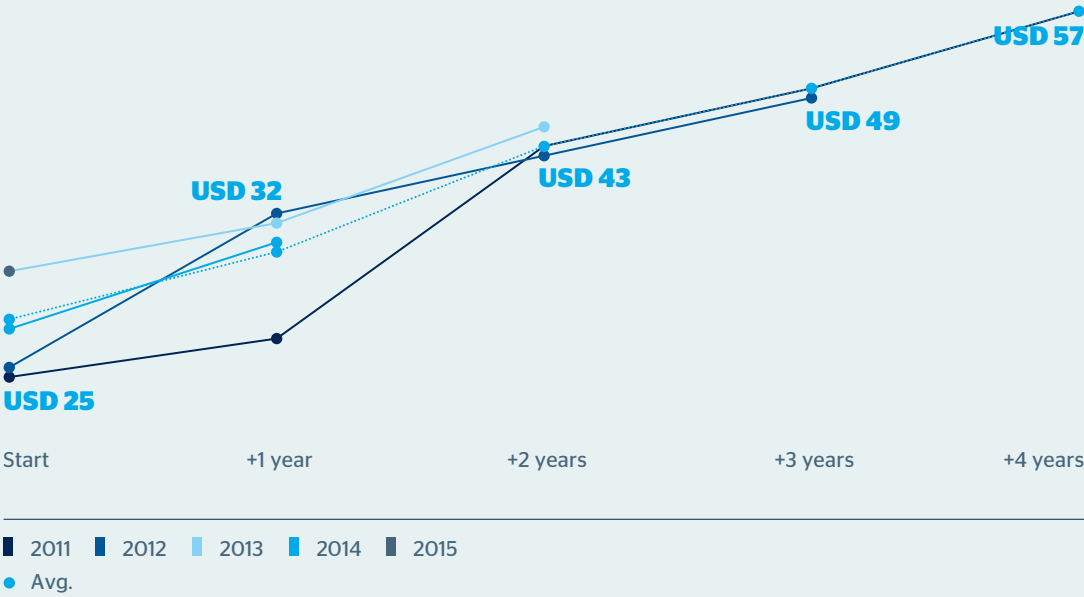
31_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

32_Average saving, calculated for all clients with a balance of USD 1 or more (in local currency equivalent) on all dates. Includes overnight and term deposits.

33_Savings for credit-and-savings clients current in each cohort.

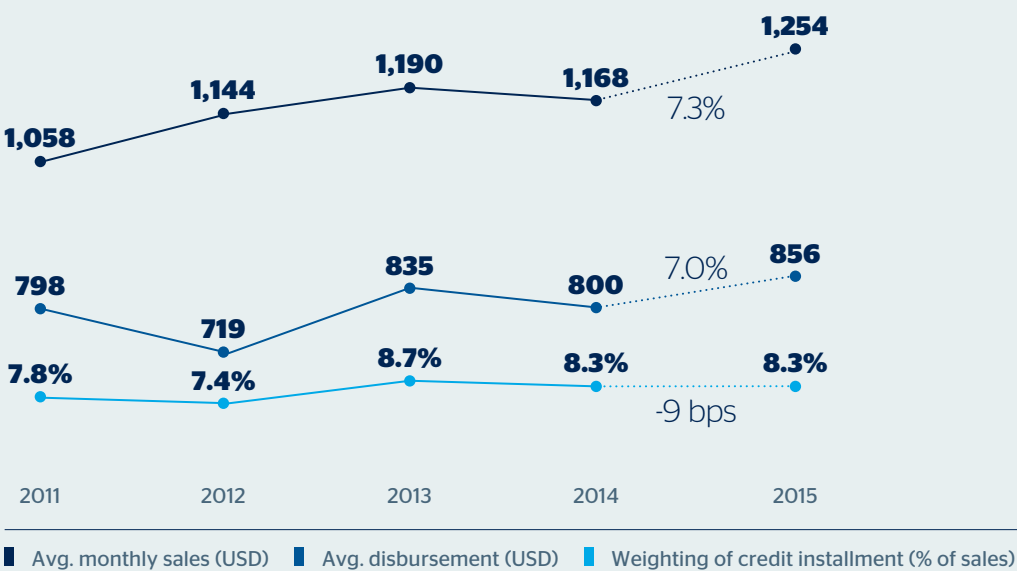
34_Information available for Bancamía, Banco Adopem and Financiera Confianza (the only MFIs that provide savings products).

Average client savings (by cohort)^{32,33,34}



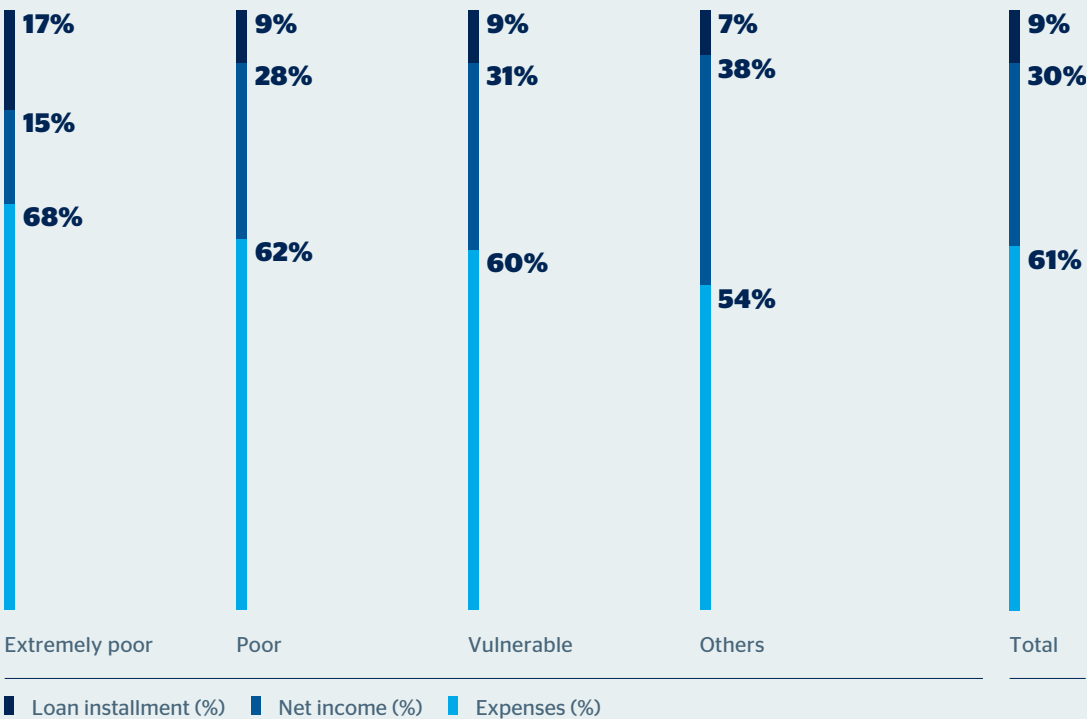
Source: BBVAMFG institutions. BBVAMF calculations.

Sales, disbursement & weight of credit installment for new clients^{35,36,37}



Source: BBVAMFG institutions. BBVAMF calculations.

Debt servicing, expenses & margins (as % of sales)³⁸



Source: BBVAMFG institutions. BBVAMF calculations.

35_Data on clients that joined during the year (new clients).

36_Average disbursement, calculated as the average first disbursement for new clients each year.

37_Weight of the installment calculated as a ratio average (principal plus interest divided by sales) for each client.

38_Debt servicing is also referred to as loan installment. Calculated using data from clients that report their spending, i.e. 88% of the total client portfolio as of December 31, 2015.

For new clients, while average credit disbursements amounts³⁹ have posted a 7% YoY increase (from USD 800 in 2014 to USD 856 in 2015), installment payments over average monthly sales have remained relatively stable at approx. 8% (8.3% in 2014 and 2015). When observing the total client base, the loan installment represents only 9% of average monthly sales and this ratio does not vary greatly between client segments, with the exception of extremely poor clients whose loan installment represents 17% of their average sales (or 51% of their gross margin).

Thus one can assume the more vulnerable the household, the more sensitive the client becomes to income changes and therefore more sensitive to credit disbursement cash flows.

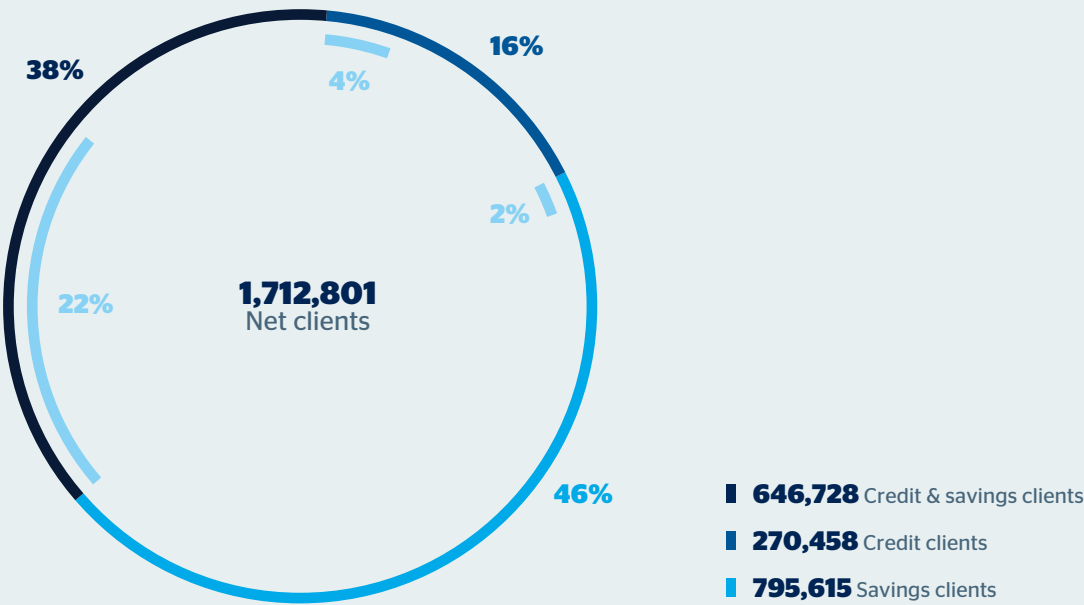
Other sources of household income should be taken into account for further insight. Pilot studies for Microserfin (Panama) suggest that net income resulting from the micro-enterprise only represents half of the household's income. If BBVAMF Group institutions could establish in more detail all their clients' income sources, measurements of poverty and vulnerability, and also their alleviation, would be more accurate. BBVAMF has proposed that this information be gathered in the near future and has identified it as an important area for improvement.

Addressing different client needs

Combining a client's funding needs with a wider range of products is essential to support the low-income household in its economic progress. The BBVAMF Group currently provides different types of credit, savings and insurance products, as well as other products (money orders, remittances, other). The product mix offered is well balanced, although clients predominantly take out loans, with 54% of total clients signed up for (at least) credit products (38% of clients have both credit and savings products). Also, most credit clients have shown interest in diversifying their needs, with 29% holding insurance products (in addition to credit and/or saving products).

39_Average loan disbursement each year.

Clients by type of product⁴⁰



% of total clients with non-mandatory insurance products within each product segment

Source: BBVAMFG institutions. BBVAMF calculations.

Increasing product diversity is in the interest of both the client (to better address a variety of funding needs) and the MFI (the richer the relationship the more loyal a client becomes and the better understanding it can develop of client needs). Pilot studies with Bancamía (Colombia) have revealed that client retention is indeed higher for those clients that also hold savings products: after one year, credit client attrition is 27% for those that only have credit products but 9% for those that have credit and savings products⁴¹. These percentages increase to 49% (credit clients) vs. 14% (credit and savings clients) if we look at client attrition after 18 months. As microfinance clients become more sophisticated, diversifying the product mix will be key in order to gain a competitive advantage. In terms of impact, it may contribute to a more stable long-term relationship.

40_Relationship by type of product, for all institutions. Only Banco Adopem, Bancamía, Financiera Confianza and Fondo Esperanza sell insurance products. Banco Adopem, Bancamía, and Financiera Confianza also market savings products. Financiera Confianza does not collect information as to whether its savings-only clients have insurance products.

41_June 2015 data.

Increased product diversity is in the interest of both the end-client and the MFI.

The need to look beyond financial services

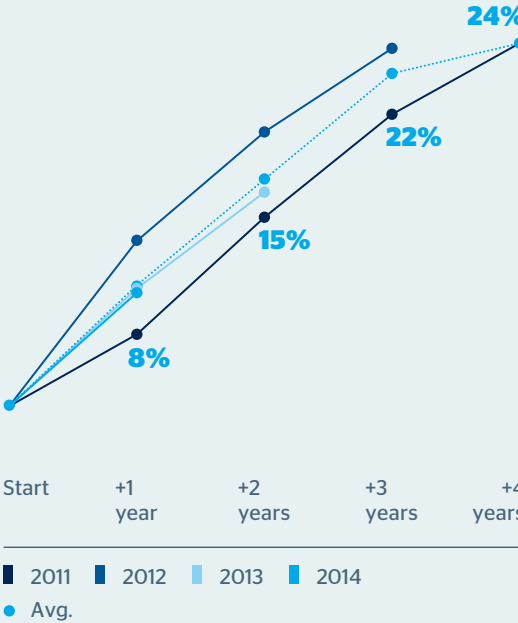
Finally, looking at impact beyond financial services has revealed that the longer the client maintains a banking relationship, the greater the interest in both extending its scope and improving their standard of living: 15% of clients increase their health cover after 2 years with the BBVAMF Group. Education and housing improvements are more modest: 6% of clients improve their living conditions after 2 years and only 3% improve their education after 2 years.

42_Percentage of clients current in each cohort that have signed on to health insurance programs, or changed from public to mixed or private health insurance, or changed from mixed to private health insurance compared to the original situation. Information available for Banco Adopem and Microfinanzas PR.

43_Percentage of clients current in each cohort that have improved their education compared to the original situation. Information available for Bancamía.

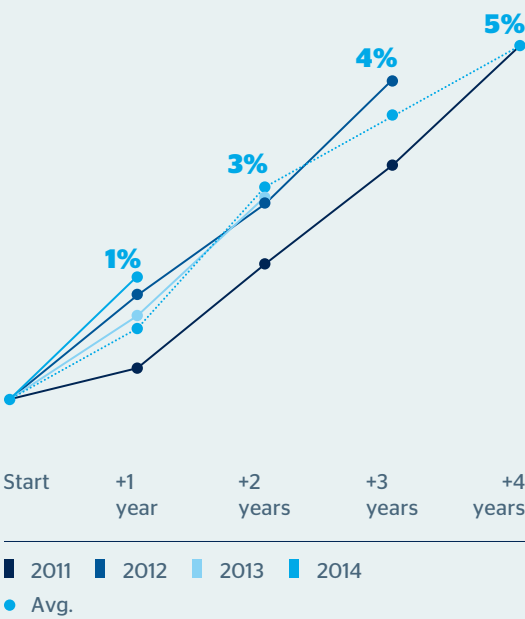
44_Percentage of clients current in each cohort that have improved their housing conditions (i.e. own a new house, improved their current house or added rooms) compared to the original situation. Information available for Bancamía, Financiera Confianza, Banco Adopem, and Microserfin.

Client improvement in healthcare (by cohort)⁴²



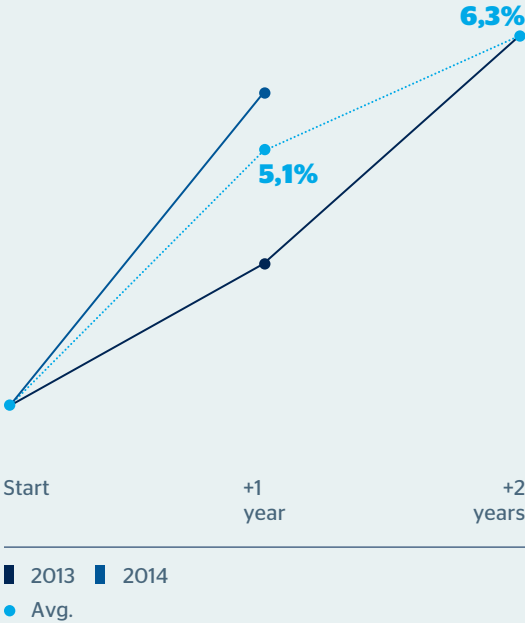
Source: BBVAMFG institutions. BBVAMF calculations.

Client improvement in education (by cohort)⁴³



Source: BBVAMFG institutions. BBVAMF calculations.

Client improvement in housing (by cohort)⁴⁴



Source: BBVAMFG institutions. BBVAMF calculations.

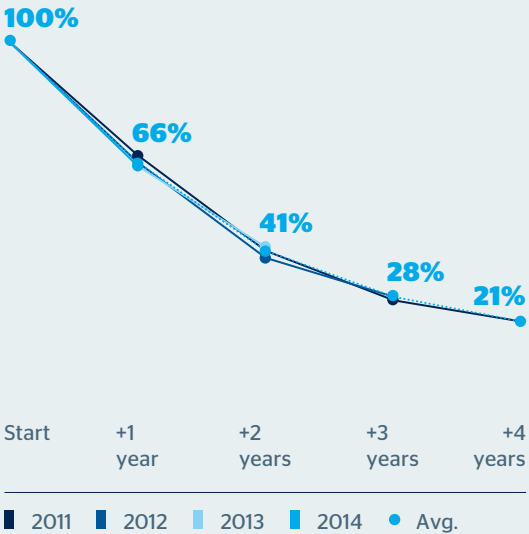
BBVAMF continues to improve strategic areas for medium-term sustainability

In reviewing client trends and characteristics, the data has revealed a number of challenges and opportunities that must be considered: (1) the need to work towards improving retention rates to ensure scalable impact, (2) understanding client savings’ dynamics and (3) the need to view a client within an environment.

Client retention remains a strong focus

In order to extend the impact of BBVAMFG’s activity, considerable efforts are being made to maintain a long-term relationship with the target clientele. Churn rates are monitored on a regular basis. After a year, on average 66% of clients are continuing to bank with the BBVAMFG’s institutions, and after two years just under half are still with them. This momentum, visible in all cohorts, highlights the need to focus on improving client retention levels, in particular during the initial phases of the relationship.

Client retention ⁴⁵
(by cohort)



Source: BBVAMFG institutions. BBVAMF calculations.

BBVAMF intends to identify more precisely the profile of clients that leave the institution in order to understand their behavior and offer a better service.

With increased competition making markets and more dynamic and giving clients more momentum, but also exposing them to products and situations which are not necessarily aligned with their interests and development, BBVAMFG remains committed to maintaining long-term productive relationships with the clients it serves. Identifying those clients with whom it can build these relationships, finding out their needs, and knowing how to satisfy all of them, will enable BBVAMFG to achieve the sustainable social impact for which it strives.

For all these reasons, BBVAMF views as high-priority the development of statistical models based on its clients’ attributes (such as age, gender, income, assets, etc.) that will enable it to identify those who are more likely to make economic and social progress and who help it to understand why they initiate and terminate their banking relationships, in order to offer them a better service and thus improve the current client retention ratios.

Savings matter...

Some of the institutions in the BBVAMF Group have quite recently started to offer savings solutions and available data is being collected and continuously analyzed. Information on savings clients is sometimes limited, hence the ability to draw conclusions is challenging although crucial in order to support client development. Understanding saving patterns is work in progress and has been classified as a core strategic development area.

Impact in its global context

Without a comprehensive understanding of the major challenges facing clients, policies of poverty alleviation can become disconnected from reality. BBVAMF continues to develop indicators and criteria to calibrate the social environment in which clients live and operate (e.g. propensity to natural disasters, geographical remoteness, crime and delinquency, etc.) and the economic indicators that surround them (e.g. growth potential of particular sectors, comparing client concentration with country poverty maps, etc.). These may provide a more informed understanding of poverty behaviors by client populations at various stages of development that are often unrelated to access to financial services.

Indeed the results are encouraging and BBVAMFG has consistently demonstrated its ability to support low-income clients, with 32% of poor clients moving to a higher economic segment after 2 years. However, the results also uncover a significant need to further engage with them in the long-term, in particular to concentrate efforts on improving current client retention rates. BBVAMF recognizes it must continue to segment client bases, examine and diversify the product offering and services of local operations, and focus on increasing impact in terms of both scale and depth. With these findings comes an opportunity to identify and prioritize areas of strategic importance to increase the effectiveness of *Productive Responsible Microfinance*.

45_Percentage of clients in each cohort still current as of December 31, 2015.

Summary	BBVAMF	Bancamía	Fin. Conf	Adopem	F. Esperanza	Emprende	Microserfin	Microfinanzas PR	Contigo
Financial data									
Gross portfolio (USD)	997,355,916	350,969,068	447,075,072	111,779,893	51,023,708	10,937,056	23,441,244	1,924,276	205,599
Total disbursed in 2015 (USD)	1,220,139,233	322,501,711	578,380,102	133,861,505	151,339,484	12,046,655	19,476,000	2,246,296	287,480
Nº transactions in 2015	1,071,923	296,511	291,945	210,405	245,752	12,169	13,993	961	187
Avg disbursement in 2015 (USD)	1,138	1,088	1,981	636	616	990	1,392	2,337	1,537
Deposits & other (USD)	429,419,040	105,542,176	272,876,591	51,000,274					
Operational data									
Nº Employees	7,910	3,583	2,168	1,238	514	159	224	20	4
Nº Offices	509	200	153	70	52	21	11	1	1
Clients who receive financial education	378,562	164,334	50,907	16,051	143,467		2,700		1,103

Our clients	BBVAMF	Bancamía	Fin. Conf	Adopem	F. Esperanza	Emprende	Microserfin	Microfinanzas PR	Contigo
Number of net clients	1,712,801	785,535	435,879	361,722	102,141	10,568	15,674	1,112	170
Number of credit clients	917,186	356,377	213,152	217,992	102,141	10,568	15,674	1,112	170
% credit clients/ total clients of BBVAMF Group		38.9%	23.2%	23.8%	11.1%	1.2%	1.7%	0.1%	0.02%
Degree of vulnerability									
Extremely poor	9.9%	9.0%	6.3%	6.5%	32.1%	1.1%	3.7%	9.0%	0.8%
Poor	25.1%	23.2%	26.6%	29.5%	20.4%	5.8%	14.9%	13.0%	6.4%
Vulnerable	48.0%	43.8%	53.0%	53.9%	34.6%	50.1%	53.2%	42.0%	40.8%
Total vulnerable clients	83.0%	76.0%	86.0%	89.9%	87.1%	57.0%	71.8%	64.0%	48.0%
Other	17.0%	24.0%	14.0%	10.1%	12.9%	43.0%	28.2%	36.0%	52.0%
Detail									
Environment - % rural clients	29.9%	37.6%	23.4%	37.2%		34.0%	38.6%		
Gender - % female clients	60.6%	56.1%	51.1%	67.9%	83.8%	60.4%	43.1%	44.8%	67.3%
Education - % Primary (at best)	46.8%	56.9%	17.1%	51.9%	43.0%	55.7%	32.3%	3.5%	26.2%
By age									
Under 30 yrs	19.7%	12.5%	25.8%	28.5%	15.7%	10.8%	11.4%	12.5%	7.1%
Between 30 and 60 yrs	70.2%	74.5%	66.3%	64.8%	73.5%	70.0%	77.5%	76.7%	71.2%
Over 60 yrs	10.1%	13.0%	7.9%	6.7%	10.8%	19.1%	11.2%	10.8%	21.8%
Monthly per capital enterprise income (USD)	170	168	165	160	143	322	323	2,268	267
By seniority									
Less than 1 yr	152	150	141	152	125	304	311	2,058	232
1 to 3 yrs	166	159	166	155	162	319	294	2,403	269
4 or more yrs	198	197	207	175	122	439	381	2,763	311
By economic vulnerability									
Extremely poor	26	14	35	33	32	45	49	169	15
Poor	65	49	74	75	72	76	102	479	54
Vulnerable	143	114	146	166	155	178	231	1,195	123
Others	469	440	469	457	495	527	650	4,703	411
Average disbursement (USD)									
By economic vulnerability									
Extremely poor	693	624	1,824	396	469	626	994	1,670	
Poor	803	865	1,282	503	539	614	1,083	1,539	1,044
Vulnerable	1,512	1,326	2,792	774	636	836	1,466	1,944	1,414
Others	3,282	2,178	8,707	1,240	737	1,433	2,184	3,060	1,701
Average saving (USD)									
Total clients	67	16	374	52					
Credit clients	27	16	364	41					
Increase in average saving (cohorts 2013-2015 CAGR)	26.4%	4.6%	11.7%	33.4%					

Our client's businesses	BBVAMF	Bancamía	Fin. Conf	Adopem	F. Esperanza	Emprende	Microserfin	Microfinanzas PR	Contigo
Economic activity									
Agriculture	14.0%	20.6%	19.7%	3.7%		18.4%	27.5%	0.4%	
Retail & wholesale trade	56.6%	46.7%	48.0%	78.5%	66.5%	50.4%	28.5%	35.1%	79.6%
Production/ Transformation	11.7%	14.8%	10.0%	0.3%	26.2%	19.3%	25.3%	12.8%	8.6%
Services	17.7%	17.9%	22.4%	17.5%	7.2%	11.9%	18.7%	51.7%	11.7%
Employment generated (nº people)	119,214		38,705	45,481	17,831	8,267	7,149	1,753	28
% Clients reporting employee information	55%		84%	92%	100%	93%	98%	100%	99%
Nº of employees hired (extrapolated to 100% of clients)	214,817		46,053	49,231	17,831	8,909	7,263	1,753	28
Monthly sales (USD)	1,512		2,013	1,308	834	1,807	1,886	4,819	4,556
By economic vulnerability									
Extremely poor	502	558	539	519	366	594	883	1,154	647
Poor	779	754	736	870	594	676	1,236	1,748	1,407
Vulnerable	1,451	1,211	1,882	1,423	1,017	1,164	1,808	3,426	3,000
Others	3,279	2,841	5,880	2,419	1,868	2,441	2,524	9,030	4,016
Assets (USD)									
By economic vulnerability									
Extremely poor	2,835	1,979	7,282	2,579	598	3,529	11,156	26,390	
Poor	3,352	2,781	5,130	3,008	888	2,308	10,665	24,735	23,363
Vulnerable	6,663	5,188	10,673	5,047	1,438	3,972	12,723	33,686	12,383
Others	14,378	10,414	31,778	8,039	2,376	8,179	16,950	31,149	12,429
Net income and expenses (as % of sales)									
% Expenses	60.6%	63.4%	61.9%	61.4%	46.6%	48.5%	55.4%	22.9%	76.3%
% Net income	30.1%	29.2%	25.9%	33.5%	30.6%	45.0%	38.4%	71.2%	15.9%
% Loan installment	9.4%	7.4%	12.2%	5.1%	23.0%	6.5%	6.3%	6.0%	7.9%
Capital structure									
Equity/ Assets	84.5%	79.9%	86.3%			90.9%	89.2%	73.6%	92.7%
Liabilities/ Assets	15.4%	19.9%	13.7%			9.1%	10.8%	26.4%	7.3%

Our client's development	BBVAMF	Bancamía	Fin. Conf	Adopem	F. Esperanza	Emprende	Microserfin	Microfinanzas PR	Contigo
Client retention									
First year	66.0%	79.4%	56.9%	73.3%	56.9%	62.5%	69.8%	69.7%	
Second year	40.9%	46.9%	31.2%	55.5%	31.2%	36.9%	41.0%	39.5%	
Third year	27.7%	30.1%	19.6%	42.3%	19.6%	24.9%	29.4%	25.5%	
Fourth year	20.6%	21.5%	13.7%	33.5%	13.7%	17.3%	22.9%	17.0%	
Clients by type of product									
Credit, savings and insurance	41.5%	79.7%	20.0%	24.8%					
Credit and savings	29.0%	8.2%	37.6%	71.9%					
Credit and insurance	7.3%	10.7%	12.4%	0.1%	2.6%				
Credit only	22.2%	1.5%	30.0%	3.2%	97.4%	100.0%	100.0%	100.0%	100.0%
Improve their access to health after two years	14.9%			14.95%				9.79%	
Improve their access to housing after two years	6.3%	6.0%	2.2%	6.9%			6.1%		
Improve their education after two years	2.5%	2.6%							
Creating jobs after two years	8.3%			8.3%		6.8%	5.8%	13.4%	
Monthly sales growth (CAGR)	16.2%	16.9%	16.0%	20.2%	10.6%	9.2%	7.5%	8.3%	
Asset growth (CAGR)	29.5%	30.7%	33.7%	30.5%	7.3%	12.1%	15.3%	62.2%	
Montly net income growth (CAGR)	15.7%	15.0%	10.0%	24.3%	17.6%	11.6%	3.6%	11.0%	
Clients overcoming poverty after two years	32.5%	33.1%	24.4%	35.2%	36.3%		14.4%		

Urban poverty lines (USD equivalent, monthly)	BBVAMF	Bancamía	Fin. Conf	Adopem	F. Esperanza	Emprende	Microserfin	Microfinanzas PR	Contigo
Rural									
Extremely poor	35.2	26.4	40.2	44.7	43.3	43.3	58.8		
Poor	62.5	45.5	66.3	92.3	64.8	64.8	105.2		
Urban									
Extremely poor	41.9	32.5	49.6	46.7	56.2	56.2	69.5	320.4	32.1
Poor	89.1	76.0	96.3	103.7	93.5	93.5	141.5	640.8	64.8

Information limitations	Comments
Lack of hard data. Not all clients are able to provide information on all indicators that have been requested.	<ul style="list-style-type: none">• Where a gap in information exists, this client information has not been included and the client is therefore not included in the sample analysis.• In the calculation of financial indicators for micro-entrepreneurs (i.e. sales, profits, assets, equity), data was not always available.
Positive bias. Clients’ tendency to present a more favorable view of their micro-enterprise’s performance.	<ul style="list-style-type: none">• BBVAMF’s methodology works on the premise that the data is gathered by an agent with an informed understanding of the client’s circumstances and who will therefore only report data that he/she believes is most reasonable.
Differences in criteria. Indicators are based on the faithful interpretation of the criteria determined by each MFI and its agents.	<ul style="list-style-type: none">• Assets and sales indicators are based on the in-depth understanding of the criteria on the part of each MFI and its agents.
Process limitations. Typically the data is gathered once a client acquires a new product or renews their loan and enters the core banking system. Some indicators however, are separate from the traditional data collection process and as such less reliable.	<ul style="list-style-type: none">• Where we have found the data to be less robust, it has not been presented.
Heterogeneous databases. Not all MFIs are tracking the same set of information about their clients, or maintain it to the same standard.	<ul style="list-style-type: none">• Only applies to a few indicators (e.g. environment and product ownership) for which information has not been disclosed or a specific criteria has not been adopted.• Specifically, some MFIs assign environment (rural/urban) based on the office with which the client has a banking relationship. The office is assigned to a municipality/region that is defined as rural/urban based on local government criteria.

Comments on
selected indicators

Indicator	Comments
Economic sectors	<p>Based on the United Nations International Standard Industrial Classification of All Economic Activities (version 4)⁴⁶.</p> <ul style="list-style-type: none">• Agriculture: agriculture, forestry, fishing, mining and quarrying.• Production/ Transformation: manufacturing, electricity, gas, steam, air conditioning supply, water supply, sewerage, waste management, remediation activities, and construction.• Commerce: Wholesale and retail trade, repair of motor vehicles, and motorcycles.• Services: Transportation and storage; accommodation and food service activities; information and communication; financial and insurance activities; real estate activities; professional, scientific and technical activities; administrative and support service activities; public administration and defense, compulsory social security; education; human health and social work activities; arts, entertainment and recreation; activities of households as employers, undifferentiated goods- and services-producing activities of households for own use; activities of extraterritorial organizations and bodies.
Client net income or profits	<p>Net income or profit obtained from the micro-entrepreneur’s business. Used to classify the client in a specific vulnerability segment (extremely poor, poor, etc.) based on national poverty lines.</p>
Client retention	<p>Of each cohort, the number of clients that remain with BBVAMFG (i.e. continue to have a banking relationship with one of its MFIs). It is therefore calculated as the difference between the clients at the outset and those that remain.</p>
CAGR	<p>Compound annual growth rate, normally from 2011 to 2015.</p>
YoY	<p>Year on year growth rate.</p>

46_ <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27&Lg=1>

National poverty lines

Country	Source	Poverty line	Rural (LOC)	Urban (LOC)
Colombia	National Statistics Institute - (DANE) ⁴⁷	2015		
		Extreme Poverty Poverty	83,056 143,256	102,216 239,205
	DANE	2014		
		Extreme Poverty Poverty	78,332 137,612	96,548 229,855
	DANE	2013		
		Extreme Poverty Poverty	77,947 136,192	95,884 227,367
	DANE	2012		
		Extreme Poverty Poverty	77,720 133,522	95,351 223,151
	DANE	2011		
		Extreme Poverty Poverty	74,855 128,593	91,650 215,216
Peru	National Statistics & IT Institute (INEI) (2014) ⁴⁸	2015		
		Extreme Poverty Poverty	137 226	169 328
	INEI	2014		
		Extreme Poverty Poverty	137 226	169 328
	INEI	2013		
		Extreme Poverty Poverty	132 218	163 316
	INEI	2012		
		Extreme Poverty Poverty	128 212	159 308
	INEI	2011		
		Extreme Poverty Poverty	121 203	151 296
Dominican Republic	Ministry for the Economy, Planning & Development (Mar.) ⁴⁹	2015		
		Extreme Poverty Poverty	2,025 4,179	2,114 4,694
	Ministry for the Economy, Planning & Development (Mar.)	2014		
		Extreme Poverty Poverty	2,012 4,153	2,100 4,664
	Ministry for the Economy, Planning & Development (Sep.)	2013		
		Extreme Poverty Poverty	1,985 4,096	2,071 4,600

47_ <http://www.dane.gov.co/index.php/estadisticas-sociales/pobreza>

48_ https://www.inei.gob.pe/media/cifras_de_pobreza/informetecnico_pobreza2014.pdf

49_ <http://economia.gob.do/mepyd/wp-content/uploads/archivos/uaaes/boletines/boletin-pobreza-septiembre-2015.pdf>

Country	Source	Poverty line	Rural (LOC)	Urban (LOC)
	Ministry for the Economy, Planning & Development (Sep.)	2012		
		Extreme Poverty Poverty	1,888 3,896	1,970 4,375
	Ministry for the Economy, Planning & Development (Sep.) ⁵⁰	2011		
		Extreme Poverty Poverty	1,840 3,797	1,920 4,264
	Ministry for Social Development ⁵¹	2015		
		Extreme Poverty Poverty	30,611 45,844	39,725 66,084
Chile	(same as 2013)	2014		
		Extreme Poverty Poverty	30,611 45,844	39,725 66,084
	Ministry for Social Development	2013		
		Extreme Poverty Poverty	30,611 45,844	39,725 66,084
	(same as 2011)	2012		
		Extreme Poverty Poverty	27,436 42,324	35,605 61,366
Panama	Ministry for Social Development	2011		
		Extreme Poverty Poverty	27,436 42,324	35,605 61,366
	Ministry of Finance and the Economy (same as 2014) ⁵²	2015		
		Extreme Poverty Poverty	59 105	69 142
	Ministry of Finance and the Economy (Mar.)	2014		
		Extreme Poverty Poverty	59 105	69 142

50_ <https://economia.gob.do/mepyd/wp-content/uploads/archivos/uaaes/topicos-coyuntura/topico-de-coyuntura-6.pdf>

51_ Traditional methodology. http://observatorio.ministeriodesarrollo.social.gob.cl/documentos/Casen2013_Situacion_Pobreza_Chile.pdf

52_ <http://www.mef.go.pa/es/informes/Paginas/Pobreza-e-indigencia.aspx>

Country	Source	Poverty line	Rural (LOC)	Urban (LOC)
Puerto Rico	U.S. Census Bureau (same as 2014) ⁵³	2015		
		Extreme Poverty ⁵⁴		330
		Poverty ⁵⁵		661
	U.S. Census Bureau	2014		
		Extreme Poverty		330
		Poverty		661
	U.S. Census Bureau	2013		
		Extreme Poverty		315
		Poverty		631
	U.S. Census Bureau	2012		
		Extreme Poverty		311
		Poverty		622
	U.S. Census Bureau	2011		
		Extreme Poverty		305
		Poverty		611
Argentina ⁵⁶	Economic Commission for Latin America and the Caribbean (CEPAL) (urban only, available since 2012, updated in line with inflation) ⁵⁷	2015		
		Extreme Poverty		416
		Poverty		841
	(same as 2012, updated in line with inflation)	2014		
		Extreme Poverty		351
		Poverty		709
	(same as 2012, updated in line with inflation)	2013		
		Extreme Poverty		271
		Poverty		548
	CEPAL (urban only)	2012		
		Extreme Poverty		227
		Poverty		458
	CEPAL (urban only)	2011		
		Extreme Poverty		206
		Poverty		416

53_ <http://www.census.gov/hhes/www/poverty/data/threshld/>

54_ Corresponds to 50% of the poverty line (applicable to all years)

55_ Poverty line of a household composed of 2 people.

56_ Given the non-availability of poverty lines since 2013, the data has been updated with the annual inflation rates published by the World Bank

57_ <http://interwp.cepal.org/sisgen/ConsultaIntegrada.asp?idIndicador=2190&idioma=e>

Household distribution

Country	Source	Average number of people per household
Colombia	DANE	Where not provided by clients, an average of 3.9 people in each household has been assumed.
Dominican Republic	NA	Provided by clients.
Peru	INEI (2013)	Where not provided by clients, an average of 3.7 people in each household has been assumed.
Chile	NA	Provided by clients.
Puerto Rico	NA	Provided by clients.
Panama	NA	Provided by clients.
Argentina	NA	Provided by clients.

Exchange rates

All (historical) data from MFIs is incorporated in local currency and the exchange rate current as of December 31, 2015 is applied so that exchange rate fluctuations do not have an impact on the conclusions.

Country	Exchange rate	Source
Colombia	COP/ USD	0.000318 BBVA Bank, mid-market rate on December 31, 2015.
Dominican Republic	DOP/ USD	0.293513 BBVA Bank, mid-market rate on December 31, 2015.
Peru	PEN/ USD	0.022096 BBVA Bank, mid-market rate on December 31, 2015.
Chile	CLP/ USD	0.001414 BBVA Bank, mid-market rate on December 31, 2015.
Puerto Rico	USD	1.000000 BBVA Bank, mid-market rate on December 31, 2015.
Panama	PAB/ USD	1.000000 BBVA Bank, mid-market rate on December 31, 2015.
Argentina	ARS/ USD	0.077067 BBVA Bank, mid-market rate on December 31, 2015.

Bancamía Colombia

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

785,535

Total clients

356,377

Credit clients

99,519

New credit clients

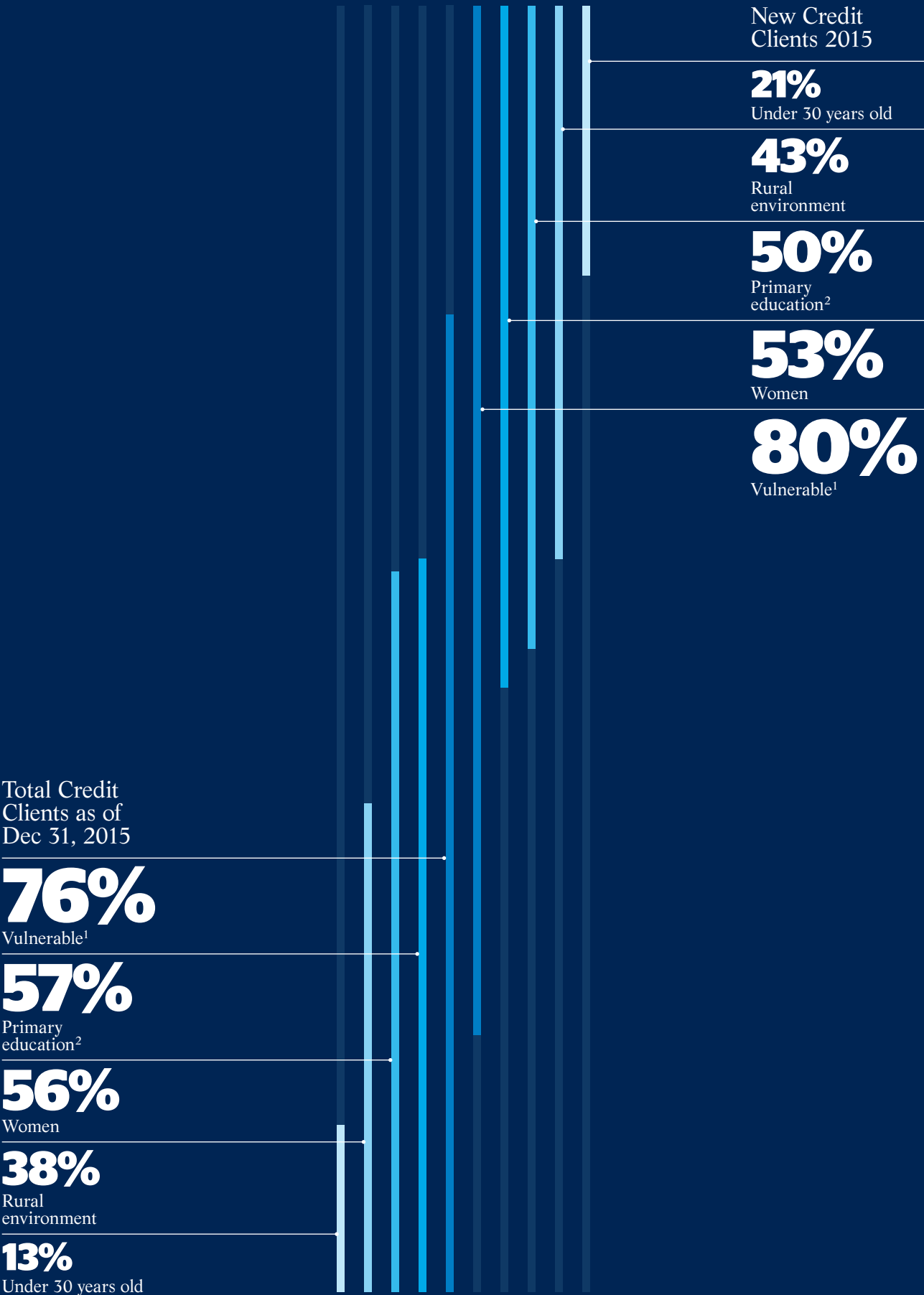
1_According to Colombia's official poverty line (distinguishing between rural and urban environments).

Source: The National Administrative Department of Statistics. Clients whose net income (i.e. profit obtained

from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times

the poverty line of their corresponding country and type of environment (rural/urban).

2_Clients with primary education at best, as proportion of all credit clients.

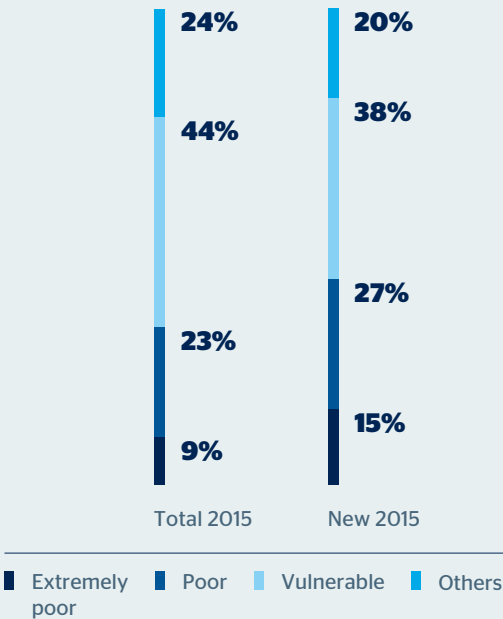


Our clients and our scale

Bancamía is retaining its **focus on low-income clients**. **76% of its clients** are economically **vulnerable**.

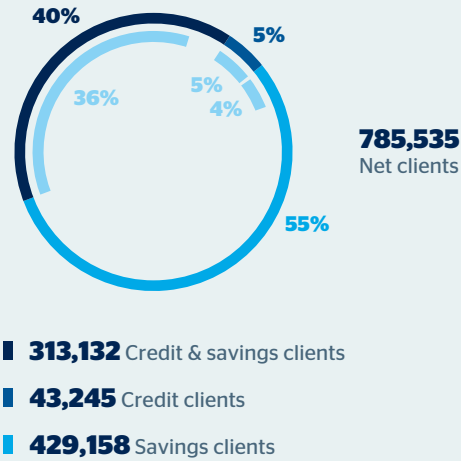
1_According to Colombia's official poverty line (distinguishing between rural and urban environments). Source: The National Administrative Department of Statistics. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

Client economic vulnerability ¹



Source: Bancamía. BBVAMF calculations.

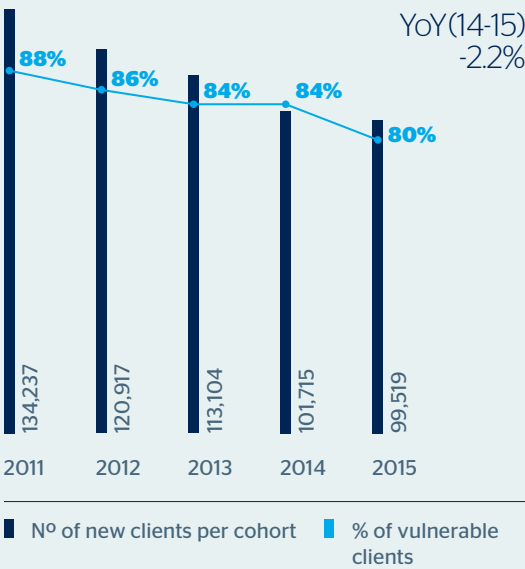
Clients by type of product



■ % of total clients with non-mandatory insurance products within each product segment

Source: Bancamía. BBVAMF calculations.

New credit clients ²



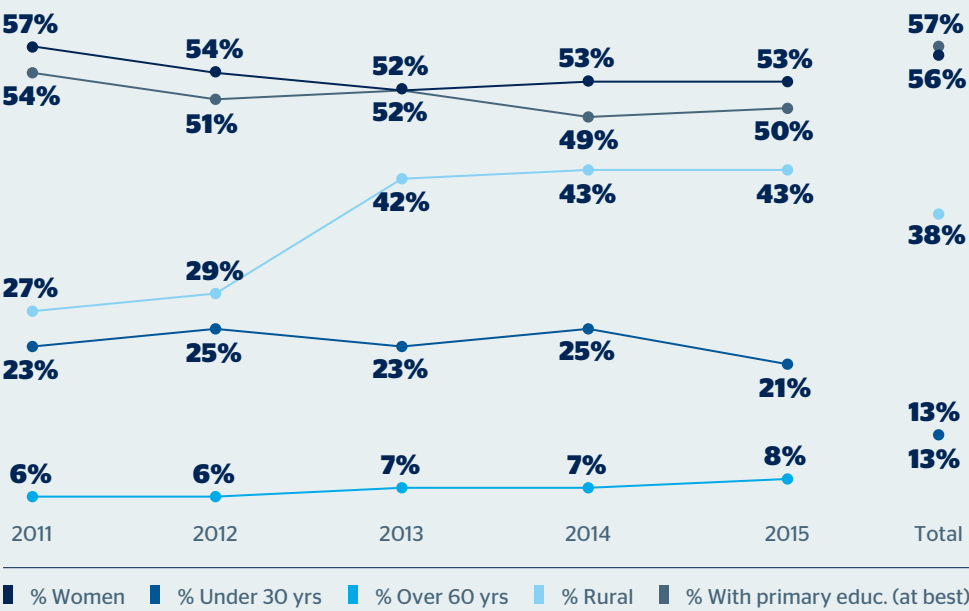
Source: Bancamía. BBVAMF calculations.

New clients' **vulnerability** levels have remained at around **80%**; we should put this in the context of the increasingly difficult task of signing up new clients.

- In the last few years more rural clients have signed up, and the emphasis has stayed on women and clients with low educational attainment. (See next page)
- The weighting of the installment payment as a fraction of sales has fallen for new clients in 2015 compared to that of new clients in 2014. (See next page)

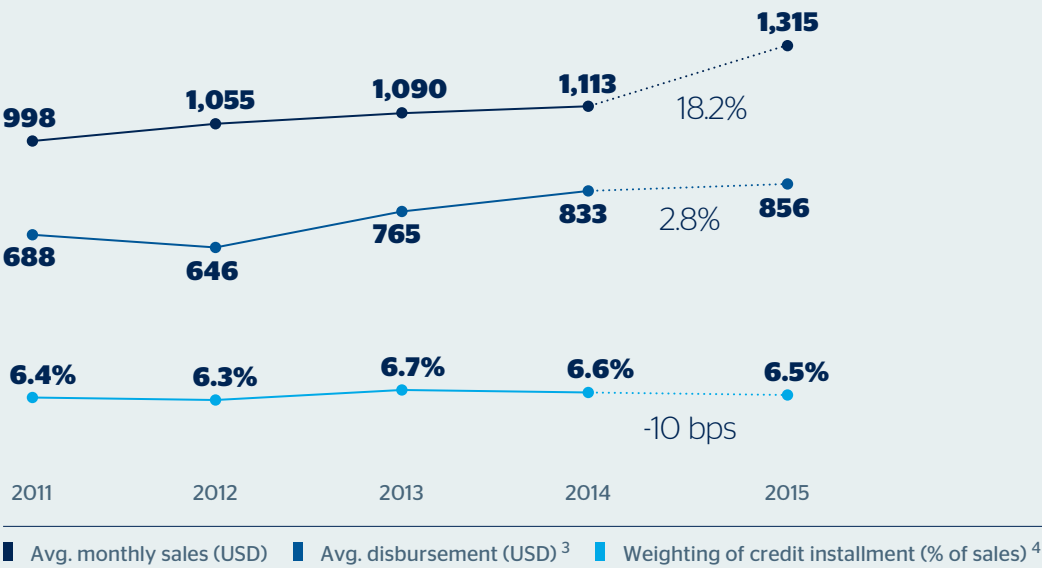
2_Takes into account clients that joined during the year (new clients)

Profile of our new credit clients²



Source: Bancamía. BBVAMF calculations.

Sales, disbursement & weight of credit installment²



Source: Bancamía. BBVAMF calculations.

2_Takes into account clients that joined during the year (new clients)

3_Average disbursement, calculated as the average first disbursement for new clients each year.

4_Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

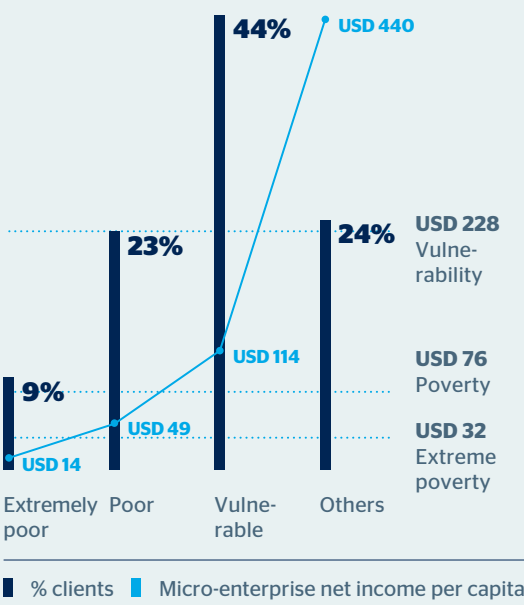
Average per capita micro-entrepreneurial net income, by client seniority⁵



Circle represents the % of total clients

Source: Bancamía. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability^{5,6}



5_Data as of December 31, 2015.

6_Poverty lines are for the urban environment.

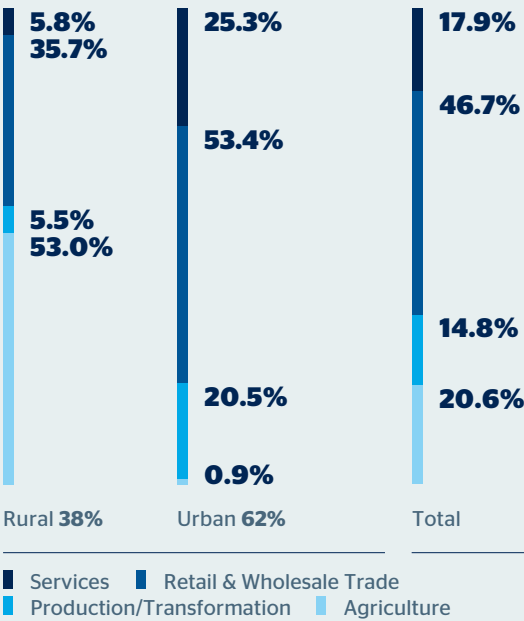
Source: The National Administrative Department of Statistics. BBVAMF calculations

The monthly per capita net income rises the longer the client stays with Bancamía. The **average monthly net income** per person is **USD 168**; this is only USD 150 in the case of new clients.

- 76% of the families served live on less than USD 7.60 per person, per day, 32% try to get by on less than USD 2.50 per person, per day.

Our clients' enterprises

Economic activity ⁷

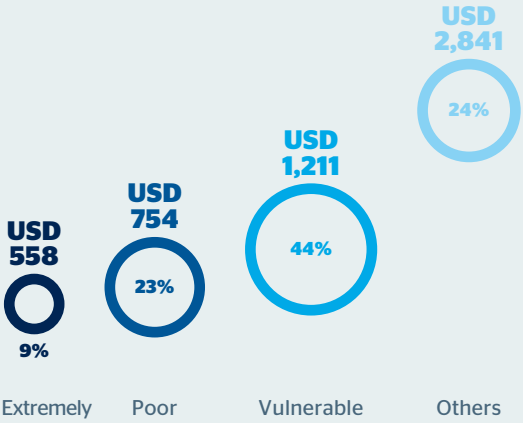


Source: Bancamía. BBVAMF calculations.

- Nearly half of the clients work in the retail sector and there are differences resulting from their living environment. Thus, among rural clients, farming is the principal activity and very few are involved in transformation activities.

⁷Data as of December 31, 2015.

Average monthly sales by vulnerability ⁷

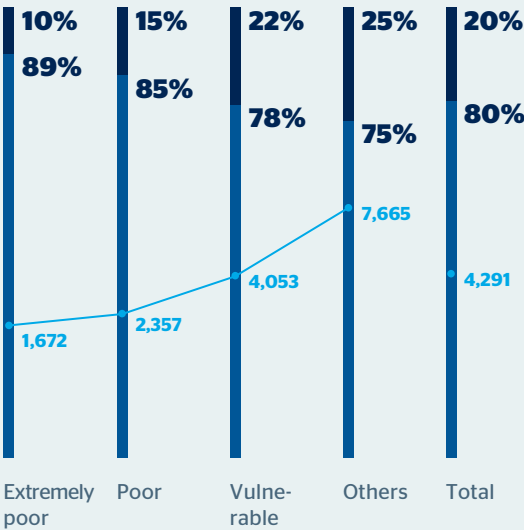


Circle represents % of total clients by vulnerability

Source: Bancamía. BBVAMF calculations.

In urban environments hardly any clients are involved in agriculture, with most working in trade.

Assets, liabilities and equity by vulnerability ^{8,9}

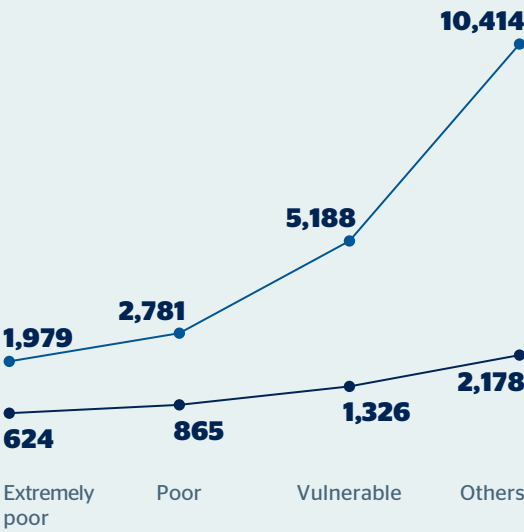


Legend: Liability/Total Assets (dark blue), Equity/Total Assets (medium blue), Avg. Equity (USD) (light blue line)

Source: Bancamía. BBVAMF calculations.

- Clients' level of indebtedness is greater in the case of the less vulnerable segments. Equity held by the non-vulnerable segment nearly double those of the vulnerable segment.
- Extremely poor clients spend 9% of their sales revenue on paying the loan installment, which is nearly half their gross margin. Non-vulnerable clients, however, have 43% of their income left as net income after paying the installment.
- Their gross margin increases as clients' vulnerability falls, and averages out at 36%.

Assets and average disbursement by vulnerability ⁹



Legend: Avg. disbursement/transaction (USD) (dark blue), Avg. assets (USD) (light blue line)

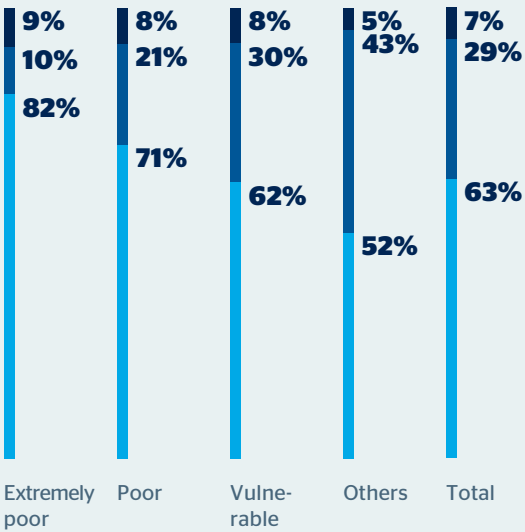
Source: Bancamía. BBVAMF calculations.

⁸Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

⁹As of December 31, 2015.

¹⁰Calculations based on those clients reporting expenditures.

Loan installment, expenses & margins (as % of sales) ¹⁰



Legend: Loan installment (%) (dark blue), Net income (%) (medium blue), Expenses (%) (light blue)

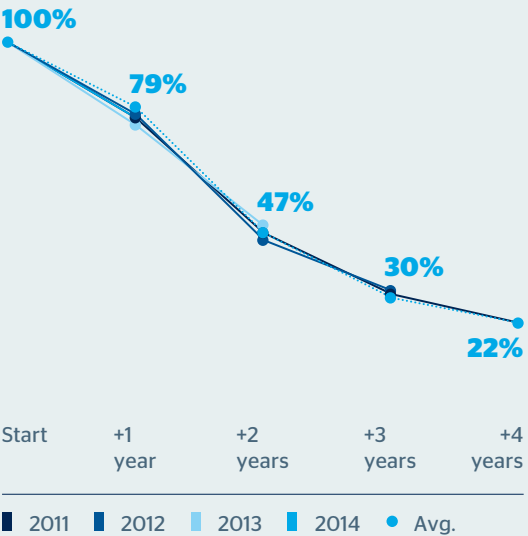
Source: Bancamía. BBVAMF calculations.

Our clients' development

After two years, 33.1% of clients who remain with Bancamía, and who were classed as poor at the outset, are above the poverty line. Since 2011, more than 16,000 current clients have achieved this.

- Bancamía retains nearly 80% of its clients after a year, a slightly higher rate than the average for the BBVAMF Group. However, longer-term retention continues to be a challenge.
- There is a positive trend in terms of poverty reduction with clients the longer they stay.

Retention (by cohort) ¹¹



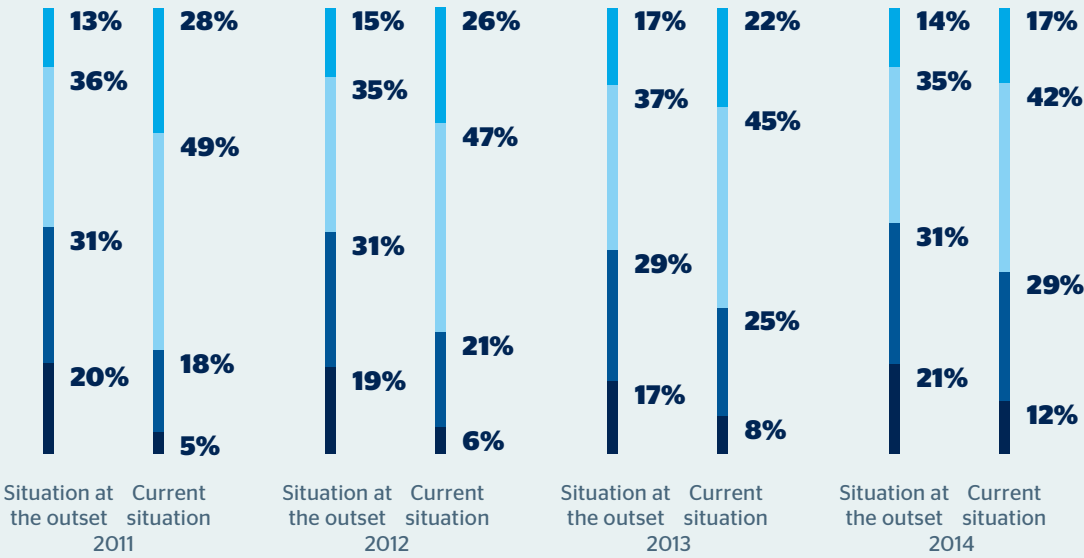
Source: Bancamía. BBVAMF calculations.

11_Percentage of clients in each cohort still current as of December 31, 2015.

12_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort current at that time.

13_Clients participating in the sample are current clients and have had their data updated in the last 12 months.

Client economic vulnerability (by cohort) ^{12,13}



Extremely poor Poor Vulnerable Others

Source: Bancamía. BBVAMF calculations.

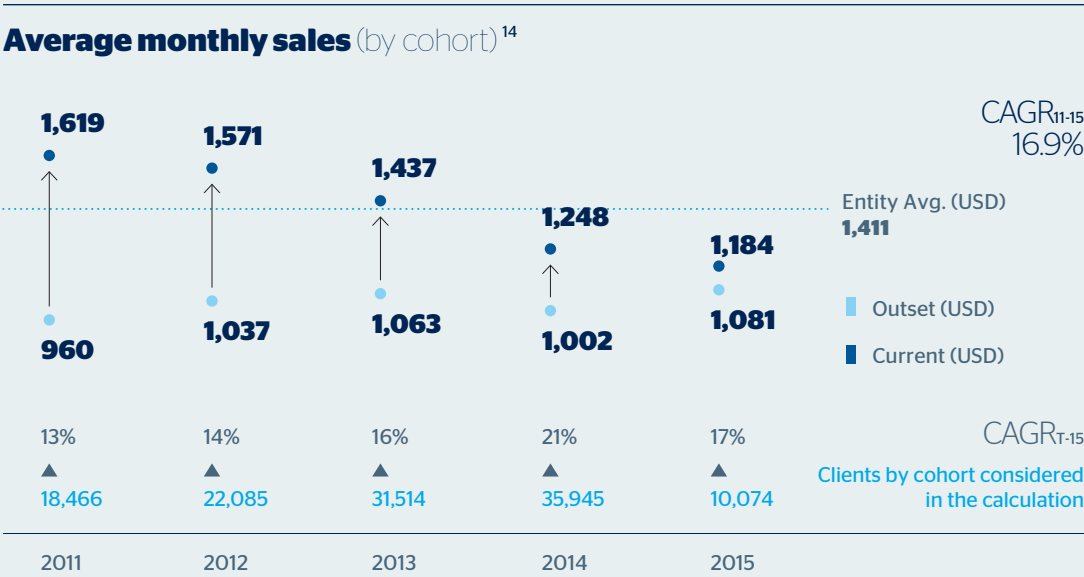
Clients overcoming poverty (by cohort) ¹³



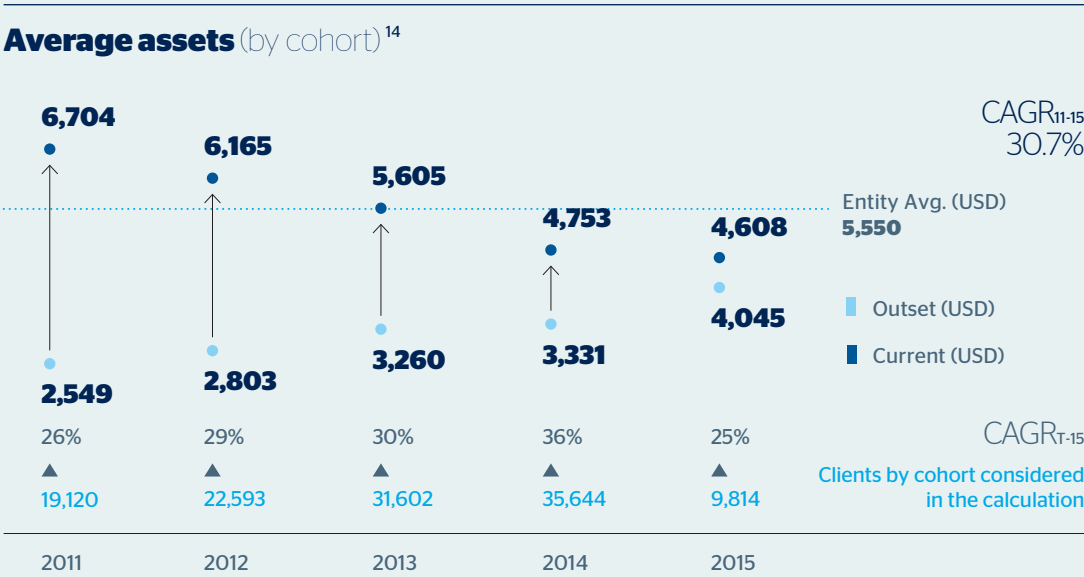
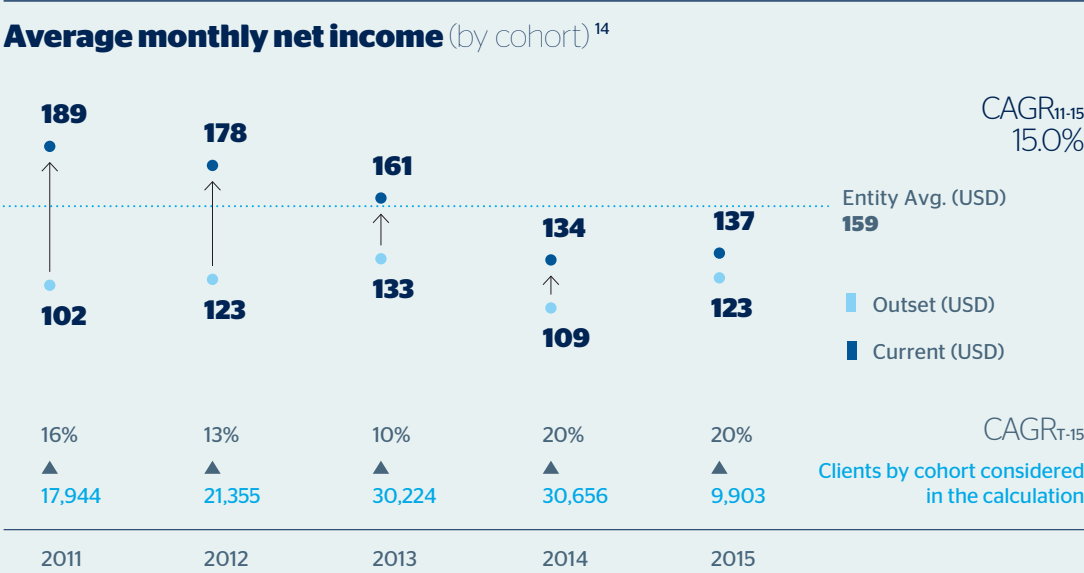
% of existing clients classified as poor at the outset whose net income as of Dec. 31 exceeds the poverty line
Nº existing clients classified as poor at the outset and whose net income exceeds the poverty line

Source: Bancamía. BBVAMF calculations.

The positive and continued financial growth enjoyed by micro-enterprises over all cohorts also show a momentum of asset accumulation, since the latter grow at a faster rate than sales and net income.



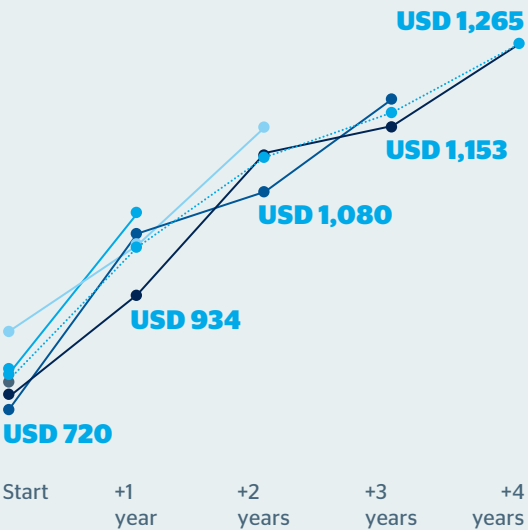
Source: Bancamía. BBVAMF calculations.



14_Data of current clients as of December 31, 2015, and that have had a data update in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015.

Source: Bancamía. BBVAMF calculations.

Average disbursement per transaction (by cohort)¹⁵

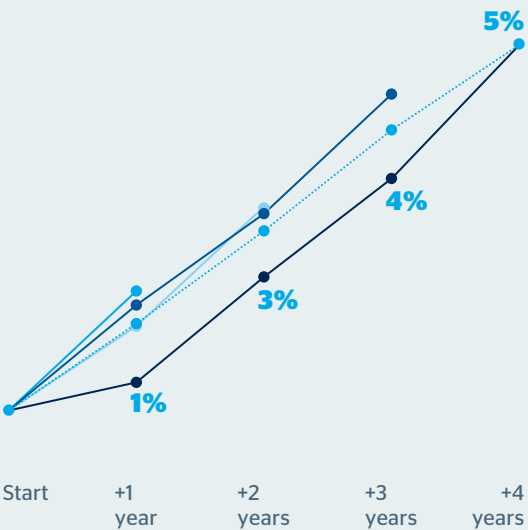


■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Bancamía. BBVAMF calculations.

- As time passes, clients' credit capacity grows, as do the sums being offered by Bancamía. After two years, their average credit sum has increased by around 50%.
- While modest, there is a direct correlation between having a relationship with Bancamía and improvements both in the level of educational achievement and in housing quality.

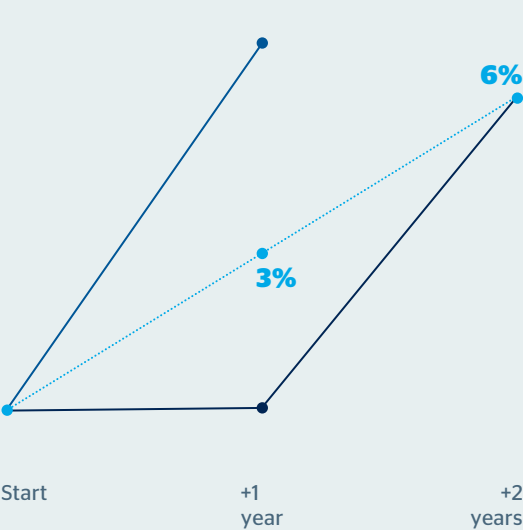
Client improvement in education (by cohort)¹⁶



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Bancamía. BBVAMF calculations.

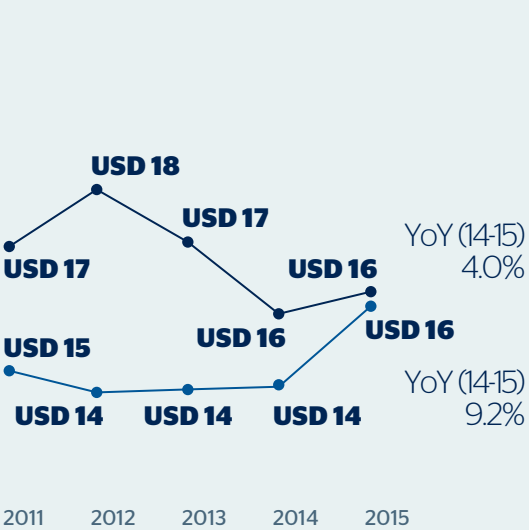
Client improvement in housing (by cohort)¹⁷



■ 2013 ■ 2014
● Avg.

Source: Bancamía. BBVAMF calculations.

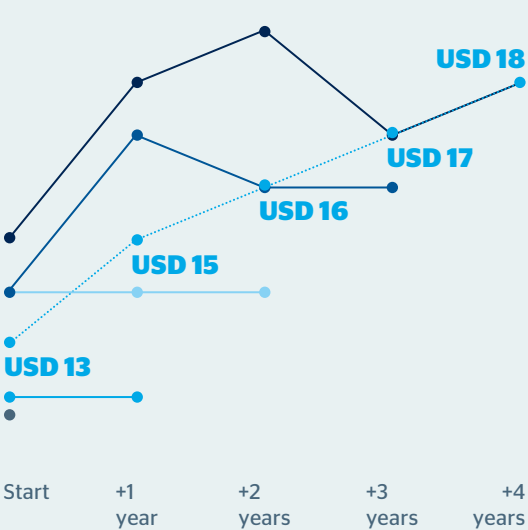
Average savings (of existing clients)^{18,19}



■ Avg. Savings (all clients) (USD) ■ Avg. Savings (credit clients only) (USD)
● Avg.

Source: Bancamía. BBVAMF calculations.

Average savings (by cohort)^{19,20}



■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015
● Avg.

Source: Bancamía. BBVAMF calculations.

- When analyzed by cohorts, the average savings balance of active clients increases the more time they have banked with Bancamía.

Active clients' average savings are slightly lower than the average savings of all clients with savings products.

18_ Includes the overnight and term savings of current clients each year.

19_ Average saving calculated for all clients with a balance of USD 1 or more (in local currency equivalent) on all dates.

20_ Savings of clients current in each cohort having both credits and savings.

15_ Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

16_ Proportion of clients still current in each cohort who have improved their level of education from their situation as registered at the outset.

17_ Proportion of clients still current in each cohort who have moved into their own home, have made home improvements or who have increased the number of rooms in their home from when they registered at the outset.

Activity

data

Summary of activity ²¹	
	Total
Gross loan portfolio (USD)	350,969,068
Total disbursed in 2015 (USD)	322,501,711
Nº transactions in 2015	296,511
Average disbursement in 2015 (USD)	1,088
Deposits & other (USD)	105,542,176
Nº Employees	3,583
Nº Offices	200
Clients receiving financial education	164,334

21_Data as of
December 31, 2015.

Source: Bancamía. BBVAMF calculations.

Financiera Confianza Peru

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

435,879

Total clients

213,152

Credit clients

92,363

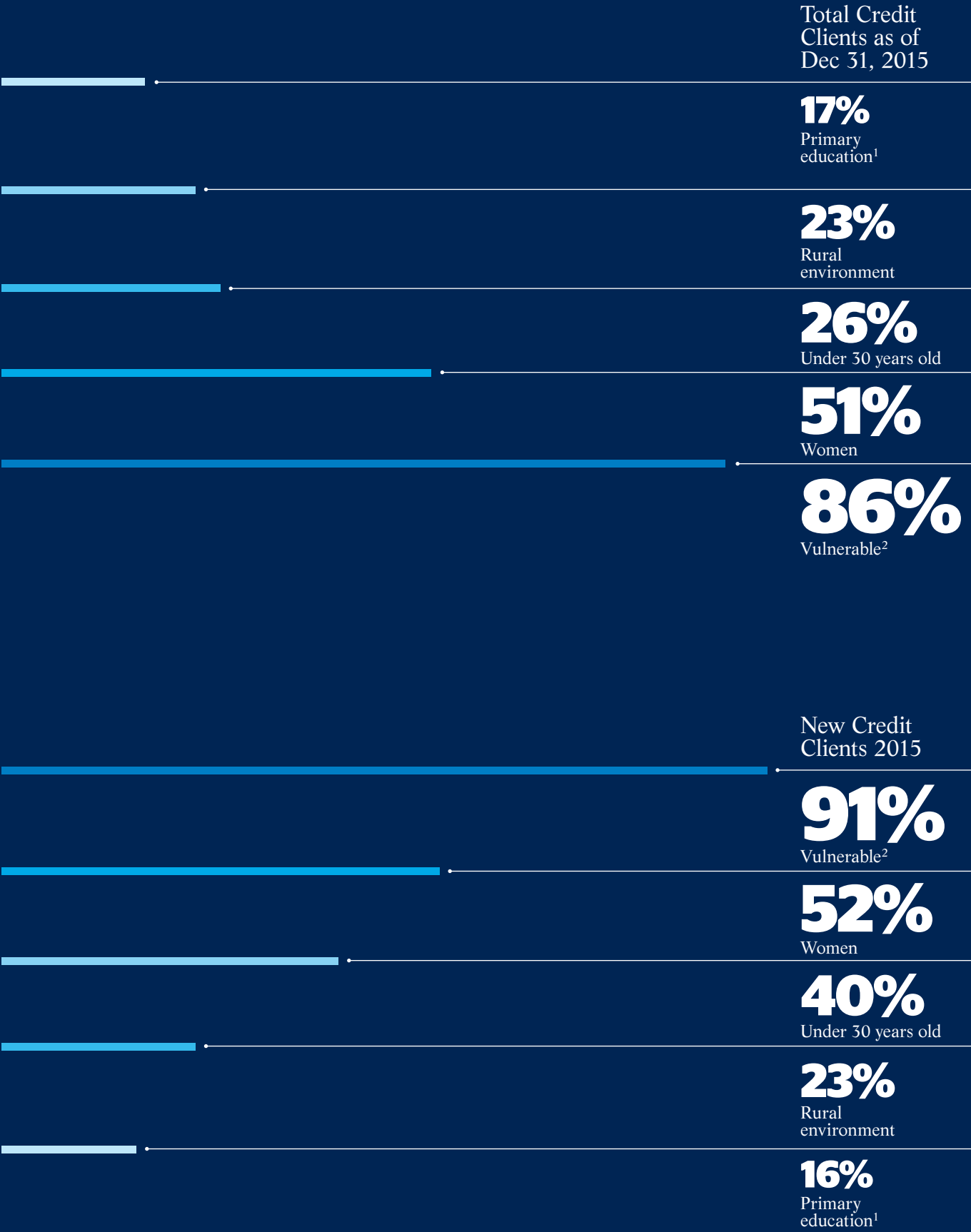
New credit clients

1_Clients with primary education at best, as proportion of all credit clients.

2_According to Peru's official poverty line (distinguishing between rural and urban environments). Source: National Statistics & IT

Institute. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than

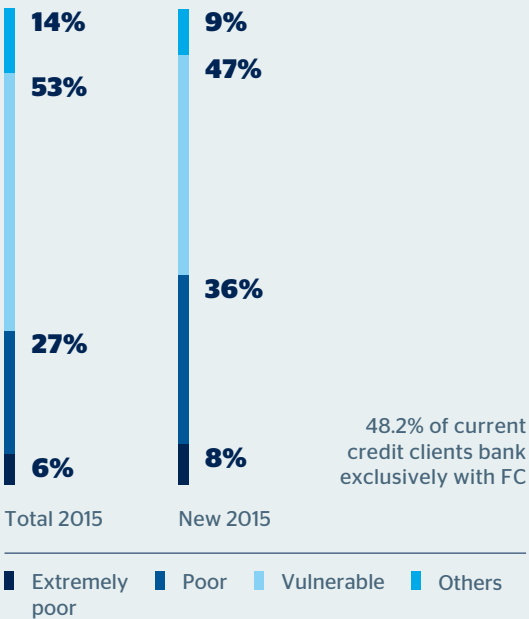
3 times the poverty line of their corresponding country and type of environment (rural/urban).



Our clients and our scale

Financiera Confianza remains focused on serving low-income clients. **86% of its clients are economically vulnerable.**

Client economic vulnerability ¹



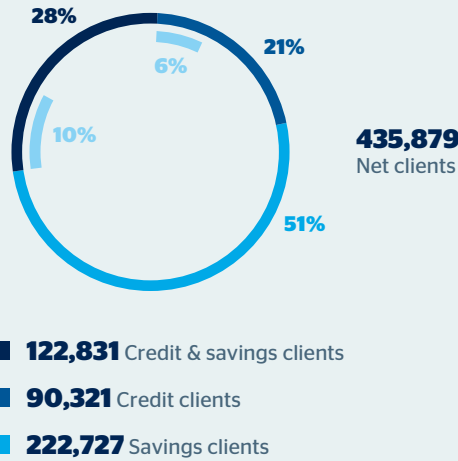
Source: Financiera Confianza. BBVAMF calculations.

1_According to Peru's official poverty line (distinguishing between rural and urban environments). Source: National Statistics & IT Institute. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_No information available about levels of insurance products held by savings clients.

3_Takes into account clients joining during the year (new clients).

Clients by type of product ²

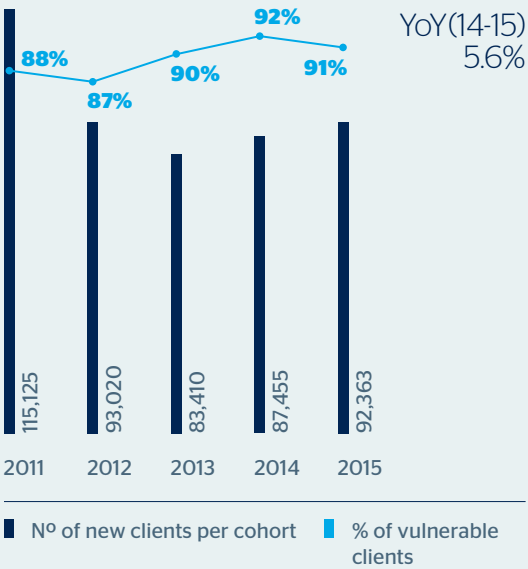


■ % of total clients with non-mandatory insurance products within each product segment

Source: Financiera Confianza. BBVAMF calculations.

- The client acquisition rate (YOY (14-15) 5.6%) has remained steady, particularly so in terms of its focus on signing up vulnerable clients: these account for over 90% of clients acquired in the last 3 years.
- New clients' profile is essentially unchanged, with a noticeable increase in new clients who are less than 30 years old. (see next page)

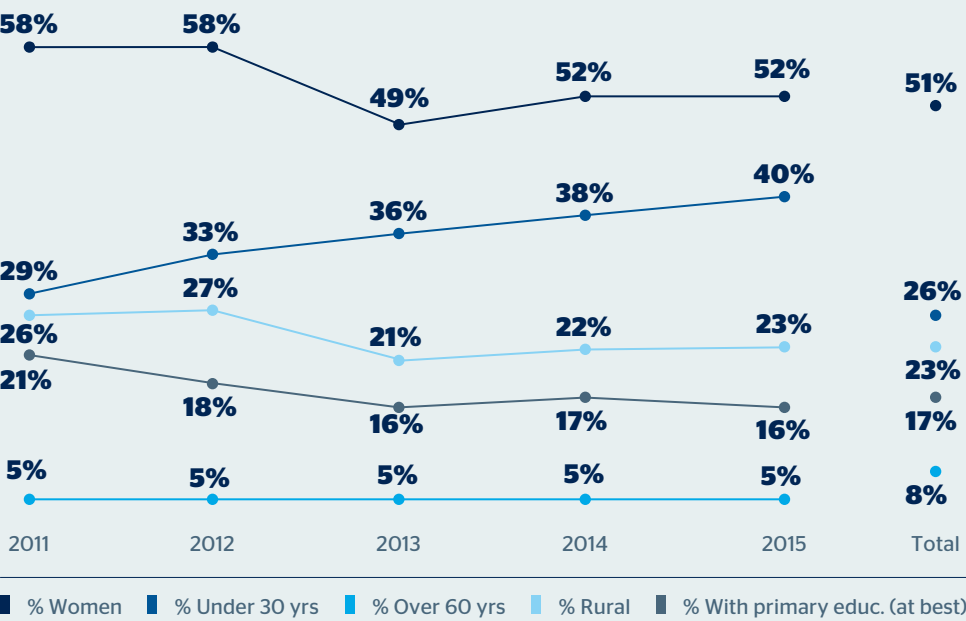
New credit clients ³



Source: Financiera Confianza. BBVAMF calculations.

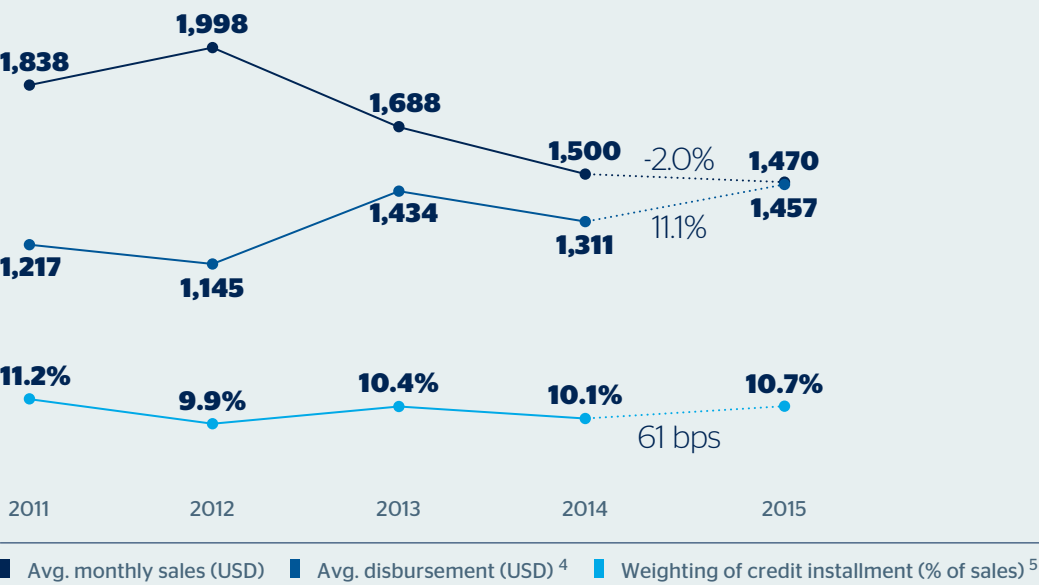
- There has been a trend in the last few years to sign up clients with lower sales levels, whilst keeping the ratio of loan installment over sales at around 11%. (see next page)

Profile of our credit clients³



Source: Financiera Confianza. BBVAMF calculations.

Sales, disbursement & weight of credit installment³



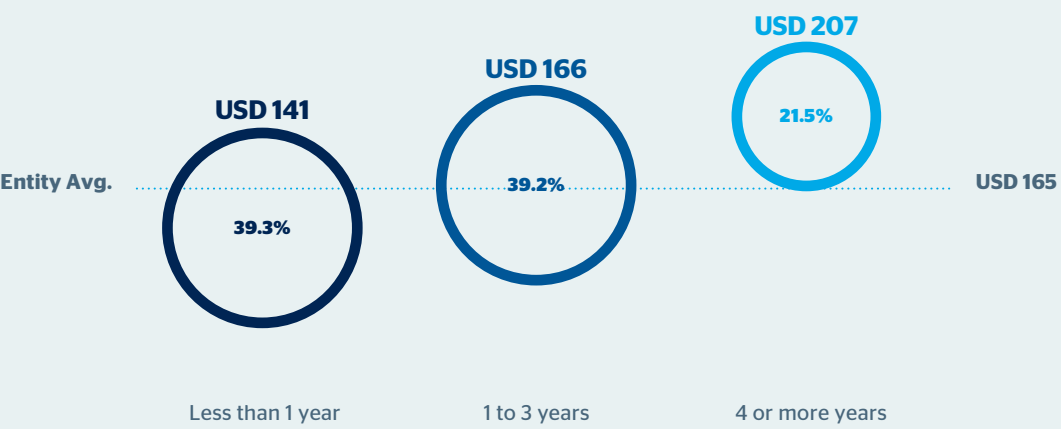
Source: Financiera Confianza. BBVAMF calculations.

3_Takes into account clients joining during the year (new clients).

4_Average disbursement, calculated as the average first disbursement for new clients each year.

5_Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

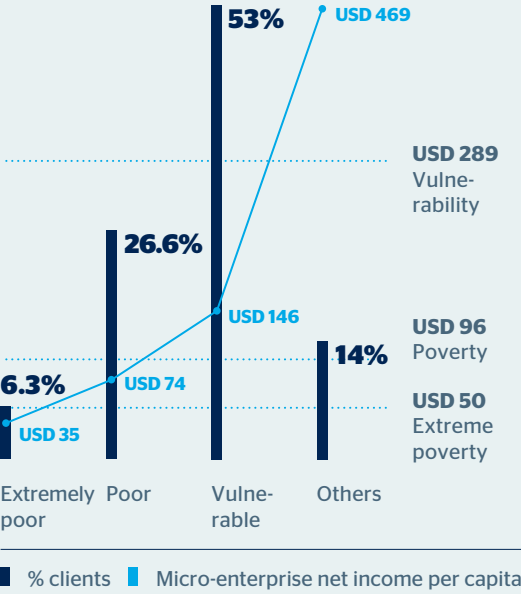
Average per capita micro-entrepreneurial net income, by client seniority⁶



Circle represents the % of total clients

Source: Financiera Confianza. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability^{6,7}



Source: National Statistics & IT Institute. Financiera Confianza. BBVAMF calculations.

6_Data for the current portfolio as of December 31, 2015.

7_Poverty lines are for the urban environment.

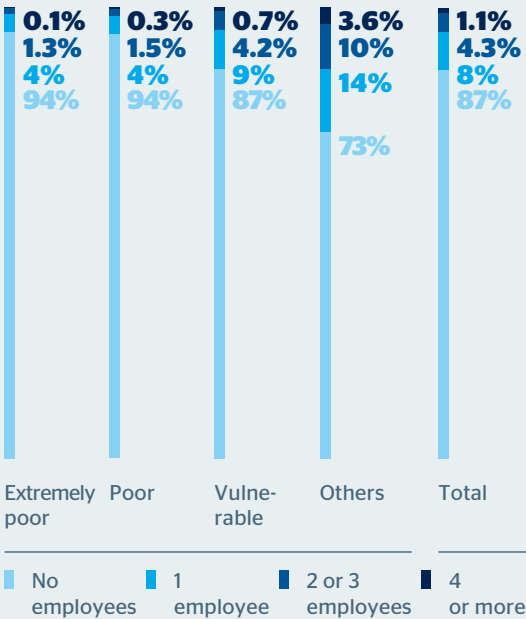
Clients' average monthly per capita net income is **USD 165** and rises the longer a client stays with the institution.

- The average per capita net income of 53% of clients classified as vulnerable is USD 4.90 a day; the poorest 33% have an average per capita net income of USD 2.20 a day.

Our clients' enterprises

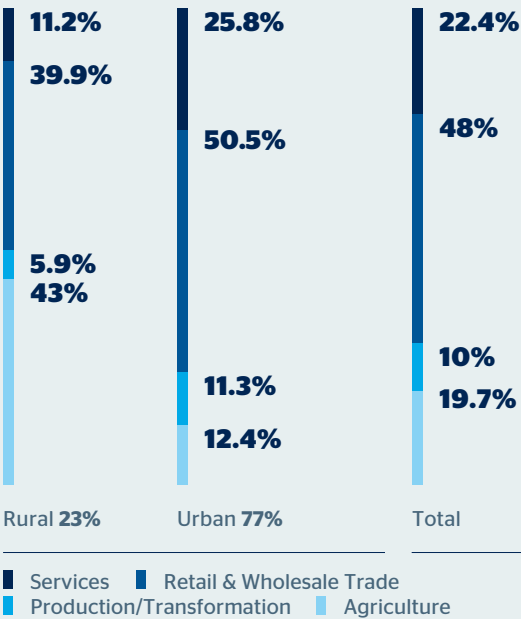
- Nearly half of the clients work in trade. In the case of rural clients, 43% work in agriculture.
- In 87% of cases the client is the business' sole employee.

Micro-enterprises' employee breakdown⁸



Source: Financiera Confianza. BBVAMF calculations.

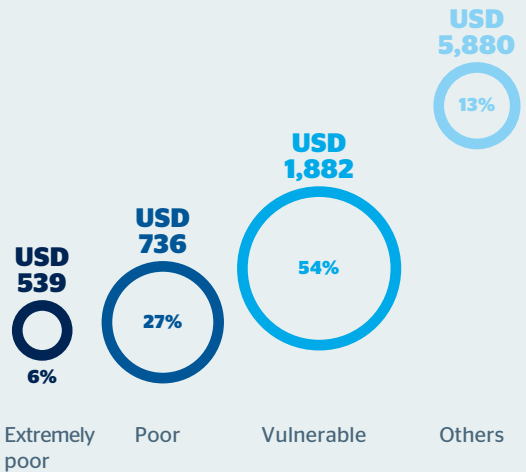
Economic activity⁸



Source: Financiera Confianza. BBVAMF calculations.

8_Data for the current portfolio as of December 31, 2015.

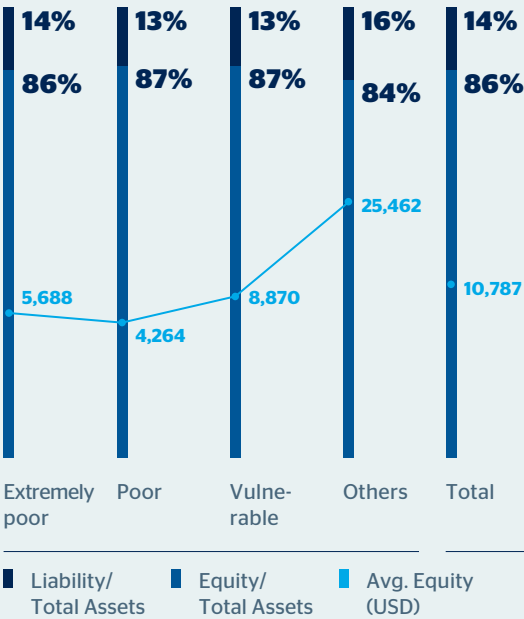
Average monthly sales by vulnerability⁸



Circle represents % of total clients by vulnerability

Source: Financiera Confianza. BBVAMF calculations.

Assets, liabilities and equity by vulnerability^{9,10}



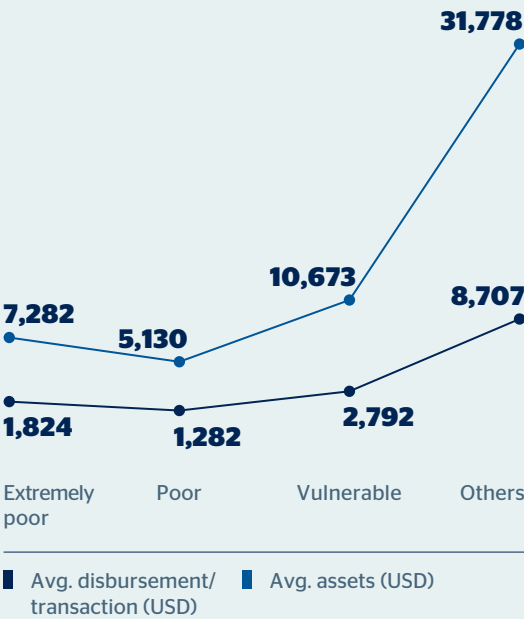
Source: Financiera Confianza. BBVAMF calculations.

9_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

10_Data for the current portfolio as of December 31, 2015.

11_Calculations based on those clients reporting expenditures.

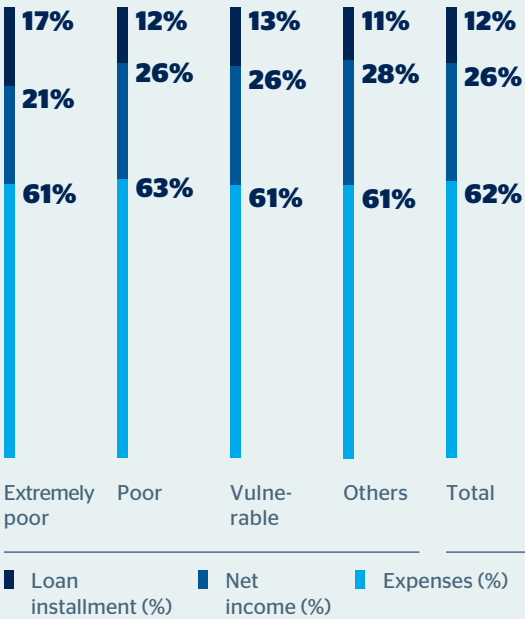
Assets and average disbursement by vulnerability¹⁰



Source: Financiera Confianza. BBVAMF calculations.

- Clients' financial leverage remains at around 14% whatever their level of vulnerability.
- The financial burden of the installment payment as a proportion of sales lessens as clients' income levels rise. On average it comes in at 12%.
- The average gross percentage margin (net income + loan installment) of clients' businesses is 38%.

Loan installment, expenses & margins (as % of sales)¹¹



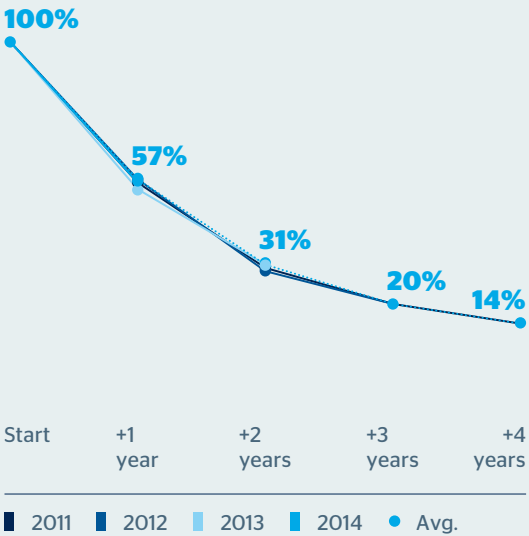
Source: Financiera Confianza. BBVAMF calculations.

Our clients' development

After two years, 24% of the clients classified at the outset as poor are above the poverty line.

- Similar client retention rate trends in the last 4 cohorts analyzed. After one year, client loss works out at an average 43%.
- Since 2011 around 7,000 of the current clients who were initially classed as poor have overcome the poverty line.

Retention (by cohort)¹²



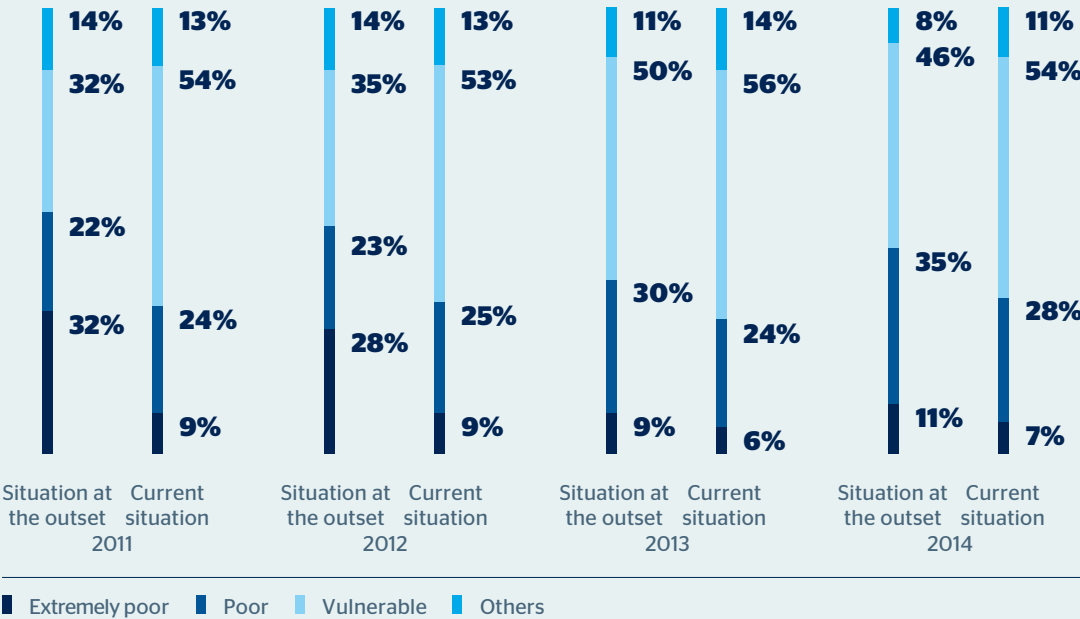
Source: Financiera Confianza. BBVAMF calculations.

12_Percentage of clients in each cohort still current as of December 31, 2015.

13_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort current at that time.

14_Clients participating in the sample are current clients whose data has been updated in the last 12 months.

Client economic vulnerability (by cohort)^{13,14}



Source: Financiera Confianza. BBVAMF calculations.

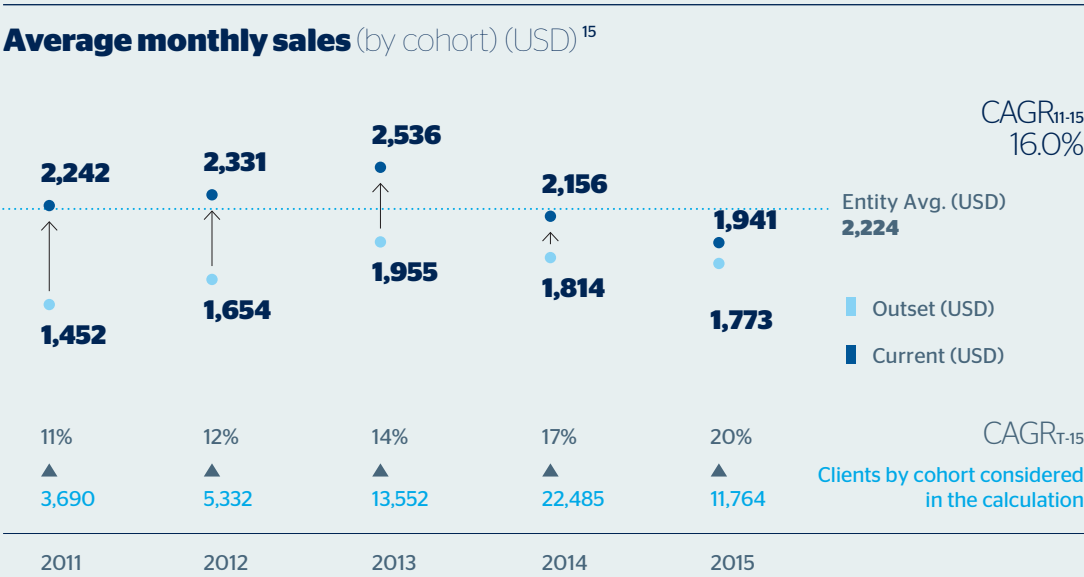
Clients overcoming poverty (by cohort)¹⁴



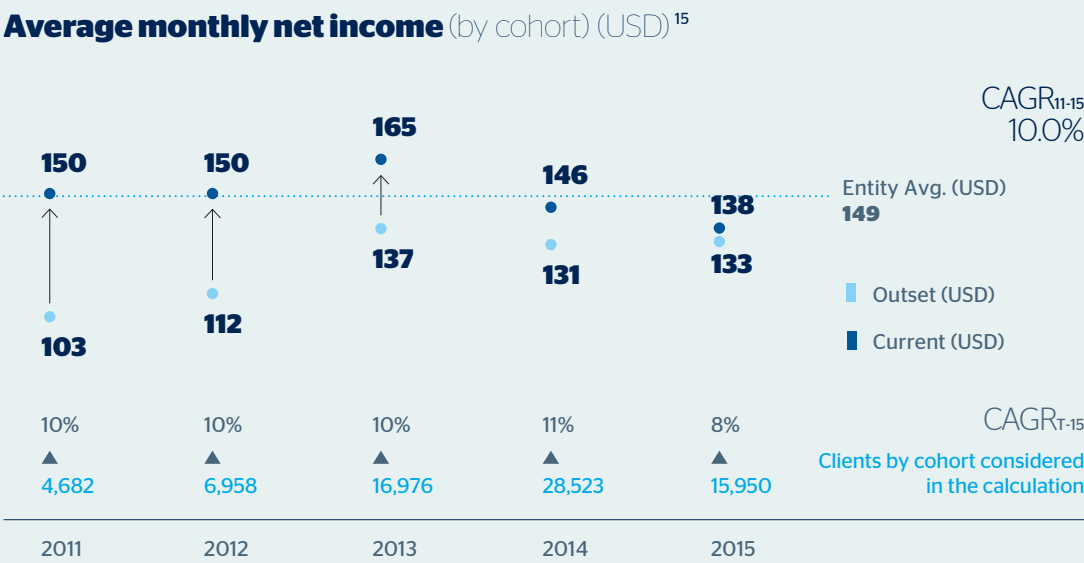
Source: Financiera Confianza. BBVAMF calculations.

Those clients who remain with the institution report sustained growth in their enterprise's sales, net income and, in particular, assets.

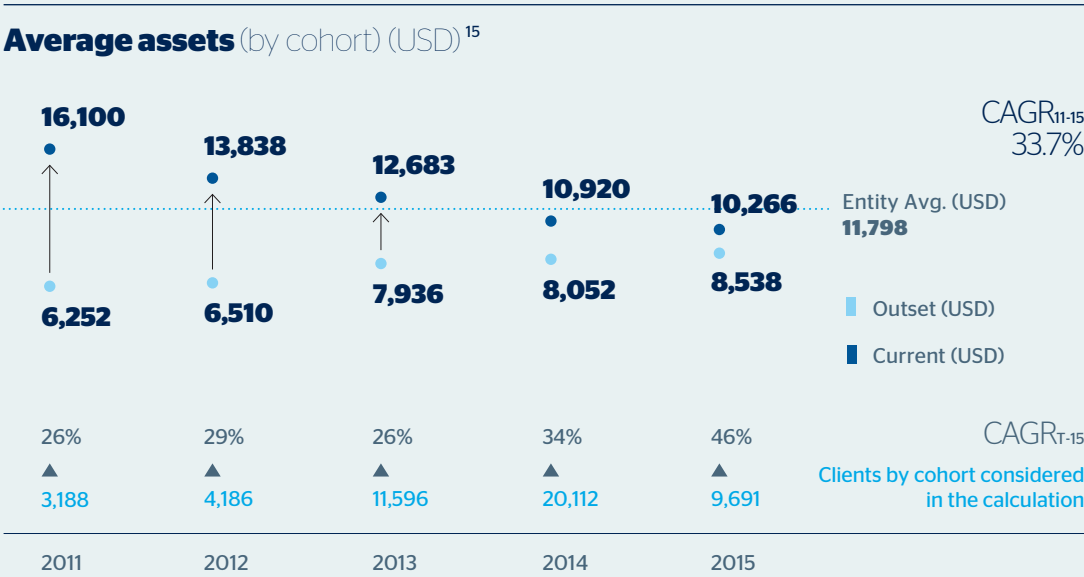
- Micro-enterprises' assets over the different cohorts also show momentum in asset accumulation, with these growing at a faster rate than sales and monthly net income per capita.



Source: Financiera Confianza. BBVAMF calculations.



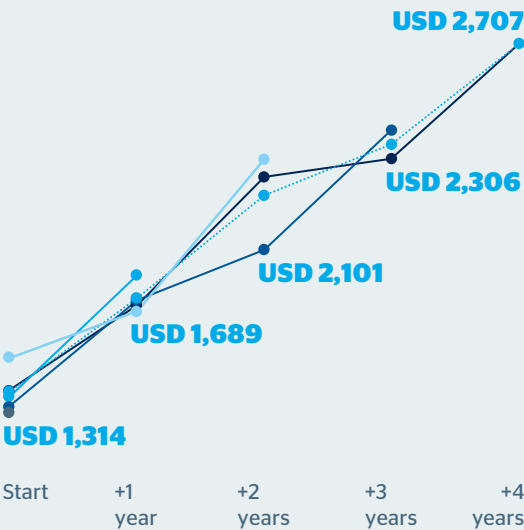
Source: Financiera Confianza. BBVAMF calculations.



Source: Financiera Confianza. BBVAMF calculations.

15_Data of current clients as of December 31, 2015, and whose data has been updated in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

Average disbursement per transaction (by cohort)¹⁶

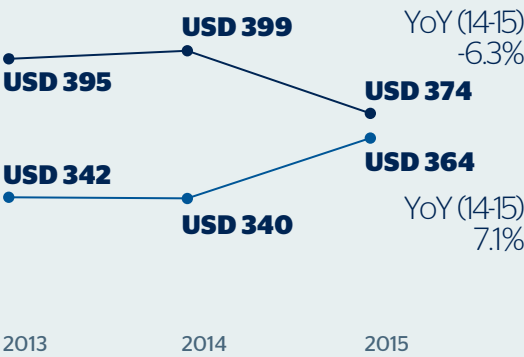


■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Financiera Confianza. BBVAMF calculations.

- Sustained increase in the average disbursement, which on average doubles after 3-4 years.
- Savings amounts grow over time among credit clients.

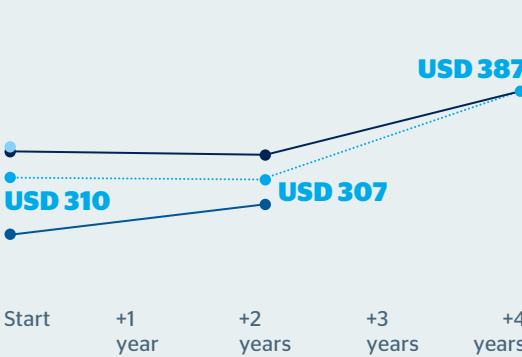
Average savings (of existing clients)^{17,18}



■ Avg. Savings (all clients) (USD) ■ Avg. Savings (credit clients only) (USD)

Source: Financiera Confianza. BBVAMF calculations.

Average savings (by cohort)^{18,19}



■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015
● Avg.

Source: Financiera Confianza. BBVAMF calculations.

16_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

17_Includes the overnight and term savings of current clients each year.

18_Average saving calculated for all clients with a balance of USD 1 or more (in local currency equivalent) on all dates.

19_Savings of clients current in each cohort having both credit and savings.

Activity data

Summary of activity²⁰

	Total
Gross loan portfolio (USD)	447,075,072
Total disbursed in 2015 (USD)	578,380,102
Nº transactions in 2015	291,945
Average disbursement in 2015 (USD)	1,981
Deposits & other (USD)	272,876,591
Nº Employees	2,168
Nº Offices	153
Clients receiving financial education	50,907

Source: Financiera Confianza. BBVAMF calculations.

20_Data as of December 31, 2015.

Banco Adopem Dominican Republic

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

361,722

Total clients

217,992

Credit clients

67,411

New credit clients

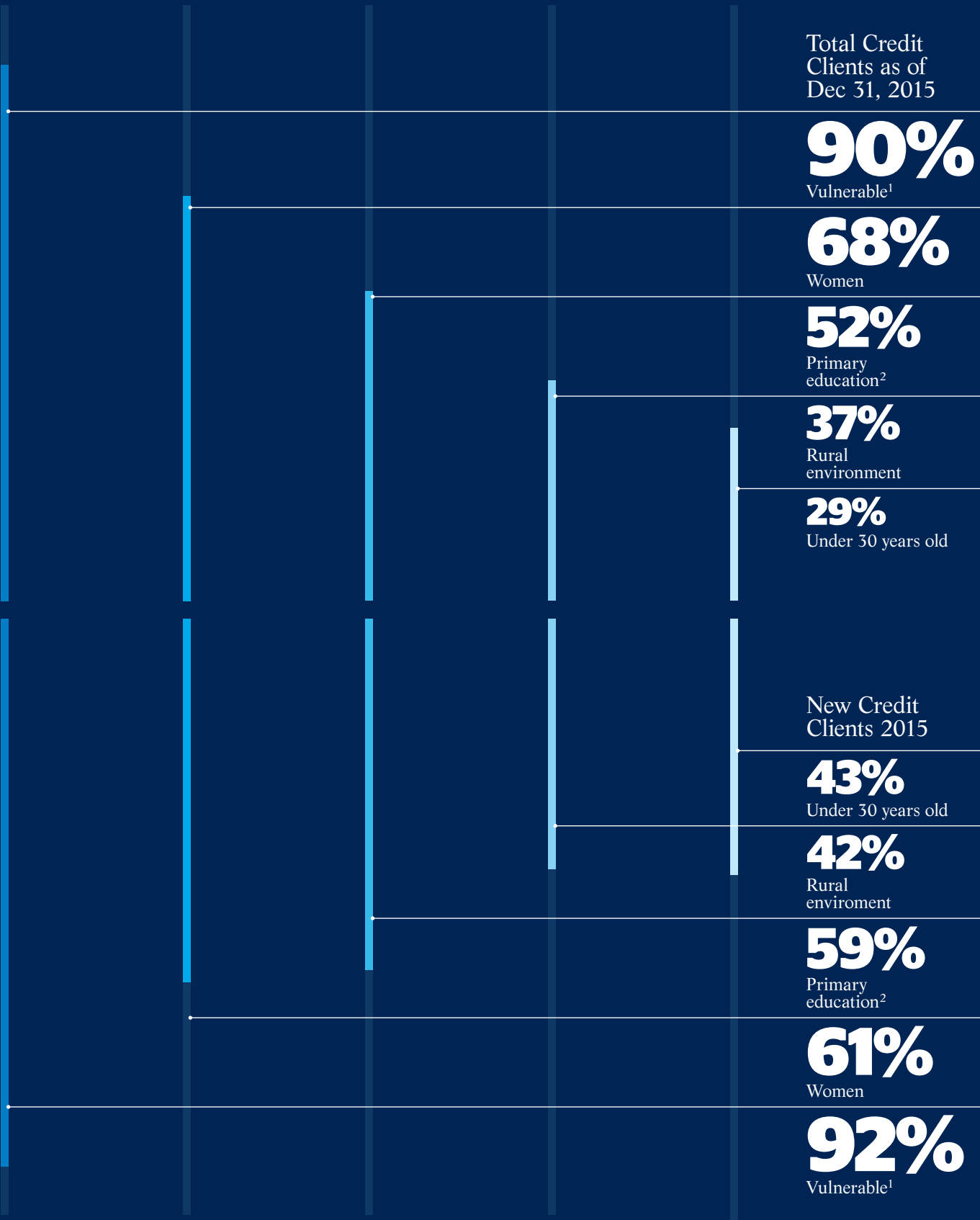
1_According to Dominican Republic's official poverty line (distinguishing between rural and urban environments).

Source: Ministry of the Economy, Planning and Development. Clients whose net income (i.e. profit obtained

from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times

the poverty line of their corresponding country and type of environment (rural/urban).

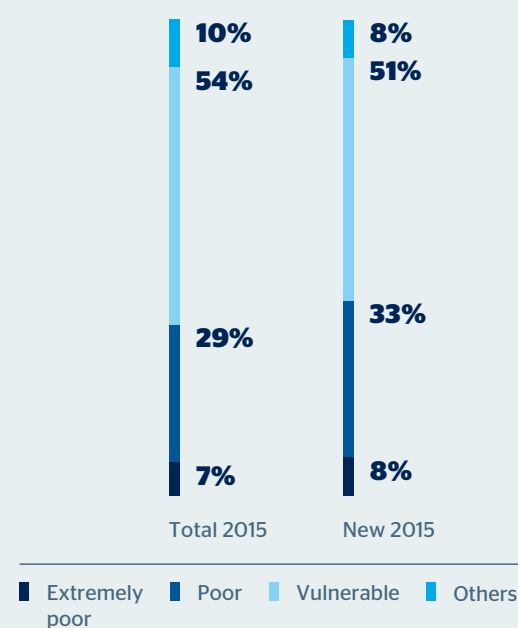
2_Clients with primary education at best, as proportion of all credit clients.



Our clients and our scale

Banco Adopem retains its focus on serving low-income clients. **90% of its clients are financially vulnerable**, the highest proportion in the BBVAMF Group.

Client economic vulnerability¹

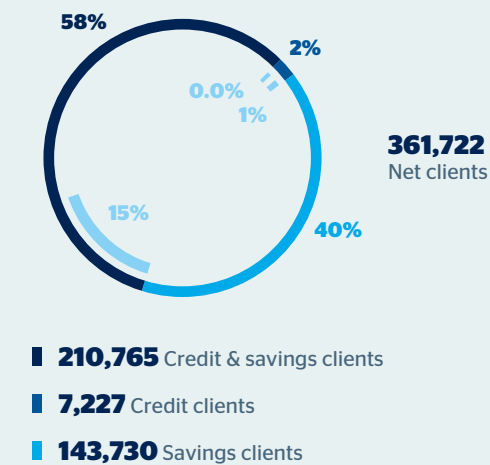


Source: Banco Adopem. BBVAMF calculations.

1_According to Dominican Republic's official poverty line (distinguishing between rural and urban environments). Source: Ministry of the Economy, Planning and Development. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_Takes into account clients that joined during the year (new clients).

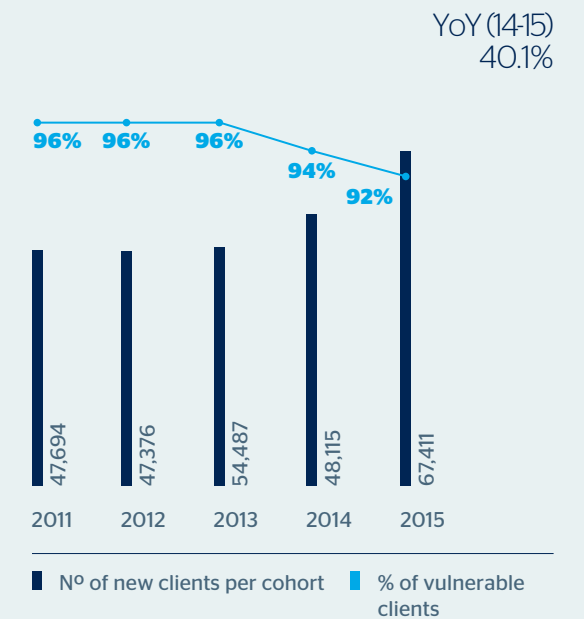
Clients by type of product



■ % of total clients with non-mandatory insurance products within each product segment

Source: Banco Adopem. BBVAMF calculations.

New credit clients²



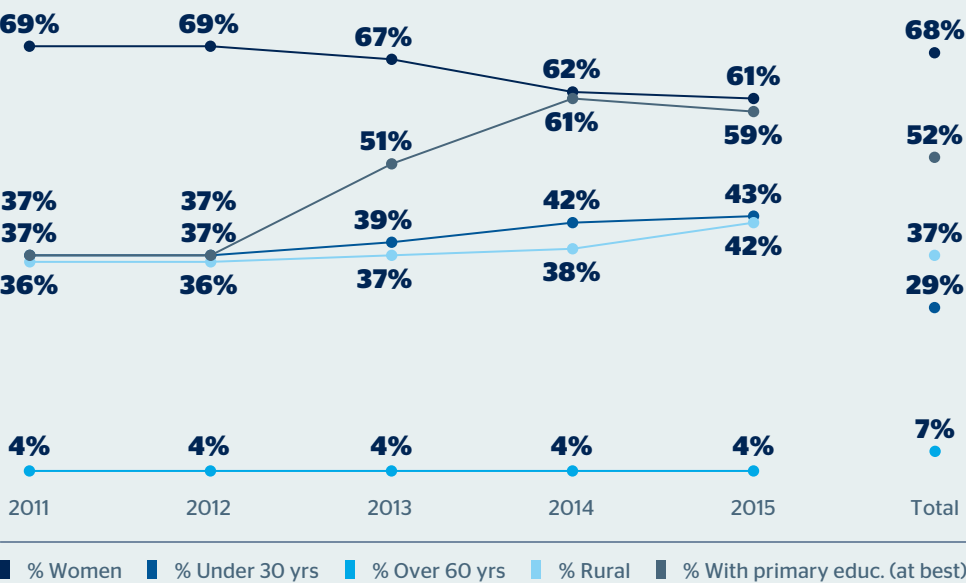
Source: Banco Adopem. BBVAMF calculations.

The very significant increase in the acquisition of new clients has kept the percentage of vulnerable clients above 90%; of all BBVAMF Group institutions, this is the highest proportion.

- Women make up more than two thirds of Adopem's clients. More clients with primary education (at best) have signed up, and the proportion of rural clients and those under 30 years have increased slightly too. (see next page)

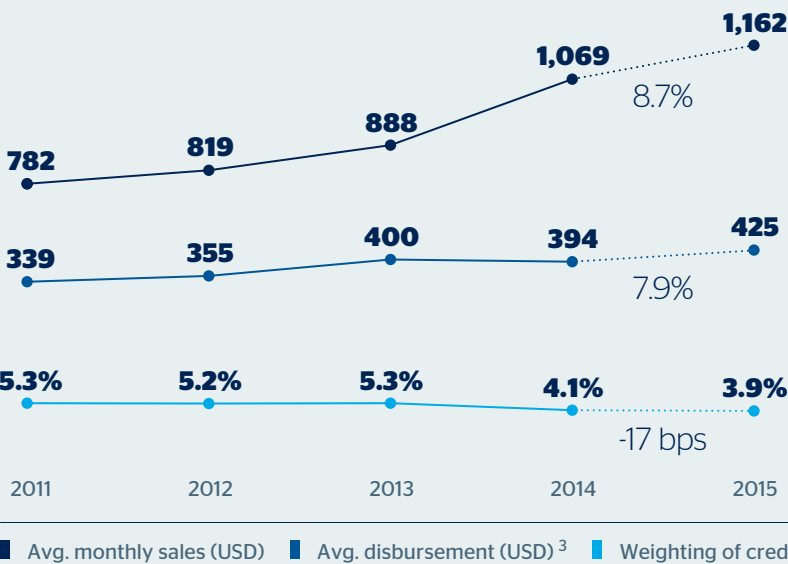
- The weighting of the credit payment installment (as a % of monthly sales) has fallen in the last few years for new clients, given that the increase in average disbursements has not kept up with sales levels, as reported by clients. (see next page)

Profile of our new credit clients²



Source: Banco Adopem. BBVAMF calculations.

Sales, disbursement & weight of credit installment²



Source: Banco Adopem. BBVAMF calculations.

2_Takes into account clients that joined during the year (new clients).

3_Average disbursement, calculated as the average first disbursement for new clients each year.

4_Weight of the installment calculated as an average ratio (installment divided by sales) of each client.

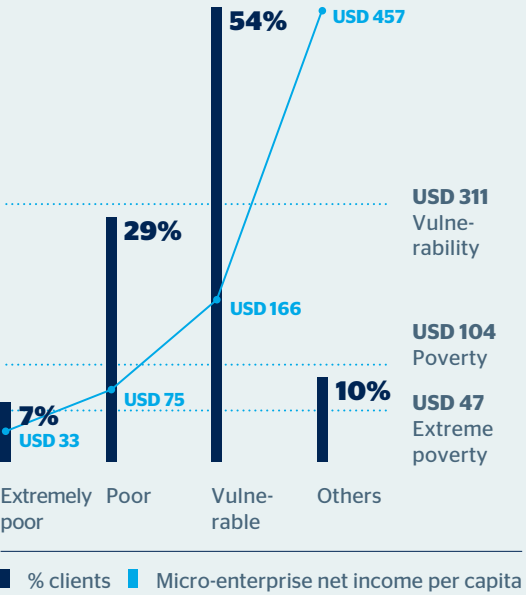
Average per capita micro-entrepreneurial net income, by client seniority⁵



Circle area represents the % of total clients

Source: Banco Adopem. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability^{5,6}



5_Data for the current portfolio as of December 31, 2015.

6_Poverty lines are for the urban environment.

Source: Ministry of the Economy, Planning and Development. Banco Adopem. BBVAMF calculations.

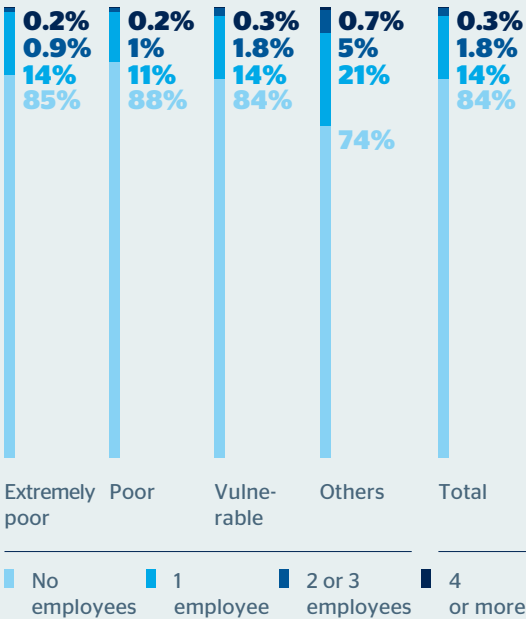
Clients' average monthly net income per capita is **USD 160.**

- The relative stability of per capita monthly net income over time is accounted for by the influx of new clients with higher levels of sales and net income.
- Average per capita net income of 54% of clients, classified as vulnerable, is USD 5.50 a day; that of the 36% who are poor or extremely poor is, on average, USD 2.20 a day.
- The non-vulnerable segment has an average monthly net income of USD 457, less than twice the vulnerability line.

Our clients' enterprises

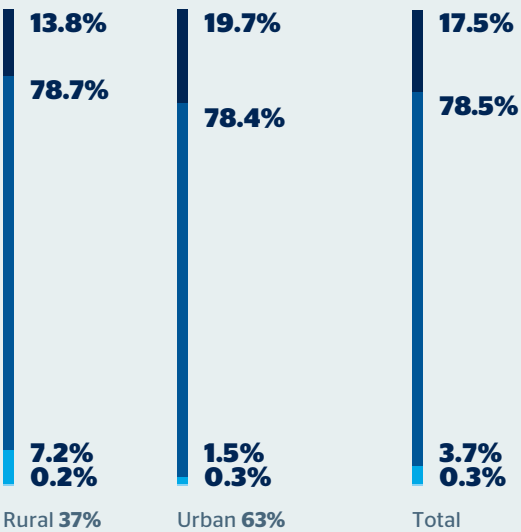
- 16% of clients take on at least one employee, and the rate of employment creation is greater in less vulnerable segments.
- 96% of clients have a business in the tertiary sector (trade and services); nearly 79% are in trade. The distribution remains for both rural and urban areas.

Micro-enterprises' employee breakdown⁷



Source: Banco Adopem. BBVAMF calculations.

Economic activity⁷

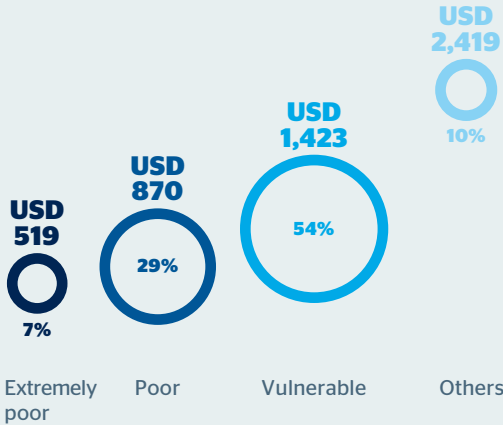


■ Services ■ Retail & Wholesale Trade
■ Production/Transformation ■ Agriculture

Source: Banco Adopem. BBVAMF calculations.

7_Data for the current portfolio as of December 31, 2015.

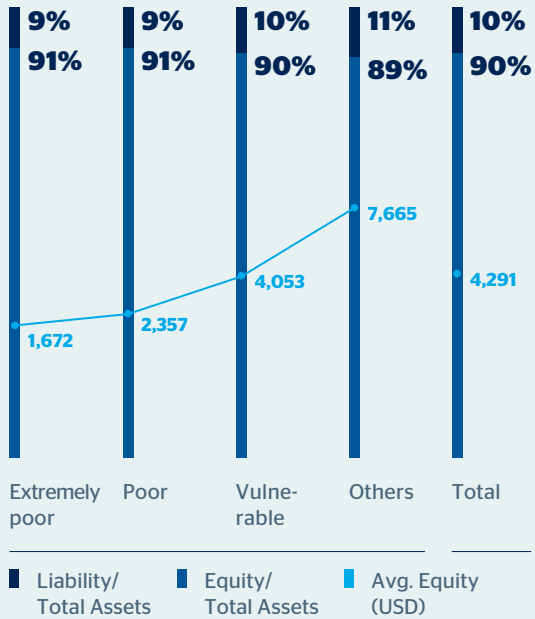
Average monthly sales by vulnerability⁷



Circle represents % of total clients by vulnerability

Source: Banco Adopem. BBVAMF calculations.

Assets, liabilities and equity by vulnerability^{8,9}



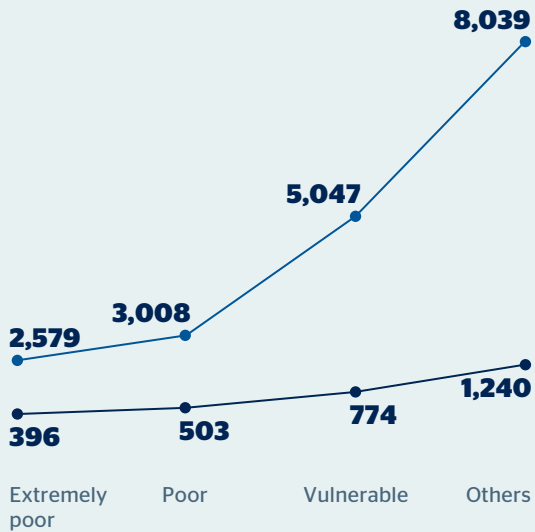
Source: Banco Adopem. BBVAMF calculations.

8_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

9_Data for the current portfolio as of December 31, 2015.

10_Calculations based on those clients reporting expenditures.

Assets and average disbursement by vulnerability⁹

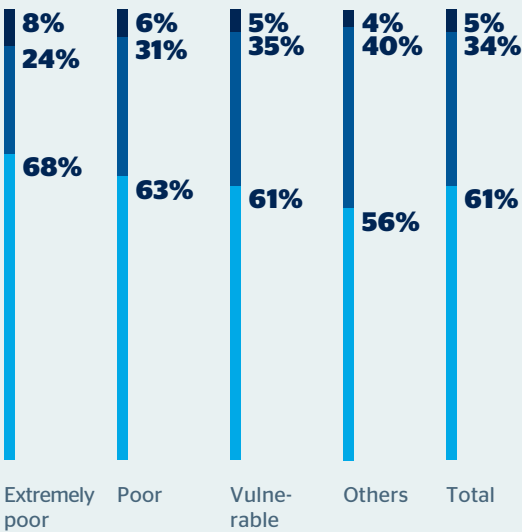


■ Avg. disbursement/transaction (USD) ■ Avg. assets (USD)

Source: Banco Adopem. BBVAMF calculations.

- The degree of leveraging remains the same, whatever the category of vulnerability.
- The financial burden of the loan installment on sales falls as clients become less vulnerable. The average works out at 5%.
- The gross margin (net income + installment) over sales is 39% on average for all vulnerability sectors.

Loan installment, expenses & margins (as % of sales)¹⁰



■ Loan installment (%) ■ Net income (%) ■ Expenses (%)

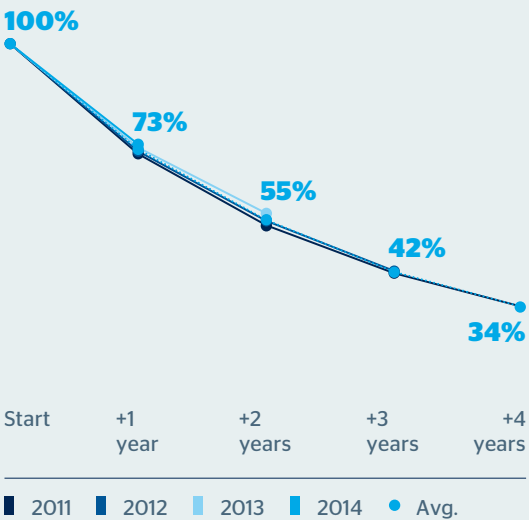
Source: Banco Adopem. BBVAMF calculations.

Our clients' development

After two years, 35% of clients classed as poor at the outset have come off the poverty line.

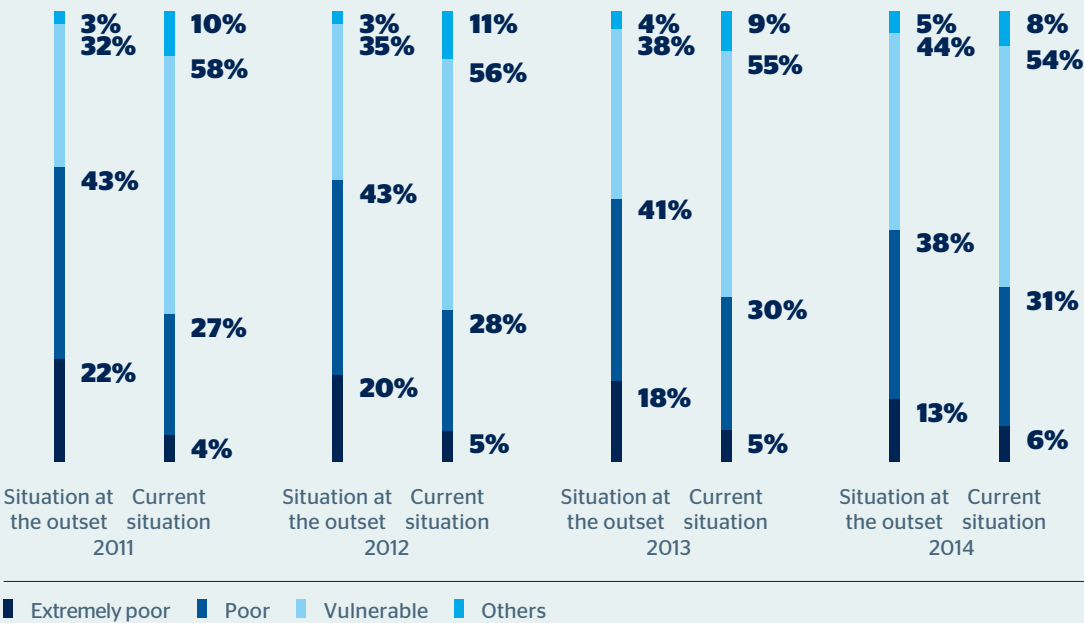
- Similar client retention rates trends in the last 4 cohorts analyzed. Client loss after one year remains, on average, around 27%. Adopem has the best client retention rate of the BBVAMF group after 4 years.
- Since 2011 over 14,000 current clients classed as poor when registering have come off the poverty line.

Retention (by cohort)¹¹



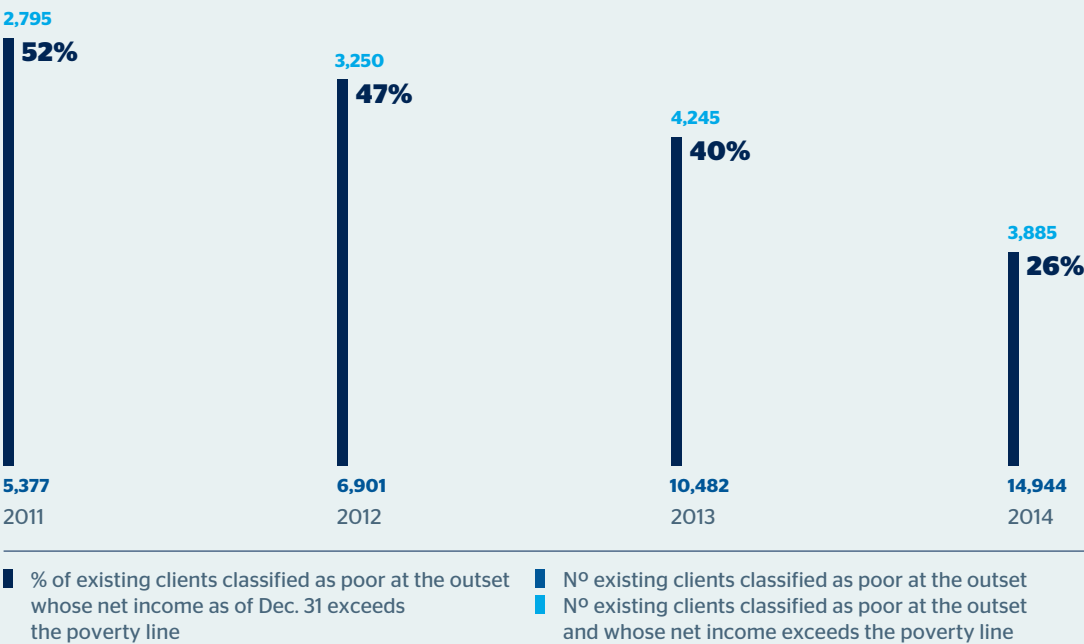
Source: Banco Adopem. BBVAMF calculations.

Client economic vulnerability (by cohort)^{12,13}



Source: Banco Adopem. BBVAMF calculations.

Clients overcoming poverty (by cohort)¹³



Source: Banco Adopem. BBVAMF calculations.

11_Percentage of clients in each cohort still current as of December 31, 2015.

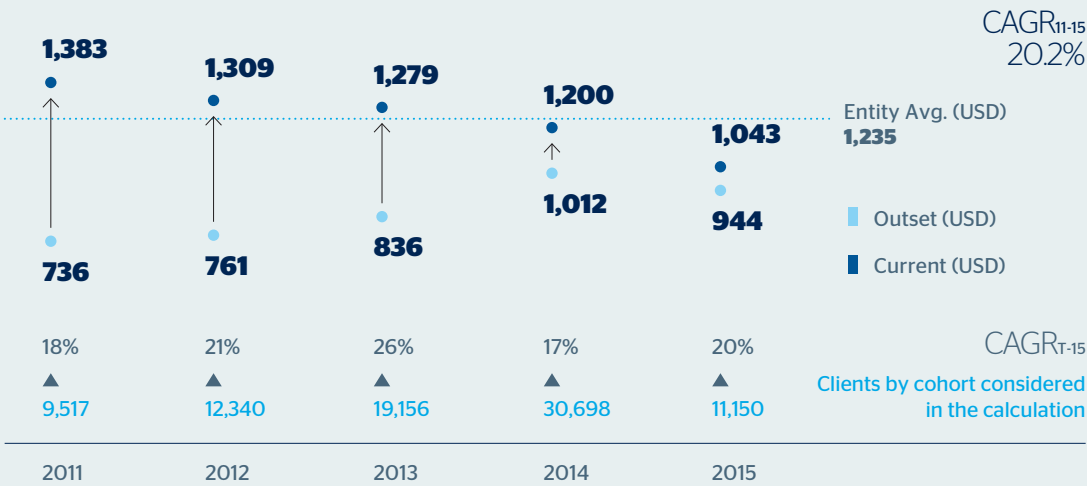
12_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort current at that time.

13_Clients participating in the sample are current clients and have had their data updated in the last 12 months.

The **faster growth of net income over sales suggests an efficiency improvement** by micro-enterprises during their relationship with Adopem.

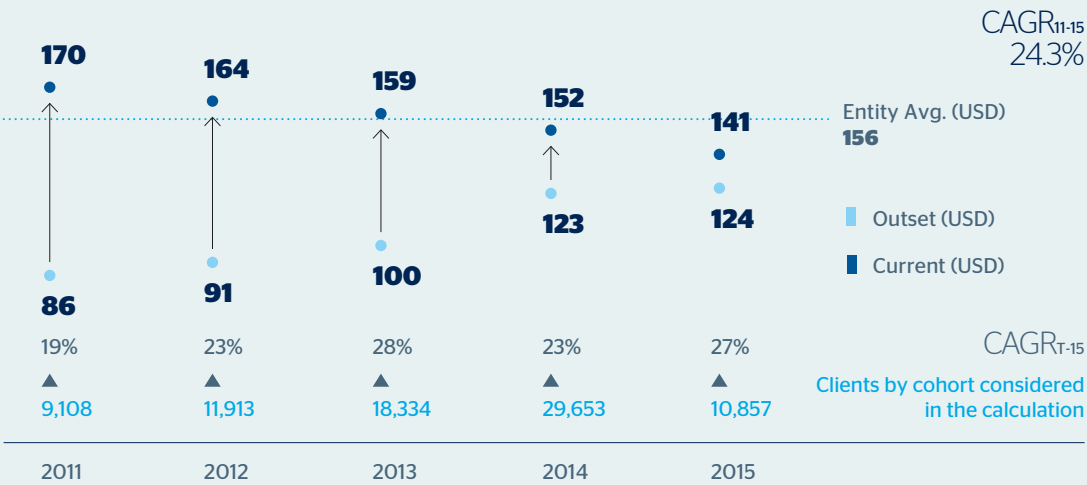
- There is a high and sustained increase in sales, net income and assets of clients' businesses.

Average monthly sales (by cohort) (USD) ¹⁴



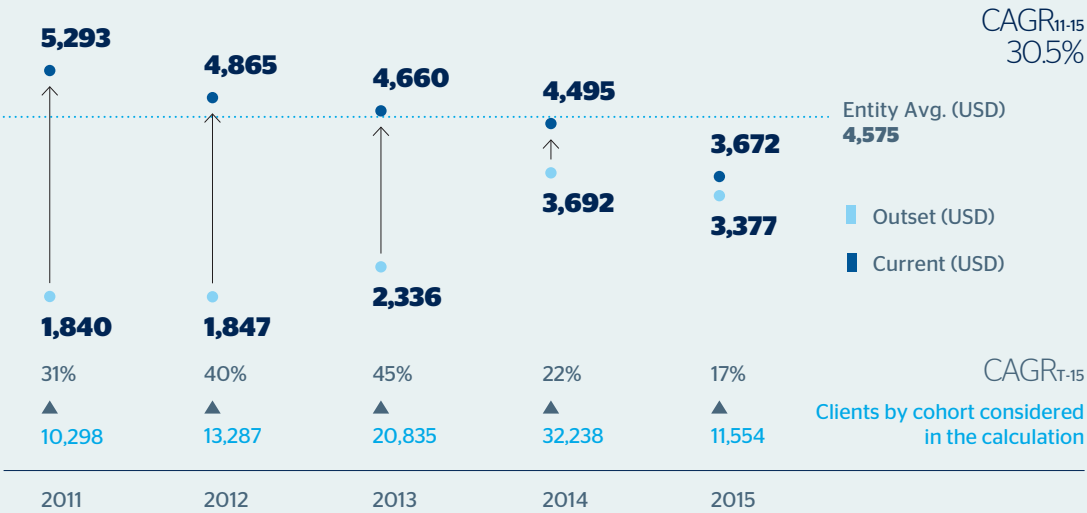
Source: Banco Adopem. BBVAMF calculations.

Average monthly net income (by cohort) (USD) ¹⁴



Source: Banco Adopem. BBVAMF calculations.

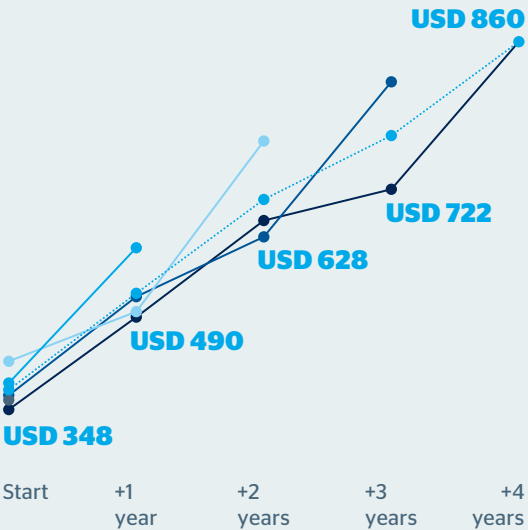
Average assets (by cohort) (USD) ¹⁴



Source: Banco Adopem. BBVAMF calculations.

¹⁴ Data of current clients as of December 31, 2015, and that have had a data update in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

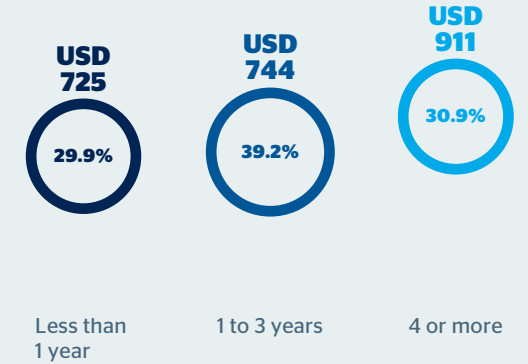
Average disbursement per transaction (by cohort)¹⁵



■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015
● Avg.

Source: Banco Adopem. BBVAMF calculations.

Average monthly sales by employee¹⁷



Circle represents % of total clients whose micro-enterprises has, at least, one employee

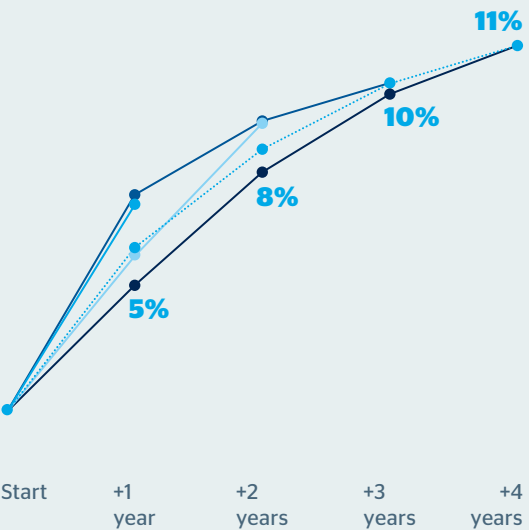
Source: Banco Adopem. BBVAMF calculations.

15_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

16_Proportion of enterprises, of those still current in each cohort, that have increased their payroll.

17_Only clients who have at least one employee on the payroll are included.

Job creation (by cohort)¹⁶

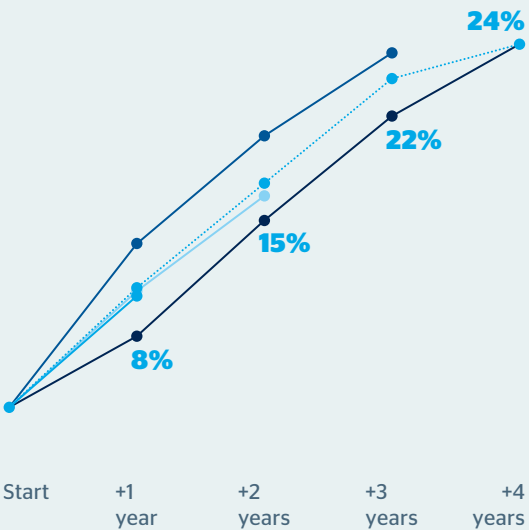


■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Banco Adopem. BBVAMF calculations.

- Continuous and systematic increase in clients' average disbursement, nearly doubling over two years.
- After two years, on average, 8% of clients create at least one new job position.
- Monthly sales per employee are higher among clients the longer they have been with the institution, suggesting an increase in productivity over time.

Client improvement in healthcare (by cohort)¹⁸



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

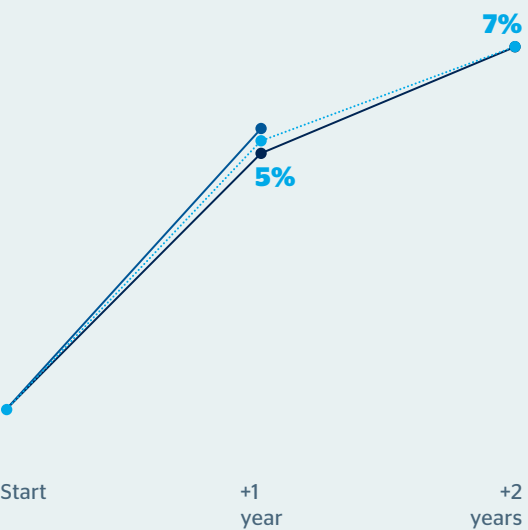
Source: Banco Adopem. BBVAMF calculations.

- After two years on average, 15% of clients have upgraded their healthcare cover.

18_Proportion of clients still current in each cohort who have moved from not having health insurance to having some, from having public insurance to having a mixed or private one, or from having a mixed insurance to a private one.

19_Proportion of clients still current in each cohort who have moved into their own home, made home improvements or increased the number of rooms in their home from when they registered at the outset.

Client improvement in housing (by cohort)¹⁹

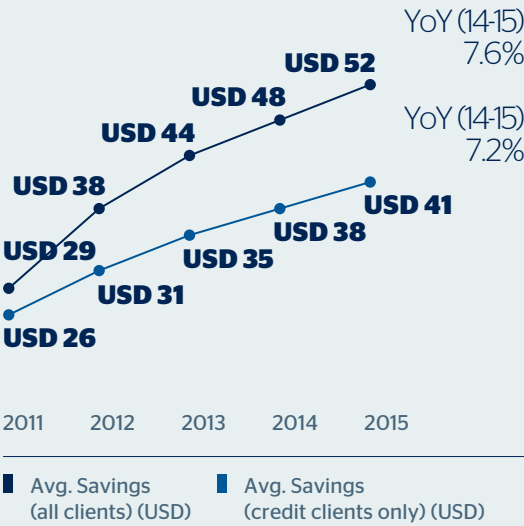


■ 2013 ■ 2014
● Avg.

Source: Banco Adopem. BBVAMF calculations.

- 7% of clients have improved their housing conditions after two years.

Average savings (of existing clients)^{20,21}



Source: Banco Adopem. BBVAMF calculations.

Comparing annual cohort performances confirms the trend of **increased savings.**

20_Includes the overnight and term savings of current clients each year.

21_Average saving calculated for all clients with a balance of USD 1 or more (in local currency equivalent) on all dates.

22_Savings of clients current in each cohort having both credit and savings.

Activity data

Average savings (by cohort)^{21,22}



Source: Banco Adopem. BBVAMF calculations.

- Sustained growth of average savings, for both asset clients (CAGR₁₁₋₁₅ 12%) and clients in general (CAGR₁₁₋₁₅ 16%).

Summary of activity²³

	Total
Gross loan portfolio (USD)	111,779,893
Total disbursed in 2015 (USD)	133,861,505
Nº transactions in 2015	210,405
Average disbursement in 2015 (USD)	636
Deposits & other (USD)	51,000,274
Nº Employees	1,238
Nº Offices	70
Clients receiving financial education	16,051

Source: Banco Adopem. BBVAMF calculations.

23_Data as of December 31, 2015.

Fondo Esperanza Chile

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

102,141

Total clients

46,815

New clients

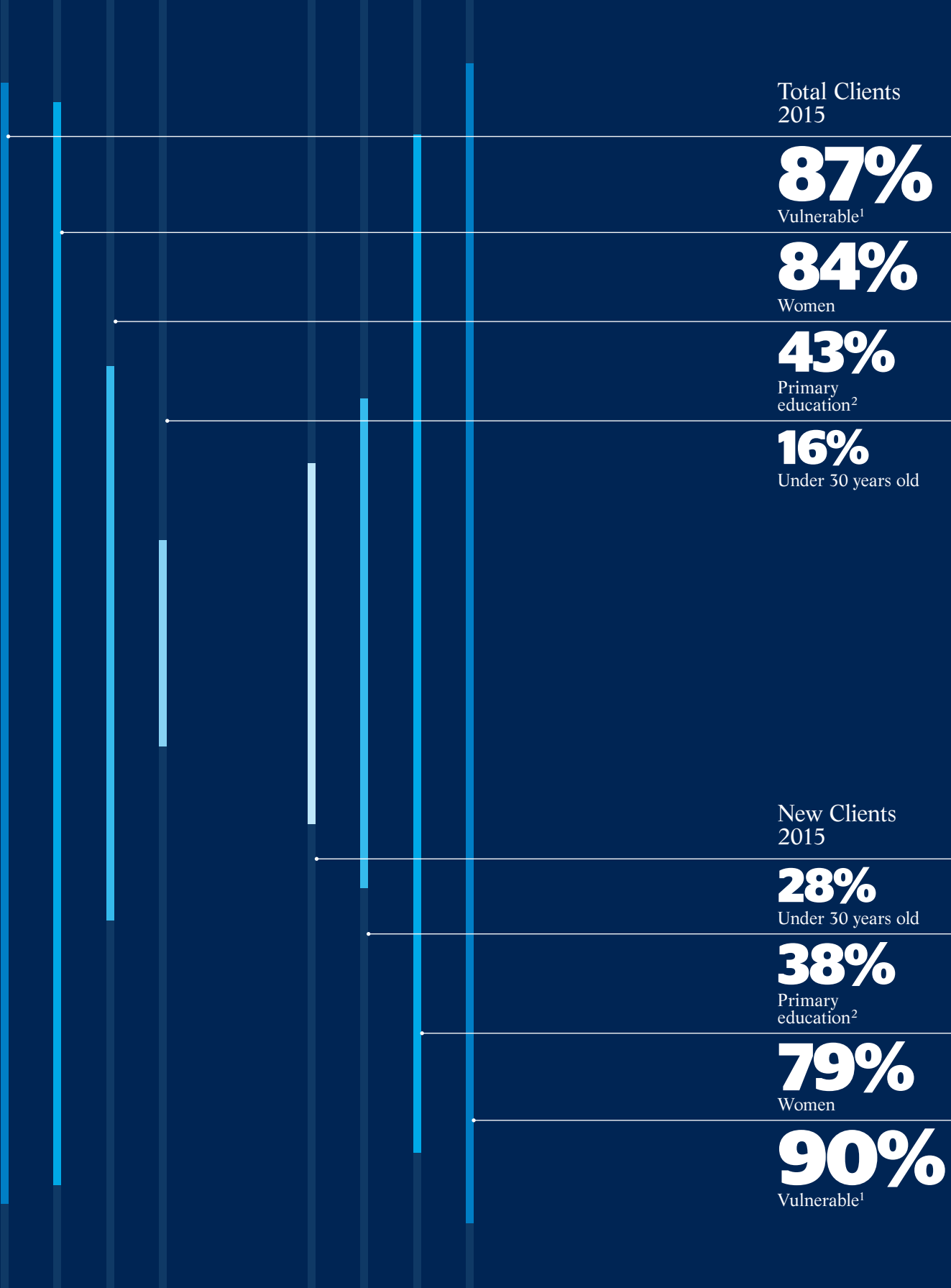
1_According to Chile's official poverty line (distinguishing between rural and urban environments). Source: Ministry for

Social Development; traditional measuring method. Clients whose per capita net income (i.e. profit obtained from their micro-

enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of

their corresponding country and type of environment (rural/urban).

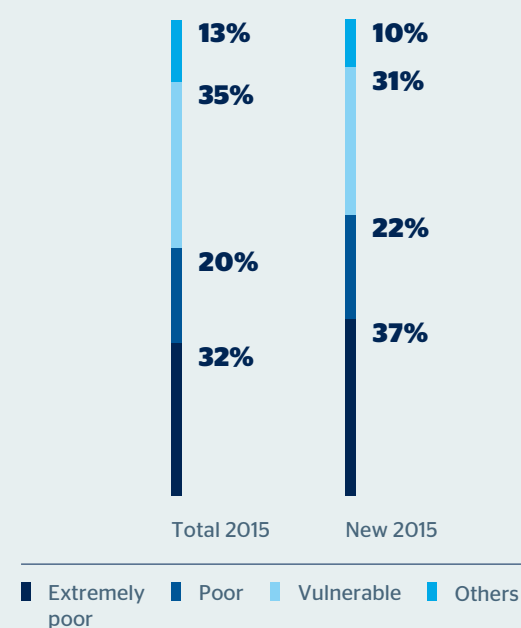
2_Clients with primary education at best, as proportion of all credit clients.



Our clients and our scale

Fondo Esperanza **retains its focus on serving low-income entrepreneurs in Chile.** 87% of the institution's clients are financially vulnerable.

Client economic vulnerability ¹

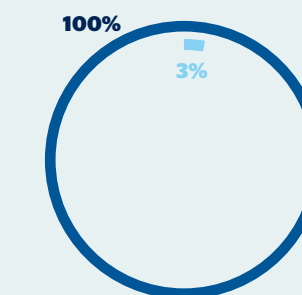


Source: Fondo Esperanza. BBVAMF calculations.

1_According to Chile's official poverty line (distinguishing between rural and urban environments). Source: Ministry for Social Development; traditional measuring method. Clients whose per capita net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban)

2_Takes into account clients who joined during the year (new clients).

Clients by type of product

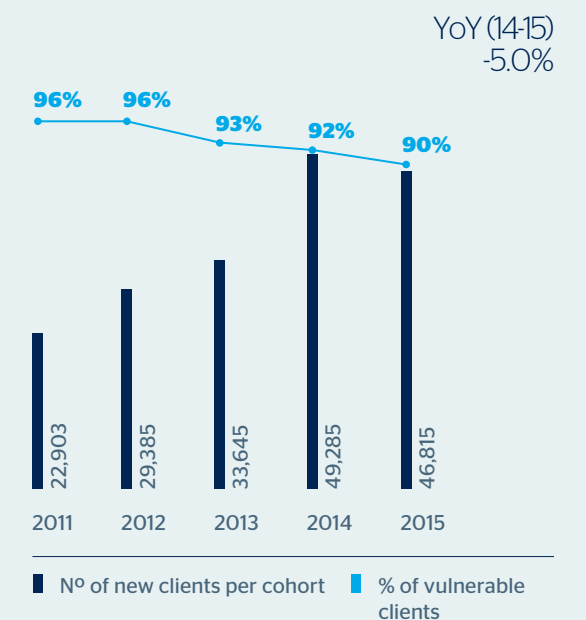


■ 102,141 Credit clients

■ % of total clients with non-mandatory insurance products

Source: Fondo Esperanza. BBVAMF calculations.

New credit clients ²

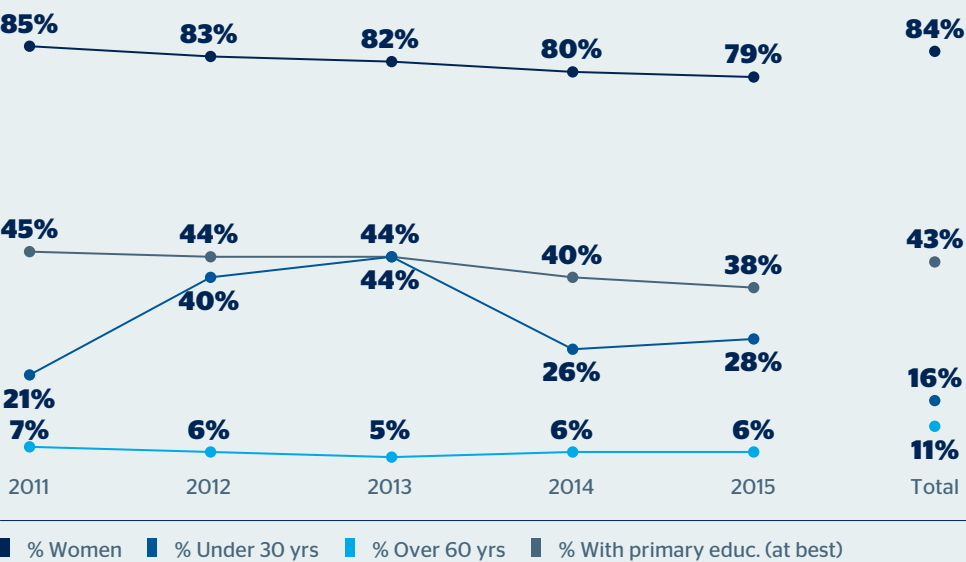


Source: Fondo Esperanza. BBVAMF calculations.

The proportion of **vulnerable clients being acquired has remained at around 90%** of new clients in 2015.

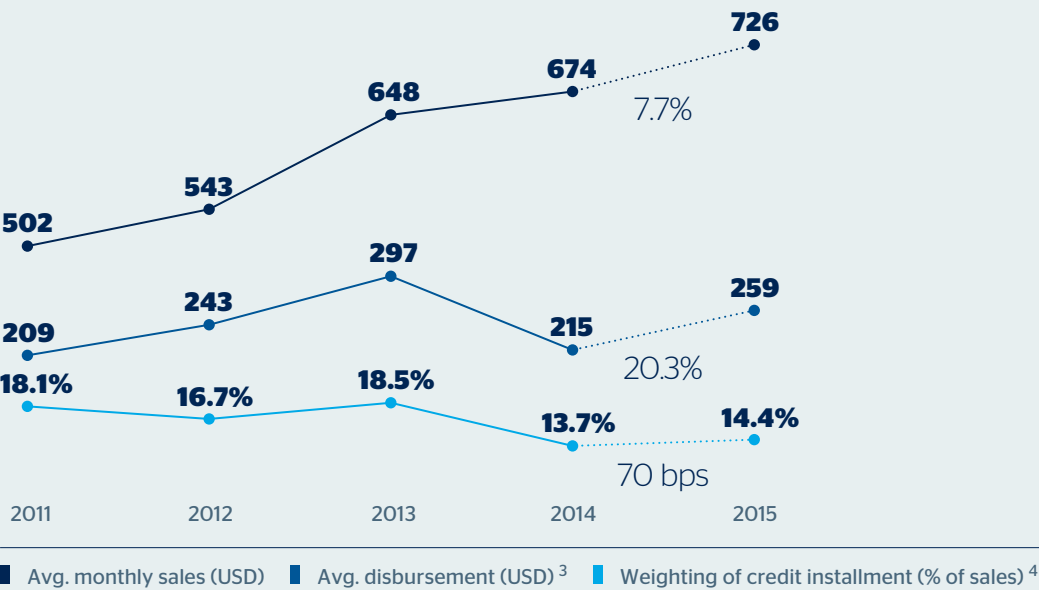
- BBVAMFG's institution with the **highest proportion of women in its portfolio** (84% of current clients) and a high ratio of clients with primary education at best (43% of the portfolio). (see next page)
- The weight of the installment (as a % of monthly sales) has increased slightly for new clients in 2015 compared to those who joined in 2014, but is still lower than in previous years. (see next page)

Profile of our new credit clients²



Source: Fondo Esperanza. BBVAMF calculations.

Sales, disbursement & weight of credit installment²



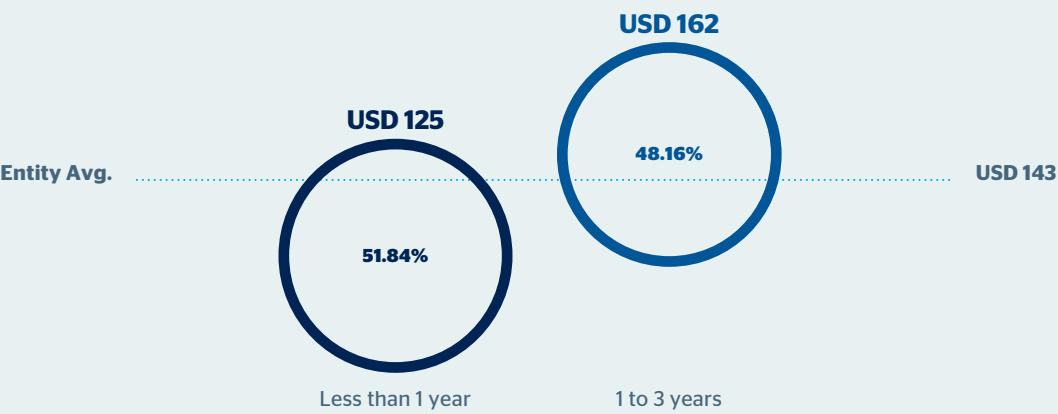
Source: Fondo Esperanza. BBVAMF calculations.

2_Takes into account clients who joined during the year (new clients).

3_Average disbursement, calculated as the average first disbursement for new clients each year.

4_Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

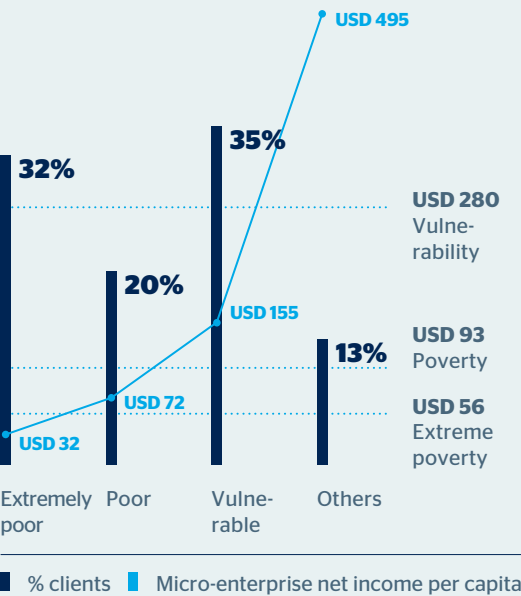
Average per capita micro-entrepreneurial net income, by client seniority⁵



Circle area represents the % of total clients

Source: Fondo Esperanza. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability^{5,6}



5_Data for the current portfolio as of December 31, 2015.

6_Poverty lines are for the urban environment.

Source: Ministry for Social Development. Fondo Esperanza. BBVAMF calculations.

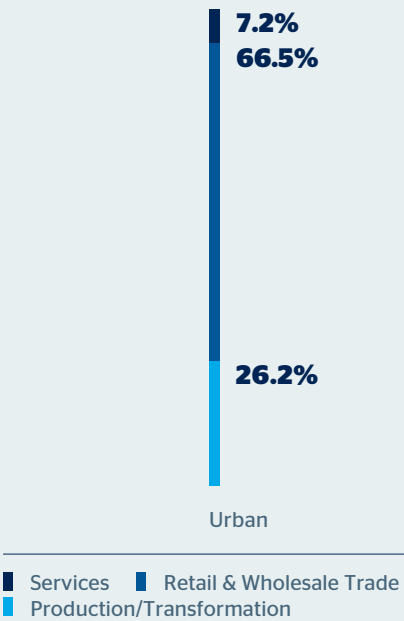
Clients' average per capita monthly net income is **USD 143.**

- Fondo Esperanza has the **highest proportion of clients in extreme poverty** of all the BBVAMF Group institutions.
- The average per capita net income of 52% of clients, classified as poor or extremely poor, is USD 1.60 a day, and for the 35% classed as vulnerable the average is USD 5.20.

Our clients' enterprises

- 73.8% of Fondo Esperanza's clients run a business in the tertiary sector and all are in urban areas.
- Vulnerable clients, making up 87% of the total, have average monthly sales of USD 686.

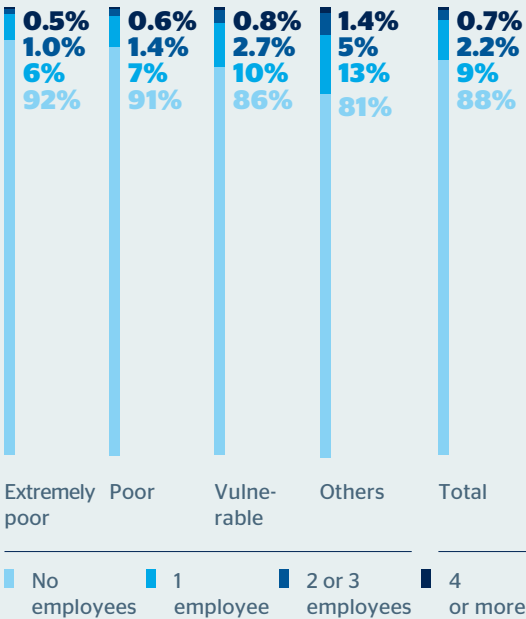
Economic activity ⁷



7_Data for the current portfolio as of December 31, 2015.

Source: Fondo Esperanza. BBVAMF calculations.

Micro-enterprises' employee breakdown ⁷



Source: Fondo Esperanza. BBVAMF calculations.

Average monthly sales by vulnerability ⁷



Circle represents % of total clients by vulnerability

Source: Fondo Esperanza. BBVAMF calculations.

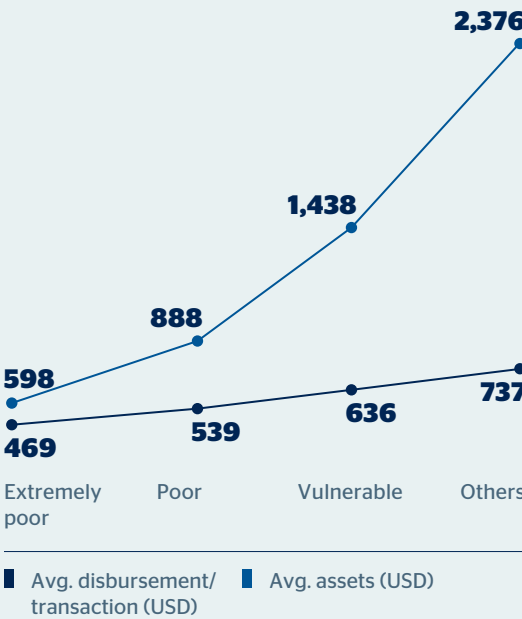
In 88% of cases, the client is the only employee in the micro-enterprise.

- Average disbursement over assets rises in direct correlation to the client's vulnerability; it represents 78% of average assets for extremely poor clients and 31% in the case of non-vulnerable clients.
- The financial burden of the installment on sales is considerably lighter as clients' incomes rises. On average, it works out at 23%.
- Clients' average gross margin is 54%.

8_Data of the current portfolio as of December 31, 2015.

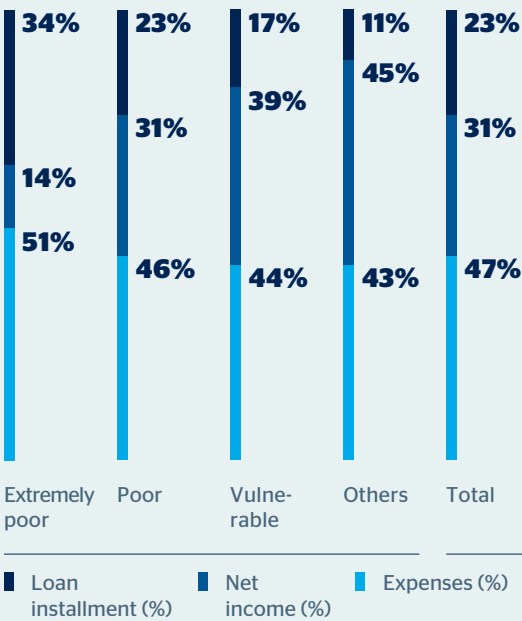
9_Calculations based on those clients reporting expenditures.

Assets and average disbursement by vulnerability ⁸



Source: Fondo Esperanza. BBVAMF calculations.

Loan installment, expenses & margins (as % of sales) ⁹

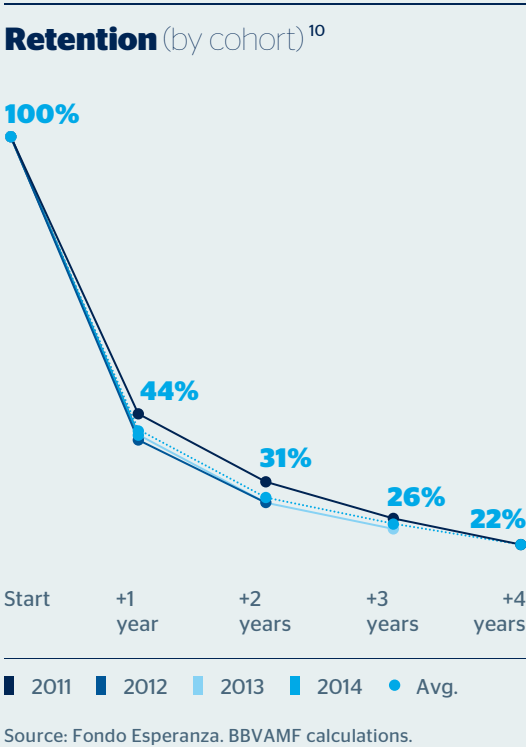


Source: Fondo Esperanza. BBVAMF calculations.

Our clients' development

Since 2012, over 4,500 current clients who were initially classified as poor have risen above the poverty line by the end of 2015. After two years, 36% of clients classified at the outset as poor are above the poverty line.

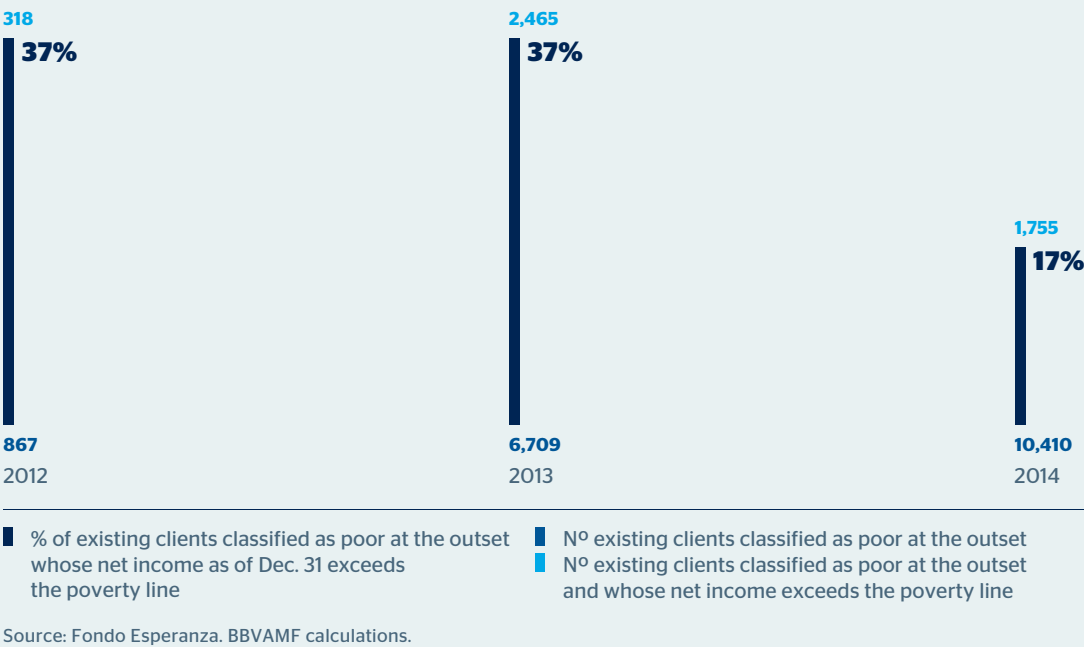
- Similar client retention performance in the last 4 cohorts analyzed. After one year, the churn rate remains at an average of around 57%.



Client economic vulnerability (by cohort)^{11,12}



Clients overcoming poverty (by cohort)¹²



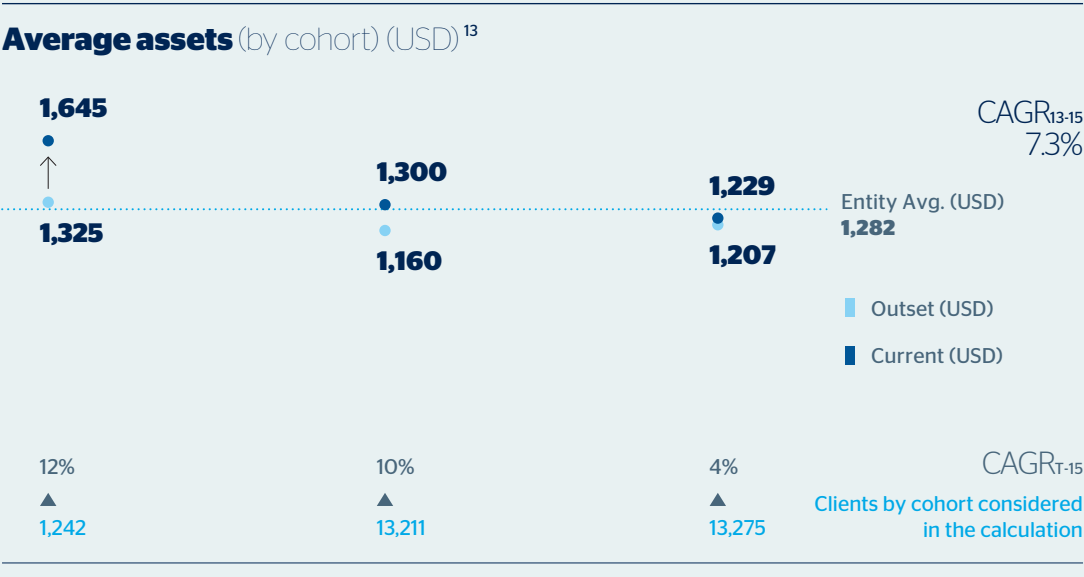
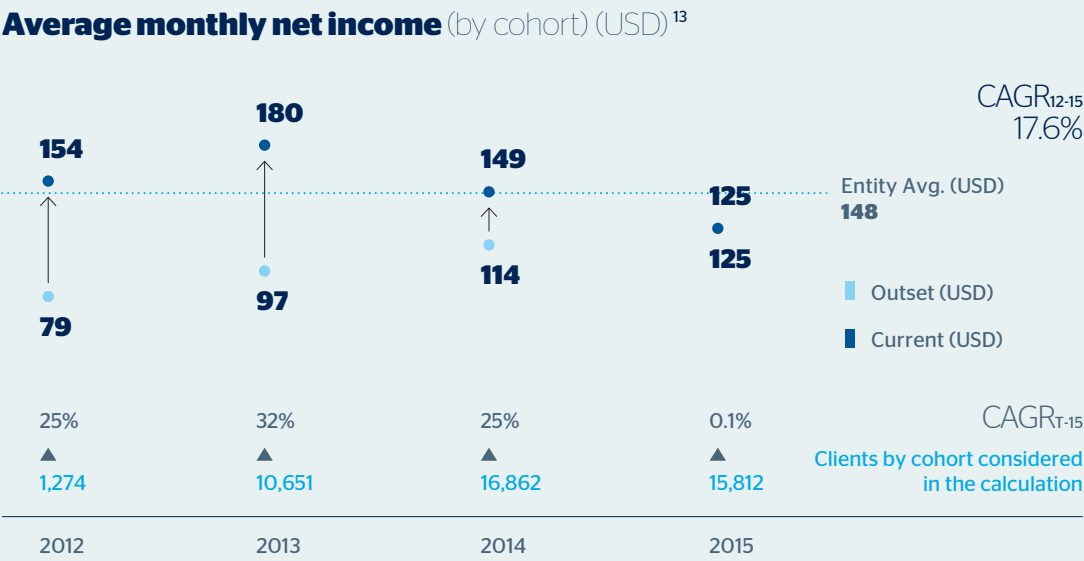
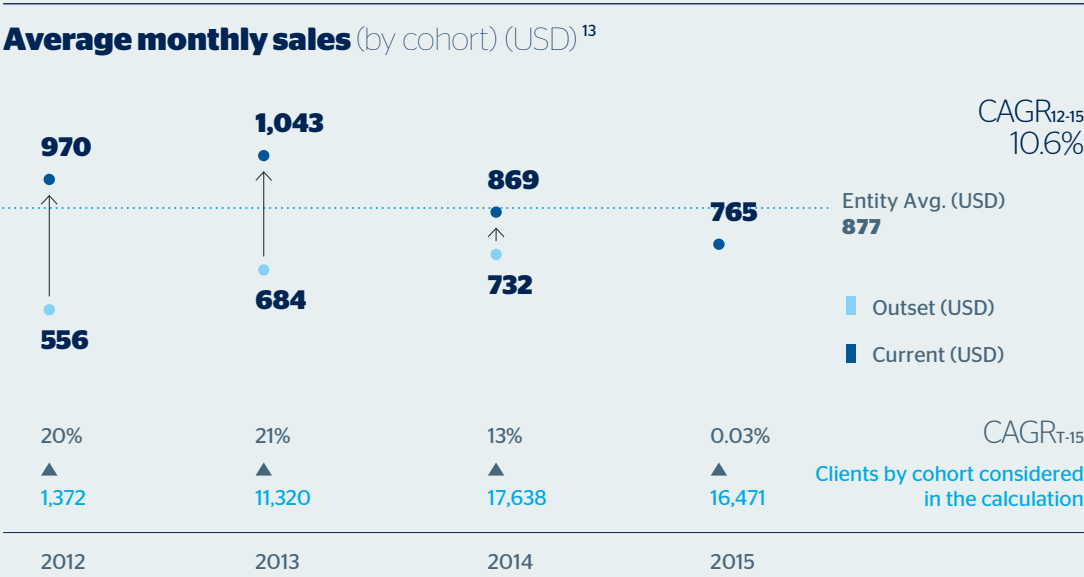
10_Percentage of clients in each cohort current as of December 31, 2015.

11_Shows the situation at the outset and the current situation at the end of December 2015 of clients in each cohort still current as of December 31, 2015.

12_Clients participating in the sample are current clients whose data has been updated in the last 12 months.

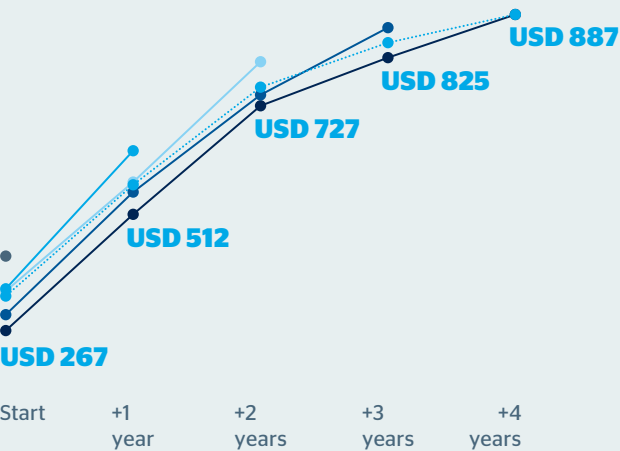
Clients report sustained growth in their enterprise sales, net income and assets.

- Faster growth in net income than in sales suggests an efficiency increase on the
- part of businesses during the course of their relationship with Fondo Esperanza.



13_ Data of current clients as of December 31, 2015, whose data has been updated in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

Average disbursement per transaction (by cohort)¹⁴



■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015
● Avg.

Source: Fondo Esperanza. BBVAMF calculations.

- **Significant increase in the average disbursement:** in four years it quadruples.

14_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

Activity data

Summary of activity¹⁵

	Total
Gross loan portfolio (USD)	51,023,708
Total disbursed in 2015 (USD)	151,339,484
Nº transactions in 2015	245,752
Average disbursement in 2015 (USD)	616
Deposits & other (USD)	NA
Nº Employees	514
Nº Offices	52
Clients receiving financial education	143,467

15_Data as of December 31, 2015.

Source: Fondo Esperanza. BBVAMF calculations.

Emprende Chile

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

10,568

Total clients

2,854

New clients

1_According to Chile's official poverty line (distinguishing between rural and urban environments). Source: Ministry for Social Development; traditional measuring method. Clients whose net income

(i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of

environment (rural/urban).
2_Clients with primary education at best, as proportion of all credit clients.

3_Clients have not been classified by

their environment (rural/urban). This percentage is determined by the clients found in each municipality. The extent to which each municipality is rural has been assigned as a

percentage using data from the CASEN survey (Survey of National Socio-Economic Factors) carried out by the Ministry for Social Development.

Total Clients 2015

60%

Women

57%

Vulnerable¹

56%

Primary education²

34%

Rural environment³

11%

Under 30 years old

New Clients 2015

21%

Under 30 years old

32%

Rural environment³

46%

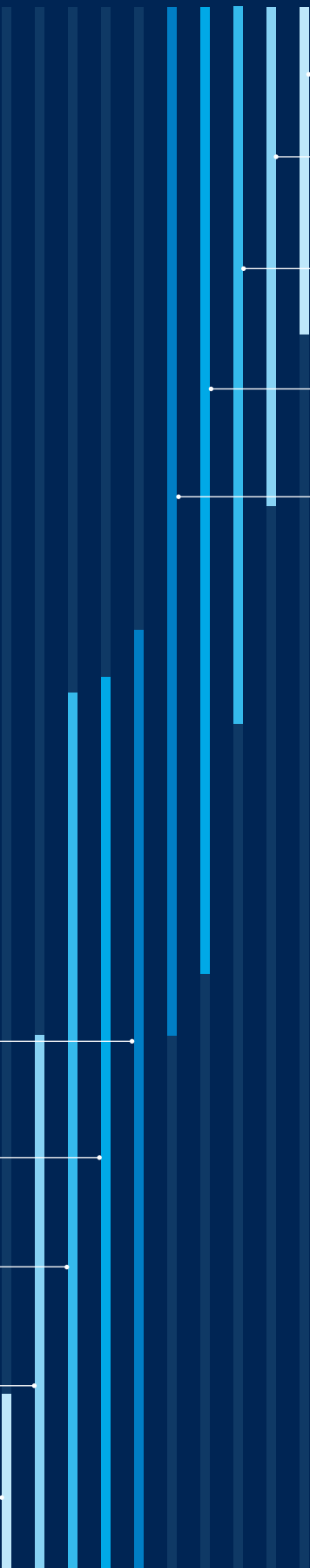
Primary education²

62%

Women

66%

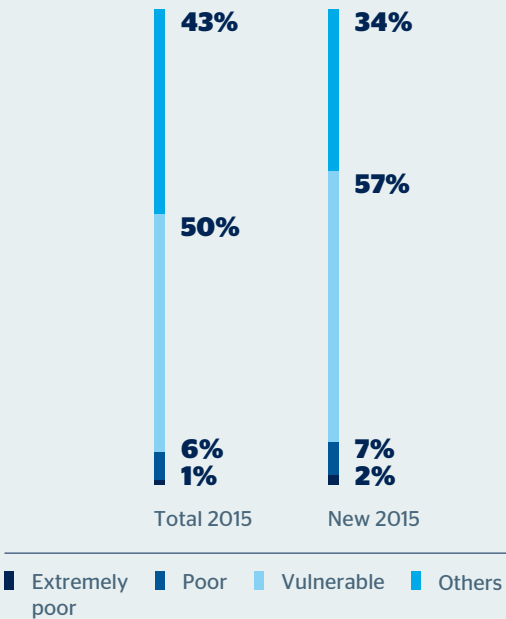
Vulnerable¹



Our clients and our scale

66% of new clients in 2015 were in a situation of economic vulnerability and over half of the total Emprende portfolio serves clients in this situation.

Client economic vulnerability ¹

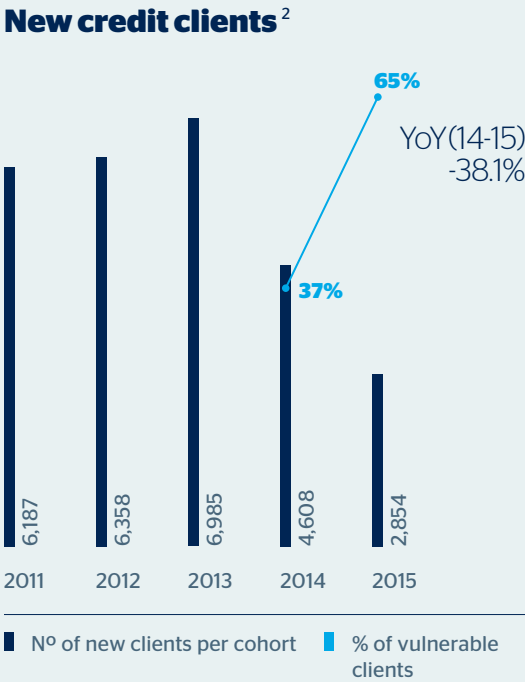


Source: Emprende. BBVAMF calculations.

1_According to Chile's official poverty line (distinguishing between rural and urban environments). Source: Ministry for Social Development; traditional measuring method. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_Takes into account clients who joined during the year (new clients). No available information of clients' net income before 2014, thus the vulnerability level cannot be calculated.

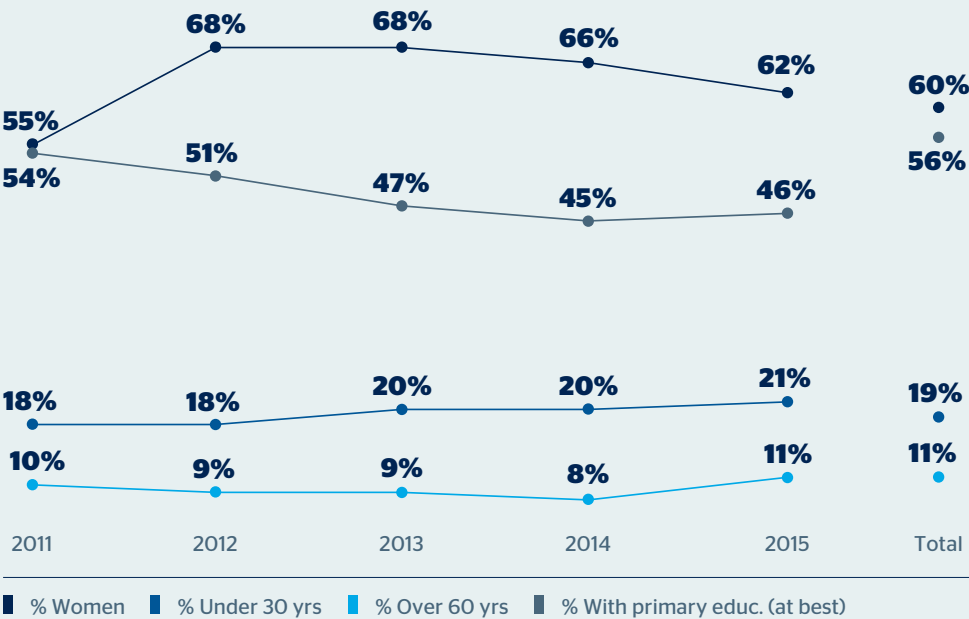
Less new client acquisition and **more emphasis on vulnerable clients** compared to the previous year.



Source: Emprende. BBVAMF calculations.

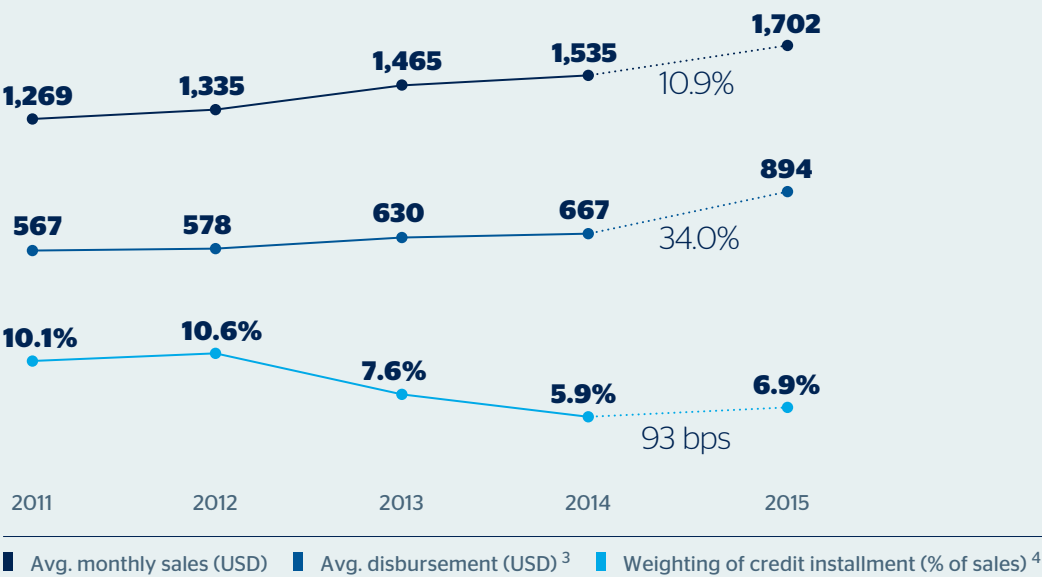
- The majority of Emprende's new clients are women and clients with primary education at best. (see next page)
- New clients' average monthly sales rose, but the weight of the installment in average sales rose too. (see next page)

Profile of our new credit clients ²



Source: Emprende. BBVAMF calculations.

Sales, disbursement & weight of credit installment ²



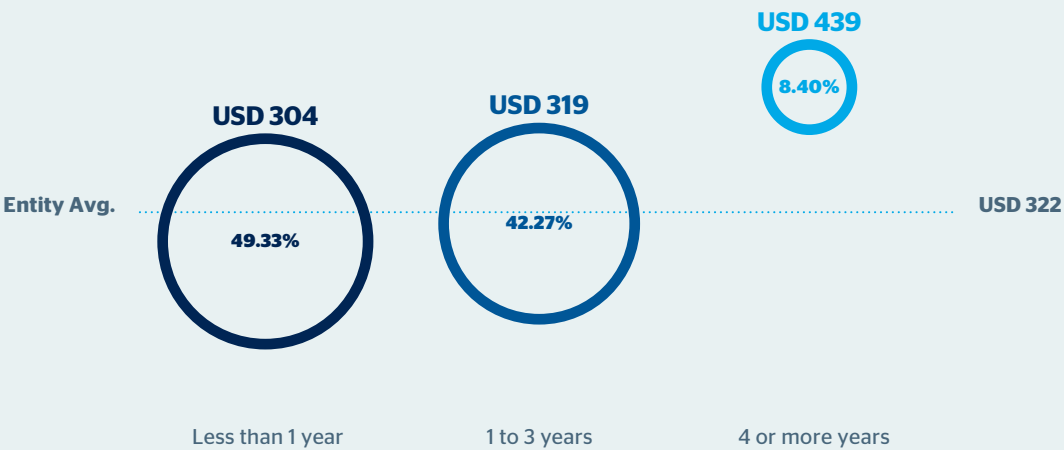
Source: Emprende. BBVAMF calculations.

2_Takes into account clients who joined during the year (new clients). No available information of clients' net income before 2014, vulnerability level cannot be calculated.

3_Average disbursement, calculated as the average first disbursement for new clients each year.

4_Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

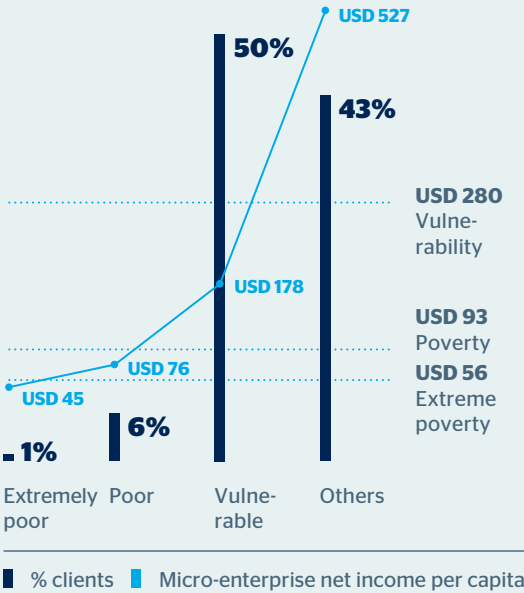
Average per capita micro-entrepreneurial net income, by client seniority ⁵



Circle represents the % of total clients

Source: Emprende. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability ^{5,6}



5_Data for the current portfolio as of December 31, 2015.

6_Poverty lines are for the urban environment.

Source: Ministry for Social Development. Emprende. BBVAMF calculations.

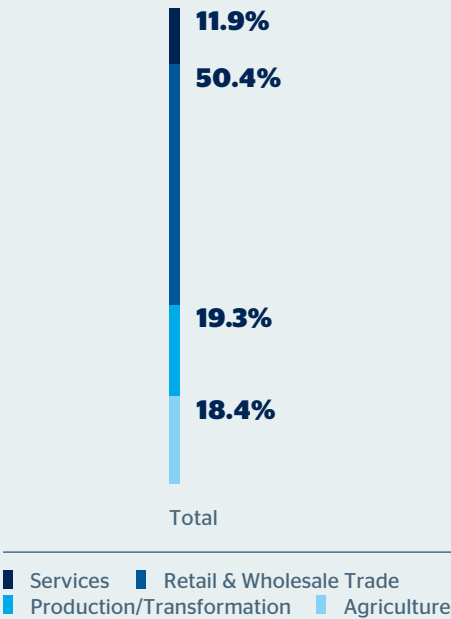
Positive correlation between per capita monthly net income and the length of time banking with Emprende.

- 50% of clients served live in situations of vulnerability, with an average net income of USD 5.90 per person, per day. 6% of the portfolio lives under the poverty line, with an average net income of USD 2.40 per person, per day.

Our clients' enterprises

- 62% of clients run their own enterprise in the tertiary sector and nearly all of them work in trade.
- 19% of the businesses served create employment.

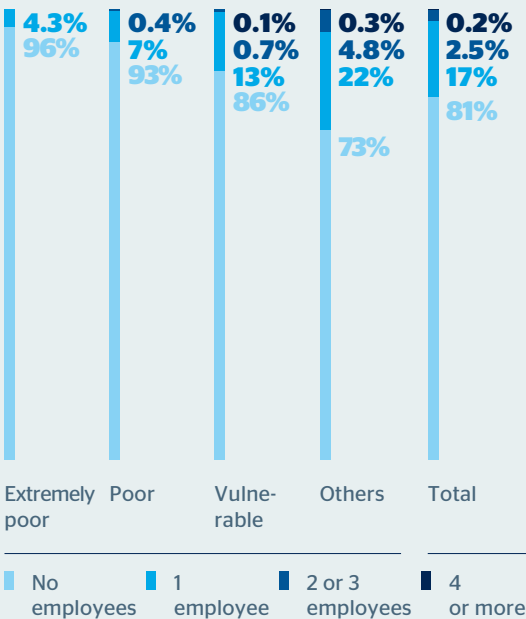
Economic activity ⁷



7_Data of current portfolio as of December 31, 2015.

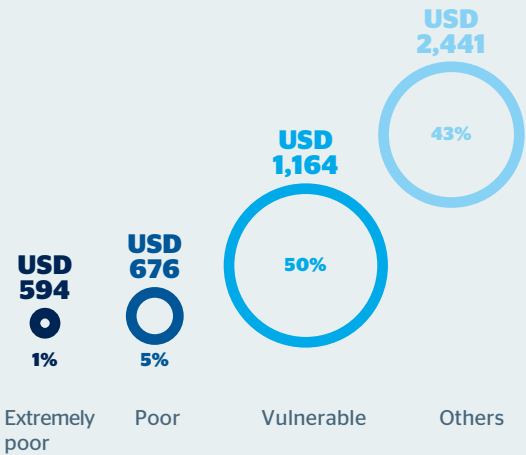
Source: Emprende. BBVAMF calculations.

Micro-enterprises' employee breakdown ⁷



Source: Emprende. BBVAMF calculations.

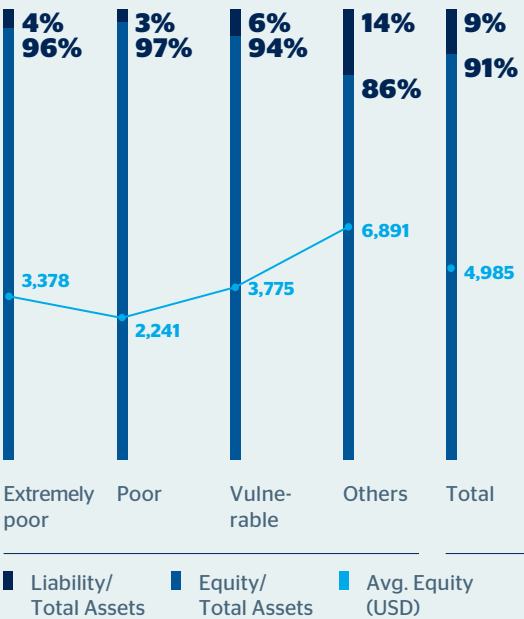
Average monthly sales by vulnerability ⁷



Circle represents % of total clients by vulnerability

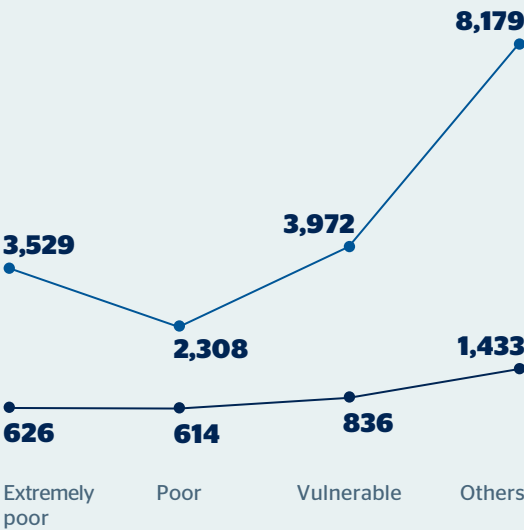
Source: Emprende. BBVAMF calculations.

Assets, liabilities and equity by vulnerability ^{8,9}



Source: Emprende. BBVAMF calculations.

Assets and average disbursement by vulnerability ⁹



8_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

9_Data as of December 31, 2015.

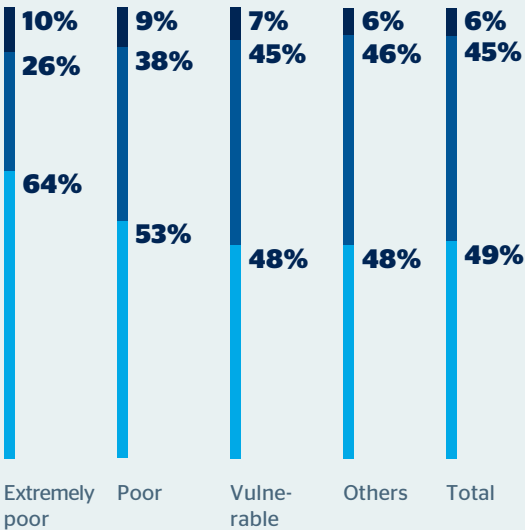
10_Calculations based on those clients reporting expenditures.

Avg. disbursement/transaction (USD) Avg. assets (USD)

Source: Emprende. BBVAMF calculations.

- A typical disbursement represents 20% of an average client's total assets.
- On average Emprende clients report a gross margin of 51%, and the monthly loan installment represents 6% of their sales.

Loan installment, expenses & margins (as % of sales) ¹⁰

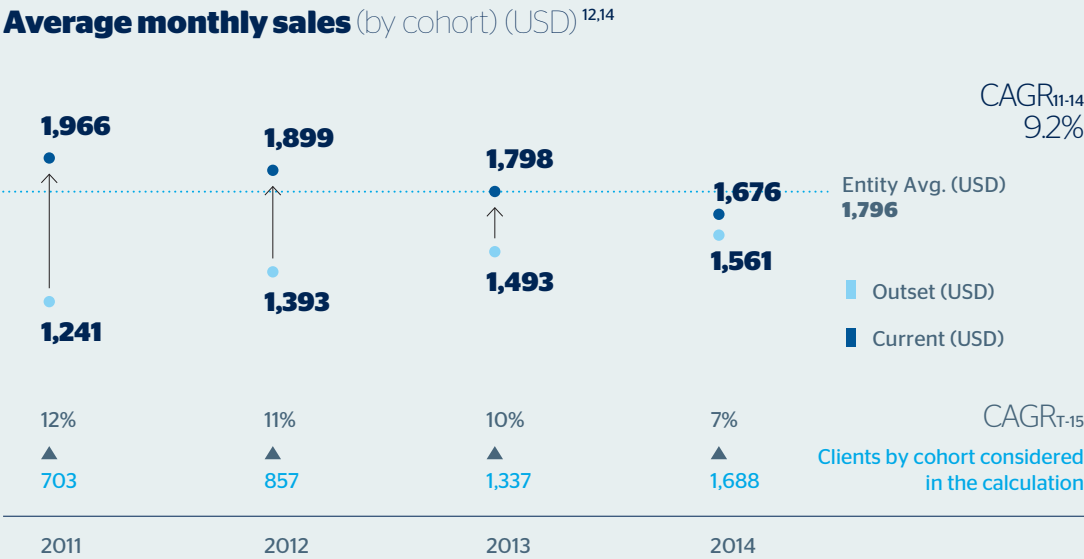
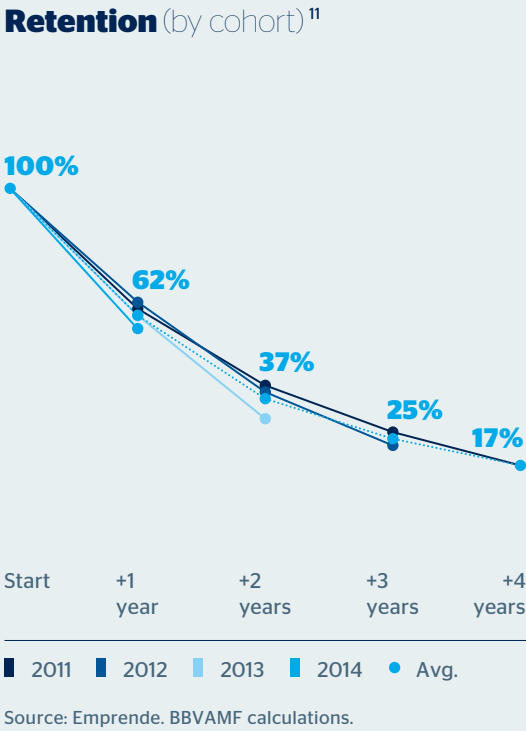


Loan installment (%) Net income (%) Expenses (%)

Source: Emprende. BBVAMF calculations.

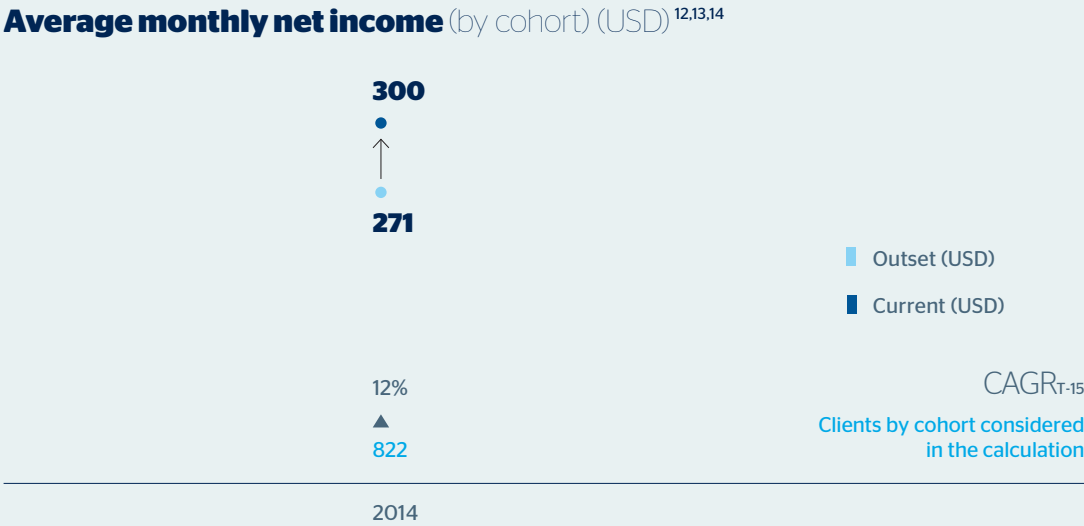
Our clients' development

Very similar client retention rate trends in the last 4 cohorts.

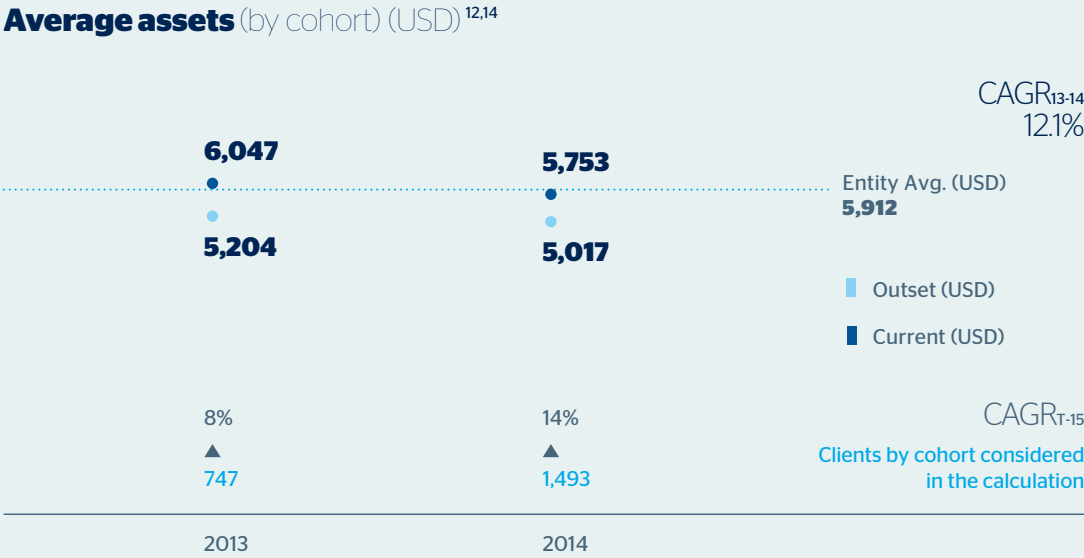


Source: Emprende. BBVAMF calculations.

- Steady sales increases reported throughout the time spent with the institution.
- After a year, on average, 38% of clients leave the MFI; after four years, the proportion of retained clients has fallen to 17%.



Source: Emprende. BBVAMF calculations.



Source: Emprende. BBVAMF calculations.

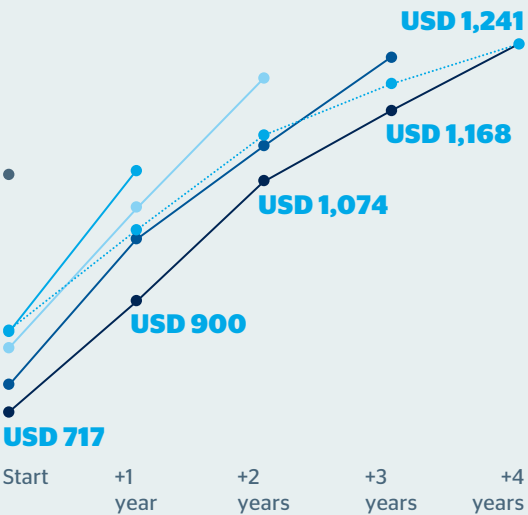
11_Percentage of clients in each cohort current as of December 31, 2015.

12_Data of current clients as of December 31, 2015, and include only those clients whose data has been updated in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015.

13_There is no information prior to 2014 on clients' net income.

14_There is insufficient information about net income, sales and assets for the 2015 cohort.

Average disbursement per transaction (by cohort)¹⁵



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

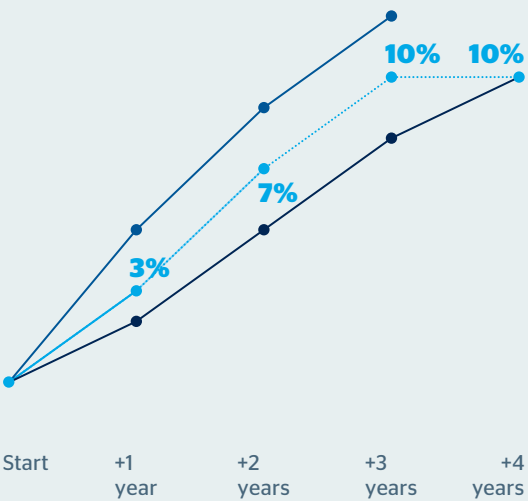
Source: Emprende. BBVAMF calculations.

15_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

16_Proportion of businesses from those still current in each cohort which have increased their payroll.

17_Only includes clients with at least one employee.

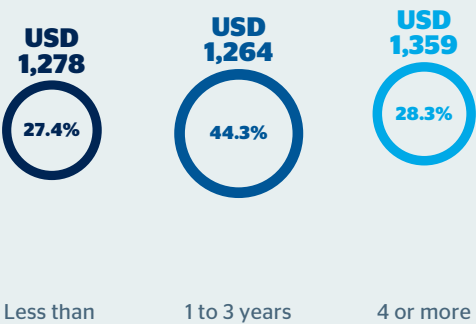
Job creation (by cohort)¹⁶



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Emprende. BBVAMF calculations.

Average monthly sales by employee¹⁷



Circle represents % of total clients whose micro-enterprise has, at least, one employee

Source: Emprende. BBVAMF calculations.

- Sustained growth in the average loan which nearly doubles over 4 years, showing a tendency to increase with each successive cohort.
- On average, by the third year 10% of Emprende's clients have generated at least one new job.

Activity data

Summary of activity¹⁸

	Total
Gross loan portfolio (USD)	10,937,056
Total disbursed in 2015 (USD)	12,046,655
Nº transactions in 2015	12,169
Average disbursement in 2015 (USD)	990
Deposits & other (USD)	NA
Nº Employees	159
Nº Offices	21
Clients receiving financial education	NA

Source: Emprende. BBVAMF calculations.

18_Data as of December 31, 2015.

Microserfin Panama

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

15,674

Total clients

5,370

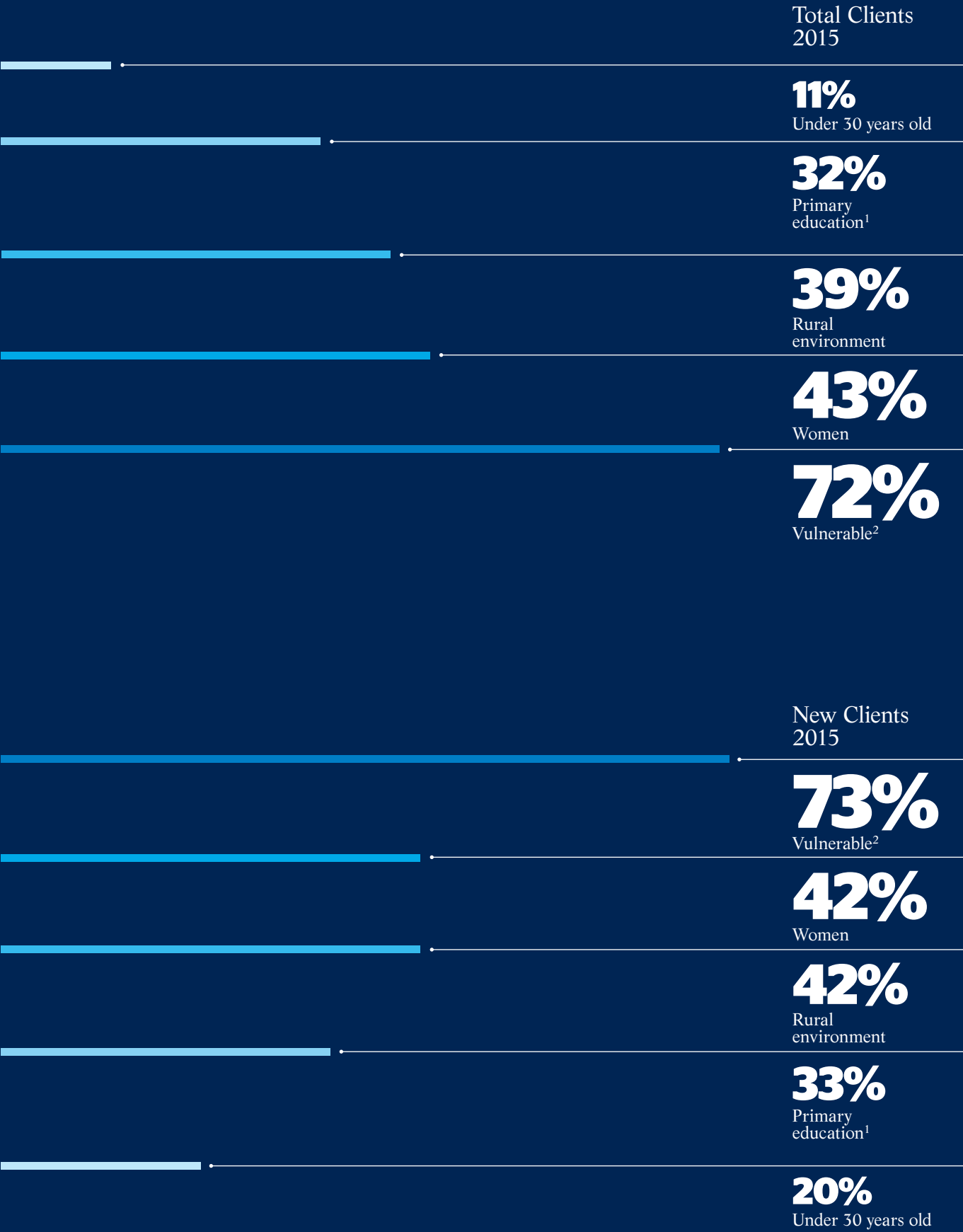
New clients

1_According to Panama's official poverty line (distinguishing between rural and urban environments). Source: Ministry

of Finance and the Economy. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the

family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

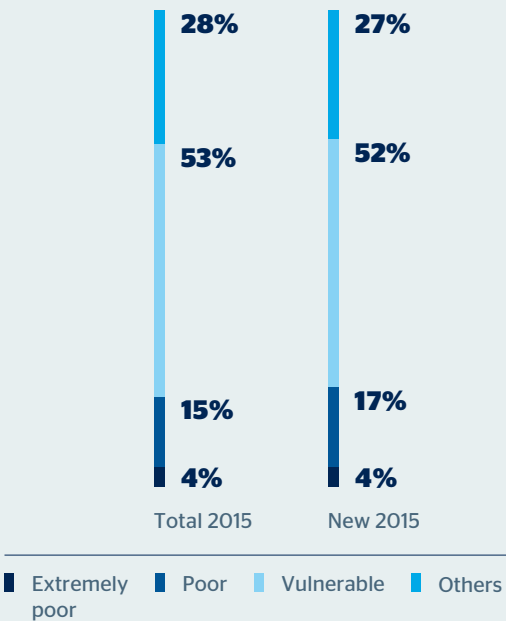
2_Clients with primary education at best, as proportion of all credit clients.



Our clients and our scale

Microserfin is retaining its focus on serving low-income entrepreneurs in Panama. **72% of its clients are economically vulnerable.**

Client economic vulnerability ¹

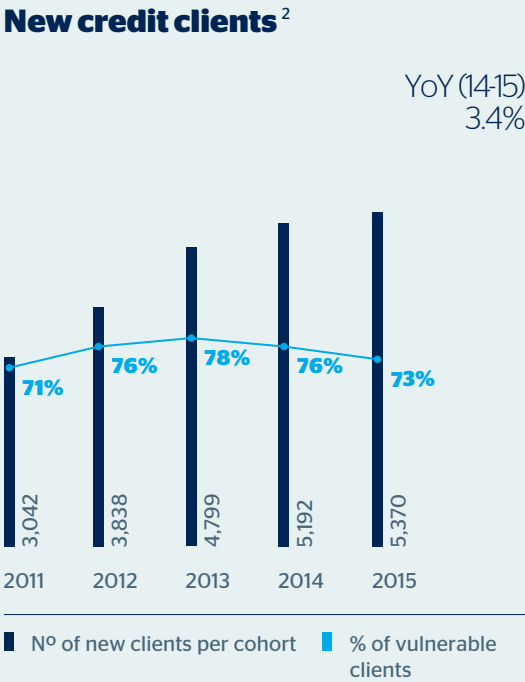


Source: Microserfin. BBVAMF calculations.

1_According to Panama's official poverty line (distinguishing between rural and urban environments). Source: Ministry of Finance and the Economy. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_Takes into account clients that joined during the year (new clients).

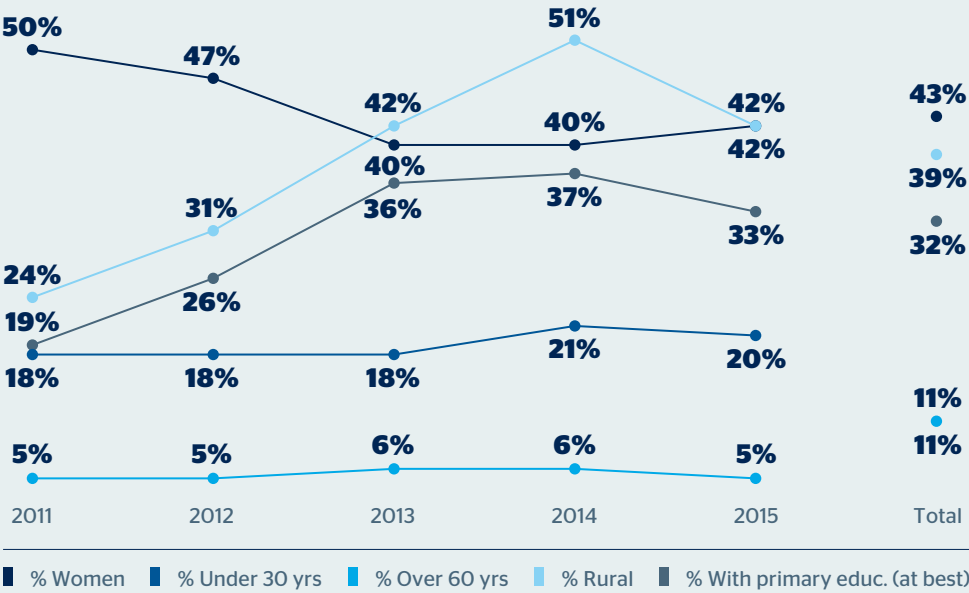
The rate of new client acquisition has increased in recent years, while the level of **vulnerability has remained stable, at over 70%.**



Source: Microserfin. BBVAMF calculations.

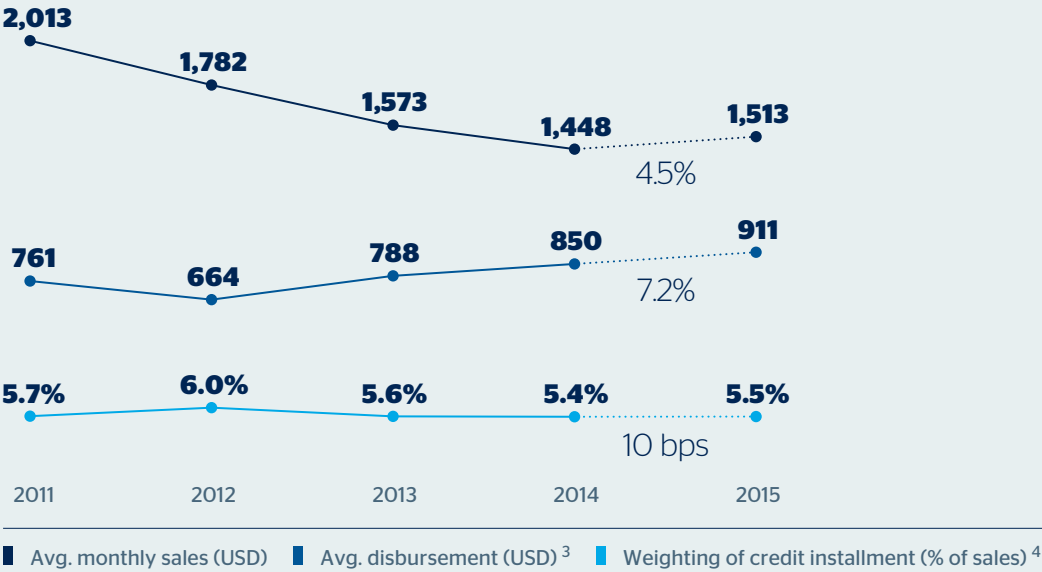
- There has been a growing trend in the last few years of acquiring clients in the educationally vulnerable group, while the proportion of women clients has remained the same over the last 3 years. Rural clients are still an important group, although slightly down from 2015. (see next page)
- The weight of the installment as a proportion of average sales remains stable over the period. (see next page)

Profile of our credit clients ²



Source: Microserfin. BBVAMF calculations.

Sales, disbursement & weight of credit installment ²



Source: Microserfin. BBVAMF calculations.

2_ Takes into account clients that joined during the year (new clients).

3_ Average disbursement, calculated as the average first disbursement for new clients each year.

4_ Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

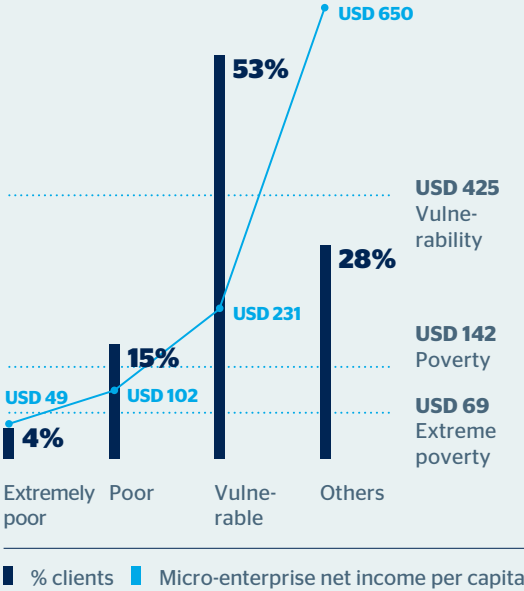
Average per capita micro-entrepreneurial net income, by client seniority ⁵



Circle represents the % of total clients

Source: Microserfin. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability ^{5,6}



5_ Data as of December 31, 2015.

6_ Poverty lines are for the urban environment.

Source: Ministry of Finance and the Economy. Microserfin. BBVAMF calculations.

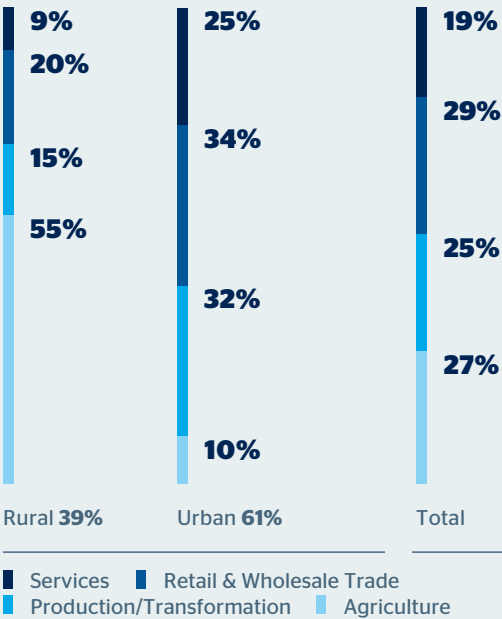
The average monthly per capita net income is USD 323, one of the highest in the Group.

- The per capita net income of those who have been clients for less than a year is slightly higher than for those who have been banking with Microserfin for 1 to 3 years (USD 294) because new clients have higher incomes – nevertheless, there is a rising trend after more time with the MFI (USD 381 after 4 or more years).
- 72% of those served live on an average of USD 6.50 per person per day. 19% exist on just USD 3.00 per person per day.

Our clients' enterprises

- Clients' activities are equally balanced between different sectors, with agriculture leading in the case of rural clients, and trade when it comes to clients in urban environments.

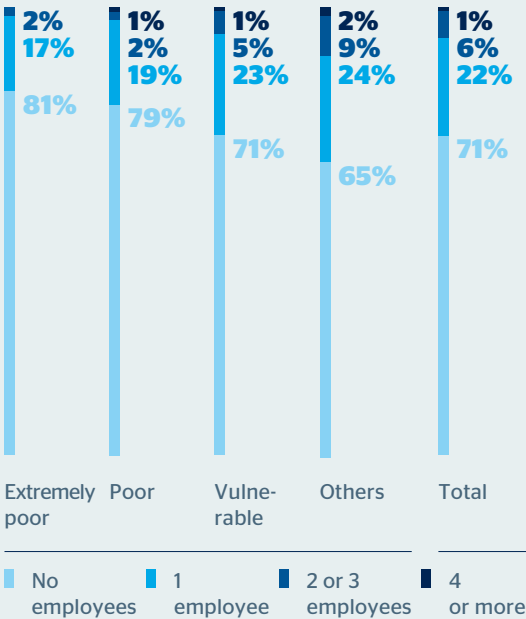
Economic activity ⁷



Source: Microserfin. BBVAMF calculations.

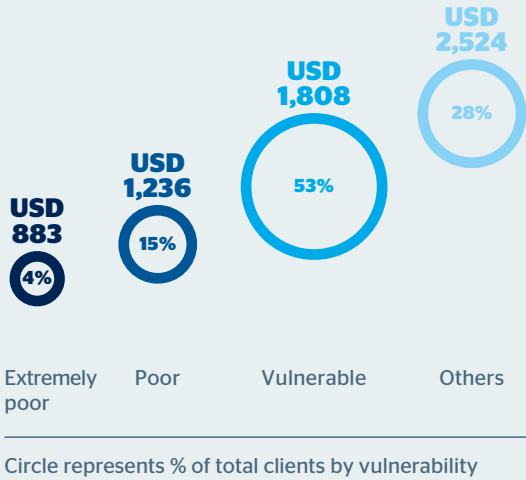
⁷Data as of December 31, 2015.

Micro-enterprises' employee breakdown ⁷



Source: Microserfin. BBVAMF calculations.

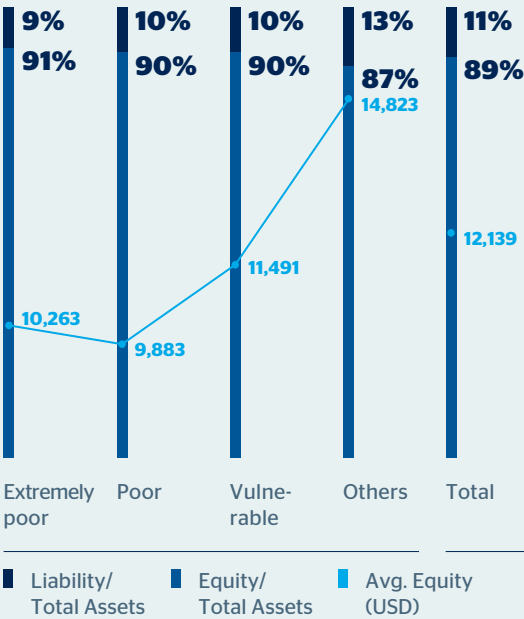
Average monthly sales by vulnerability ⁷



Circle represents % of total clients by vulnerability

Source: Microserfin. BBVAMF calculations.

Assets, liabilities and equity by vulnerability ^{8,9}



Source: Microserfin. BBVAMF calculations.

⁸Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

⁹Data as of December 31, 2015.

¹⁰Calculations based on those clients reporting expenditures.

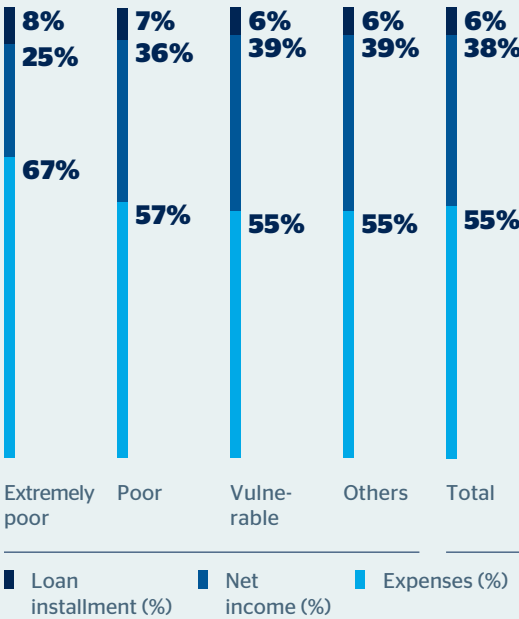
Assets and average disbursement by vulnerability ⁹



Source: Microserfin. BBVAMF calculations.

- 29% of clients generate at least one job other than their own, but in most cases, the client is the only employee of their business.
- More vulnerable clients are less highly leveraged: liabilities make up 9% of the assets of extremely poor clients and 13% in the case of non-vulnerable clients.
- The weight of the installment is similar, whatever the vulnerability level; on average it represents 6% of sales. Average gross margin is 45%.

Loan installment, expenses & margins (as % of sales) ¹⁰



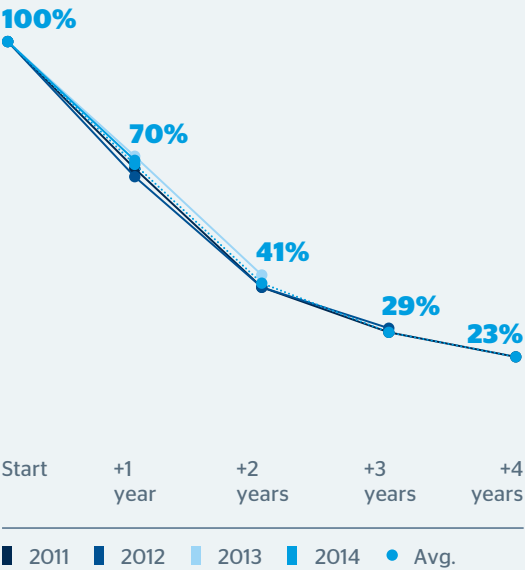
Source: Microserfin. BBVAMF calculations.

Our clients' development

After two years, 14% of clients registered as poor when they started their relationship with the institution have surpluses over the poverty line.

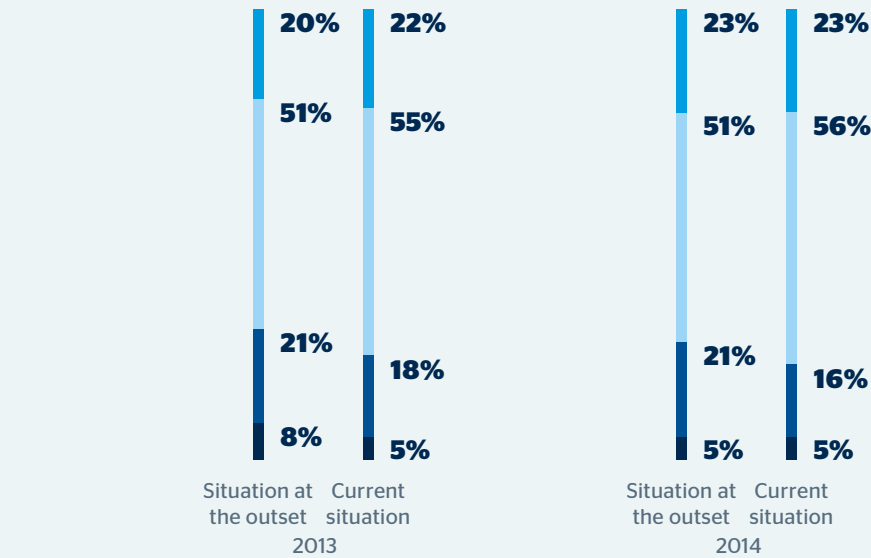
- The client retention rate has performed similarly over the last 4 cohorts analyzed. After two years, on average, 59% of clients leave.
- In the last two years, over 200 clients have overcome poverty, 20% of those who were classed as poor when they started with the bank.

Retention (by cohort)¹¹



Source: Microserfin. BBVAMF calculations.

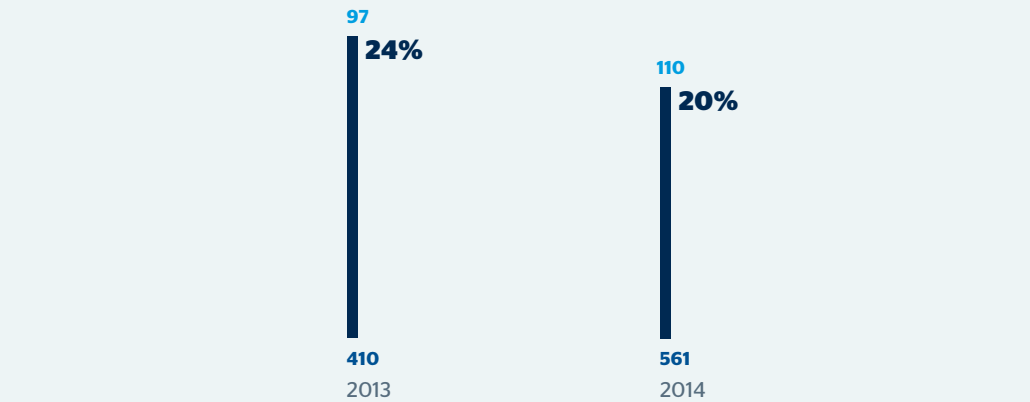
Client economic vulnerability (by cohort)^{12,13}



Extremely poor Poor Vulnerable Others

Source: Microserfin. BBVAMF calculations.

Clients overcoming poverty (by cohort)¹³



% of existing clients classified as poor at the outset whose net income as of Dec. 31 exceeds the poverty line
Nº existing clients classified as poor at the outset and whose net income exceeds the poverty line

Source: Microserfin. BBVAMF calculations.

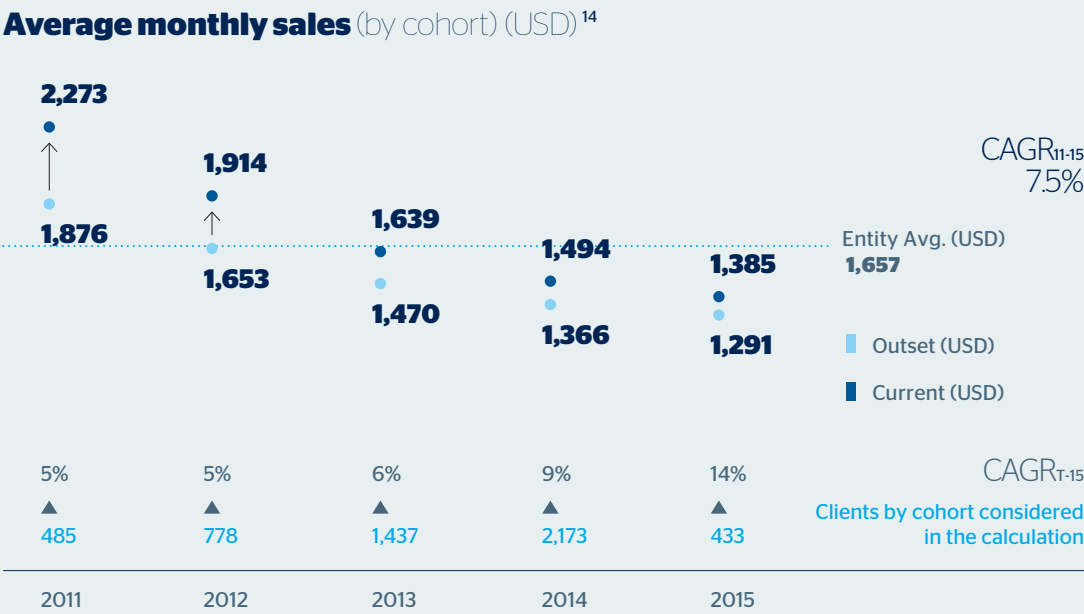
11_Percentage of clients in each cohort still current as of December 31, 2015.

12_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort current at that time.

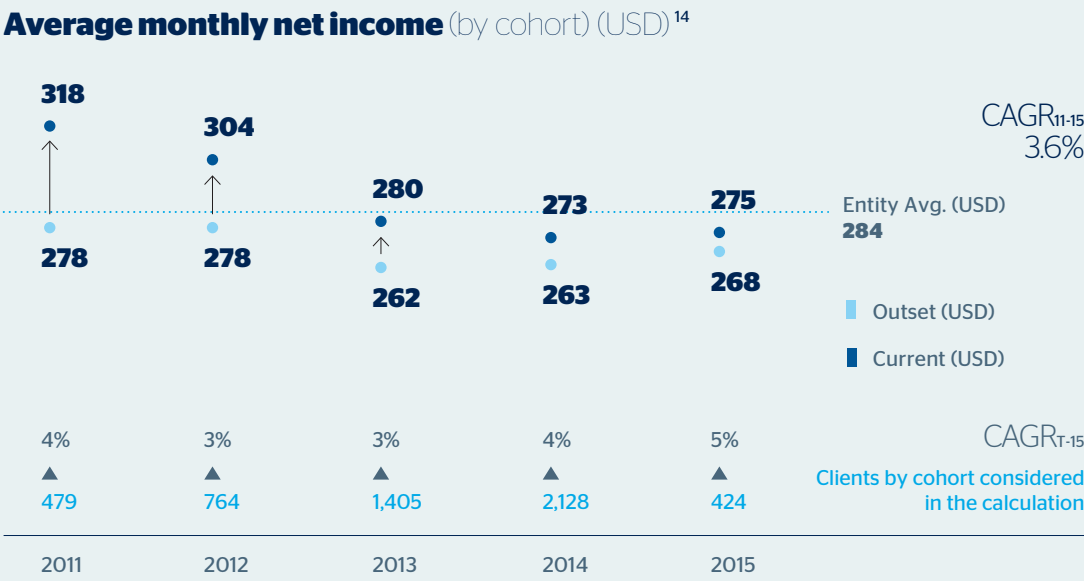
13_Clients participating in the sample are current clients and have had their data updated in the last 12 months.

The increase in sales always shows positive and faster accumulated growth rates in the first two years; the net income per capita, on the other hand, maintains steady growth.

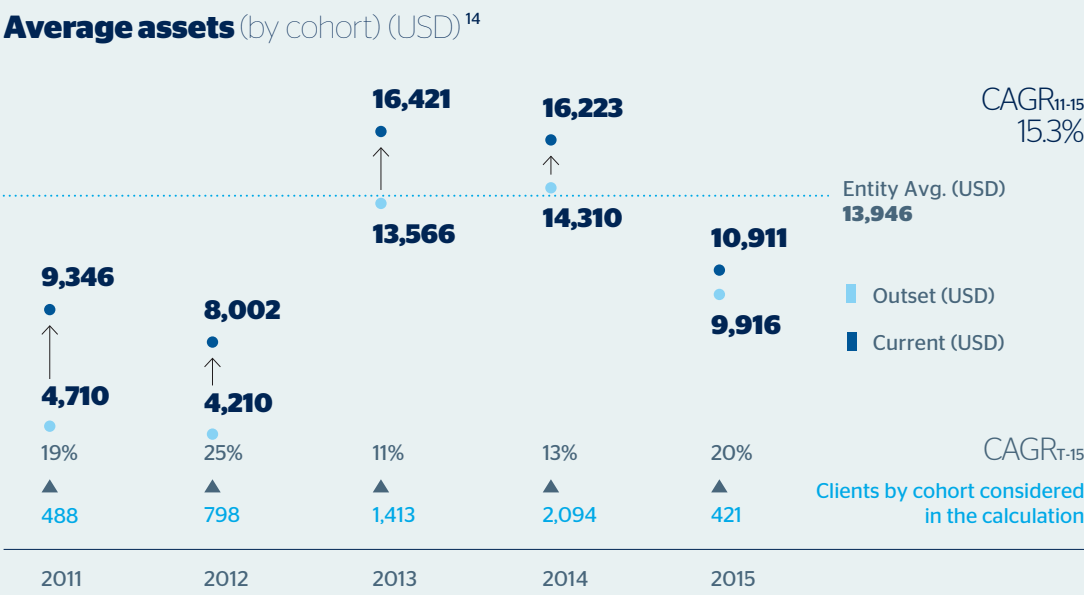
- The direct correlation between the increase in enterprise assets and the duration of the relationship with Microserfin can be seen: performance improves with the passage of time, i.e. the longer a client stays with the institution, the better the “asset investment ratio”.



Source: Microserfin. BBVAMF calculations.



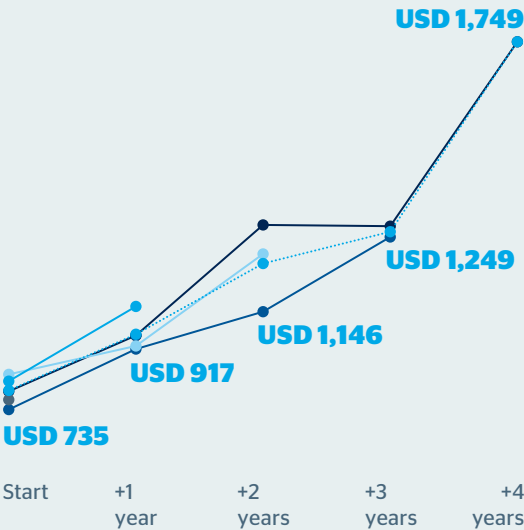
Source: Microserfin. BBVAMF calculations.



Source: Microserfin. BBVAMF calculations.

¹⁴ Data on clients current as of December 31, 2015, and that have had a data update in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

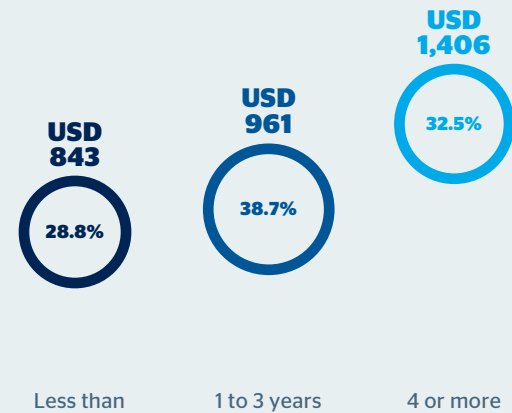
Average disbursement per transaction (by cohort)¹⁵



■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015
● Avg.

Source: Microserfin. BBVAMF calculations.

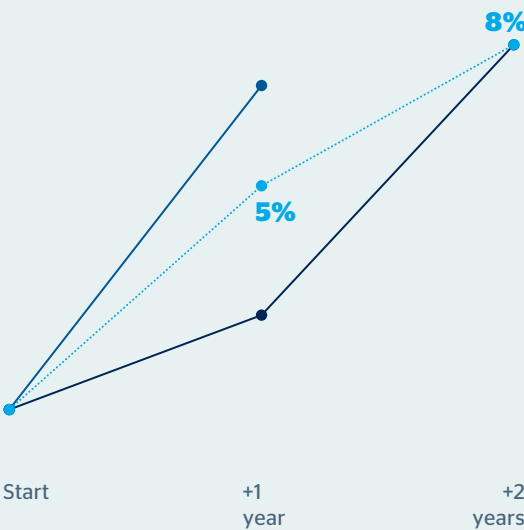
Average monthly sales by employee¹⁷



Circle represents % of total clients whose micro-enterprise has, at least, one employee

Source: Microserfin. BBVAMF calculations.

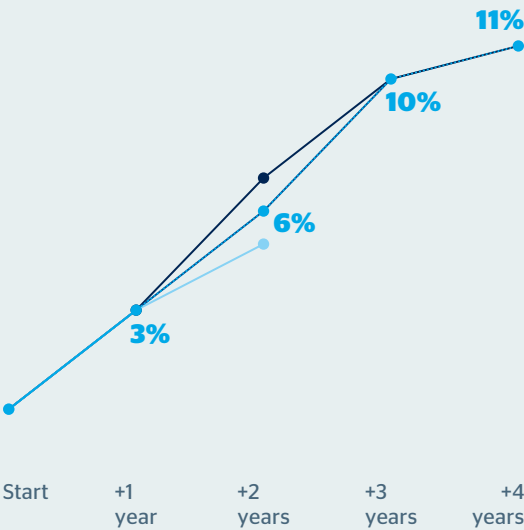
Client improvement in housing (by cohort)¹⁸



■ 2013 ■ 2014
● Avg.

Source: Microserfin. BBVAMF calculations.

Job creation (by cohort)¹⁶



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Microserfin. BBVAMF calculations.

- Sustained increase in the credit sums given to clients, accompanying them as they grow. These have grown by an average of 55% after two years.
- 10% of businesses served by Microserfin create at least one new job position in the first 3 years.
- Productivity (measured as sales per employee) is higher among clients who have been with the MFI for longer.

- In the first two years, 8% of clients served are in a position to enlarge or improve their home.

15_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

16_Proportion of enterprises, of those still current in each cohort, that have increased their payroll.

17_Only clients who have at least one employee on the payroll are included.

18_Proportion of clients still current in each cohort who have moved into their own home, have made home improvements or who have increased the number of rooms in their home from when they registered at the outset.

Activity

data

Summary of activity ¹⁹	
	Total
Gross loan portfolio (USD)	23,441,244
Total disbursed in 2015 (USD)	19,476,00
Nº transactions in 2015	13,993
Average disbursement in 2015 (USD)	1,392
Deposits & other (USD)	NA
Nº Employees	224
Nº Offices	11
Clients receiving financial education	2,700

19_Data as of
December 31, 2015.

Source: Microserfin. BBVAMF calculations.

Microfinanzas PR Puerto Rico

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

1,112

Total clients

570

New clients

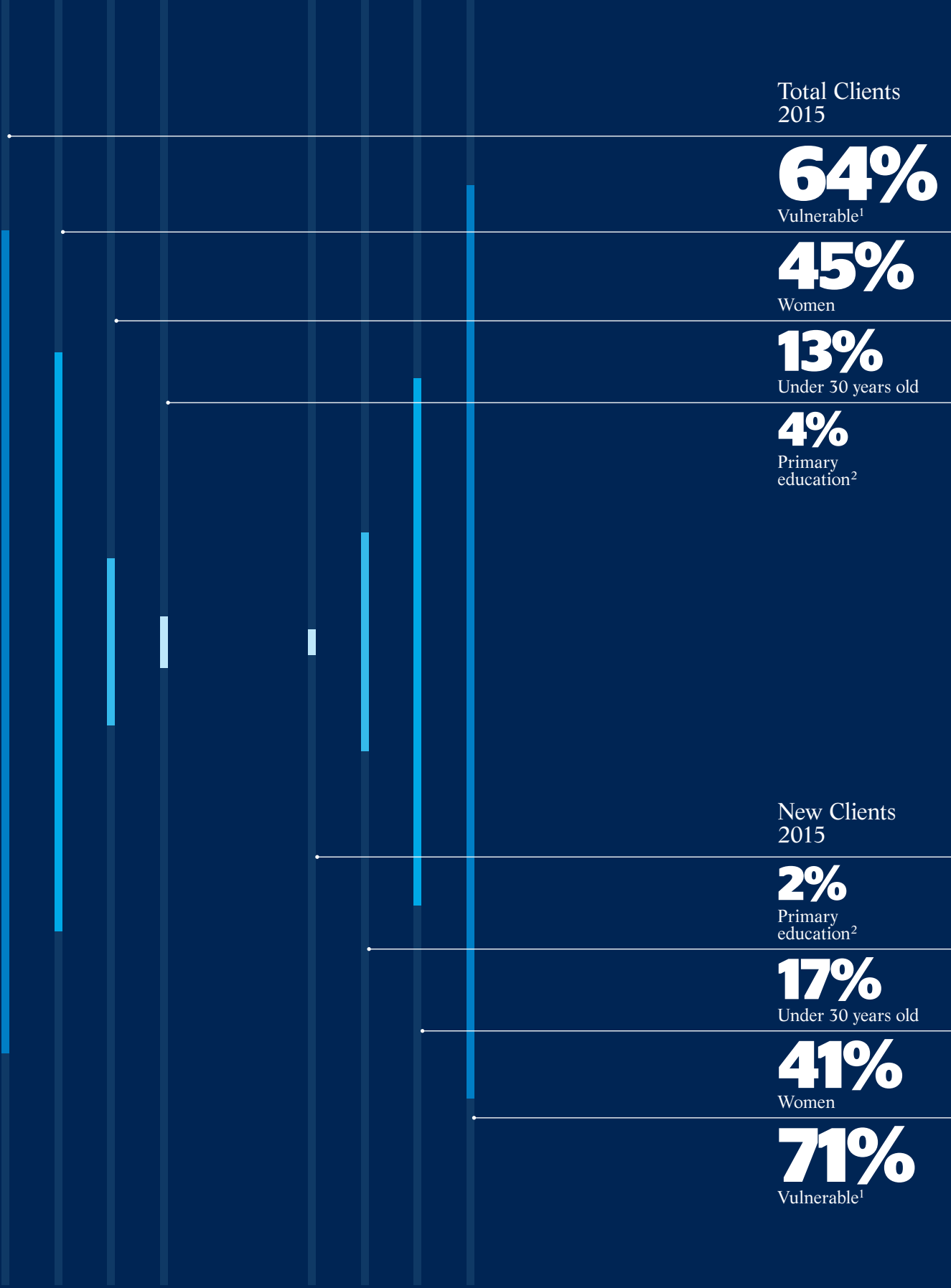
1_ According to Puerto Rico's official poverty line (distinguishing between rural and urban environments).

Source: US Census Bureau. Clients whose net income (i.e. profit obtained from their micro-

enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times

the poverty line of their corresponding country and type of environment (rural/urban).

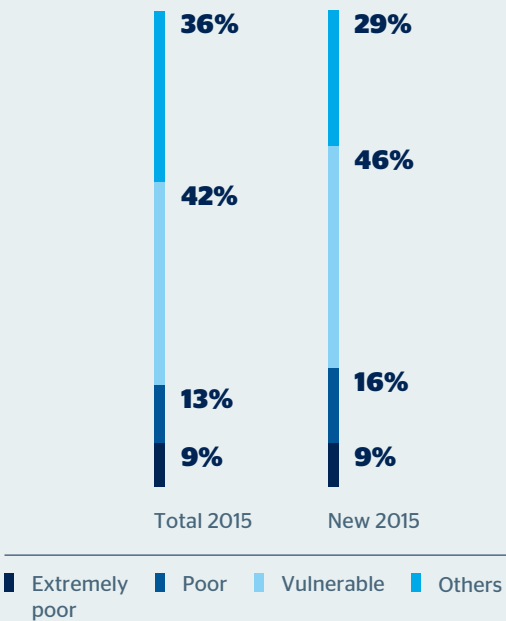
2_ Clients with primary education at best, as proportion of all credit clients.



Our clients and our scale

Microfinanzas Puerto Rico remains focused on serving low-income entrepreneurs in Puerto Rico. **64% of its clients are economically vulnerable.**

Client economic vulnerability ¹



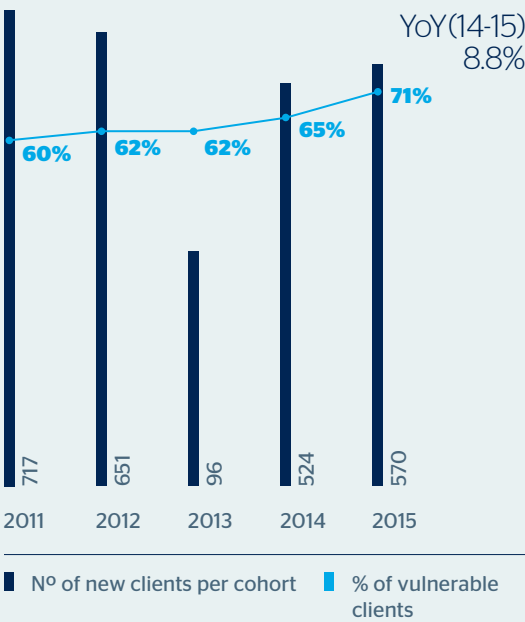
Source: Microfinanzas PR. BBVAMF calculations.

1_According to Puerto Rico's official poverty line (distinguishing between rural and urban environments). Source: US Census Bureau. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_Takes into account clients who joined during the year (new clients).

The last few years have seen a **growing trend in signing up new clients, particularly vulnerable clients.**

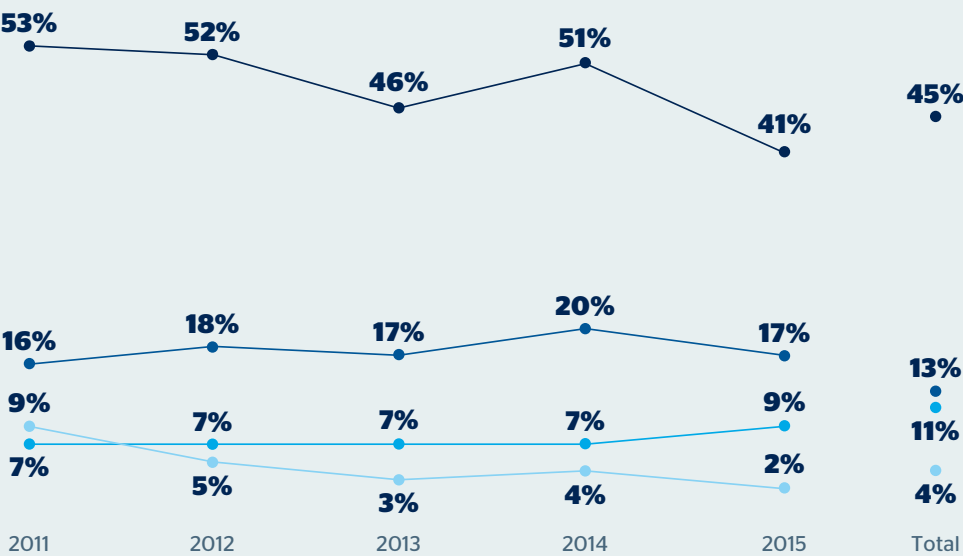
New credit clients ²



Source: Microfinanzas PR. BBVAMF calculations.

- Although nearly half of clients are women, there has been an increase in the proportion of male clients in recent years.
(see next page)
- The weight of the loan in new clients' monthly sales at the outset has remained stable at around 6% in the last few years.
(see next page)

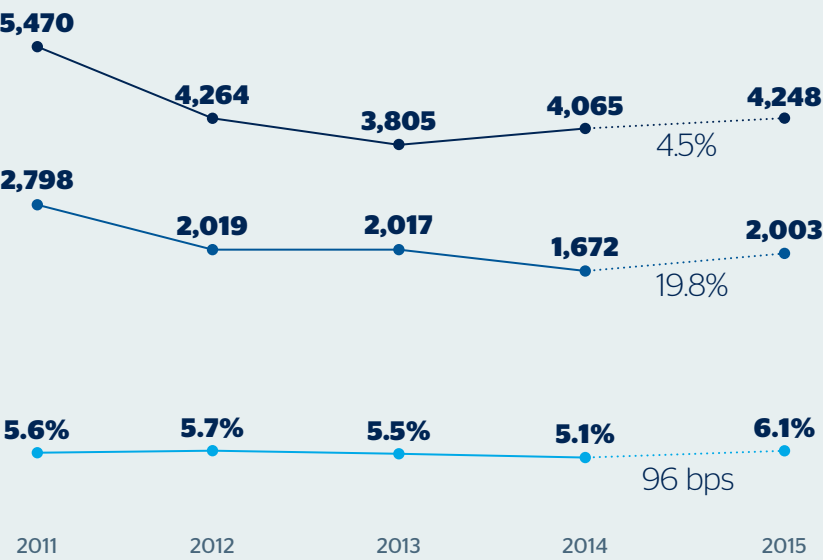
Profile of our credit clients ²



■ % Women ■ % Under 30 yrs ■ % Over 60 yrs ■ % With primary educ. (at best)

Source: Microfinanzas PR. BBVAMF calculations.

Sales, disbursement & weight of credit installment ²



■ Avg. monthly sales (USD) ■ Avg. disbursement (USD) ³ ■ Weighting of credit installment (% of sales) ⁴

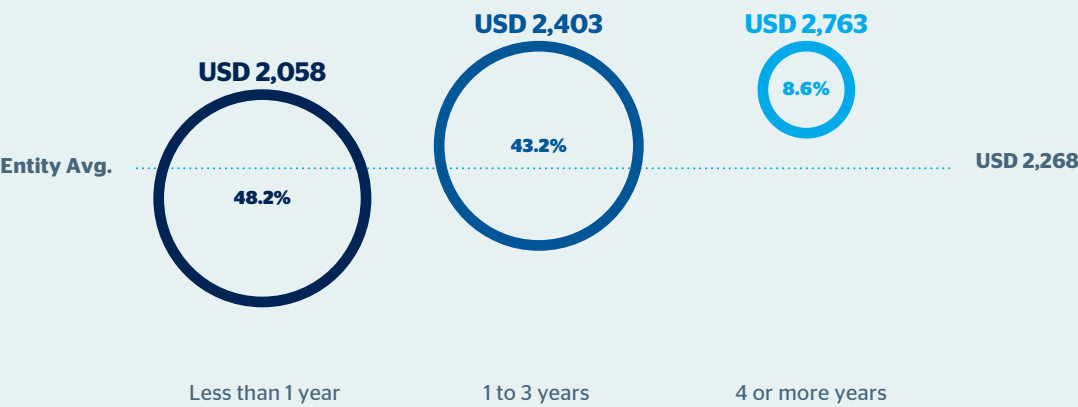
Source: Microfinanzas PR. BBVAMF calculations.

² Takes into account clients who joined during the year (new clients).

³ Average disbursement, calculated as the average first disbursement for new clients each year.

⁴ Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

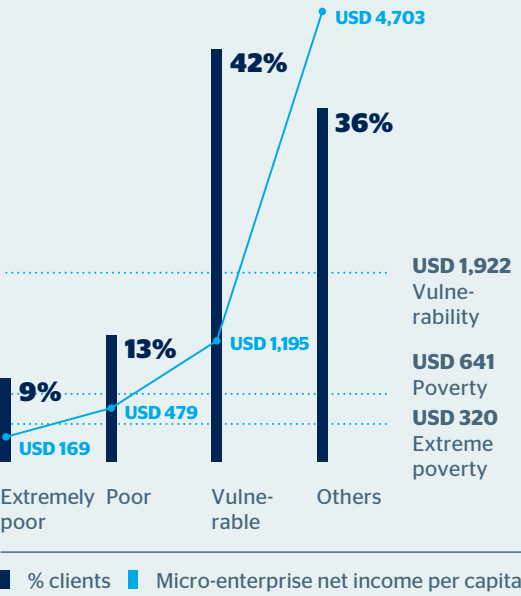
Average per capita micro-entrepreneurial net income, by client seniority ⁵



Circle represents the % of total clients

Source: Microfinanzas PR. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability ^{5,6}



■ % clients ■ Micro-enterprise net income per capita

Source: US Census Bureau
Microfinanzas PR. BBVAMF calculations.

⁵ Data of current portfolio as of December 31, 2015.

⁶ Poverty lines are for the urban environment.

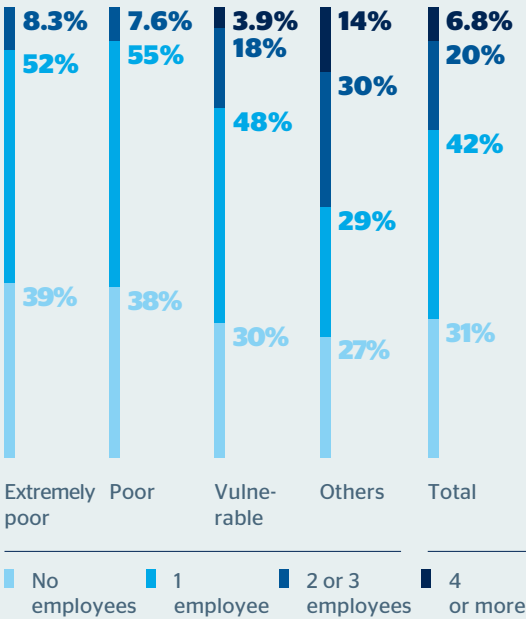
22% of clients served live on USD 12 per person per day.

- Practically half of Microfinanzas PR's clients signed up in the last year and their per capita average monthly net income is lower than the average for the institution's clients as a whole.
- Microfinanzas PR clients' per capita average monthly net income is 18% higher than the vulnerability line; however, an ample majority of clients (64%) lives on a lower net income.

Our clients' enterprises

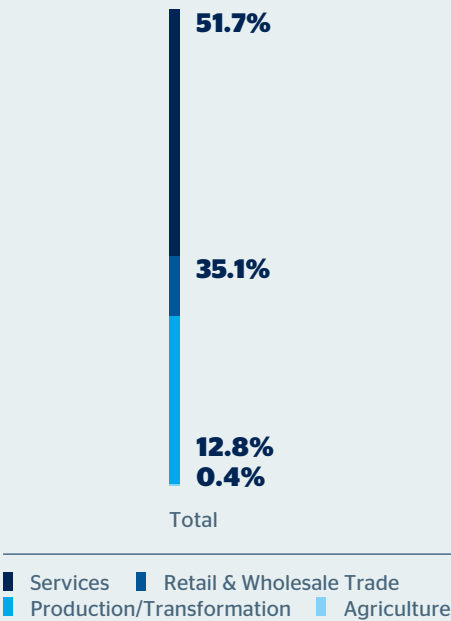
- 87% of clients operate in the tertiary sector (trade and services).
- Clients' capacity to generate employment increases as their vulnerability lessens. 69% of micro-entrepreneurs served by the institution create employment.

Micro-enterprises' employee breakdown⁷



Source: Microfinanzas PR. BBVAMF calculations.

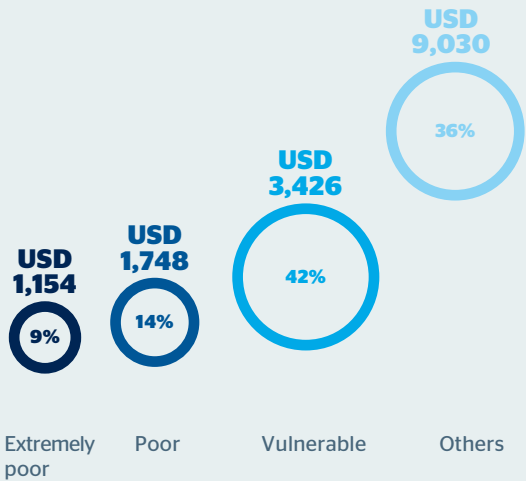
Economic activity⁷



Source: Microfinanzas PR. BBVAMF calculations.

7_Data for current portfolio as of December 31, 2015.

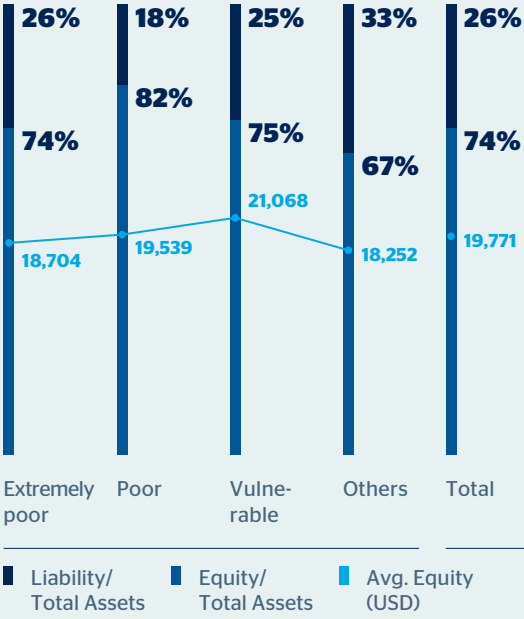
Average monthly sales by vulnerability⁷



Circle represents % of total clients by vulnerability

Source: Microfinanzas PR. BBVAMF calculations.

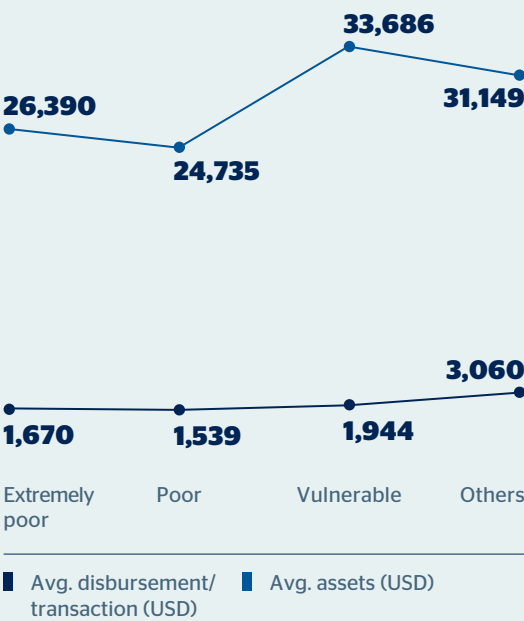
Assets, liabilities and equity by vulnerability^{8,9}



Source: Microfinanzas PR. BBVAMF calculations.

- The ratio of average disbursement as a proportion of assets is similar through all segments (6% of total assets), except for the non-vulnerable, where it represents 10% of total assets.
- However, as the client becomes less vulnerable, the weight of the installment in their sales falls.

Assets and average disbursement by vulnerability⁹



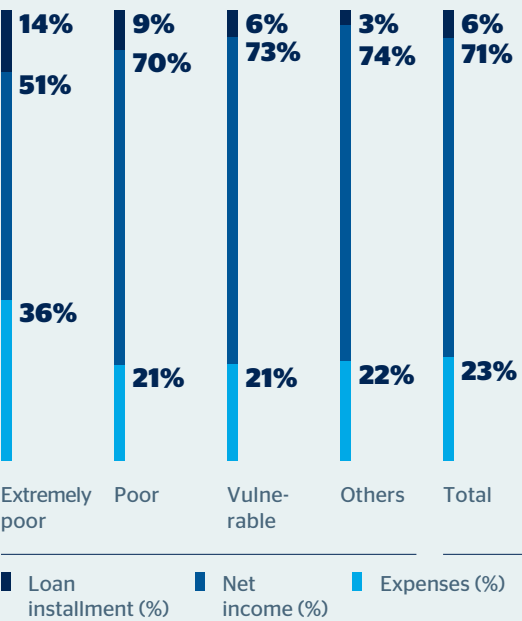
Source: Microfinanzas PR. BBVAMF calculations.

8_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

9_Data of current portfolio as of December 31, 2015.

10_Calculations based on clients reporting expenditures.

Loan installment, expenses & margins (as % of sales)¹⁰

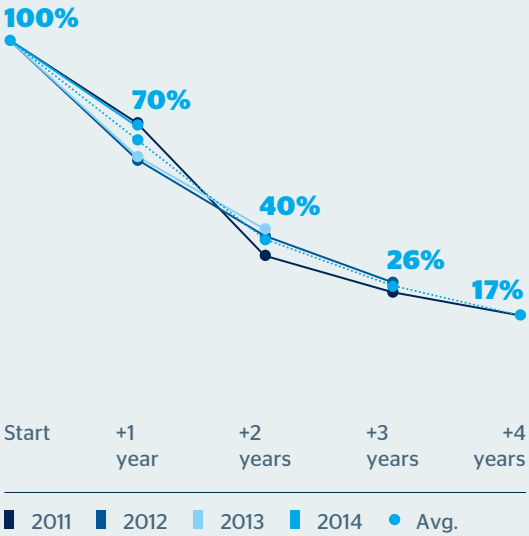


Source: Microfinanzas PR. BBVAMF calculations.

Our clients' development

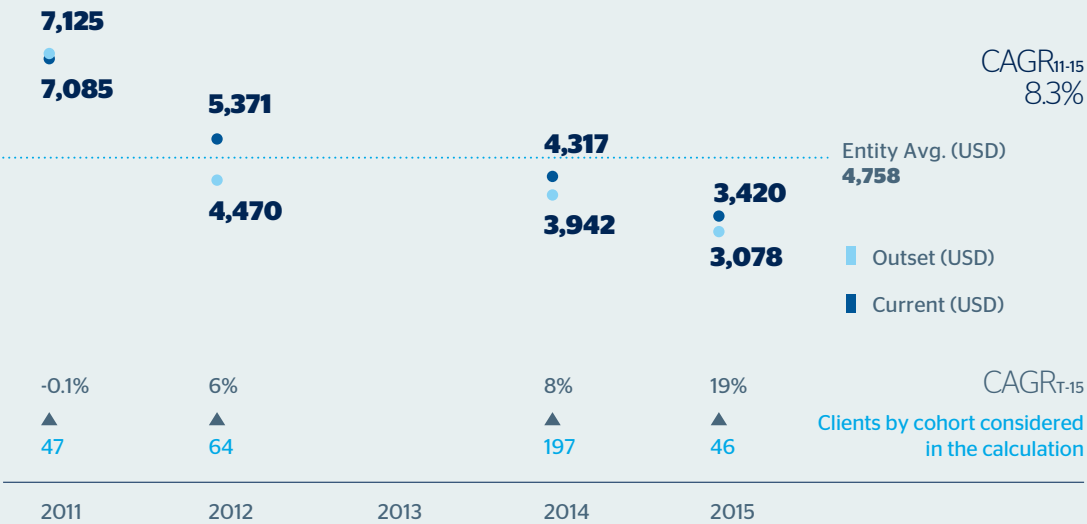
- Microfinanzas PR's client retention rate trend remains similar to previous years. On average, 70% of clients continue to bank with the MFI after a year, and only 40% do so after two years.

Retention (by cohort)¹¹



Source: Microfinanzas PR. BBVAMF calculations.

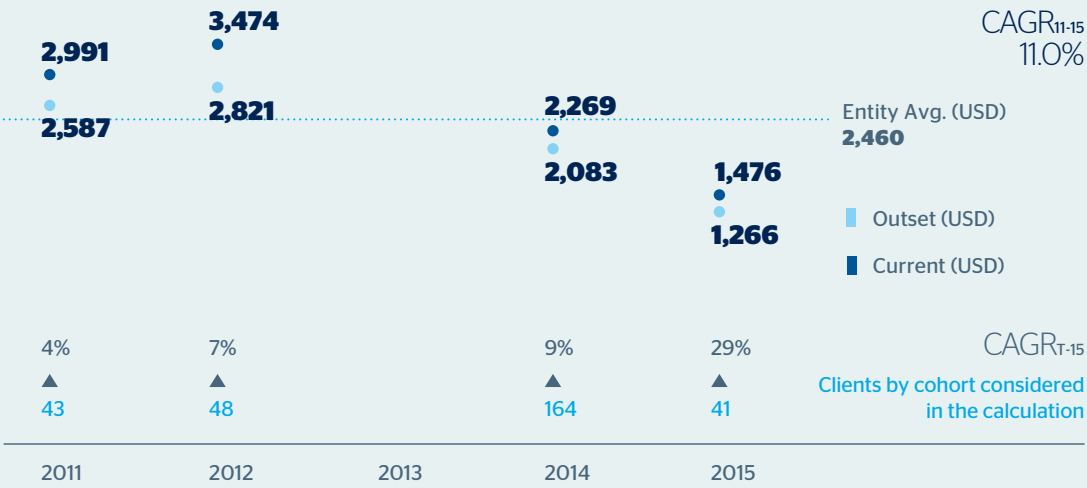
Average monthly sales (by cohort) (USD)^{12,13}



Source: Microfinanzas PR. BBVAMF calculations.

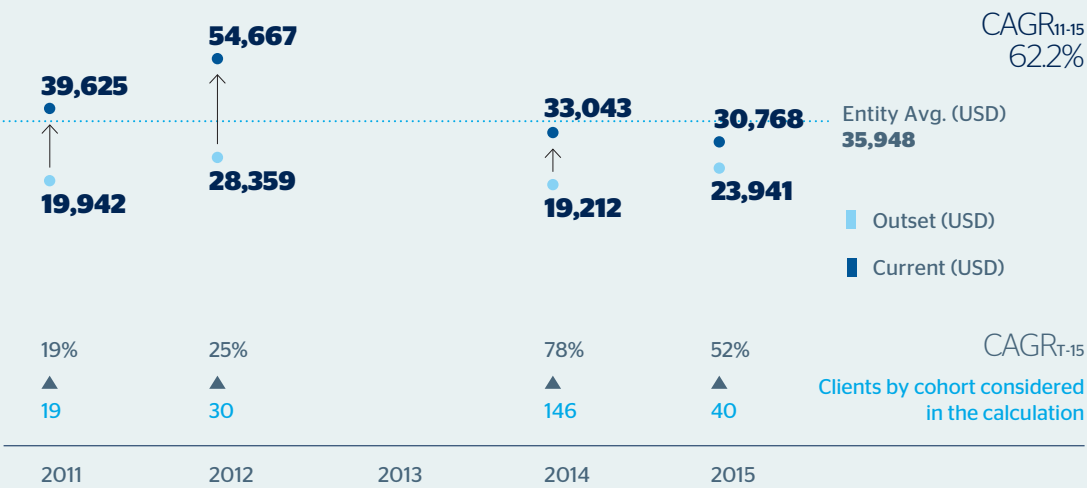
- Net income has grown faster than sales in recent years, suggesting an improvement in business management.
- New cohorts are confirmed as having lower monthly sales and lower monthly per capita net income.

Average monthly net income (by cohort) (USD)^{12,13}



Source: Microfinanzas PR. BBVAMF calculations.

Average assets (by cohort) (USD)^{12,13}



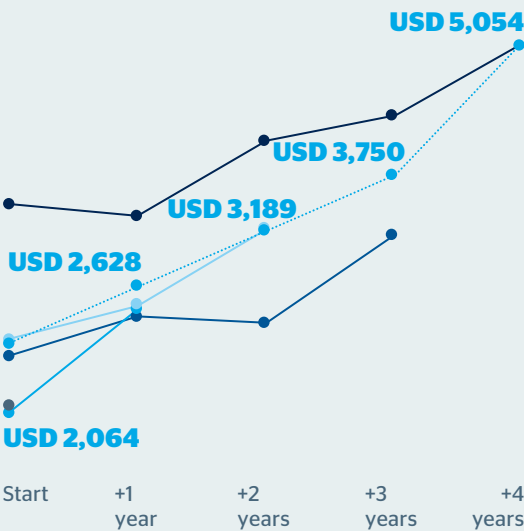
Source: Microfinanzas PR. BBVAMF calculations.

11_Percentage of clients in each cohort current as of December 31 2015.

12_Data of current clients as of December 31, 2015, and that have had a data update in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

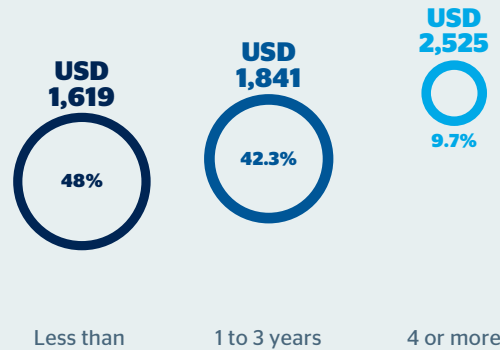
13_96 existing clients from the cohort of 2013 are not considered relevant for the analysis.

Average disbursement per transaction (by cohort) (USD)¹⁴



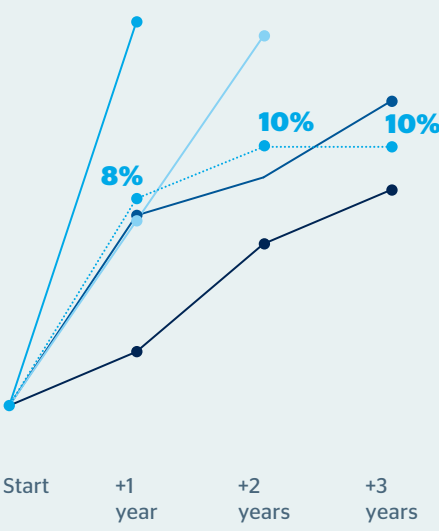
■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.
Source: Microfinanzas PR. BBVAMF calculations.

Average monthly sales by employee¹⁶



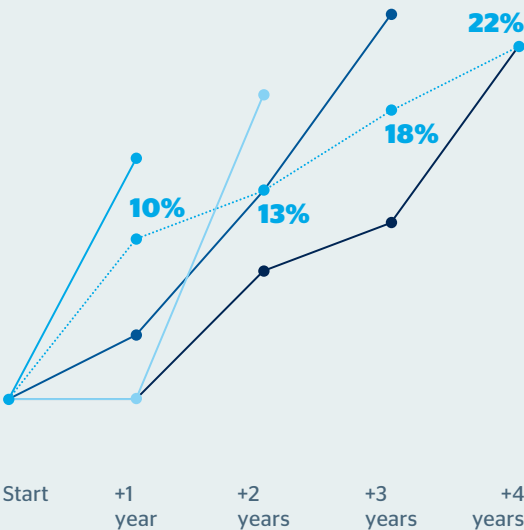
Circle represents % of total clients whose micro-enterprise has, at least, one employee
Source: Microfinanzas PR. BBVAMF calculations.

Client improvement in healthcare (by cohort)¹⁷



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.
Source: Microfinanzas PR. BBVAMF calculations.

Job creation (by cohort)¹⁵



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.
Source: Microfinanzas PR. BBVAMF calculations.

- Average disbursement increases steadily the longer the client remains with the institution.
- 13% of Microfinanzas PR clients create at least one new job after two years with the institution and 22% have done so after four years.

- In the first four years with the MFI, 6% of clients served extend their healthcare cover.

14_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

15_Proportion of business from that current in each cohort, which has increased their payroll.

16_Only clients who have at least one employee in charge are included.

17_Proportion of current clients in each cohort who have moved from no health insurance to having some, from public insurance to a mixed or private one, or from a mixed insurance to a private one.

Activity data

Summary of activity ¹⁸	
	Total
Gross loan portfolio (USD)	1,924,276
Total disbursed in 2015 (USD)	2,246,296
Nº transactions in 2015	961
Average disbursement in 2015 (USD)	2,337
Deposits & other (USD)	NA
Nº Employees	20
Nº Offices	1
Clients receiving financial education	NA

18_Data as of December 31, 2015.

Source: Microfinanzas PR. BBVAMF calculations.

Contigo Argentina

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

The lines presented are in scale with the percentages.

170

Total clients

54

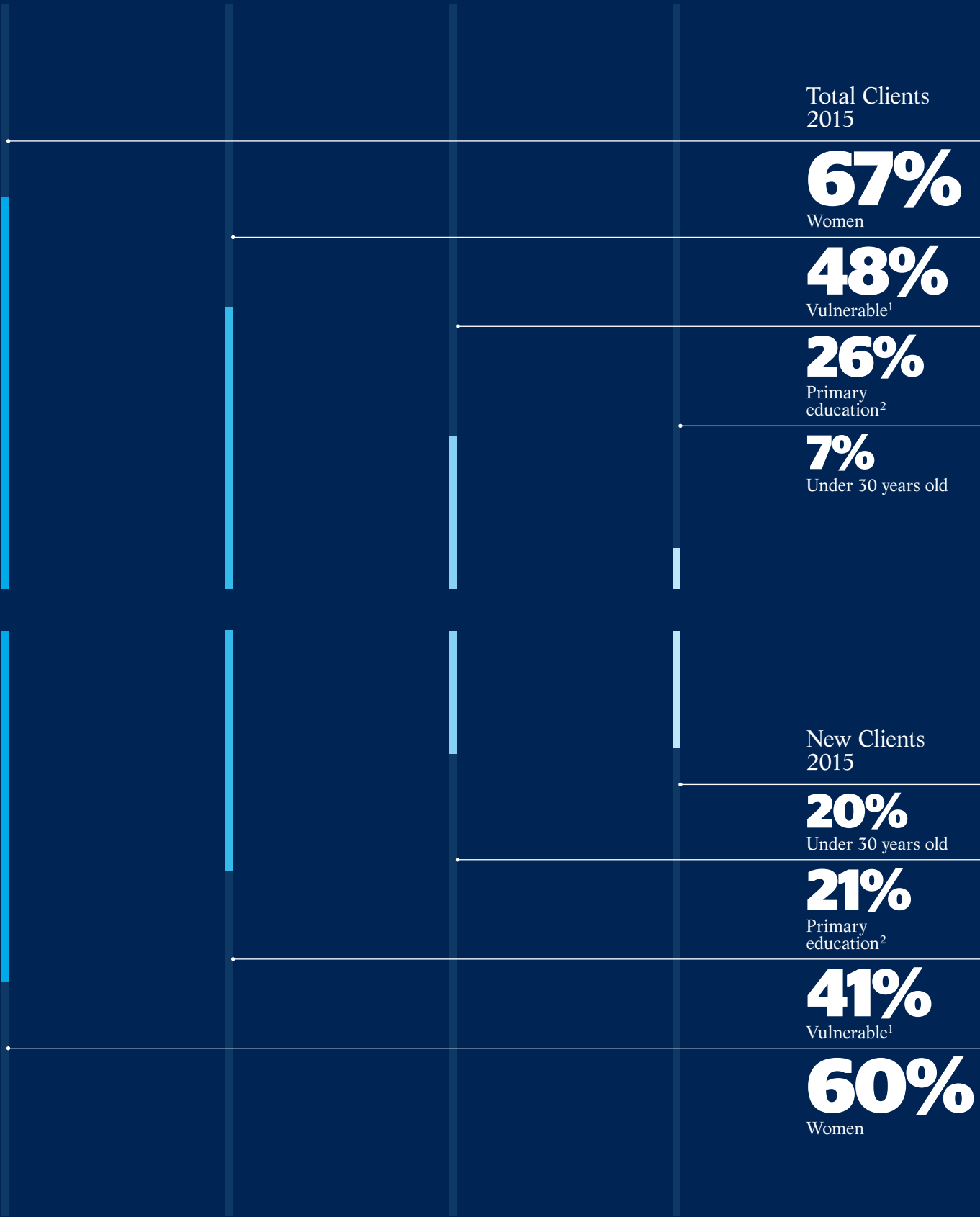
New clients

1_ According to Argentina's official poverty line (distinguishing between rural and urban environments). Source: CEPAL.

Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit

(per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

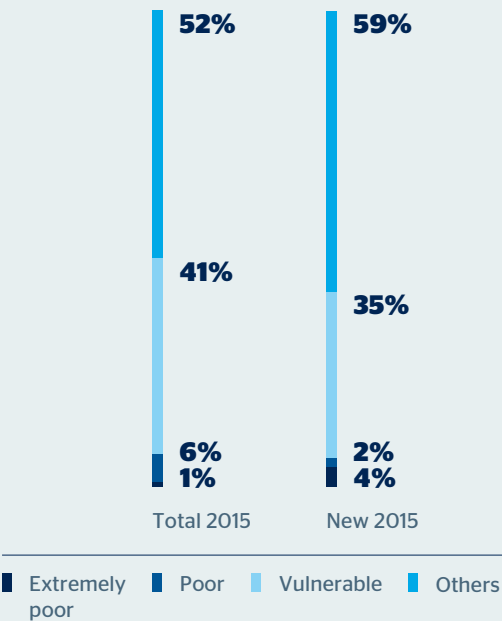
2_ Clients with primary education at best, as a proportion of all credit clients.



Our clients and our scale

Contigo Microfinanzas has a small client portfolio, of which **48% are economically vulnerable**.

Client economic vulnerability ¹



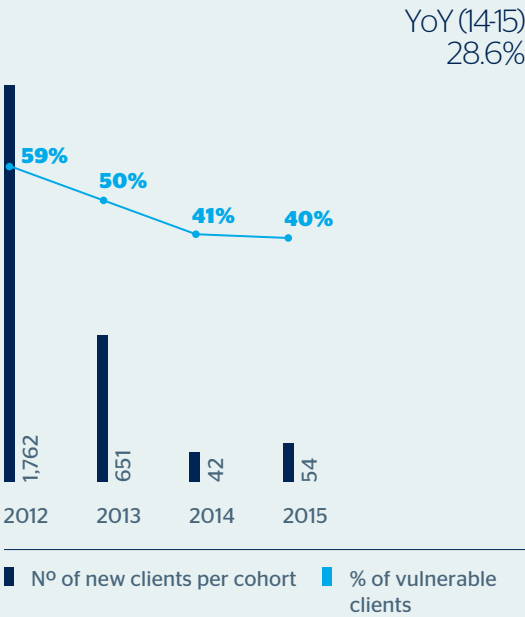
Source: Contigo. BBVAMF calculations.

1_According to Argentina's official poverty line (distinguishing between rural and urban environments). Source: CEPAL. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2_Takes into account clients who joined during the year (new clients).

New client acquisition has remained restrained in recent years as a result of an internal policy decision.

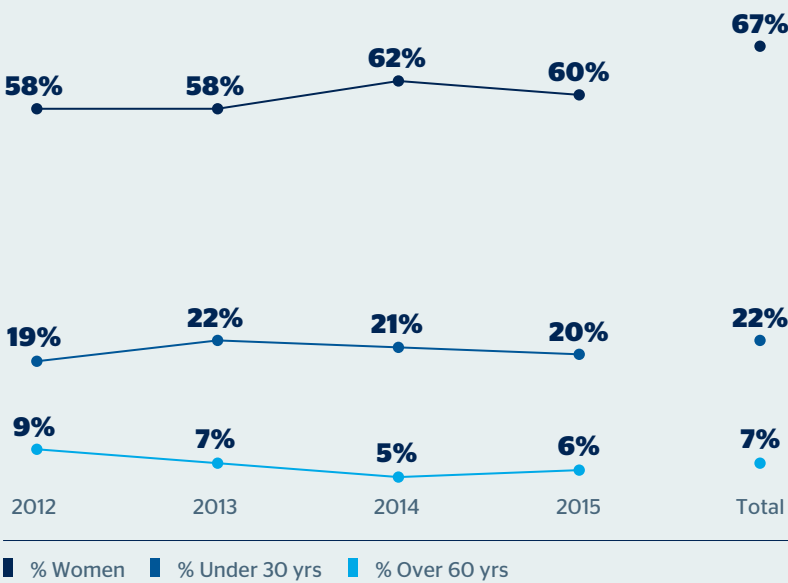
New credit clients ²



Source: Contigo. BBVAMF calculations.

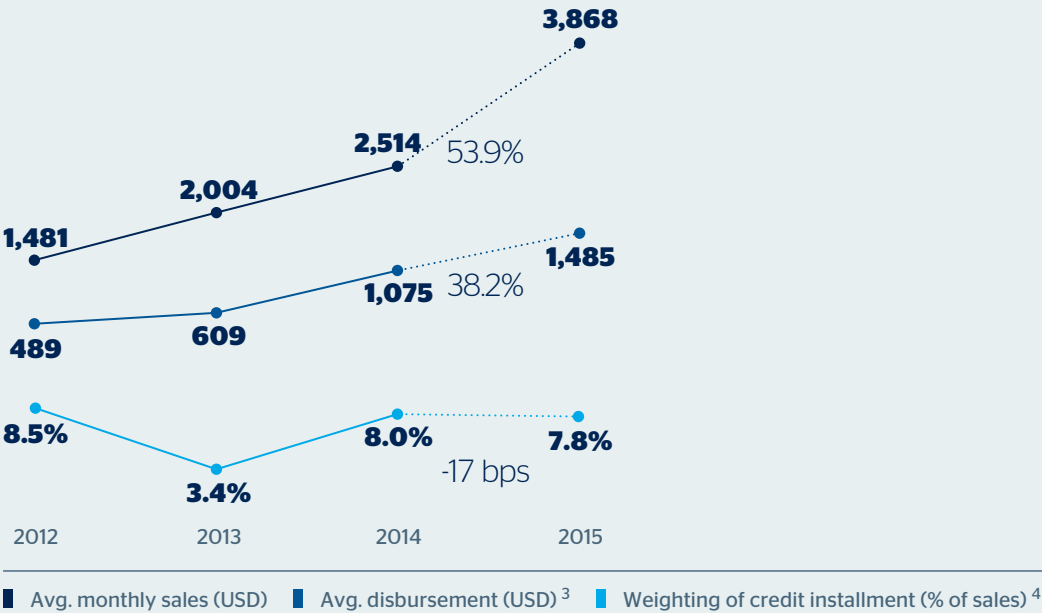
- New clients continue to be mainly women, and make up nearly 70% of the current portfolio. (see next page)
- The weight of the credit installment as a percentage of monthly sales has remained below 8% for new clients in 2015. (see next page)

Profile of our credit clients ²



Source: Contigo. BBVAMF calculations.

Sales, disbursement & weight of credit installment ²



Source: Contigo. BBVAMF calculations.

2_Takes into account clients who joined during the year (new clients).

3_Average disbursement, calculated as the average first disbursement for new clients each year.

4_Weight of the installment calculated as a ratio average (installment divided by sales) of each client.

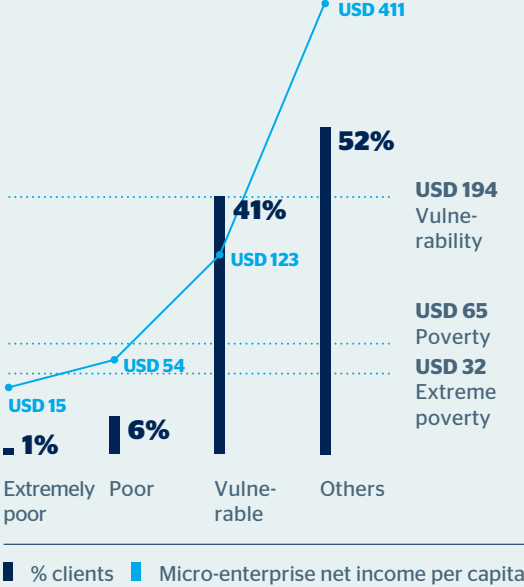
Average per capita micro-entrepreneurial net income, by client seniority ⁵



Circle area represents the % of total clients

Source: Contigo. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability ^{5,6}



Source: CEPAL. Contigo. BBVAMF calculations.

5_Data as of December 31, 2015.

6_Poverty lines are for the urban environment. They have been updated to take inflation into account as published by the World Bank (19.7% in 2013, 29.3% in 2014). 2015 estimates by the International Monetary Fund (18.6%).

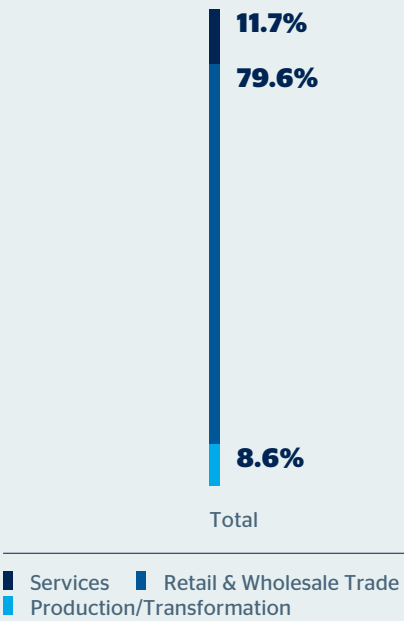
People served by Contigo live on an average of USD 8.90 a day.

- The correlation between the length of the relationship with the MFI and average per capita net income is positive, with available per capita income increasing the longer the client remains with the institution.
- 48% of clients live on less than USD 6.50 a day each.

Our clients' enterprises

- 80% of our clients work in retail trade.
- 11% of all the businesses we serve generate jobs.

Economic activity ⁷

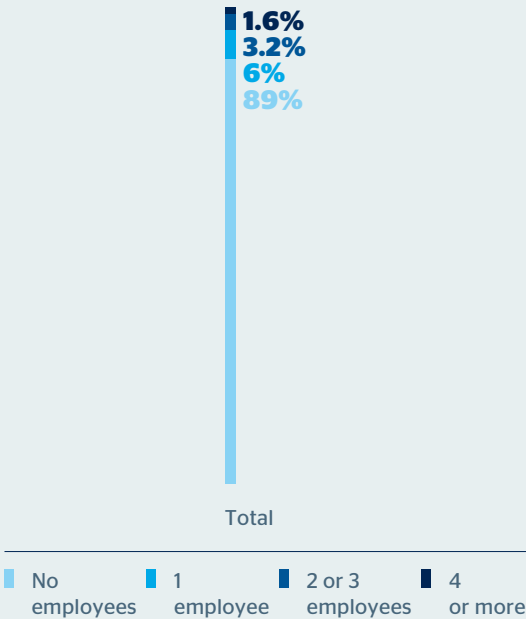


Source: Contigo. BBVAMF calculations.

7_Data of current portfolio as of December 31, 2015.

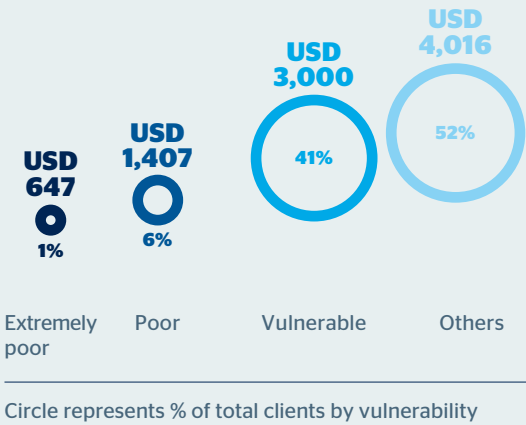
8_None of the clients classified as poor has an employee on their payroll. This information has a high margin of error given the small size of the Contigo Microfinanzas portfolio.

Micro-enterprises' employee breakdown ^{7,8}



Source: Contigo. BBVAMF calculations.

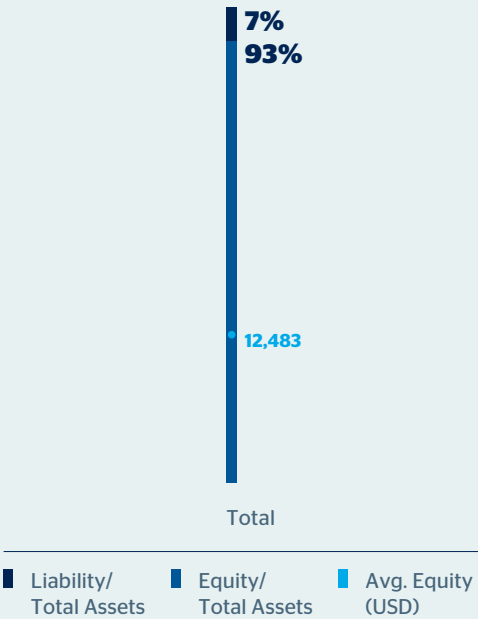
Average monthly sales by vulnerability



Source: Contigo. BBVAMF calculations.

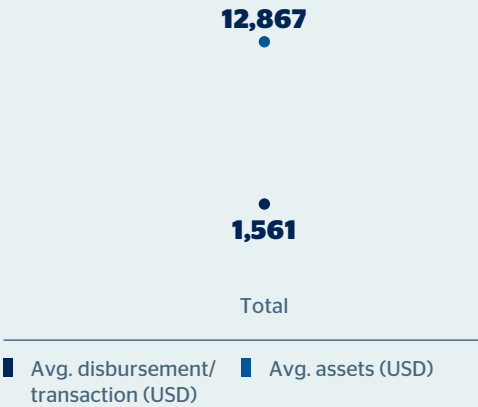
Circle represents % of total clients by vulnerability

Assets, liabilities and equity by vulnerability ^{9,10}



Source: Contigo. BBVAMF calculations.

Assets and average disbursement by vulnerability ¹⁰



Source: Contigo. BBVAMF calculations.

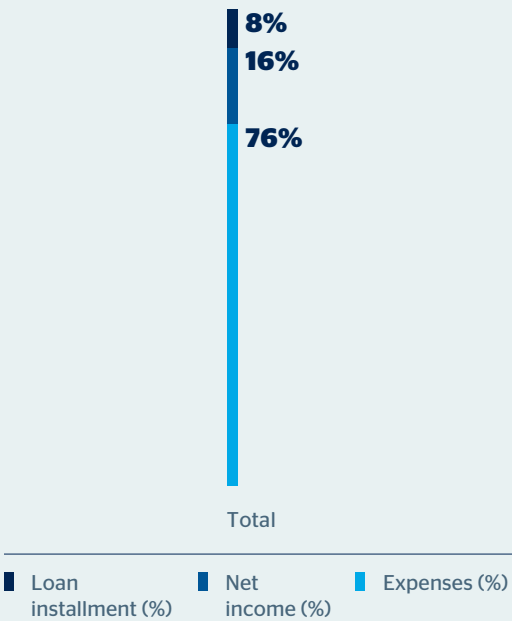
9_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted). None of the clients classified as poor has reported this information.

10_Data of current portfolio as of December 31, 2015.

11_Calculations based on those clients reporting expenditures.

- The average disbursement originated represents 12% of a client's total assets and the installment payment, on average, 8% of total sales.

Loan installment, expenses & margins ^(as % of sales) ¹¹



Source: Contigo. BBVAMF calculations.

Activity

data

Summary of activity¹²

	Total
Gross loan portfolio (USD)	205,599
Total disbursed in 2015 (USD)	287,480
Nº transactions in 2015	187
Average disbursement in 2015 (USD)	1,537
Deposits & other (USD)	NA
Nº Employees	4
Nº Offices	1
Clients receiving financial education	1,103

12_ Data as of December 31, 2015.

Source: Contigo. BBVAMF calculations.

Measuring what really matters

2015 Social Performance Report

Images:

BBVA Microfinance Foundation

Editing:

BBVA Microfinance Foundation

Design:

Make it GAS

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English translation:

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Project development:

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Printers:

Agpograf Impressors

Printed in Barcelona

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Social Performance
Report 2015

Measuring **what really matters**

www.mfbbva.org/en/informe-2015



Fundación
BBVA MicroFinanzas

Behind every relationship there is a person, a family, a community, an organization. These are stories of hard work, difficulties overcome and success. All this is what makes, and really matters to, the BBVA Microfinance Foundation.

Measuring
**What Really
Matters**

Social Performance
Report 2015

For the full experience of the 2015 Social Performance Report, look at our extra content from your cell phone.



1. Scan the
QR codes



2. Find videos about
BBVAMF's work and
client stories.

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2 billion people around the world are excluded from the financial system, of whom 210 million live in Latin America¹.

63 million of these people live in countries where the BBVA Microfinance Foundation operates¹, and 27 million are self-employed or micro-entrepreneurs².

1. Source: 2014 Data, Global Findex, World Bank. The Global Findex database is the world's most comprehensive database on financial inclusion that consistently measures people's use of financial

services across countries and over time. It consists of over 100 indicators and is based on interviews with about 150,000 nationally representative and randomly selected adults (age 15+) in over 140 countries. The

survey was carried out using randomly selected, nationally representative samples. Denotes the number of respondents who report having an account (as sole title owner or with someone else) at a bank or

another type of financial institution.

2. IDB – Fomin 2015, Financial Inclusion in Latin America and the Caribbean: Data & Trends.

BBVA Microfinance Foundation

BBVAMF is a microfinance group of reference in Latin America, operating through eight microfinance institutions. Its sustainable and responsible management and its strong emphasis on technological innovation have borne fruit, with solid growth and its proven commitment to serving vulnerable people in society.

At the BBVA Microfinance Foundation we work towards a better future for disadvantaged people, creating opportunities for sustainable and inclusive social development through Responsible Productive Finance.



Scan the QR code and watch the video about BBVA Microfinance Foundation's solution for a better future

In Latin America 176 million people are poor, of whom 76 million live in extreme poverty, while nearly two thirds of the people who have managed to climb out of poverty in recent years are still vulnerable and thus may fall back into that situation.

BBVA was aware of the issues and the difficulties in making progress towards a less unequal world, for which reason it created the **BBVA Microfinance Foundation** in 2007, as part of its corporate social responsibility program.

It is a non-profit institution with the mission of driving sustainable and inclusive economic and social development for disadvantaged people in society, through Responsible Productive Finance. A mission that is entirely aligned with the bank's institutional purpose: **"To bring the age of opportunity to everyone"**. An initiative that aims to become a social tool capable of advising each client according to their needs, helping them to realize their dreams.

Our raison d'être

Major progress has been achieved in debt reduction in the last 25 years. The number of poor people is currently less than a third of what it was in 1990. Inequality has fallen in emerging countries and the middle classes there have expanded to reach never-before seen figures. The vigorous economic growth in these countries over the period, 5% p.a. on average, is the key factor behind this change.

However, this progress is endangered by the world economic slowdown and the uncertainty it generates. In Latin America, 176 million people are still poor, 76 million of them extremely so, while nearly two thirds of the people who have managed to climb out of poverty in recent years are still vulnerable and thus may fall back into that situation. Poverty is a moving target.

The lack of opportunities, the informal economy, the paucity of public services, social exclusion, lack of participation and the limits to accessing different markets are factors that account for this performance and that have made it more difficult to break the cycle of poverty and vulnerability and to reduce the likelihood of these being perpetuated across generations.

One defining feature of this situation is that nearly half the labor force is made up of informal workers, which means precarious wages, little job stability, scarce social security cover and non-compliance with labor rights. This demonstrates the important weight of self-employed workers and/or micro-entrepreneurs in different activities as a way to escape this labor market structure and its implications.

In order for these people to be able to develop their activities, financial inclusion is fundamental, and continues to be a task not fully tackled. **Despite the progress made in the last few years, which has brought down financial exclusion by 20% (500 million people), 2 billion adults in the world still do not have access to the financial system, of whom 210 million are in Latin America; as one would expect, it is particularly prevalent among the poorest segments.**

These levels of exclusion are connected, in some countries, with an undeveloped financial sector, incapable of reaching a wide section of society because of lack of scale, inefficiency, poor corporate governance models and its own financing difficulties. But in other occasions, even when the financial sector is more developed, there are many people who simply cannot reach these services. The informal economy, geographical distances, uncertain income streams, absence of collateral and patchy financial culture are the main impediments to access.

Financial inclusion is essential in order to reduce vulnerability and achieve more in-



Blanca Español

clusive economic growth. It is fundamental for anyone wanting to begin an activity or expand an existing one, to smooth consumption, to create assets and mitigate risk. Financial exclusion is an obvious obstacle to development. Its causes lie mainly in market failures resulting from inaccurate information and its asymmetries. In those environments where an entrepreneurial culture can flourish, difficulties in accessing the financial market condition whether any project gets off the ground or can grow, because of the limitations to accessing external funds.

Deprived of financial services, poor individuals and small companies have to rely on their own resources or on informal funding sources to take advantage of the opportunities within their reach. By contrast, financial policies that encourage appropriate incentives and help to overcome obstacles in accessing funding are fundamental; not only in order to achieve stability, but also growth, poverty reduction and a fairer distribution of resources and skills.

It has been proven that, in the last 30 years, when people who are living in poverty are given the opportunity to access financial services, they do so responsibly, because of the high value they attribute to these services, and the differential value these offer compared to the traditional informal sources to which they were accustomed.

BBVA Microfinance Foundation

In order to tackle this challenge, **in 2007 BBVA created the BBVA Microfinance Foundation**, as part of its corporate social responsibility program. The institution is non-profit, **with the mission of driving sustainable and inclusive economic and social development for disadvantaged people in society, with Responsible Productive Finance.** This approach involves putting economically vulnerable small entrepreneurs at center stage, providing them with a complete range of financial products and services, as well as the training and advice to accompany them in their productive activities, helping them to achieve success over time.



Erica González

The key lies in recognizing potential not only through more conventional tangible attributes, but also other more intangible ones such as imagination, commitment, willingness to pay, perseverance, empowerment, sense of responsibility, etc., acknowledging these, and giving them value.

Individual knowledge of the client, their environment and their domestic/business circumstances sits at the core of this model. In each case, the Foundation takes into consideration the client's profile and type of vulnerability.

The aim is to support entrepreneurs in generating a sustainable profit flow, maintaining a long-term relationship. The results shown in this publication prove that clients improve their standards of living and development, which reinforces the Foundation's conviction that the financial channel plays an important role both in the economic growth of the countries in which the Foundation is present, and in the

improvement of the living conditions of its citizens, whatever their social stratum.

The initiatives that set us apart

The magnitude of the financial inclusion challenge for society's vulnerable segments means that it is **essential to continue working towards multiplying the scale that has been reached and also to succeed in reaching those segments most cut off from the financial system.** This requires making operations on a small scale sustainable, given the burden of overheads, the high transactional costs of the small sums involved and the high costs of growing the market because of its dispersion.

In its fight to overcome the challenges facing the sector, in 2015 the BBVA Microfinance Foundation group of institutions (BBVAMFG) made progress on initiatives in Human Capital, Technology, and Risks, in order to strengthen, deepen and optimize its client relationships.

In the area of Human Capital, there are two strategic lines of approach. The first is to build a solid and resilient organizational culture, shared by all eight institutions making up the BBVAMFG in seven countries. Progress has been made in framing norms, habits and shared values for the employees making up the group, with the aim of consolidating the goals of its mission. Thanks to this program, 900 people have been trained, comprising all the directors and 60% of middle management.

The second is the roll out of training programs across an e-learning platform comprising **3,000 online teaching hours**, of which around 50% has content relevant to all markets and corporate subjects, while the remainder is local-specific. There are **7,809 active students** on the platform, of whom 78% have carried out at least one training activity, with a total of **110,000 hours of completed training**, representing an average of 18 hours per student.

In the area of Technology, the digital gap between countries and different population segments is narrowing. This is the basis on which a good part of banking's future is being built, one in which a wide range of different digital technologies already co-exist, mobile devices, social networks, data mining and process digitization. All these combined have the power to transform the market for clients and for those currently involved in the sector.

The initiatives that have been executed in this field have identified that **not only will clients change which entry channels they use and how they carry out transactions to suit them, but that microfinance institutions themselves will also adapt their perspective.** The traditional branch office will give way to a model with much more accessible offices, evolving towards greater mobility on the part of microfinance officers on the ground. They will use these new technologies which give them greater

flexibility and power of response, driving a speedier system, and one that serves its clients better, combined with lower transaction costs and more efficient supervisory systems.

Consistent with this vision, **during 2015 progress has been made towards the roll out of a shared core banking system specializing in microfinance processes**, handling all business processes and providing high customization flexibility, so as to optimize time to market and facilitate the use of all service delivery channels. This also makes it possible to introduce economies of scale and synergies for the operation as a whole.

Progress has also been made in the construction of a digital back-office by implementing a corporate solution integrated with the core banking system that will ensure that documents involved in business processes are digitized, enabling entry from any channel and making operating procedures faster and more flexible.

Mobility is and will continue to be key to the sector in the future. Work continues to develop omni-channel digital mobility solutions that are completely integrated with the core banking system and the back-office, using four components: the officer, correspondent, entrepreneur and client-care call center.

In the Risks area, a series of initiatives have been developed focusing on a more complete and deeper understanding of the client and microfinance activity. Work is in progress on rolling out a dynamic risk model that is applied to thresholds on the most important metrics for all the risks to which the institutions are exposed: credit, operational, liquidity and structural. In addition, the system of management by categories has been reinforced, introducing statistical models that use financial and behavioral information that also assesses elements of the operation's impact on clients.

The relationship banking model also entails clients being accompanied throughout each phase of their productive cycle after the disbursement. For this reason, recovery management focuses on anticipating behavior, spending actual time on the ground with the client, and the early detection of potential problems the client might have when options still exist to normalize their productive activity. The sales system and risk tools have been adapted to facilitate the officers' work.

Furthermore, a reputation risk management model has been designed, to be used by all Group institutions, which will make it possible to integrate this risk into the global risk management carried out by institutions.

Major progress has also been made in the area of the Code of Conduct dealing with behavioral issues as well as the degree of alignment with the mission's values. A Responsible Attitude Channel has been created that promotes client protection based on the principles of clarity, transparency and responsibility, completing the reputation dimension.

The BBVAMF Group has continued working to strengthen and keep up to date its corporate governance mechanisms, making significant progress over the last few years on governance issues. It has approved a new, unified Corporate Governance Code for the whole group that provides a common framework and will be introduced in each of the institutions through internal regulations adapted to each jurisdiction.

In addition, BBVAMF Group's corporate governance model has been used by regulators and associations for the benefit of the sector. In all, **1,670 people on 48 programs in 5 countries**, of which over 400 individuals are members of the boards of directors or directors of around 100 microfinance institutions in Latin America, **have taken part in training programs led by the BBVAMF Group** in recent years.

Strategic alliances to achieve our mission

BBVAMFG has established strategic alliances with major domestic and international institutions which help to advance its mission. These include the International Finance Corporation (IFC, World Bank Group), the Inter-American Development Bank and Spain's Office for International and Latin American Cooperation (part of the Ministry for Foreign Affairs & Cooperation).

BBVAMFG continued to strengthen its strategic network of alliances in 2015:

- Alliance with the United Nations Development Program for gender equality and women's empowerment, UN Women, signed on 10th February 2015 to promote development and inclusion among entrepreneurial women with scarce resources in Latin America and the Caribbean, as an engine for prosperity and welfare for their families and of social progress in their communities. As a global defender of women and girls, UN Women has the mission of accelerating their progress and improving their living conditions.
- Membership of the Private Sector Advisory Group to the UN Sustainable Development Goals Fund, signed on 16th April 2015.

The work of the BBVA Microfinance Foundation has been recognized by the United Nations Sustainable Development Goals (SDGs) Fund as one of the 13 private institutions worldwide chosen to form part of its Private Sector Advisory Group. This important mechanism for cooperating in the development of the UN's system supports the combined effort made by UN agencies, governments, civil society and the private sector to meet the SDGs set by the UN for 2030, as a continuation of the Millennium Goals.

- Framework agreement with the governmental High Commission for Brand Spain, signed on 24th June 2015 to support higher awareness of Spain and greater differentiation in its reputation in Latin America through the BBVAMFG's work. The governmental High Commission for Brand Spain is in charge of recommending measures to the government to promote Spain's reputation abroad, as well as of the planning, promotion, coordination and tracking of Spanish activity abroad in the public and private sectors, in economic, cultural, social, scientific and technology spheres.

Awards received

- The BBVA Microfinance Foundation was honored by the United Nations for its contribution to the new Sustainable Development Agenda. The UN notes in its report "Working Together towards Sustainable Development Goals (SDG): A Framework for Action" that the BBVA Microfinance Foundation sets an important example in its activities designed to promote the SDG of poverty eradication, sustainable, inclusive growth and gender equality.

The report, prepared by the University of Harvard and by Business Fights Poverty, dedicates an entire chapter of its research to the BBVAMF Group, pointing to the alignment of its activity with the UN's vision and its contribution to compliance with SDG. The UN highlights as good practice the system of social measurement created by the BBVA Microfinance Foundation, based on a set of social and economic metrics, which is a benchmark in the sector.

- The Fundación Compromiso y Transparencia (Commitment & Transparency Foundation) acknowledges the Foundation as one of "The 10 best practices in transparency and good governance in 2014", a distinction for institutions which

stand out for their transparency and good governance every year, for contributing to driving good practice and to raising performance standards in the sector. The BBVAMF Group's Performance Report is recognized as driving and developing an impact methodology in the microfinance sector focusing on strengthening and promoting micro-entrepreneurial clients.

- The report "Spanish companies create value. Corporate Social Responsibility in Latin America", published by the Spanish Ministry of Foreign Affairs & Cooperation and Brand Spain, gives significant coverage to the work of the BBVA Microfinance Foundation in the region.
- The magazine Compromiso Empresarial, in its report "Building Trust 2014. Transparency and Good Governance in Spanish Foundations' webpages" has highlighted BBVA Microfinance Foundation for the second consecutive year as "the only institution to offer information about its impact, understood as the benefits for the client population. Not only does it provide information on evaluation methods for measuring its activity, but it also demonstrates - with objective indicators - that it is fulfilling this commitment". According to this report, the Foundation is notable for its exemplary mission, vision and targets, making it "an example of a Foundation with a well formulated mission and a very clear focus".

Partners

Corporación Mundial de la Mujer Colombia (Women’s World Corporation, Colombia)

NGO active in sustainable social investment in Colombia, through its support for human development and the enhanced productivity of population groups that are vulnerable and in economic poverty, particularly women.

Corporación Mundial de la Mujer Medellín (Women’s World Corporation, Medellín)

NGO focusing on the development, growth and transformation of social and business networks. It provides tools and services to train, consolidate and sustainably grow micro-enterprises and protect the families dependent on them.

Adopem NGO (Asociación Dominicana para el Desarrollo de la Mujer: Dominican Association for Women’s Development)

NGO aiming to improve the living conditions of Dominicans. Its mission is to enhance and strengthen entrepreneurial skills, together with the social and human development of its clients and their families. It provides training, assessment and research services in a number of areas, generating social inclusion and a positive impact on business growth and Dominicans’ living conditions.

Servicios Educativos, Promoción y Apoyo Rural (Educational Services, Support and Rural Development)

This non-profit promotes the reinforcement of democratic institutions and sustainable

rural development in Peru’s central region, through the execution of development programs and projects.

Hogar de Cristo (Home of Christ)

Major Chilean charitable institution committed to the poorest of the poor and the socially excluded, endeavoring to open up their opportunities for a better life.

International Finance Corporation (Member of the World Bank Group)

The International Finance Corporation is owned by 188 member countries. It is the largest global development institution focused exclusively on the private sector in developing countries. As a member of the World Bank Group, the goals of the IFC are to end extreme poverty by 2030 and boost shared prosperity in every developing country. It uses its capital, expertise, and influence to create opportunity where it is most needed.

Oikocredit

Oikocredit Ecumenical Development Cooperative Society is a worldwide cooperative based in the Netherlands, founded to provide churches and church-related organizations with their own alternative investment channel. It provides financial services and supports organizations to improve the quality of life of low-income people and communities in a sustainable way. Oikocredit currently provides funding to the microfinance sector, fair trade organizations, cooperatives and small to medium enterprises.

INCOFIN

Incofin Investment Management (Incofin

IM) manages and advises funds that invest in microfinance institutions in developing countries. As a specialist in rural microfinancing, Incofin IM’s main goal is to reach out to people who live in more secluded rural areas and/or who are active in the agricultural sector. Incofin IM attaches great importance to the social purpose of the organizations which it supports. Only those institutions that have a positive impact in terms of their clients’ and staff’s standard of living may qualify for investment. With headquarters in Belgium, Incofin IM finances and supports organizations in over 40 countries.

responsAbility

Based in Switzerland, responsAbility Investments AG is one of the world’s leading

asset managers in the field of development investments. The company’s investment vehicles supply debt and equity financing to non-listed firms in emerging economies and developing countries. Through their activities, these firms help to meet the basic needs of broad sections of the population and to drive economic development, leading to greater prosperity in the long term.

Puerto Rican Economic Development Bank

Belonging to the Free Associated State of Puerto Rico, the bank contributes to the effective implementation of public policies to promote Puerto Rico’s economic development by providing financial products to small and medium sized businesses in order to aid job creation and retention.

BBVA Microfinance Foundation

Management Team

- Javier Flores**
CEO
- Paloma del Val**
Legal & General Secretariat
- Joao Costa**
Service Delivery Infrastructure
- Miguel Ángel Ferrer**
Human Resources
- María Oña**
Communication & External Relations
- Miguel Ángel Charria**
Risks
- Joaquín Ángel Cortés**
Internal Auditing
- Giovanni Di Placido**
Analysis & Research
- Alejandro Lorca**
Finance
- Silvia Duro**
Compliance
- Miguel Ángel Martín**
Commercial Development
- Rodrigo Peláez**
Impact Assessment

Board of Trustees (pictured from left to right)

- Tomás Alfaro**
Member
- Javier Flores**
Non-voting member
- Nancy Barry**
Member
- José Barreiro**
Member
- Gonzalo Gil**
Member
- María Begoña Susana Rodríguez**
Member
- Claudio González-Vega**
Chairman
- Paloma del Val**
Non-voting member



Latin America Macroeconomic Context

Latin American growth continued to slow, posting the poorest rate in the last six years and the worst in the last 32, if the 2009 contraction is excluded.

The global economy in 2015 was shaped by three major events which all impacted strongly on the Latin American region (hereinafter “the region”). The first was the consolidation of China’s slowing growth rate: the Asian giant is going through a phase of correcting the imbalances in its economy and of putting more emphasis on driving internal consumption, moving its manufacturing production towards higher added value sectors, while the service sector is gaining weight within its economy’s aggregate supply.

The second reason, linked to the first, was the significant adjustment to raw material prices, which has resulted in a major correction to the region’s revenue flows.

The final event was the expectation of the Federal Reserve’s monetary normalization and the corresponding adjustments to interest rates, which drove significant capital outflows from the region towards the US, increasing the perception of greater risk; this had the

generalized effect of a sharp depreciation in key currencies, notable liquidity squeezes in some markets, an increase in inflation and a less expansionary monetary policy on the part of the region’s central banks, which corrected their intervention rates.

In this climate, Latin American growth continued to slow, posting the worst rate in the last six years and the lowest in 32 if we strip out the 2009 contraction suffered in the region as a result of turbulent financial markets and the crisis in advanced economies.

In 2015¹ the Region’s economy is estimated to have contracted by 0.5%. However, there are some significant variations in this performance, with a clear differentiation between different groups of countries. In general terms, both consumption and investment are weaker in all territories, as is aggregate supply, in an environment marked by sharp corrections to the prices of raw material export prices and deterioration in the external sector.

The drop in raw material prices has impacted on South American countries that are net exporters, cutting export revenues, reducing investment and affecting fiscal balances negatively.

This has meant that most of the main economies are growing below their potential, and this has been exacerbated in some countries where macroeconomic management was less prudent in the boom years for raw materials and in some cases where idiosyncratic factors have played a part, such as in Brazil, whose economy has shrunk by around 3.1% and Venezuela, with a fall of nearly 10%.

¹ Data to the end of 3Q15



Daniel Perán

The good news is that growth was steady in the United States, which helped those countries with the strongest links to that economy in trade, remittances and tourism, such as Central America and the Caribbean, the latter strengthened by the positive impacts to their economies of the correction in raw material prices, in terms of lower inflation and a stronger export market, inasmuch as they are net importers of these products.

This performance means that we are seeing an uncoupling of growth in the region between different types of economies, not only by virtue of their dependence on raw material exports but also depending on their macroeconomic management in previous years. The BBVA Microfinance Foundation's footprint, composed of countries that have performed at different speeds, has grown at a compound rate of around 2.9%.

However, these lower rates of growth in general around the region are a factor to bear in mind in the social arena, since they will have an impact on the progress achieved in recent years in terms of poverty and inequality reduction. Many of the people who have climbed out of poverty are still very vulnerable, with the result that two or three years of lower growth will reverse part of the progress made in earlier years.

According to BBVAMF estimates, in 2015 poverty levels increased by 50 bp, implying that 28.5% of the Region's population is in this situation. In one year alone, 12 million people have fallen into this category, bringing the total at the close of 2015 to 179 million, of which 46% are extremely poor.

If there is a more extended phase of lower growth, the reverses will become more pronounced: as well as the inherent weakness of the economy, there will be the impact caused by a tighter policy of transfers to disadvantaged sectors – due to the need to correct their fiscal imbalances - than the main economies have been following in recent, more expansive years. The pro-cyclical nature of fiscal spending also has these effects on poverty, helping to reduce it in good times and to increase it in bad times.

The very nature of the region's labor market intensifies these impacts. Despite low unemployment rates, wages in the aggregate are also low. After a period of falling labor participation, this was reversed in 2015, with a more numerous adult population entering the labor market; however, in an environment with lower demand for labor, this translated into an increase in both unemployment and sub-employment.

An important part of the jobs created were in self-employed activities, whereas few waged jobs were generated. As a result, average labor productivity fell; in an environment of higher inflation, this was reflected by a fall in real wages.

Consolidating higher productivity activities in the segment of self-employed workers and micro-entrepreneurs involves a learning curve and an understanding of the markets in which they are operating. The spasmodic entry and exit of floating workers from other markets has been shown to be neither successful nor productive in the short term, so a period of consolidation is

required; many new workers from these markets generally cannot afford this.

At the moment around 140 million people, 48% of the labor force, work in the informal sector; self-employed workers and/or micro-entrepreneurs make up about 30% of the labor force and 62% of those in the informal sector. There are 42 million informal workers in BBVA Microfinance Foundation's footprint and 7 million self-employed and/or micro-entrepreneurs.

Access to finance is one of the factors that to a large degree increases the probability of success in these markets. In

Latin America around 210 million adults, of which 63 million are in our footprint, have no access to the financial system. Notwithstanding the progress made in financial inclusion in recent years, closing the gap between informal and formal financing continues to be one of the main tasks still to accomplish if the performance of a labor market with these structural characteristics is to improve, enabling self-employed activities and micro-entrepreneurs to raise their average productivity, and for this to be visible in an improvement in workers' standard of living in this market. The achievements showcased in this report on the impact of financial access on the Foundation's clients show that this is possible.

Bancamía Colombia

Bancamía mainly serves disadvantaged people whose precarious economic situation impedes them from accessing financial products and services. Its aim is to improve the standard of living of its clients and their families. 3,583 professionals work in the institution, covering both urban and rural areas of the country.

Elkin David Pérez and fellow fisherman

Outstanding areas of initiative in 2015

Technological programs

Digital services for agricultural financing

Technology solution that generates the credit amortization best tailored to each small producer's cash flow. This provides a personalized system that is adapted to the entrepreneur and the location of the business.

Correspondents

With over 3,000 customer care points around the country under the partnership banking correspondent model and with "Servimía", its own network of banking correspondents.

Mobile banking

Turns the mobile phone into a convenient, fast and safe connection between the client and the bank. Enables the client to access and handle their financial products from any category of mobile phone.

Environmental programs

Signatory to the Green Protocol

Committed, together with the Colombian Government, to joining forces for the benefit of sustainable development in the country, environmental conservation and the sustainable use of natural resources.

EcoMicro, mitigation measures

"Green finance" project, an environmentally respectful financial solution that supports energy efficiency in clients' productive units.

Microfinance for adaptation to climate change based on eco-systems

Technical and financial guidance for adapting small producers' agricultural business to climate change.

Eco-efficiency program

Awareness, training, communication and habitat improvement activities to optimize the consumption of the natural resources employed.

Bancamía Colombia

Banco de las Microfinanzas - Bancamía, S.A (Bancamía) is a recognized social bank, specializing in microfinance, that opened its doors to the public in 2008 with the aim of improving the quality of life of low-income families. It was formed from the merger of three non-profit entities: Corporación Mundial de la Mujer Colombia, Corporación Mundial de la Mujer Medellín and the BBVA Microfinance Foundation. The International Finance Corporation (IFC) became a partner in 2010.

Made up of 3,583 coworkers, it focuses mainly on vulnerable Colombians in both urban and rural areas who find it difficult to access products and financial services because of their economic situation. Bancamía believes in people’s capabilities and abilities, recognizing their natural aspiration to progress by generating productive activities. All the clients whom the institution supports with credits carry out a productive activity in trade, services, production or farming. For these Colombians, Bancamía offers financial and non-fi-

nancial products and services tailored to their needs. These range from microcredits, savings accounts and TDCs (term deposit certificates), to insurance and international transfers, and channels and services such as mobile banking and debit cards, whilst also providing financial education.

It operates through 200 branch offices in 29 of Colombia’s 32 departments (91% of the departments), looking after clients in 889 municipalities covering 80% of the country’s landmass. It also has its own well-positioned network of 3,400 banking correspondents.

For Bancamía, the best way of fighting poverty and inequality is by sowing a positive future among low-income families. Responsible Productive Finance have become an efficient tool by helping the most disadvantaged communities to develop socially and economically, by providing them with products and services aimed at generating revenues and profits by running a business. This will continue to be the bank’s goal in 2016.

Management team and board

Management Team	Board
María Mercedes Gómez Executive President	Ignacio Rojas-Marcos President
Margarita Correa Executive Vice-President	Edith María Hoyos Vice-President
Olga Lucía Calzada Vice-President, Legal	José Antonio Colomer Member
Germán Reyes General Auditor	Pedro Saiz Member
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Carlos Hernán Quintero Vice-President, Client Product Development	
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Luis Enrique Collante Vice-President, IT & Resources	
Germán Millán Compliance	

Bancamía Stories of Hard Work and Achievement **Floralba Lucumí**

“I started with just one plot, now I have six.”

Floralba Lucumí talks energetically and passionately about her life, her enterprise and her family. This entrepreneur from Puerto Tejada (Cauca) is 51 and mother of three children, whom she has brought up by working in a number of areas, all of them on her own initiative. These temporary jobs enabled her to learn about baking, farming and livestock breeding, while bringing money into the home.

When Floralba arrived in Jamundí (district of Valle) she started making bread. Then for four years she tried pineapple farming as well as looking after animals, but these activities did not lift her out of poverty. *“I stopped growing pineapples because although I had sales, there was a lot of competition, and the fruit took a long time to be ready for market, so my income was not good. With the animals I had to wait a long time for them to grow too”*, recalls this entrepreneur.

After that she started sowing sugar cane on a rented plot of land. As she didn't have the

money to pay for day laborers, to prepare the seeds and to sow, she turned to Bancamía, who believed in her project and provided her first loan: ***“I went to the office opening in the municipality of Jamundí, where they explained everything and I become one of the pioneers in the bank. I recommend it to lots of my friends and neighbors; the arrival of Bancamía has been a really good thing for us in this region, because it has brought lots of help and I have learned that you have to go beyond the “drop by drop” lenders”.***

The option that Bancamía gave her of paying back the loan in monthly installments was fundamental if she was to see her business grow. *“In the last four years my life has changed in a very positive way; today I am not afraid if someone says - “I'll lease ten plots of land to you” - because I know where to go. Just think, I started with just one plot, but now I have six, so it has gone very well”.*

She describes her enterprise with pride. During the year that the crop takes to grow, Ms. Lucumí employs 13 people who help with the tasks of fumigation, fertilization, cleaning, draining and harvesting. **This success has enabled her to generate jobs and support development in her region.** She has also been a member for the past five years of an association of *“women who save, who have been taught how to save and how to increase the little we have; the best part is leaving our fears behind us. I told them about Bancamía and they all went to open accounts with the bank, which has given us free courses in financial literacy, because it is not only a question of being lent money, but of learning how to invest it.”*

People always say that the best lessons in life come from example and in Floralba's case she is a testimony to entrepreneurship for the entire community. ***“Through my enterprise I feel that I have been able to change lives”***, she says, her face wreathed in smiles.



Floralba Lucumí

Scan the QR code and watch the video about Floralba.



Bancamía Stories of Hard Work and Achievement

María Aurora Múnera Vásquez

María Aurora Múnera Vásquez

“Bancamía has been my strongest support.”

This entrepreneurial lady was born in the municipality of Frontino (Antioquia) and lives in Medellín. **She states effusively that at 52 years of age, her life burns with a brighter flame because now her business is a reality which has allowed her to make many of her dreams come true.**

25 years ago, after deciding to separate from her husband and leave her job as a sous pastry chef in Medellín's Club Unión, María Aurora Múnera decided she was going to be an independent businesswoman so that she could spend more time with her son, and also make more money. She started off selling cheese straws door to door in the Robledo Las Margaritas neighborhood, which earned her the nickname of 'María Straws', as she is known there and in a large part of the city.

After selling door to door, she set up her enterprise on a sidewalk until she could get her own space, which she repurposed as a home and in which she also ran a fast

food restaurant. It was then that she could extend her business offering. As well as the cheese straws, she had French fries and fried plantains; by the time she had finished there were thirty different dishes making up the menu offered by 'María Straws'. The restaurant has cheered the neighborhood up enormously, because as well as good food she has created jobs for several people.

“In my enterprise I take care of all the administration, I became the manager and I'm also the cook; the last job is the one I am proud of”, notes the businesswoman, who has had loans for 20 years with Corporación Mundial de la Mujer Medellín, one of the founding institutions of Bancamía. **“Thanks to the loans I have grown in entrepreneurial terms, I have my own house, my enterprise has been visited by officers and managers and everyone at the bank has made me feel very important”,** continues María Aurora.

As of today, this entrepreneur has taken out over 20 loans, either with Corporación Mundial de la Mujer Medellín or Bancamía. She started with COP 1 million and she currently has a loan of COP 28 million. *“Not everything is about the money, it's not only about what you pay: I pay for quality and the enjoyment of seeing the faces of the manager and the officers who are always so kind and attentive to me”.*

Now she dreams of buying another house and setting up an ice cream business. She is sure that the bank will continue to help her, *“I'm going to take out loans until I die, I'm married to Bancamía”,* says 'María Straws', full of the euphoria produced by her happiness at seeing her dreams come true and of living the life for which she fought.

María Múnera is the living proof that “the success of its clients is the success of Bancamía”.

Bancamía Stories of Hard Work and Achievement **Daniel Cepeda Mejía**

“It is great to be providing a job instead of asking for one.”

Colombian **Daniel Cepeda Mejía** was destined to be a businessman. He was born in Bogotá 41 years ago, has been married to Paola Andrea Rincón for nearly 20 and they have 4 children. *“Ever since I was a child I wanted to have a company, but I began to realize it wasn’t easy; before I set up Tu Carrito Ofiexpress there were two attempts that didn’t work out”*, recounts Daniel Cepeda, remembering that he had the original idea of setting up a trolley from which to sell food and beverages 10 years ago, when he was the soft drinks supplier for events in an organization.

Names of big multinationals such as Coca-Cola figured at the beginning of Daniel’s working life: *“one of the jobs I had was store-to-store sales and the sun was really hot, not having money was also really hard; you reached the middle of the month, and you still had another two weeks before the next pay check. Looking after four children wasn’t at all straightforward either”*, recalls this entrepreneur, whose life changed five years ago.

When the company for which he worked started putting in orders for its employees with him, the seed of a new enterprise in food products was planted. *“Then they put us in contact with Bancamía so that we could offer them our service, with the added value that all the people working there could buy essential food at their work place, without having to travel long distances, making the most of their time and eating fresh, healthy food”*, continues this entrepreneur.

So Daniel built a cart on wheels, to carry fruit, packaged food, sandwiches and desserts around all the offices at Bancamía’s headquarters in Bogotá. His wife Paola was the first person to open it for business in July 2010. The take-up was instantaneous and very positive, with people asking for a wider range of products. It was then that Bancamía offered them a loan so that they could grow their production unit.

The effort and hard work have paid off. In the five years of operations, **Daniel Cepeda’s business has expanded its services to other companies; now they have eight carts selling food and beverages to seven organizations:** *“it is hugely satisfying for us when we recall that at the beginning we didn’t have the facilities to work in the most efficient way possible but that now, although the premises are not ours, we have an area for getting the product ready, a storeroom and offices. What is more, in our micro-enterprise, 90% of the women are the main breadwinners in their family, and their working terms and conditions are fully in compliance with the law”*, notes the entrepreneur.



Paola Andrea Rincón and Daniel Cepeda

Scan the QR code and watch the video about Daniel.





Creating jobs is one of Daniel's greatest satisfactions; he adds: "it is so great to be providing a job instead of asking for one". **He currently provides employment to 13 people who work every day in something which started off as a good idea, a great dream to be built up and that has come true.**

"Thanks to the first Bancamía loan we were able to get our company off the ground; to start with, the cart service only had a few products and we couldn't buy di-

rectly from suppliers; now with four credit solutions that the bank has offered us, our business has grown much more than we could ever have imagined".

Daniel won the 2015 Citi Micro-entrepreneurship Award in the Trade category, which recognizes growth in small companies having a high impact on economic development in regions, families or communities. He was nominated by Bancamía itself.



Marcela Muñoz, Daniel Cepeda, Paola Andrea Rincón and Liliana Gallo

Bancamía Outstanding Areas of Initiative in 2015 Mobility

Innovation and technology at the service of financial inclusion in rural communities: Bancamía improves process management and reduces the barriers to entry on banking services for geographically remote population groups thanks to the use of mobile applications.

Digital services for agricultural financing

The provision of financial and non-financial products and services to support entrepreneurs in the farming and stockbreeding sectors is one of Bancamía's lines of action, and one in which it made significant progress in 2015 in the area of digital services for agricultural financing.

The most disadvantaged and least cared-for segment of Colombian society is to be found in the countryside. Geographical dispersion is one of the big challenges; in the case of productive agricultural activities, this is in addition to irregular incomes and peaks and troughs in cash flow, factors which have represented an obstacle to financial inclusion in rural communities in the past.

A technical solution to this challenge has been created that meets this segment's specific needs; it generates a system for amortizing credit that is better adapted to the cash flow of each small producer in their location. The system is based around introducing a "Cash flow and flexible payments" tool in mobile devices (tablets) used by the executives that make on-site visits to rural clients. This tool enables the officer to analyze farming credit transactions easily and quickly on site, as well as recording income and expenses. The system then consolidates all the activities of the farming production unit and transmits the data to the banking core, generating a cash flow, with the financial conditions appropriate for each client in accordance with the available balances, and generates an amortization plan with flexible payments suited to the flow of the client's income.

The "Digital services for agricultural financing" project makes it possible for the farming sector to carry out transactions and is critical in closing the gap to accessing finance in rural areas.

This IT solution shows the client in a clear, comprehensible and transparent form the flow of installment payments and gives our officers capability and the technological "in situ" independence to carry out the entire process speedily, so that (s)he can reach an agreement with the client on their flexible payment plan.

Bancamía, in line with its long-term commitment to the responsible financial inclusion of Colombians, developed important IT projects over the course of 2015.

Correspondents

As part of its goal to deliver financial products and services in a timely, safe and straightforward manner, Bancamía is continuing to broaden the channels it uses to get closer to its clients and offer them greater convenience in their banking relationship. Over the course of 2015 it extended to over 3,000 the number of service points that use the banking correspondent model, in partnership with a Points Network (MóvilRed). As well as these, the institution has its own network of banking correspondents, "Servimía". These banking correspondents enable Bancamía clients to reduce time and travel costs, giving them service points that are close to where they live or work.

Mobile banking

Channel that has been developed in order to broaden the options of disadvantaged families by giving them access to financial products from their mobile phone and, in particular, designed for those whose geographical location makes it more difficult to access banking services. To break down these barriers Bancamía has rolled out Mobile Banking, a channel that is close to them, easy to use and safe, and that works using an application that can be downloaded on a mobile phone or device, that is available on several platforms (Android, iOS, Blackberry, Windows Phone and Java) and works with high-end, medium and low-end mobiles, and either prepayment or post-payment plans. This option enables our clients to access their products quickly and safely. Once they have downloaded the Mobile Banking app, clients can check

their balance, movements, the date of their next installment payment, transaction costs, carry out person-to-person transfers, top up their phones, pay taxes through their account, as well as requesting and authorizing direct debit, generating and changing transaction PINs for moving cash around, plus a number of other operations.

In 2015 Bancamía also launched its new corporate webpage which makes communication with bank clients and users easier; together with the telephone service lines which are open 24 hours a day, 7 days a week, they bring the bank's services closer to its clients. Our Mobile Banking aims to break the paradigm in terms of the channels used by disadvantaged Colombians and demonstrates our commitment to be at the vanguard in providing our clients with tools that contribute to the aim of financial inclusion for those who do not have that opportunity today.

Demonstrating Bancamía's commitment to be at the vanguard in providing its clients with tools that help to achieve the goal of financial inclusion for those without that opportunity today. It is a channel that is close, easy and safe, that works using an application for mobile telephones and devices. It eliminates distances between the client and the institution, making it possible to carry out a range of operations.

Bancamía

Outstanding Initiatives

Environmental dimension

Green protocol

Bancamía is a signatory to national initiatives such as Green Protocol, a commitment by the government of Colombia and the financial sector to join forces in promoting sustainable development in the country and working to protect the environment and for the sustainable use of natural resources. Keeping to this commitment, Bancamía is developing plans to roll out strategies for issues such as green products, eco-efficiency, environmental and social risks, as well as internally promoting sustainable initiatives in carrying out its activity.

EcoMicro, mitigation measures

Bancamía is developing a “green finance” project, as part of its involvement in the

EcoMicro program, dependent on the Multilateral Investment Fund managed by the Inter-American Development Bank (IDB) and the Nordic Development Fund (NDF). The project is developing a green financial product so that clients can buy energy-efficient equipment for their productive units. The green credit line will be supported by alliances with suppliers in order to guarantee that clients have reliable access, on favorable terms, to a range of alternative energy sources, thus generating greater returns as a result of saving on energy consumption, and lower emissions of greenhouse gases.

When it comes to mitigation measures, Bancamía complements the EcoMicro program with its introduction of innovative microfinance products and services which enable small producers in rural and suburban areas to adopt measures in their ecosystems to mitigate the negative impact of climate change (droughts, floods, fires, landslides, loss of productivity, damage to crops, increase in pest infestations and lower water availability, among others) and in this way improve their likelihood of doing well, since they will be less vulnerable to the risk of losing or reducing their production.

Microfinance for adapting to climate change based on ecosystems, adjustment measures

The “Microfinance Ecosystem-based Adaptation” project, MEbA is a United Nations Environment Program (UNEP) financed by the German Ministry for the Environment and advised by the Frankfurt School of Business. This project is generating opportunities for climate change

Bancamía contributes to sustainable development by creating and constantly refining solutions targeted at reducing poverty and vulnerability in the environmental sphere too.

adaptation based on differentiated financial solutions that open up the investments needed by clients. Bancamía’s role is to provide producers with an integrated value offering that includes technical guidance and financial resources so that they can apply the relevant measures to their specific circumstances.

As the project has drilled down, 40 adjustment measures have been identified. Bancamía is working with communities of producers in the areas of Ubaté, Mesitas and Villeta. Information about best practice in handling crops was obtained from workshops and focus groups, and then transferred to an automated risk analysis tool that considers the environment, production, climate, pest infestations, illnesses and the market. Since May 2015, Bancamía has been rolling out a pilot MEbA in Ubaté, where awareness has been created about basic concepts in EbA measures for agricultural producers and training provided for 112 farming producers in specific concepts so that they can introduce these measures.

Furthermore, within the MEbA program, a new method for understanding risk is being developed, together with support for the farming sector, in which institutional knowhow is systematized and standardized centrally, incorporating variables on climate risk, plant life-cycle parameters, inputs

required during production and expected prices over a period of time.

Eco-efficiency program

The Eco-efficiency program was launched as part of the institution’s internal environmental strategies. The bank has further materialized its commitment to the environment with awareness, training, communication and habitat improvement activities, together with reduction systems and investments in *green points* for separating solid waste. All of these seek to reduce and optimize consumption of the natural resources used in the course of its activities: water, energy, paper and manufactured inputs.

Protecting the environment is part of the sustainable development promoted by Bancamía among its entrepreneurs, with strategies in green products and eco-efficiency, creating a society that respects its surroundings.

Bancamía

Awards and Honors 2015

Institution

- Bancamía received a special **“Shared Value Award”** as a finalist in these Awards given by the Bogotá Chamber of Commerce to recognize companies which have contributed to improving the living standards of the general population, the productivity of their suppliers and to achieving greater efficiency in the value chain, whilst simultaneously increasing their income. The Chamber of Commerce highlighted Bancamía’s **Agriculture (Agromía) credit lines**, which serve to provide working and investment capital for micro-farming producers, so that they can strengthen their businesses.

Front Line Management

- The Executive President of Bancamía was designated Female Entrepreneur of the Year in Colombia by EY (Ernst & Young), which created the category this year.
- The Executive President of Bancamía was nominated in the Portfolio 2015 prizes in the category of Best Business Leader.

Client(s)

- Bancamía client Daniel Cepeda, whose business is producing and selling prepared food which he distributes to a number of companies in Colombia using in-office food carts, won the **Micro-entrepreneurship Award**. This prize supports the growth of small companies that have a high impact on the economic development of particular regions, families and communities. The award recognizes the vision and continuous striving to progress on the part of these entrepreneurs. Daniel Cepeda began his “Tu Carrito Ofiexpress” business in 2010 when was a soft-goods supplier. After some initial success, he started up a line of food products. From the outset he has relied on Bancamía to help him with business development and the institution has originated several loans adapted to the development phases of his young firm.



Tulio David Niño

Colombia

Macroeconomic Context

The Colombian economy's heavy dependence on the oil sector accounts for its high financial volatility and lower growth rate.

The Colombian economy grew between 2.7% and 3.0% in 2015, the second worst year in growth terms since 2002. Despite the deterioration in private consumption and the external sector, the greater boost to public spending was a sustaining factor for the economy. In the last 10 years, the Colombian economy has increased its dependency on the mining/energy sector, which has risen from representing 2% to 8% of GDP, but accounts for 70% of exports and 85% of foreign direct investment (FDI), making up 20% of the Government's entire fiscal income.

The sharp correction in oil prices was the cause of the 35% fall in exports over the year and for a similar drop in FDI which, taken with a 65% slump in portfolio flows has resulted in a 40% correction to the exchange rate, taking it to an area of slight real undervaluation.

This external sector performance generated a current account deficit of around 7% of GDP, one of the highest in the world among similar-sized economies and one which, despite the fall in domestic demand and the correction to the exchange rate, will remain, mainly as result of the structural fall in oil prices and the weak performance of the Venezuelan and Ecuadorean economies, traditionally major export markets.

This situation in the external sector and the effect on portfolio flows of international financial conditions impacted by the Federal Reserve's monetary policy normalization

process does not appear to be transitory, but rather to be affecting the Colombian economy in the long term, in a period during which elements of excessive spending by agents were apparent, reflected in the steep current account deficit, which needs correction in order to prevent this trend from continuing to the point of unsustainability. For this reason the adjustment should be made via domestic demand, to correct the excess spending at a time of continuing cuts in revenues.

The policy response was not counter-cyclical and relative prices were raised between exportable goods and the rest, so that a sharp adjustment in the exchange rate could be effected in order to reduce the dependence on oil revenues, and in search of a change of focus in production, as well as an emphasis on the expenditure type, domestic production and a correction in imports.

The oil situation caused tax revenues to fall, resulting in a 3.3% fiscal deficit, despite the correction in the level of fiscal expenditure and its lower weight as a proportion of GDP.

On the demand side, the adjustment in 2015 was based on lower government spending, which grew at half the rate of 2014, a result of reduced fiscal expansiveness, while the household correction was softer, sliding from 4.4% real growth in 2014, to 3.2% in 2015. Investment is the demand component which has corrected most, moving from an increase in real

terms of 11.7% to growth of around 3% in 2015, with a sharp adjustment in private investment which has been partly offset by the strong boost to investment in building projects. Nevertheless, investment growth in 2015 was 70% lower than in the previous five years, whereas the correction to household expenditure was 17%.

The external sector, despite the correction to the exchange rate and lower growth of imports, will contract because of the effect of a modest recovery in exports.

On the supply side, the construction sector made the biggest contribution to growth, expanding by around 5.3%, mainly as a result of civil building works, and particularly the major investment made in highways and a more expansionary management of civil works on the part of local corporations and regions around the country, associated with the political cycle of regional elections next year.

Growth in the retail sector will be under 3%, as a result of the contraction in the demand for durable and semi-durable goods and the sharp moderation in private consumption. The industry reported growth of around 1%, in spite of the decline in manufacturing production and energy demand in the final part of the year. The effect of the real adjustment in the exchange rate has been to boost the sector at year end, but offset by the lag in the expansion and modernization of the refinery in Cartagena, the impact of which will be noticed in 2016.

The combination of a severe exchange rate correction and the hike in food prices has driven up inflation, which ended the year at around 6%, well above the central bank's targets. The exchange rate correction had

a major impact on the prices of imported goods and inputs which affected production costs, while the impact on food was the result of weather factors affecting the price of fresh food products.

In order to prevent these inflation levels from undermining the credibility of their targets, as well as medium- and long-term expectations, and from producing an unwished-for loss of this anchor for stabilizing wage and service restraints, the central bank responded aggressively on the money market, adjusting intervention rates four times in the final quarter, closing at 5.75%, a rise of 125 base points from the end of 2014.

Despite the slower momentum in the economy, the employment rate improved a little in 2014, to 58.9%. Waged employment grew by 3.5% whereas self-employed workers increased by 2.5%. The latter make up 47% of the labor force and informal employment accounts for 60% of the labor force, a structural feature of the Colombian labor market.

The latest official figures available on going to press, from July 2014 to June 2015, report that 28.2% of the population nationwide is poor, which is 1.1pp (percentage points) down on the same 12-month period the previous year. In all, 402,000 people came out of poverty in this period. 7.9% of the population was in a situation of extreme poverty, 0.5pp down from the previous 12 month period.

According to these economic poverty measurements over the last five years, over 4 million people have come out of poverty, which has fallen by 10.8pp, while 2 million have come out of extreme poverty.

Financiera Confianza Peru

Financiera Confianza is the only microfinance institution with a fully national presence in Peru and one with the highest rural footprint in the country. Its 153 offices serve nearly 500,000 entrepreneurs, supporting the disadvantaged with financial products and services as they develop their own productive activities.

Delia Poma de Núñez

Outstanding areas of initiative in 2015

Mobility

Installment payments can be made from the entrepreneur's location: the institution's officers visit the client at their place of work. The use of tablets and mini-computers enable the entrepreneur to pay the installment on the loan, saving them the cost of transport and lost time away from their enterprises.

Savings for All

Training and encouragement of saving in vulnerable populations in rural areas in the high Andes, to improve living conditions for disadvantaged communities.

Financiera Confianza Peru

Financiera Confianza, S.A.A. (Financiera Confianza) is the fruit of a merger in 2013 between Caja Nuestra Gente and the former Financiera Confianza, two institutions with a long history in the Peruvian microfinance sector. Caja Nuestra Gente was created within the framework of BBVAMF in 2008 as a result of the merger between three institutions: Caja Nor Perú, Caja Sur and Edpyme Crear Tacna. Financiera Confianza, meanwhile, originated in 1992 with the purpose of helping micro-entrepreneurs in the central part of the country to flourish.

Financiera Confianza has the mission of driving sustainable and inclusive economic and social development for the most disadvantaged people in society through Responsible Productive Finance.

Financiera Confianza is run with the help of 2,168 employees and is the only microfinance institution with a national footprint,

with its 153 offices and the greatest rural reach. It services half a million clients, offering a range of financial products and services to accompany the growth of the most vulnerable.

The institution also offers its clients financial education through its group credit Woman’s Word (*Palabra de Mujer*), and its program Savings for All (*Ahorro para Todos*). In 2015, moreover, Financiera Confianza stopped charging the inter-regional fee, with the result that its clients’ deposits and withdrawals are free of charge wherever in the country they take place.

Financiera Confianza won the Citi Micro-credit Award for the most Innovative Financial Institution of the year in 2015 thanks to the Savings for All program.

Management team and board

Management Team	Board
Martín Naranjo General Manager	Ramón Feijóo President
Ana Cecilia Akamine Deputy General Manager, Finance	Elizabeth Matilde Ventura Vice-President
Martín Santa María Deputy General Manager, Sales	Ignacio Rojas-Marcos Director
Socorro Heysen Deputy General Manager, Economic Studies	M^a Mercedes Gómez Director
Pilar Flores Deputy General Manager, Risks	Javier Flores Director
Bárbara Castro Deputy General Manager, Legal Services	Luis José Giove Director
Luis Escalante Deputy General Manager, Human Resources	Carlos Héctor Alayza Director
Jorge Palomino Deputy General Manager, Infrastructure & IT Resources	
Dante Cornejo General Auditor	

Financiera Confianza Stories of Hard Work and Achievement **Delia Poma de Núñez**

“Thanks to my art and together with my husband, I was able to bring up my children, it wouldn’t have been possible without Financiera Confianza”.

Delia learned the millenarian art of chiseling gourds (carving on desiccated gourds, which are actually fruits) while she was a girl. It was almost a game that, over the years, became the business that allowed her family to prosper and her children to study.

When she was 14, her father signed her up for a competition in Huancayo (Junín) her birthplace, after realizing that the quality of her gourd carving was out of the ordinary. Although she never wanted to take part in the competition, now she admits that her entrepreneurial story began that day. More than 40 years have passed since that competition, the first of many regional, national

and international prizes and awards, which have led her to be considered one of the best exponents of Peruvian craftsmanship.

Over the next few years the market for her high quality crafted products grew. *“When I started winning competitions they invited me to fairs in Peru and abroad; I sold potatoes and other products to pay for the artisan products and the first trips, but then I saw that I was going to need some extra if I was going to travel”,* she recalls.

Although she received help from institutions interested in promoting art, the time came when she needed to generate her own funds if she was to continue taking part in courses and fairs. In fact it was at a trade fair where Delia had the opportunity of learning about the support given to entrepreneurs at one of the first microfinance institutions that would later become today’s Financiera Confianza. Since then, for more than 15 years, she has always worked with Financiera Confianza. **Delia believes that none of this would have been possible if Financiera Confianza had not believed in her to give her the credit which underpinned her growth.** *“Without collateral it was hard to get a loan. We knocked on some doors and the institution supported us. They started lending us a little, and then we needed more and more. It was tough, because I needed long term loans, to be able to work on campaigns and to export. Financiera Confianza has helped us a great deal since 1998”,* she continues.

Thanks to those loans and her artistry in chiseling gourds, her three children have had university educations.



Delia Poma de Núñez

Scan the QR code and watch the video about Delia.





Yuli Seguil, Delia Poma de Núñez and Consuelo Núñez Poma

Two of them have already qualified as doctors and the third, Consuelo, is also studying medicine.

Seated on a small chair in her house in Cochas Grande (Huancayo), or on the top of the hill overlooking this central Peruvian community, Delia never stops working, imprinting on the surface of the gourds images which reflect her memories and scenes of everyday country life. She works just as the Inca artisans did, with a millenarian artistic technique. It is an innate talent and she says, proudly, that she has never repeated a design.

If there is something that Delia values more than anything, it is the union of her family.

That is another reason why she is grateful to Financiera Confianza, because if she had not received its support to continue growing as an artist, her husband would probably have had to work far away. *“Thanks to the support of the finance institution we could all stay together”*, she says.

“I want my children to be prosperous, perhaps to set up a clinic together because all three are doctors... That is why I will carry on working, and always knock on the door of Financiera Confianza”, she concludes.



Delia Poma de Núñez

Financiera Confianza Stories of Hard Work and Achievement **Silvia Gonzales Cruz**

“I am going to carry on saving and when I am older, I can put that money to work, perhaps open a little store....”

Silvia Gonzales just needed someone to reach her community, to look her in the eyes, and speaking to her in a language she understood, to tell that it is possible to have a better life. At her 40 years, her life in the rural community of Tambo (Abancay), like that of many unmarried mothers in the rural parts of Peru, was not easy. With four children, without any help from their fathers, and without her own home, she scraped a living to feed her children, sometimes by breeding hens, guinea pigs and sometimes from the sale of her handwoven textiles. The little she earned was all for her children, especially the three little ones.

One of her main concerns was how to look after her meager savings, which she used to hide carefully under the mattress or in holes that she would make in the adobe walls of her parents' house, where she lives.

Burglars have broken into the house several times and stolen these savings.

One day an officer from Financiera Confianza's Savings for All program arrived and invited her to a training session. She decided to go and that very day her life changed. She gradually started realizing that formal saving was safer; this enabled her to get herself together and plan her future and she is pleased with it.

“I've been saving in Financiera Confianza for a year. Before I used to think that (if I did that) I didn't have control of my money. Now I know that I do. When I am ill, or when my children are ill, I take money from there. Before, my brothers and sisters used to lend me money which I paid back in installments, but now I don't have to bother them. I like this bank”, she says.

Silvia is a weaver, making her ponchos, blankets and other products, full of color and artistry, to order and also selling them at fairs. She adds to her income by looking after animals (cows, chickens and guinea pigs) which she feeds and protects from thieves. But her main activity is textiles; not a day goes by without her skillful hands making a garment, and she enjoys it a lot.

Thanks to one of the Savings for All courses, she has learned how to make better use of the products she sells. For example, that if a blanket doesn't sell, she can re-use it in other craft pieces that she is learning how to make.

“The life I had was a sad one, but now I am getting ahead, fighting on my own, for my children. I weave everything, small articles of clothing, blankets, bedcovers ... Whenever I make a sale, I put the money in the bank the same day. On one course I learned that if I save I can buy a machine loom, and that would make the work easier, I could make more things in less time. Now I have the idea of buying the machine and making more progress”, she explains.



Silvia Gonzales Cruz

Scan the QR code and watch the video about Silvia.



Silvia is not the same person she was a year ago. She is a more confident woman, looking after her money, and is hopeful about the future, always with her children in mind. She has learned a lot, and she wants to learn more. She wants to go on more courses and for her neighbors to learn and move forward, just as she is doing.

One of her children studies two weeks a month at a school in Huancarama (Andahuaylas) and spends the other two working on the smallholding with her. Silvia encourages him to save and advises him to use half his money for food, and to save the other half in the bank. “I am happy because he encourages me to save”, she continues.

Another of her dreams is to build a little house to live in and house her older children when they come to stay. She also wants to sell her products abroad, to broaden her market and that way to ensure better education for her children in professional or technical subjects.

“I like this bank, and my friends do too. I have grown, we didn't have courses before. I am starting to realize that it is better this way and that it will bring us a better life. I am going to carry on saving and when I am older, I can put that money to work, perhaps open a little store, keeping the money safe in the bank. Now there is nothing for the thieves”, she finishes, happily.

Scan the QR code and watch the video about these women entrepreneurs.



Financiera Confianza
Stories of Hard Work
and Achievement

A Woman's Word

The stories of several female entrepreneurs.

Erlinda Virinao Panteco, Lizeth Jiménez La Torre, Sara Esther Mitma Barboza, Augusta Flor Ramírez Jorge and Rina Violeta Romero

Augusta Flor Ramírez Jorge

As women
we can get ahead
on our own.

The Woman's Word (Palabra de Mujer) credit product represents a real opportunity for the vast majority of female Peruvian clients in vulnerable situations or in poverty. The product is designed for women entrepreneurs who want to get a loan to start or expand their enterprise, who join up with other women whom they know and whose sense of responsibility they trust. On the whole they work in the areas of trade, services, manufacturing or artisan crafts, or they want to start a business. Together they make up a "Trust Group", which benefits them in other ways as well as credit, since it includes advice and financial education.

Erlinda Virinao Panteco, Lizeth Jiménez La Torre, Ester Mitma Barboza, Augusta Flor Ramírez Jorge and Rina Violeta Romero are five of the thirteen women making up the "Las Villarricences" Woman's Word group, one of the most longstanding of those operating in the Villa Rica district (Oxapampa, Pasco).

Erlinda is a 35-year old single mother bringing up two children. She feels that her life has changed since she joined Financiera Confianza five years ago. The loans she has taken out through Woman's Word have enabled her to generate income from sowing *caigua* and hot *rocoto* pepper. With this income she has been able to educate her children better, with one of them already at university. This would have been impossible without Woman's Word. "My dream

is to carry on working, using these loans, and to be able to buy a plot of land to have my own house and no longer have to rent. Now I feel much better, I can work and do lots of other things", she says.

Lizeth has three children and is also a single mother. She came to the group because her female friends told her about it; she decided to join them in order to make a future for herself. Her first credit was for 500 soles; after that, as the trust built up between her colleagues, Financiera Confianza and herself, she was able to get bigger and even parallel loans. "I pay on time", she is anxious to emphasize. Although her first investment, spent on sowing *caigua*, went badly, she decided to carry on and not give up. She found the strength for the sake of her children, carried on with the support of her colleagues, always keeping her word about paying on time. She remembers how their officer, Sara, has taught them all about responsibility.

"Without Financiera Confianza I would be on stand-by right now. I have two jobs: I cook for a school and I wait tables in a restaurant, and now I sow rocoto pepper, thanks to the loan. I don't have a man by my side, but I have my children. My dream is not to have a house, it is for them to be professionals, and to carry on working; then when they are older they will help me", she explains, showing deep emotion.

Esther is still bringing up three of her five children on the back of her candy-selling enterprise, and the support of her husband. A few years ago, when they told her about the existence of a group loan, she was suspicious; she was frightened because her domestic economy had always been modest and she was worried she might not be able to pay the installments on time. She discussed it with her husband, and decided to put her trust in the opportunity Financiera Confianza was offering.



From left to right: Augusta Ramírez Jorge, Rina Romero Ramírez, Erlinda Viriñao Panteco, Sara Mitma Barboza, Lizeth Jiménez La Torre and their officer Sara Ricra Zurita

Five years later, her efforts have enabled her to buy a plot of land to build a house. *“I feel better than before, and now I feel that I have a place for my children to study and they are happier. We are no longer in debt to the school, and they study more. I feel that we have improved ourselves”*, she remarks.

Augusta Flor is 49. She lives with her four children who are still dependent on her. Until she started in Woman’s Word, she was a housewife. **Her daughter was in a Fincanciera Confianza group and encouraged her to follow in her foot-steps**, because it would provide her with resources to work, not to mention the advice and training that Woman’s Word provides. *“I was scared, but then I plucked up the courage to borrow 200 soles in*

order to work. I worked on roadbuilding, using a shovel ... Now I feel that I have made progress. I will be leaving my wooden house soon to go and live in one made of more solid materials. I am getting ahead with these loans, now I work for myself and I feel more confident, I feel happy”, she shares with us, as she tells us about the positive turn her life has taken in the last three years.

Rina Violeta is 28 and is one of the people who made the “Las Villarricences” group happen. Together with Fincanciera Confianza’s officer, Sara Ricra, Rina started gathering together some of the women in her neighborhood, convincing them of the advantages of the credit. Although she is helped by her husband in bringing up their

small daughter, she feels that Woman’s Word manages to transmit the message that women can prosper on their own. *“At the beginning it is always difficult, there is a lack of trust ... That is why we were advised by the analyst, and we realized that they were not asking for much collateral, that it depended more on us. In these five years my standard of living has improved quite a bit. I started out with a small credit, I used it to sow rocoto and coffee, and now my husband has also been able to sign up for an individual credit”*, she says proudly. Rina dreams of buying a plot of land and building a house, so that she can stop living in the rented room in which she and her family are now. She thinks about her daughter and wants only good things to happen to

her, for her perhaps to study for a profession and hopes that when she is grown up she will be proud of her parents.

When these five entrepreneurial women get together, it feels like a meeting of sisters or childhood friends. The jokes keep on coming, their mutual trust is palpable. Their stories share the common thread of the effort and the progress they have made, little by little, and which has started to change their lives and that of their families. It is a growth process that is apparent to all of them. They are also linked by their special affection for the Fincanciera Confianza officer, Sara Ricra, whom they see as the person responsible for the change in their lives. *“She is more of a friend than an advisor”*, they all say.

Financiera Confianza Outstanding Areas of Initiative in 2015

Mobility. Installment payments from the entrepreneur's location

In 2015 Financiera Confianza piloted the payment of loan installments at the client's location, with the client being given a receipt for the operation. To do this Financiera Confianza's officers have mobile devices (tablets) and mini-computers and visit the client at their home or place of work so that they can make their loan installment payment, without having to travel to the bank branch. This brings the technology to the client's location, enabling them to carry out those transactions that involve cash movements: paying receipts, current account deposits and withdrawals, transfers, etc.

Technology enables the client to carry out from their own place of work all the transactions that involve cash movements, using the officers' mobile devices.

Savings for All

Financiera Confianza is committed to incentivizing saving among Peru's most vulnerable population segments, for which it is spearheading a savings program for vulnerable groups in rural high Andes areas. "Savings for All" is a project that seeks to improve the living conditions of the least advantaged rural populations by means of financial education and a savings product programmed and designed especially with their needs in mind. In less than two years of operations, "Savings for All" has taken financial education to over 8,600 people in 24 communities in the Apurímac and Cusco regions. This has enabled Financiera Confianza to demonstrate that the financial education method used has become a valuable training tool, one that is understood and that is having an impact on the poorest and most excluded rural communities in the country. Of the people receiving training, 22% valued the security provided by the formal financial system when they decided to open a savings account, with 80% of those being women. Clients define their savings aims when they open their account: 46% of these indicated that they were saving for the primary purpose of paying for their children's education, viewing this decision as the opportunity for the latter to achieve a better standard of living. Similarly, 23% stated that they save to safeguard against an emergency or unexpected event, 18% said they did so for



Rut Pelaiza with potential savers

"Savings for All" improves the standard of living of disadvantaged populations in rural areas. Financial education and a savings product designed specifically for these segments are the keys to this program's success, one that has already reached nearly 8,600 people.

healthcare reasons, 9% said they saved in order to be able to start up an enterprise, and 4% are saving to expand their capital, buy a plot of land or sow crops. Furthermore, 17% of clients managed to keep a balance of over PEN 100 (approx. USD 29) in their accounts, which gives them a free life insurance policy providing cover of up to PEN 2,500 (approx. USD 725) for funeral expenses in the event of accidental death.

All this is possible thanks to the effort made by the "Savings for All" officers, to reach out more to people in disadvantaged rural communities, meet them, get to know their needs and, working from there, to develop and roll out financial solutions specially designed to match those needs.

Financiera Confianza

Awards and Honors 2015

Institution

- **Most Innovative Financial Institution of the year.** Financiera Confianza received this Premic 2015 award in Peru for its product “Savings for All” which brings financial education and formal savings to low-income families in rural areas.
- Finalist in Peru’s Business Creativity Award, organized by the Peruvian University of Applied Sciences in the category **“Banking, Financial and Insurance Services”**, which includes the products and services of banking institutions, fund management firms and insurance companies and in the category of **“Innovative Communication”**, recognizing innovation in the medium, the form, the message and the delivery of communication, as well as the creativity applied in reaching the target audiences. It encompasses all types of media and advertising.



Julián Sánchez Saldaña

Peru Macroeconomic Context

With domestic demand weak, the economy is being sustained by increased mining production.

The slow-down in Peruvian economic growth, apparent since 2014, continued, completing 2015 at around 2.5%, 60% less than the average for the last 10 years, when the economy grew at a rate of 6.1% p.a. There was a clear differentiation in performance over the year depending on the sector. Primary sectors were the most dynamic, growing by 5.3%, supported by greater production of copper and by the agriculture and fishing sectors.

In all, primary sectors were responsible for 64% of the economy's total growth over the year, of which 70% was accounted for by performance in the metal mining sector which grew by 12.3%, thanks to greater copper production, which expanded by 25% as a result of improved results from the Toromocho and Constancia fields, while zinc grew by 8%.

Within the primary sector, fishing did particularly well, increasing by around 18.7%, thanks to higher anchovy catches resulting from having one more season than in 2014, causing a 65% expansion, which in turn impacted on a 63% growth in fish meal.

Non-primary sectors, meanwhile, increased by 2%; the 3% contraction in manufacturing and the 7% fall in construction were offset by stronger performance in trade and services, which expanded by around 4%.

Poor manufacturing performance was mainly a result of the fall in products for exports, as well as in the production of

inputs and goods. Construction dropped sharply because of low levels of execution in public works and a slowdown in property developments.

The Peruvian economy's domestic demand grew less strongly in 2015, by 2.3%, nearly half of which is accounted for by inventory formation; after discounting this, domestic demand only increased by 1.2%. The contribution made by inventories is greater than the average over the last 10 years. Inventories showed growth of around 200%, due to a lag between the mining production cycle and exports.

By expenditure components, performance in public investment was weak, contracting by 12%, principally due to the sub-national component. Private-sector investment shrank by 6%, a result of the fall in the terms of trade impacting business confidence, which was at its lowest level since 2009, and consequently postponed major projects.

Private consumption improved by 3.2%, while public consumption increased by 6.9%, both components showing a slow-down over 2014. Household consumption adjusted in line with the labor market's performance, which recorded an increase in the unemployment rate from 5.9% in 2014 to 6.2% in 2015, and was also affected by higher inflation in real household income and deteriorating labor market conditions: despite the fall in underemployment by hours, underemployment by income is actually increasing. The adjustment in consumption was less than would be expected from these components since it was supported by the surge in household consumer credit, with their levels of indebtedness subsequently rising.

As mentioned above, the global economy grew more sluggishly in 2015, as a result of the slower rate of expansion by emerging economies, impacted among other factors by slowing growth in China, which accounts for nearly half the world's demand for copper.

There was a generalized correction in the price of raw materials which in the case of Peru are particularly significant: copper, zinc and gold. Copper slumped by around 25% over the year, zinc by 27% and gold by 10%. The price of Peruvian exports contracted by 15%, while imports shrank by 10%, causing terms of trade to fall by 5%.

This weaker performance was reflected in a current account deficit of nearly 4% of GDP which, together with greater risk aversion in financial markets and the Federal Reserve's normalization, had a strong impact on the exchange rate, with depreciation of 13%, despite the central bank's active intervention to prevent more corrections.

This situation caused tension on the money market because of the greater absorption of liquidity and the central bank having to adjust its intervention rate as a result of the greater pressure on inflation, which closed the year at 3.75%, 50 base points above its January level, when the aim was to stabilize it in real terms.

Peruvian inflation behaved similarly to other Pacific South American countries. Supply-side factors account for this variable's inability to stay within the ranges established by the central bank. The hike in food prices can be put down to weather factors associated with the El Niño phenomenon and the impact of the exchange-rate adjustment on the prices of imported products and inputs, as well as services.

The fall in the volume and price of exports, as well as further softening in domestic demand, was reflected in an 8% fall in real terms, equivalent to 2.5 percentage points in current fiscal income, which explains the fiscal deficit in the Peruvian economy in 2015, given that expenditure remained stable in GDP terms, but with a change in the mix, with more current account spending, to the detriment of spending on investment.

In this environment, credit to the private sector grew at a rate of 11% over the

year, but while credit in foreign currency plunged by 20%, exposing the central bank's de-dollarization policy and expectations of devaluation, the component in the local currency, the sol (PEN), grew by 30%. The fastest-growing segments are consumer and large-corporation credits, whereas credit to small enterprises is virtually flat, because of the market's perception of higher risk in this segment, as a result of the economy's performance.

The Peruvian labor market is creating fewer jobs and there is a slight tendency for these to shift from small to large companies. The latter, by the country's own definition, are those with more than 51 employees, and represent 30% of total employment. However, despite this trend, there is an increase in underemployed people and a slower rate of job creation in the metropolitan area of Lima, as well as a 2% fall in real labor incomes in this region.

Labor participation in Peru is 83%, one of the highest in Latin America, but the share of informal employment in the whole is over 60%, with self-employed workers and/or micro-entrepreneurs making up 40% of the labor force, revealing a labor market that is sharply divided between large companies and this latter group.

The financing needs of a large part of the Peruvian population who see private initiative as the way forward in the labor market make it vitally important to increase levels of financial inclusion which, according to official figures, has one of the lowest penetration rates in Latin America and below the level corresponding to its degree of development. In countries with labor market structures such as Peru, financial inclusion is a powerful tool in making progress and/or in consolidating the advances made to reduce poverty and in helping the 24% of the population who find themselves in this situation.

Banco Adopem Dominican Republic

Banco Adopem promotes the development of rural populations, women and vulnerable communities that are cut off or difficult to reach, providing credit, financial information, training and advice. In 2004 it began its banking activity and has since consolidated its structure and scope of action, covering 94% of the country in geographic terms, with a network of 70 branch offices and 85 banking sub-agents.

Mercedes Pineda



Outstanding areas of initiative in 2015

Mobility

Network of banking sub-agents, positioned in strategic points such as suburban neighborhoods and rural areas in the interior, to give entrepreneurs access to the institution's services.

Micro-franchises

Inclusive distribution model in disadvantaged communities through a network of micro-franchises made up of women.

Encouraging saving among recipients of the CCT program "Moving Forward Together"

Increases access to and use of savings products among beneficiaries of the conditional cash transfer (CCT) program so that they have resources available to overcome one-off economic shocks.

Agrocredit

Program of skills training and access to credit for smallholder farmers in the south of the Dominican Republic.

Educa-T educational credit program

Guarantees inclusion, continuity and completion of studies by disadvantaged students at different educational levels. Promotes educational development as a vehicle for achieving greater progress in society.

Banco Adopem Dominican Republic

El Banco de Ahorro y Crédito ADOPEM, S.A. (Adopem Bank) is a financial institution that was set up to support Responsible Productive Finance in the Dominican Republic. It began operating as a bank in 2004, although it has been providing microcredits for nearly three decades as an NGO. It has been a member of the BBVA Microfinance Foundation groups of institutions since 2012.

Banco Adopem is committed to the most disadvantaged segments of society and micro-entrepreneurs, overseeing a set of programs and projects that have major socioeconomic impact, in vulnerable areas and regions that are difficult to access.

Its mission and vision are focused on incentivizing businesses that promote their clients’ development by providing products and services designed for their needs. On the whole, the bank’s clients are involved in the production and sale of foodstuffs, making clothes and footwear, arts and crafts, machine-work businesses, carpentry and services provision, among others. Banco Adopem relies on the daily commitment of its 1,238 employees to bring the economic and social development of its clients to fruition.

Because it clearly prioritizes the most disadvantaged groups, it has succeeded

in winning as clients micro, small and medium-sized entrepreneurs in the most vulnerable parts of the country, thanks to its footprint in over 94% of the nation, with 70 branch offices and 85 banking subagents.

In 2010 the bank was chosen for the second consecutive year by the Inter-American Development Bank (IDB) as the “Bank of Excellence in Microfinance” in Latin America and the Caribbean, emerging as a model institution in the region for its compliance with international guidelines and regulations.

Banco Adopem is a synonym for transparency, compliance, responsibility, engagement and institutional development. It is fortunate to have the support of national and international institutions and entities with which it has established strategic alliances and agreements over its years of experience, all of which have helped it to achieve the goals and targets it sets itself.

In 2015 Banco Adopem retained its long-term national rating of A+ (dom) with positive outlook and its national short-term rating was ratified at F1 (dom) by Fitch Ratings. It also continues to hold the first place in the asset ranking among savings and loan banks in the Dominican Republic, with a market share of 22.27%.

Management team and board

Management Team

- Mercedes Canalda**
Executive President
- Eva Carvajal**
Executive & Business
Vice-President
- Sonia Reyes**
Vice-President,
Finance & Accounts
- Fernando Pérez**
Vice-President,
Operations &
Administration
- Juan Francisco
Terrero**
Vice-President,
Technology &
Communications
- Eddy Santana**
Credit & Branch
Network Manager
- Cecilia Ramón**
Business Manager
- Iván Moquete**
Integrated Risk Manager
- Digna García**
Administrator
- Bernalda Perozo**
General Accounts
Manager
- Neyda Iglesias**
Human Resources
Manager

- Hector Almánzar**
Audits Manager
- Olga Araujo**
Finances & Treasury
Manager
- Patricia Álvarez**
Marketing Manager
- María Estela Terrero**
Insurance Administration
Manager
- Blanca Español**
Credit Recoveries
Manager
- Niobe Rivera**
Project Manager
- Rafael Mateo**
Infrastructure & IT
Security Manager
- José Luis González**
Development &
Database Manager
- Alexander Jiménez**
Systems Manager
- Marlen Jiménez**
General Office Manager
- Quisqueya
Domínguez**
Legal Affairs Manager

Board

- José Antonio
Colomer**
President
- Mercedes de Canalda**
Vice-President
- Luis Pellerano**
Director &
Company Secretary
- Ramón Feijóo**
Director
- Pedro Luis Saiz**
Director
- Javier Flores**
Director
- Manuel Ricardo
Canales**
Director & Treasurer
- Engracia Franjul**
Director

Banco Adopem Stories of Hard Work and Achievement **Miladys de los Santos Aquino**

“Give me one with everything and another with extra mayo, I raised a family on this.”

After an evening dancing with friends or in a break from work, there is nothing better than enjoying a tasty *chimichurri*. “Chimis”, as this popular beef sandwich is known, are a classic of Dominican cuisine and much loved in the country. “Chimis” have such a place in people’s diets that you can find an outlet or a stall offering them on every corner. **On one of Cristo Rey quarter’s most frequented streets, Miladys sets up her stall every day to sell her delicious “chimis” to passersby,** a business which has allowed her to make a future for herself.

Placing an order here is easy: “Give me one with everything and another with extra mayo”. In less than 5 minutes the customer can eat their sandwiches, carefully prepared by Miladys, with a secret sauce, which is both semi-hot and bitter, giving the “chimi” its final unique taste. The menu also includes hot dogs, *mofongo*, pies, burritos, *yaroas* and other kinds of street food, which people eat on the go.

There are usually several people at any one time in the afternoons and evenings at her stand where every day she has around a hundred customers. She has been on this same spot for a long time and with the passing of the years has become a reference point for young people and those living in the area who feel like eating some fast, inexpensive food.

For this entrepreneurial woman, starting her business and becoming the mistress of her time and her destiny has been one of her great achievements. Before that she used to sell clothes and milk, and took part in informal lending groups, among other activities. Then she started selling inexpensive pies and very simple bread loaves. Many hours of working at night and exposure to the dangers of the area only brought in DOP 200-300 a day, so she decided to expand with other types of products.

Miladys has been a client of Banco Adopem since she began. She is hugely grateful to the institution, feeling that she has got to where she is now thanks to their support. The bank has supported her with loans for all her new business ideas, always at her side right up to today. **An enterprise with profits that has enabled her to buy 4 houses, own her own vehicle, and educate all her children.** “I have been doing this, working hard and legally, for over 14 years. I raised a family on this”, she says, all smiles, without taking her eyes off the cabbage which she is swiftly slicing.

“I have never been in formal employment, and why would I? I much prefer this kind of business, this is profitable for me”, she points out. Miladys brings passion to her occupation, although she admits that working from seven in the evening to five or six in the morning is exhausting and not risk-free.

She tells us with enthusiasm that she still has lots of plans for the future and, with Banco Adopem’s help again, hopes to achieve them.



Miladys de los Santos Aquino and her husband

Scan the QR
code and watch
the video about
Miladys.



Banco Adopem Stories of Hard Work and Achievement **Brígida Guzmán**

“To make a dream come true, you have to persevere.”

The first day that Brígida had to milk the twelve cows her husband had bought to start up their smallholding, it took her three hours and by the end she was exhausted. *“That night I hardly slept. Not because I wasn’t tired, but because I was thinking about what I had gotten myself into”*, she recalls, remembering that first day of work.

25 years have passed since that day and since then, together with her husband, she has been producing and selling fresh cow’s milk. Its distinctive taste, the fact that it is natural and the lack of industrial processing, plus its competitive DOP 25 per liter price tag, attract the consumers.

Having left school before finishing primary education and with no stockbreeding experience, Brígida faced the harsh reality of having to keep the business going. But she kept at it and asked for a DOP 95,000 loan from Banco Adopem to make her dream come true. Today she and her husband have 90 cows and she can milk half of those in just a couple of hours.

New business initiatives have a high failure rate and statistically affect more women because they have to combine their enter-

prises with family life. **But there are also a good number of them who face the future with determination and optimism. They are stockbreeders, farmers... entrepreneurs who think that their future -and that of the people nearest to them- is on the land.**

This woman seems made from another mold. With a near permanent smile she talks about her difficulties, the efforts and uncertainties she has to face on a daily basis. Her smile gets bigger when she talks about the reasons which led her to aim for a different life: improved standard of living, the money the business brings in, the feeling of being the mistress of her own destiny. She brings to her surroundings an attention to detail and a capacity for work which, stereotypes apart, can make the difference.

She admits that she could not handle the herd without the occasional help of her husband, who every so often lends a hand in those stockbreeding tasks requiring the greatest physical strength. *“I don’t want to fool anyone: in the long term, to do this you have to have a man by your side. If he weren’t here, I would have to hire someone. Or else open a milk business and sublet all this, because I couldn’t do it alone”*, she acknowledges.

She explains in detail how they organize the work. They milk the cows by hand and while the beasts eat in the pens where some meal has been left for them, she and her husband hobble their hooves to protect themselves from possible kicks.

Brígida won second prize in the 2015 Citi-group Awards for Women entrepreneurs, Farming category.

Brígida Guzmán and companion

Banco Adopem Stories of Hard Work and Achievement **Miguel Ángel Dadus Valdez**

“We have been able to grow our educational enterprise, alongside our community”.

The Centro Educativo Profesor Miguel Dadus is a college set up by its eponymous owner over 13 years ago, an entrepreneur with a concern for and interest in working in children's education in the Dominican Republic, and by this, contributing to his country's future. After working for a time in other schools, Miguel Ángel decided to open his own, in order to implement his own teaching methods, adapted to the needs of the children. “I got involved because I wanted to be part of a new system, something that helps children be more creative, a place that teaches them in a dynamic, pro-active way, with personalized techniques”.

The school works to give students training and integrated development so that

they learn how to deal with problems and find solutions to everyday challenges. The college's mission is to help individuals reach their full potential and contribute to society.

The current Centro Educativo Profesor Miguel Dadus has grown and improved over time. In its beginnings, the building housing the students was wooden with a zinc roof, but despite this precarious start, Miguel Ángel's iron will to teach persevered and he pushed ahead with his ambitious dream. There were tough years that he has not forgotten, but he never lost hope that his situation would change.

Banco Adopem enabled him to make that change by granting him his first credit. His school has adapted to meet the changing needs of the student intake. The requirement for more teachers and better teaching facilities was satisfied thanks to that first loan which enabled him to enlarge the premises so that the school could operate better.

Banco Adopem has stayed with Miguel Ángel as he consolidated his enterprise. **Thanks to the 7 loans he has taken out with the institution, his school now has two shifts, providing kindergarten, primary and middle-school education, English and French language classes, a library and IT classes.** He feels supported up by the banking staff, who are always that there to help him. **When he arrives at the branch office, he feels “at home”, thanks to the good relationship he has built over time with all the employees.**



Miguel Ángel Dadus

Scan the QR code and watch the video about Miguel Ángel.



He is convinced that you achieve success by respecting each student's learning style. *“You have to teach the parents, too, and make them participate in the teaching process being provided for their children”.*

Miguel Ángel has big plans for his school. He wants to extend the teaching day full-time and improve the business in line with the Ministry of Education's regulations. He knows that in this, too, he will be supported by Banco Adopem. *“Over the years we have been able to grow our educational enterprise, alongside our community”.*

Banco Adopem Outstanding Areas of Initiative in 2015

Banco Adopem has concentrated its efforts in 2015 on contributing to the progress of disadvantaged communities, low-income women and rural producers in the Dominican Republic.

Banking sub-agents network

Banco Adopem is putting its weight behind *mobility* as the way to bring its services closer, with a number of initiatives: providing its loan officers with mobile devices, mobile banking and correspondents. In 2015, particular progress has been made with correspondents. Banking sub-agents represent service points that Banco Adopem places in commercial premises such as grocery stores, liquor stores, pharmacies, garages for spare parts, haberdasheries, etc. in strategic positions in Santo Domingo, surrounding suburbs and rural areas inland which carry out correspondent banking. Their purpose is to facilitate financial transactions such as withdrawals, checking of balances in accounts and the amount due on loans, as well as the reception of applications for credits and savings accounts, among other services.

The institution trains its banking sub-agents so that they can properly perform their role as a link with clients, instructing them how to handle the financial procedures for the transactions they will carry out and how to

resolve the most common questions that are likely to arise during their correspondent banking tasks. In this way, the sub-agents help to facilitate access to the bank's products and services for the least advantaged segments of the population which are not served by the formal financial system, thus enabling them to develop their small businesses.

Micro-franchises

Supported by the Inter-American Development Bank, the Adopem-Nestlé micro-franchise model is expanding, benefiting low-income women in the Dominican Republic. It is an inclusive distribution model for communities with scarce resources using a network based on micro-franchises, made up of women in these same communities. This project develops a sales force to distribute Nestlé products in these communities for whom it also provides nutritional education. In order that these women may become micro-entrepreneurs Banco Adopem provides financial services and training in the skills they need to manage their businesses and to expand in order to improve their standard of living.

The project aims to provide access to this sustainable long-term business model to 4,500 low-income women who traditionally have few possibilities to set up profitable enterprises, especially for those heads of families with dependents. Similarly, the project is expected to have an impact on 370,000 people in communities with limited incomes who will be able to access products of recognized quality. The Adopem-Nestlé model was tested successfully in 2013 in an

innovative pilot program, and subsequently expanded to generate greater benefits in its contribution to reducing poverty.

Educa-T educational credit program

As part of its commitment to improve its clients' standard of living, Banco Adopem has an Educational Credit Unit (*EDUCA-T*) to promote the development of education in the Dominican Republic. This unit creates products and services for educational financing, covering students' individual needs, based on the country's academic training needs and labor demand. It is currently funding high school, technical and professional studies, undergraduate studies, as well as the maintenance and purchase of equipment.

In 2015 Banco Adopem signed partnership agreements with several universities in the Dominican Republic such as the Dominican Industrial Psychology University, University of the Caribbean, National Evangelical University, National Pedro Henríquez Ureña University and Catholic Technological University of Cibao, to cover the costs of students' higher education through the *EDUCA-T* educational credit program. These agreements enable young people enrolled at these universities, or who want to enroll, to receive a loan for the purpose of guaranteeing their inclusion, to stay and to finish their studies. The loans are to cover registration fees, study expenses (transport, books or copies) and the cost of equipment they need for their university degree. The agreements set the interest rate; while they are studying, students only pay the interest on the principal disbursed and there is an additional grace period of six months after graduation. After this time, students should start to pay back the capital.

It is a brave initiative, designed to make it easier for disadvantaged people to access technical and higher education, stay there and finish their courses.

Encouraging saving among recipients of the conditional cash transfer program "Moving Forward Together"

Under the auspices of the Inter-American Development Bank and the Vice-Presidency of the Republic, Banco Adopem and the Social Policy Coordination Office are together developing a nationwide project to promote a culture of saving and to create financial products suitable for the poorest, especially women, in order to drive financial inclusion.

The project's aims are to increase access to and use of savings products among beneficiaries of the *Moving Forward Together* program, generating a culture of saving which enables them to access the resources they need to overcome economic shocks they may suffer as a result of one-off situations. To this end, new programmed savings solutions have been designed that allow people to save -with cash or coupons- a pre-agreed sum from the total conditional cash transfer they receive for a specific period and for a specific purpose (such as expenses for the education of children) or to generate voluntary deposits to cover emergencies (such as illness). Banco Adopem stays by its clients' side to help them achieve their aims, through the follow-up carried out by its officers and its network of sub-agents. Awareness programs have been modernized with the "Adopem Saving Mobile", an info-promotional caravan that travels around several provinces to promote saving, in which a well-known Colombian actress acts out an educational monologue about the virtues of saving, with humorous elements, that is also being broadcast in the mass media and in Community Technical Centers (CTC), and which gets community opinion leaders on side.

The final goal is to help beneficiaries of *Moving Forward Together* to become economically empowered, so that they can lift themselves out of poverty and become wealth creators.

Its micro-financing model has enabled 4,500 women to access a sustainable business model. Increasing the number of sub-agents has meant that vulnerable sectors that are not served by the formal financial system can access products and services in order to develop their small enterprises.

Agrocredit

Banco Adopem, the Spanish International Cooperation for Development (AECID in its Spanish acronym) and the CODESPA Foundation have expanded the *Agrocredit* project, which supports smallholder farmers in southern areas of the Dominican Republic with training in various sectorial skills, as well as with access to credit.

Agrocredit is a training program which has given participating producers quality certification as well as financial education. The program is complemented with access to credit in the formats that suit producers, with different types of pay-

ment plans, particularly designed around harvest-time.

The project seeks to nurture economic development through access to financial and non-financial services that make it feasible for small farmers in the poorest regions in the south of the Dominican Republic to invest. In the first phase, over twenty thousand rural credits were originated, of which around eight thousand went to small farming producers. Clients enrolled in this project also had access to other products and services offered by Banco Adopem, such as saving, financial certificates and remittances, among others, all with the aim of improving the standard of living of families in rural parts of the country.



Yahayra Olivo Delgado

Banco Adopem

Awards and Honors 2015

Institution

- Banco Adopem has kept its **ALPHA PLUS (α+)** trending **Stable** financial rating, according to MicroRate's report, achieving the highest possible assessment on this scale, the only microfinance institution to do so. Furthermore, the institution has retained its *Social Classification* at 4 and a half stars, *with stable outlook*, while in the Social Outcome and Commitment categories it was classed as *Excellent*. The figures come from the MicroRate report, the first ratings agency to measure performance and risk in microfinance institutions (MFI). MicroRate, which also rates specialist funds, known as microfinance investment vehicles (MIV), reports that Banco Adopem has excellent microcredit positioning and is the leading sector player, employing best practice and that its staff are trained to help low-income entrepreneurs, all of which has enabled the institution to score the highest possible institutional rating.
- **Fitch** has confirmed its **'A+(dom): Positive Outlook'** rating for Banco Adopem. Fitch noticed the bank's high yields, its healthy credit portfolio, robust capitalization, limited revenue diversification, diversified sources of financing and ample liquidity.
- Banco Adopem was awarded the **MIX certificate for Transparency and Responsibility**. The Microfinance Information Exchange (MIX) recognized the bank's transparency, its social commitment and responsibility. This qualification was obtained after a desktop review of its social performance and having verified that the bank successfully complied with all the S.T.A.R (Socially Transparent and Responsible) requirements in 2014.
- Banco Adopem was awarded the **Client Protection Certificate** granted by The Smart Campaign. It is the first institution in the Dominican Republic to obtain this certification, the result of an independent, external evaluation to publicly honor financial institutions that provide financial services to people of low income households that meet high standards of care in their relationship with customers in areas such as price transparency, fair and respectful treatment, and prevention of over-indebtedness.

Front Line Management

- The Executive President of Banco Adopem was elected member of the management board of the Dominican Microfinance network REDOMIF.
- Mercedes de Canalda, Vice-President of the Board and founder of Banco Adopem was awarded the "Dominican Women's Medal of Merit" by the President Danilo Medina.
- Forbes magazine designated Mercedes Canalda as one of the "25 most powerful women in the Dominican Republic", ranking her in 17th place.
- The Executive President of Banco Adopem was elected as a member of the management board of the Asamblea de Bancos Abancord, the country's banking association.

Dominican Republic

Macroeconomic Context

Solid economic performance in the United States and the fall in oil price were the mainstays of the Dominican Republic's economy.

Unlike countries in South America, the external conditions affecting the Dominican Republic in 2015 were favorable, and in particular, the solid economic performance in the US which allowed the boom in the tourism sector to continue, together with remittances and exports from the country's free-trade zones. The drop in raw material prices, mainly oil, with its sharp impact on energy prices generally, as is typically the case in island economies, also had a positive impact given that the country is a net importer of these goods.

In this favorable environment, the Dominican economy grew 7%, driven by construction which expanded by 18.2%, essentially thanks to the execution of civil road infrastructure and the building of new social housing, as well as school campuses, children's daycare centers and hospitals on the part of the central Government.

The services sector grew by 6.3% because of buoyant trade performance which leapt up by 9.1% and sectors linked to tourism, which grew by 6.3%. The sectors which suffered the opposite effect were mining and extractive industries, which slumped by 6.9%, due to the temporary shutdown of operations in one of the country's biggest mining companies in the first half of the year, and other difficulties in other operations.

Another poorly performing sector was farming; as a result of the long drought in the Dominican Republic in 2015, growth was slashed by half compared to previous years.

On the demand side, the increase in public consumption and investment were expansionary factors, while exports of goods and services also behaved positively, mainly due to the companies operating in free trade zones, apparent in the momentum in exports of tobacco manufactures, medical and surgical equipment production, textiles and electrical goods among others.

Good performance in the US labor market, the source of 75% of all remittances, especially in the sectors where Dominican migrants are most numerous, such as construction, have enabled this variable to continue its ascent, with accumulated growth of nearly 50% since 2010, at around USD 4.9 billion in 2015, 6.8% above the figure for 2014.

Meanwhile, tourism has continued its upward momentum, with the number of visitors rising by 10% over the year, coming in at nearly 5.6 million, generating foreign exchange revenues of around USD 6.2 billion, approximately 9% higher than 2014, thus consolidating tourism as the country's principal generator of foreign currency.

Solid results in these two sectors, together with the uptick in exports from the free trade zone, partly offset the negative impact of the 20% fall in mining exports, a product of the factors mentioned above and the 10% drop in gold prices on international markets. All in all, total exports fell by 3% in 2015.

The drop in the international oil price caused the country's oil bill to shrink by 35%, almost USD 1.3 billion less than in 2014. This resulted in an improvement of nearly 1.2 percentage points (pp) of GDP in the current account deficit, which closed the year with a 2% deficit. This consolidates the positive trend since 2010, when the deficit was 7.5% of GDP.

Foreign direct investment came in at over USD 2.2 billion, mainly for activities relating to tourism and real estate, staying the same as the year before.

This steady result from the external sector has allowed the Dominican peso to perform better than other Latin American currencies, reporting a nominal depreciation against the dollar of 2.6% since 2014. The central bank's policy has been one of gradually correcting real parity with the dollar, given the influence it has on Dominican finances; for this reason the real bilateral exchange rate depreciated by 2.8%, en route to convergence with parity.

Meanwhile, the fiscal scenario has been more expansionary in 2015, bringing the primary surplus to 2% of GDP. The reduction in subsidies to the electricity sector, thanks to the fall in oil price which brought losses down considerably, had the result of reducing by 12% the current-account transfers in the national budget, which offset the sharp spike in public sector wages. The capital transfer resulting from the forward flow debt purchase as part of the Petrocaribe program with Venezuela was another determining factor in the year's public finances.

This performance, together with an improvement in revenues, has had a positive effect on fiscal management and an improvement in the country's credit rating. However, the structural components of a fiscal management strategy that is repeatedly in deficit and still held back by major quasi-fiscal deficit items continue to represent one of the Dominican economy's structural risk factors in the medium term.

Headline inflation has stayed below the target range of 4.0% \pm 1.0% throughout 2015, a result of lower energy prices which

have been partially offset by the impact of weather factors on food prices. As the impact of these factors on price variation wanes, inflation will go back on track, converging towards the target range.

However, the looseness caused by lower inflation in 2015 allowed the central bank to modify its intervention rate, which had stood unchanged at an annual 6.25% since August 2013, and it made changes twice over the year, leaving it at 5%, giving a definite expansionary slant to monetary policy which, together with its reserve policy, have encouraged credit expansion in the economy.

Turning to the labor market, the expansion of the economy resulted in the creation of 155,189 net jobs year-on-year, which has been visible in the improved labor market in terms of the fall in unemployment, and also boosted a significant correction in real wages in large private-sector corporations.

However, there is one feature of the Dominican labor market which is no different from the other countries in the region. 50% of jobs are in the informal economy, meaning that employment is somewhat precarious and continuity difficult to predict. Together with Colombia, the Dominican Republic has the highest proportion of self-employed and/or micro-entrepreneurs in the workforce: 45 of every 100 adults in the work force are outside the formal economy.

To be able to make progress, it is crucial that access to the financial system for the majority of this excluded group be encouraged. At the moment 46 in every hundred adults have no access, and only 22 have access to formal lending. Micro-finance offers a clear route to progress here, reducing the vulnerability of significant sections of society.

Fondo Esperanza Chile

Fondo Esperanza serves over one hundred thousand entrepreneurs who are excluded from the formal banking system, in 240 communities, through its 52 branch offices. Its support of the homeless and those in prison through entrepreneurship, has given them hope for the future.

María Carrasco

Outstanding areas of initiative in 2015

School for Entrepreneurs

Innovative, two-year, integrated, educational proposal available to all its clients.

“My family protected” micro-insurance

Affordable insurance designed to benefit over one hundred thousand entrepreneurs and their families giving them cover in the event of incidents that might affect their incomes.

Excluded segments

Productive credit programs and training tailored to the prison population and the homeless to promote the development of productive enterprises.

Fondo Esperanza Chile

Fondo Esperanza SpA (Fondo Esperanza) is an institution that promotes entrepreneurship in vulnerable areas of the Chilean population. With a 13-year track record, it has shared the dreams of over 100,000 entrepreneurs in 240 different districts, through its 52 branch offices spread over the country from the north (Arica) to the south (Chiloé), supporting them as they set up and expand their productive activities.

The institution reinforces the importance of entrepreneurialism as a driver of development, providing microfinance services (microcredits and microinsurance), training (at its School of Entrepreneurs) and by promoting support networks for its clients.

The experience, quality and commitment of the over 500 professionals who work to help overcome poverty are an essential feature of Fondo Esperanza. It is an institution which provides opportunities for entrepreneurs who are excluded from the formal banking

system and offers them a personalized, local service, reaching out to the places where they live.

Fondo Esperanza’s help reaches population groups which are socially excluded and which have higher levels of vulnerability. Over two years ago now, it offered its products and services to a group of prisoners so that they could make their own futures (after they complete their sentences) by creating craft products. A similar project has made it possible to create support groups with homeless people.

In 2015 Fondo Esperanza improved its product and services portfolio by introducing the micro-insurance service “My family protected” through all its branch offices. This reaffirms the institution’s commitment to help vulnerable groups who need a safeguard in the event of adverse events having an impact on their incomes.

Management team and board

Management Team

- Mario Pavón**
General Manager
- Karina Gómez**
National Office Manager
- Consuelo Herreros**
HR Manager
- Norma Espinosa**
Administration & Finance Manager
- Pilar Egaña**
Communications Manager
- Pablo González**
Risk Manager
- Zunilda Vergara**
Operations & Systems Manager
- Daniela Olfos**
Development & Services Manager
- Oliver López**
Project Manager
- Fernando Jara**
Audit Manager

Board

- Ramón Feijóo**
President
- Luciano Magnet**
Vice-President
- Jorge Cruz Díaz**
Member
- Javier Flores**
Member
- Andrés Silva**
Member
- Cristian Barros**
Member
- Juan Cristóbal**
Member

Fondo Esperanza Stories of Hard Work and Achievement **María Carrasco**

María started from scratch selling her delicious pies.

In less than five minutes she lost the investment which had cost her years of effort. On two occasions, Nature has taken away her dreams. First an earthquake and after that a tsunami which destroyed her business and most of her home. There have been two major disasters in her life.

María Carrasco was a cook in a restaurant for many years. At that time she dreamed of having her own food outlet one day. With huge effort she achieved this, but it all came tumbling down in one night when nature turned against her. “Everything was going well, until that day, February 27. We lost everything: all the machinery and part of our home”, she recalls. On top of this calamity fell another blow: her husband lost his job as a fisherman and all the tools

he had bought with years of sacrifice. *“We were in a really tight spot, but we knew we had to make money. With two daughters at university, we had to start again, whatever it took, even if it was from the very bottom. In December of that year they invited me into Fondo Esperanza and I didn’t need to think twice about joining”,* she continues.

Thanks to the microcredits she received, she managed to restart the sale of pies, which have made her famous in the area. *“When it happened, we were helped by family members and friends, but we needed capital to buy goods and to get going again, this time as a family project. We delivered to small businesses and after a while we couldn’t keep up with demand, so we reopened our premises again”,* says this 53-year old entrepreneur proudly. **She has turned her passion for cooking into a family microenterprise, the profits from which have a definite purpose: to pay for her daughters’ education.**

The “Don Chano” pie kitchen has won a solid place among the diners of Dichato, in the VIII Biobío region. María holds the secret in her hands. *“I love cooking, that must be why we have lots of customers; in the summer I had three people working with me, because we couldn’t manage on our own”,* she adds.



María Carrasco

As to her experience with the institution, she has nothing but gratitude. **“Fondo Esperanza supported me in the worst moments and believed in my project. I think they make a big contribution to people who are starting from the bottom, and who dream of doing better.** They have helped me to make progress, to improve my standard of living and that of my family”, she ends.

María has not stopped dreaming. Her next challenge: to open her own restaurant. And her vision of her future with Fondo Esperanza is *“to carry on with my business. I promise anyone who wants to sign up with Fondo Esperanza, that they will receive support; that they can do what they dream of doing and with Fondo Esperanza’s support they can achieve it”.*

Scan the QR code and watch the video about María.



Fondo Esperanza Stories of Hard Work and Achievement **Jaime Gutiérrez**

Salmon with style.

Jaime Gutiérrez lives in El Quisco, next to the sea. A treasure trove of objects are scattered around his workshop and right in middle there is a sign saying “Salmon leather”. This is the name of his business, where he spends his whole day working on the skin of this fish. From his nimble hands, bags, shoes and accessories appear. Since his imagination is boundless, he sometimes mixes it up with other types of materials.

Jaime started his enterprise in 1975, in the region of Melipilla, where he had his shoe workshop. But the avalanche of Chinese, Japanese and Brazilian shoes that flooded the Chilean market several years ago hurt his trade so much that it forced him to close down his workshop and start again. This he did in the coastal region of El Quisco. He moved there with his wife, to a workshop in an attractive house with a maritime feel. That was six years ago, and he joined Fondo Esperanza after three. “*I learned about it from a friend who crafts things in leather*”, recounts Jaime, who was happy to form part of the lending group “Creciendo Juntos”. “*I wanted to meet new people*”, he explains.

When he joined the institution, his business was already up and running, “*The reason for joining Fondo Esperanza was my business, to share experiences with new people. Fondo Esperanza helped me strengthen the weak points in my business,*

with the capital I needed to acquire more material”. His years of experience have strengthened the enterprise that he shares with his wife, who is also part of the business. “*She makes the rings and appliqués that we combine with the leather*”, he goes on.

Jaime works tirelessly: he buys the leather, dyes it and shapes it on the lasts to make good quality and unique shoes. He checks that the stitches look right and that the fit is comfortable. His small company is growing steadily. “*My next stage is to bid for some regional funding to expand the business. We want to make some display cases so that we can exhibit products in different places*”.

His imagination does not stop here. Jaime’s dream is to create a village of craftspeople in Algarrobo, “*to leave a legacy for tourism in the area*”. Although he is already aware of his achievements, particularly that of being able to run an enterprise in a region far from the capital and with a much better standard of living. “**Fondo Esperanza does a great job in supporting people. Entrepreneurs have to join forces; it can be a springboard in their lives**”, he concludes.



Scan the QR code and watch the video about Jaime.



Jaime Gutiérrez

Fondo Esperanza

Outstanding Areas of Initiative in 2015

School for Entrepreneurs

This is an integrated, solid proposal for entrepreneurs, adapted to their needs, contributing to their empowerment and the development of their enterprises.

The School for Entrepreneurs uses teaching methods which enable adults to participate actively in their education, where the entrepreneurs are the main drivers of their learning and personal growth process. It focuses on different areas of competences and uses a continuous, flexible training model that is adapted to the entrepreneurs' needs and learning speeds.

This innovative teaching approach, with courses lasting two years in all, consists of 18 education modules which make up four areas of learning: designing the enterprise, the welfare of your family, empowerment and social capital.

Empowering entrepreneurs and facilitating the training they need for their activity and reality are the goals of the School for Entrepreneurs.

Productive credits program and training for prisoners

One of Fondo Esperanza's goals is to reach the most excluded groups in Chilean society, those whose personal conditions mean that their development opportunities are even more difficult to realize. The institution has developed a pioneering project in Chile for this purpose, to support people deprived of their liberty with productive loans and training, a program which has been designed in partnership with Chile's Gendarmerie.

This program, already operating in penitentiaries in Osorno, Quillota, Victoria, Traiguén, Puente Alto and Colina, has supported prisoners who have been able to strengthen their small enterprises selling leather and wooden objects, textiles, etc.

Entrepreneurial program for the homeless

In September of 2014, Fondo Esperanza kicked off a pilot plan to drive productive development for people living on the streets, in partnership with Emplea, an NGO belonging to Hogar de Cristo. In its first year this project has made it possible for people living on the streets of Santiago de Chile to receive a full-service package to strengthen their productive activity and give them a real opportunity in the future. Supported by loans, advice and training, these individuals buy and sell personal hygiene products, foodstuffs, services, etc.

These innovative programs adapt our methods to the particular needs and situation

Fondo Esperanza reaches highly vulnerable, socially excluded groups of the population. It supports homeless people and the prison population so that by starting productive activities they can forge a future for themselves.

of people in prison or living on the streets, profiles which need even more attention and care.

"My family protected" micro-insurance

"My family protected" is an insurance policy designed to provide solutions that help entrepreneurs and their families, giving them a safeguard in the event of incidents which may have a negative impact on their incomes.

With very affordable monthly installments payments and the convenience of being able to bundle them into microcredit installments, entrepreneurs opt to take out a micro-insurance policy which the benefi-

ciary can use in the event of his/her death, total or permanent incapacity or loss of limb. It also includes cover for the funeral expenses of the person contracting the product, thus completing the package.

This new microfinance service is the reflection of entrepreneurs' concerns. Fondo Esperanza works so that they can access a variety of financial products to give them complete solutions to their needs and which help them to make progress in their enterprises, to better themselves personally and, in this way, cease to be vulnerable.

Chile

Macroeconomic Context

After the increases between 2010 and 2012, economic growth has slowed for the third consecutive year.

The Chilean economy grew by 1.8% in 2015, showing for the second year in a row the lowest growth rates of the last 15 years, except for the 2008-2009 global financial crisis. In the last few years, activity and demand have increased only sluggishly. This is partly a result of external shocks, particularly the moderating growth in China, responsible for nearly half of global copper demand, which has caused a 25% fall in the price of this raw material, Chile's main export product.

This has caused a greater deterioration than expected in the natural resources sector, especially in mining, as a result of the production cuts that mining companies have implemented in response to the fall in price. Performance in other sectors was somewhat more favorable, particularly in construction and some service sectors.

Domestic demand rallied by 2.0%; in this figure, consumption expanded by 2.3%, demonstrating the marked downward trend since 2011, when it surged to over 5%, the result of a prolonged lower growth rate, both in employment and in real wages, which were reflected in lower consumer expectations of future performance and, as a result, the adjustment in consumption. Personal spending grew by only 1.8%, driven by expenditure in services, mainly healthcare and communications, and followed by consumption in non-durable consumer goods.

Public consumption, however, accelerated in the second half of the year, as a result of greater budgetary execution, making it the mainstay of consumption, taken as a whole.

After falling 2.7% in the first half of the year, investment jumped 7.1% in the third quarter, bringing accumulated growth over the year to 0.5%. The result was driven by good one-off results in machinery and equipment, which expanded by 12.2%, as well as in construction and other building, which grew by 5% in all, driven by higher investment in the sector. In the year as a whole, investment edged up by around 0.8%.

Expectations on the part of both consumers and investors as reported by the central bank were at their lowest since 2008, at 25 and 12 points below the neutral zone, suggesting that weak growth will continue in both consumption and investment.

The external situation is to a large degree the cause of this perception. Global growth expectations have softened, the expected Federal Reserve rate adjustment occurred without provoking significant changes in global financial markets, with the widespread conclusion being that growth will adjust, becoming much flatter than forecast.

All these factors are having an impact both on agents' expectations and on the result in the external sector, which continues to be poor, even though the adjustment has been significant, going from a current account deficit of 3.7% of GDP in 2013 to an estimated percentage of 1.2% of GDP in 2015, because of a deficit in both the balance of trade and income.

Exports have shrunk by around 17%, while imports have decreased by 9%. Financial account transactions resulted in Chile's indebtedness with the rest of the world coming in at USD 4.5 billion. These revenue resources to the Chilean economy came mainly from pension funds and the government.

This persistent deterioration in the external sector since 2013 has caused an accumulated depreciation in the exchange rate of 25% over the period, with a real adjustment of the exchange rate since 2013 of 16%, which has made it possible to mitigate in part the deterioration in the terms of exchange.

The pressure on the exchange rate has discounted significant inflationary tensions, mainly a result of the Chilean economy's high import ratios, in particular the increase in inflation on goods. Annual inflation closed the year around 4%, breaching the upper limit established by the central bank. Core inflation closed at around 5% per annum, demonstrating the real tension on prices, inasmuch as it isolated the effect of lower oil prices on the Chilean economy.

Chile's Central Bank Committee responded to the higher inflation by raising the Monetary Policy Rate at the end of the year by 25 base points to 3.5% after a long period of stability. In real terms, despite this increase the real rate is negative, with a clear expansionary risk for monetary policy. The cost of credit is still low in historical terms; nevertheless, with the exception of mortgage loans, real annual growth in credit is low, stuck at around 5%.

In order to support an economy showing lower growth rates, the Chilean government pushed through expansionary fiscal policy, with a 10% real increase in spending over 2014 execution, which together with lower growth in fiscal income resulted in the central government's public deficit representing 3.2% of GDP in 2015, double the deficit for 2014.

Unlike other economies in the region, Chile has margin for maneuver in the deterioration of public finances, since the public sector had financial assets of around USD 26 billion at year end, allowing it to partly buffer the impact of lower revenues as a result of the fall in the copper price: these revenues

account for 50% of the country's exports and a major proportion of fiscal income.

In the labor market, the unemployment rate remained fairly stable, with the latest figure available for 2015 standing at 6.3%, similar to 2014, with a slight fall in the labor force and the numbers in employment sliding a little. The reduction in real estate and rental activities was 4.5%, while retail slipped 1.4%. This was offset by the 2.2% growth in employment in the Public Administration.

7.9 million people work in Chile. Around 13% of the population works in agriculture, over 23% in industry and 64% in services. Of the total working population, 59% are men and 41% women. 55.6% of workers are between 35 and 59 years old. 44% have received secondary education and most work in retail and industry, although in the last year most of the new jobs created were in the public sector. Over 70% have a fixed term contract and more than 80% work in an SME.

32% of the labor force works in the informal sector, while the self-employed and/or micro-entrepreneurs make up 21% of those working.

Chile has the highest level of financial inclusion in the region, with 63% of adults having some kind of account in the system. Nevertheless the particular needs of an economy in which small companies provide such a high proportion of jobs should be supported and understood.

Emprende Chile

Emprende has celebrated its 30th Anniversary with an uninterrupted track record in its activity of providing credit to micro-entrepreneurs. It was the pioneering microcredit institution in Chile, starting out as a savings and credit cooperative and, since 2009, as a member of the BBVA Microfinance Foundation group, it was the first microfinance institution in the country focusing exclusively on supporting the productive and commercial activities among low-income segments of society.

Adriana Valdés Becerra and Francisco Toledo Herrera

Outstanding areas of initiative in 2015

“Family Protection Insurance”

Affordable insurance for micro-entrepreneurs in vulnerable categories that guarantees financial security for the families in the event of an accident.

Mobility, correspondents

Network of external correspondents that increases the number of payment points for clients, close to their place of work and with flexible working hours.

Emprende Chile

Emprende Microfinanzas, S.A. (Emprende) specializes in providing financing that matches the needs of the most vulnerable entrepreneurs in Chile, adapted to encourage their economic and social development. Emprende is a social, not-for-profit enterprise, committed to reinvesting its surplus in providing greater access to credit.

A pioneer in microcredit in Chile, initially as a savings and credit cooperative and since 2009 as a member of the BBVA Microfinance Foundation, Emprende marks its 30th anniversary in 2016 with an unbroken history focusing on providing credit to micro-entrepreneurs. It was the first microfinance institution in Chile dedicated

exclusively to supporting productive and commercial activities in low-income sectors.

Its mission is to contribute to the self-sustainable economic and social development of Chile’s most vulnerable micro-businesses, self-employed workers and entrepreneurs through the management of excellence in Responsible Productive Finance.

The enterprise is currently providing credit to over ten thousand entrepreneurs (more than 60% of these are women, and over half are in the informal sector) with a credit portfolio worth approx. USD 10 million. Emprende has 21 offices in 6 of the country’s regions, and 159 employees in all.

Management team and board

Management Team	Board
Pablo Coloma General Manager	Ramón Feijóo President
Raúl Perry Network Manager	Jorge Cruz Member
Diego Solar Financial Manager	Javier Flores Member
Rodrigo Urrea Risk & Collections Manager	
Rosa González Regional Committee Coordinator	
Luis Conejeros HR & Communications Manager	
Alejandro Vidal Infrastructure & IT Resources Manager	

Emprende Stories of Hard Work and Achievement **Adriana Valdés**

“It was apparent to me that without loans you can’t grow much in business.”

At 7 o’clock in the morning on a cold winter’s day Adriana and Francisco’s hands are numb, picking with difficulty the raspberries they have been growing for the last eight years. She decides to have a short break for breakfast, hot tea and a piece of toast, to try and get warm. Every so often both of them follow this routine so that they can carry on doing what they are both crazy about, “their love for raspberries”, a devotion which has become a job with which to forge a future.

They tried breeding cows, but lost the entire herd. The way they tell it, deciding to grow raspberries “*was our destiny. One night I dreamed I was planting raspberries and I knew that it was a sign, so I decided to do that; I told my wife and she agreed*”, recounts Francisco.

They started with a small orchard and now have four hectares where, as well as

raspberries, they plant loganberries, a fruit similar to blackberries. They benefit from the high price fetched by the fruit, as much as USD 10 a kilo, and their buyers are the large export companies. They add to their income with the sale of spoiled fruit to small itinerant salespeople.

Slowly and patiently they have strengthened and improved their business; they are proud of having expanded. At the beginning both of them did all the farming tasks, planting, harvesting and selling, but fortunately the business has grown, their raspberries are highly sought after and the increase in the labor pool has enabled them to hire people to help with the harvest. “*I would never have imagined we would be in a position to hire people*”, says Adriana.

30 years ago Adriana had barely a plate, two spoons and a log on which to sit to eat with her husband and three children. The only money coming into the household was Francisco’s wage as an estate hand. Unfortunately her husband’s alcoholism meant that the money never made it home and was spent on drink. At those times Adriana was forced to go to her neighbors who helped her, giving her any bread they had spare. She does not forget that stage of her life and is grateful for what they did for her and her family then.

Adriana’s love for her husband gave her the strength to help Francisco to overcome his alcohol addiction. From then onwards their life changed and together they decided to go into raspberry production. Francisco wanted to be his own boss, to be freer in his work, and for his wife not to work for others either. She accepted the challenge, “*I have always worked on the land, with corn and covered in mud. One day Francisco suggested that we get our own land, we chose raspberries, we liked it and here we are*”, says Adriana.

They were both convinced that their future lay in raspberry production, but to make their goal a reality they needed financial backup that would enable them to start up their enterprise and subsequently support it as it grew. Finally they approached

Emprende. Francisco overcame his initial misgivings about contracting “*that credit thing*” buoyed up by Adriana’s certainty, because it was apparent to her that “*without loans you can’t grow much in business*”. **Their first loan was for USD 150; now, thanks to the five loans the institution has given them they have been able to lease more plots for their crops and buy a secondhand van to deliver the product to their customers.**

Their affection for raspberries goes beyond the material goods they have been able to buy. “*If you could see it at harvest time, see those bright red fruits dotted all over the place... it is a feeling I can’t put into words, we both adore this job. You could say we are in love with raspberries*” says Adriana, flashing an infectious smile at her listener. They have transferred this affection to their children and their grandchildren: “*Mum, I don’t know what you*

did to me, but now I really enjoy picking raspberries”, confirms one of her children. Even their first granddaughter, just four years old, goes with her several times a week to work.

What Adriana most appreciates is being able to work as a family and, in particular, seeing how their effort and work have paid off. She has left the tree trunk which served as a table in their old house far behind: now she has a kitchen and a dining room. That is why she gives thanks every day to God, who put raspberries in her path.



Adriana Valdés

Scan the QR code and watch the video about Adriana.





Scan the QR code and watch the video about Eduardo.



Eduardo Sandoval

Emprende Stories of Hard Work and Achievement **Eduardo Sandoval**

A family united
thanks to wooden
handcrafts.

Six years ago Eduardo Sandoval decided to give his life a radical turnaround; at 62 he had spent half his existence working for one company and the long working day had not left him time to enjoy family life.

Since he was a boy, Eduardo had always had a natural flair for manual jobs. He began sculpting stone at 14 and at 17 set up a workshop for artistic locksmith pieces. A health problem, together with his wish to spend more time with this wife and four children, led him to recover that skill from his youth and explore the possibility of spending his days as a craftsman in wood to support his family. *“One day, when we didn’t have money for food, I decided to make decorative figures to sell. The first thing I made, to see whether I still had it in me to make something was a spoon, and it came out well”,* he recalls. So he brought his family together to tell them that the family’s future was in crafts: *“You know, from now on, we are not going to go hungry any more”.*

He finds being a craftsman in wood enormously satisfying. Every morning he decides and makes the figures that his wife and eldest son sell from the itinerant sales spot they set up at one or other strategic position in the city. He also receives orders for pieces, because his work is becoming more famous in the neighborhood. To add to the family’s income they organize raffles where the prize is one of his beautiful carved figures.

Eduardo and María’s craftsmanship work allows them to spend more time together, because the whole family takes part and it brings them together when they have to deal with adverse situations affecting the family group. As well as keeping his business going they have had to overcome their two children’s mental illness. **The couple feel happy and proud of what they have achieved thanks to the business** which has given them a living.

At a crafts fair in which she was working, María had the chance to learn about the work of Emprende from an officer at the institution. It was the first time she had ever asked for credit and they decided to start with an initial loan of USD 200 to buy wood materials. Other loans at different times and for different needs followed this one, for enlarging and improving the business. The latest loan is for USD 500.

A craft that started as a teenage hobby has become part of his life and an income for the whole family. *“Every morning I stand at my worktop and make the piece I want to, with no pressure. Because I am doing something I like, and it is a therapy for the whole family. To achieve this in a job, even if it is out of necessity, is priceless”,* concludes Eduardo.

Emprende Outstanding Areas of Initiative in 2015

Micro-insurance offers protection to disadvantaged micro-entrepreneurs, whose particularly vulnerable situations make them more fragile in the face of adverse or catastrophic events.

“Family Protection Insurance”

“Family Protection” micro-insurance is a new, easy-access, low-cost microfinance service, tailored to the needs and profile of Emprende’s clients. This product gives the micro-entrepreneur access to coverage that will benefit him/her and the family in the event of an accident resulting in death, total and permanent incapacity or loss of limb, as well as including a sum to cover funeral

expenses. It is a pioneering initiative in Chile in the provision of insurance solutions to those who would not normally be able to contract this type of product.

Mobility. Correspondents

Emprende has been working to extend its transactions channels and is in the process of developing a network of external correspondents which allows its clients to handle their cash more safely. Having the correspondent network also gives its clients more payment points, closer to where they work, with more flexible working hours.

External correspondents provide clients with a safe, efficient, and local access channel.



Arturo Guerrero and Clarisa Sepúlveda

Microserfin Panama

Panama's leading microfinance institution, Microserfin, has been working for 26 years to brighten the future of entrepreneurs with scarce resources. With coverage throughout the country, it stands out for the advice provided by its officers who specialize in farming businesses run by rural entrepreneurs. In 2015 it awarded some USD 20 million in productive credits and improved its service network with the opening of three new offices, bringing the total up to 20 branches.

Mariela Martínez

Outstanding areas of initiative in 2015

Casafin

Progressive home refurbishment program for entrepreneurs conducting their commercial affairs in their own home. A combination of technical construction advice and credit to build homes that are safe for productive activity and suited to their immediate surroundings.

Ruralfin

Small farming producers program, offering support, advice, skills training and access to credit.

Refugee Program for Access to Credits, Skills training and Advice

In partnership with UNHCR: a program that has been running for over five years in partnership with the UN Agency for Refugees, to provide refugees with access to credits and skill training.

Microserfin Panama

Soluciones de Microfinanzas, S.A. (Microserfin) has a solid track record of more than 26 years of activity in Panama, consolidating the purpose for which it was founded of improving the standard of living of low-income entrepreneurs and their families. Using Responsible Productive Finance, over the course of 2015 it provided solutions to the most vulnerable groups in the country. A team of 224 professionals is the backbone of the organization, committed to transforming their clients’ development, reducing poverty and vulnerability levels and sowing the seeds of economic self-improvement among disadvantaged population groups.

The institution offers nationwide coverage, much of it in rural areas, in the east and west of Panama. Microserfin is committed to its promise to service rural entrepreneurs

whom it advises at the start-up and growth stages of their farming enterprises, with its specialized officers offering personal advice.

In 2015 it released over USD 20 million in production credits through more than 13,000 loan operations for its products, demonstrating its commitment to supporting its clients’ development. Furthermore, the institution improved its client service network in 2015 for entrepreneurs with the opening of three new offices, bringing the total number of branch offices up to 11 offices and 9 user services centers.

In 2015 Microserfin retained its 5 Diamond qualification ranking from Mix Market, the highest rating that a microfinance institution can be awarded, given to those institutions that stand out for their transparency and the quality of their financial information.

Management team and board

Management Team	Board
Luis Germán Linares General Manager	José Antonio Colomer President
Rosalía Espinales Risks Manager	Arturo Gerbaud Member and Secretary
Sebastián Acevedo Senior Administrative Manager	Margarita Correa Member
John Alexander Duque Senior Distribution Manager	Mercedes Canalda Member
Héctor Rangel Client Management Manager	Gissele González Member
Sandra Soler Senior Control Manager	
Xiomara Becerra Legal Manager	
Marisela Zamora Human Talent Manager	
Arquímedes Rivera Senior Production Manager	
Onilda Rodríguez Audit Manager	

Microserfin Stories of Hard Work and Achievement **Marleny Benítez**

“I am very proud
of what I have
achieved.”

Marleny lives with her husband, her 5-year old son and her parents in the community of Cauchal, Capira district (in the Cacao jurisdiction), in a house built of leaf stalks, zinc and earth. Reaching her home is not easy, you have to cross a dirt track road which is hard to access in the rainy seasons, one hour's drive after leaving the main highway.

Marleny has not had an easy life. She has been working since she was 15 years old. First with her parents, whom she helped in farming tasks after her brother died when he was 18, and then in her own enterprise. In this latter phase she has been supported by Microserfin, the institution which has granted her six loans over the different growth phases of her business.

Since that time she has bred chickens and pigs on a small scale, as well as growing and selling yucca plant, coriander, yams, aji peppers, bananas and the root vegetable taro. She has had to overcome many obstacles, such as transporting her products by

horse to the food markets in Chorrera and Panama City.

Little by little she has tried to improve her own standard of living and that of her family. In 2011 Marleny applied to Microserfin for her first loan of USD 250 to buy chickens to fatten up, which she paid back in eight months. The experience was positive, she met her payment obligations and in 2012 she applied for a renewal for USD 375 to enlarge her farm sheds. Thanks to these improvements, she and her husband started selling their goods in fairs, opening up more sales opportunities.

Although she had started building her own house, the income from selling her products was not enough to be able to finish it. In 2013 Marleny applied to Microserfin for two new loans, which she duly paid off punctually. The excellent news of having won a permanent stall at her fairs has enabled her to sell her products two days a week, resulting in higher earnings so that she can finish her house and move out from her parents' home.

In 2014 she asked for her first farming loan in order to enlarge her yucca plots, sow pigeon pea and breed pigs and chickens. In 2015 once again she was granted a renewal of USD 1,000 to continue extending production.

Marleny is very proud of what she has achieved to date; with Microserfin's support she has proven that by working and investing the loans appropriately she can get on, improve her own and her family's standard of living and even help other people, giving them the chance to work with her on her plots of land. She is grateful to the institution for the opportunity it has given her to grow and forge a promising future.



Marleny Benítez and her family

Scan the QR
code and watch
the video about
Marleny.



Microserfin Stories of Hard Work and Achievement **Tiodoro Rodríguez**

Working for the community, the best-liked entrepreneur in La Pintada area.

Tiodoro has a grocery store in La Pintada de Coclé area and has become well known in his community as a generous person, with great people skills and, above all, is seen as a role model.

The first years of his marriage were difficult, he lost his job. He and his wife didn't have anywhere to live, so they set up a home in a house made of mud that belonged to his brother. As he couldn't find a job to put food on the table, he decided to set up his own enterprise, using the USD 300 settlement from his previous job. He used this money to buy basic products which were needed in the community where he lived, such as salt, kerosene, matches, sugar and started selling them from his house, helped by his wife. Tiodoro reinvested his earnings to continue with his business.

Tiodoro took no notice of his neighbor's comments when he said that his business wouldn't do well because only people with money could do it, and not poor people like him. He didn't let the gloomy forecasts depress him and he enlarged his productive activity by sowing rice, which he later sold. However, he needed support in order to increase his capital and his sales.

It was in 2003 when he learned about Microserfin, which gave him an opportunity with his first loan of USD 700. **Tiodoro feels very grateful to the institution because it has been his ally for several years; it has made it viable for him to grow his enterprise as well as helping his family and his community.**

The expansion of his business has meant that his four children have enjoyed the education he could not aspire to because of his own family's precarious economy. His youngest daughter is studying to become a nurse.

He currently owns four areas of farmland in different parts of La Pintada which he uses as pasture for his cows, whose meat he sells in his grocery at a very reasonable price for his customers. What he doesn't sell in his store he gives away to other people in the community.

Tiodoro tries to show solidarity and be generous with his neighbors. He gave away a plot of land in the new village of Machuca to one of his farm employees so that he could live there. He donates to the church and other community organizations. Since



Tiodoro Rodríguez with companions

Scan the QR code and watch the video about Tiodoro.



he is one of the few people with a car in Machuca, he often has to help the ill and take them in the small hours to the hospital at Penonomé; he doesn't mind if they wake him up in the middle of the night, as long as he is helping a neighbor. This good heart means he is much loved and respected in his community.

He has run his business for over 23 years and has been a Microserfin client for 12. The most recent credit he applied for was for USD 10,650. His hard work, careful management and the support of his family have meant that his business has grown steadily.

Microserfin Outstanding Areas of Initiative in 2015

Casafin is a pioneering program to improve entrepreneurs' housing conditions so that they can conduct their productive activities successfully and safely. Around two thousand families have taken part in this initiative for the improvement of productive housing.

Casafin, program for productive housing

The Casafin program was created in order for low-income entrepreneurs to make gradual improvements to the homes in which they are carrying out their productive activities. It is the only program in Panama accessing credit for home improvements that has Constructive Technical Advice, which identifies the building and refurbishment needs that are appropriate in terms of safety, health, comfort and practicality. Projects are designed to make incremental improvements with solutions that are practical and viable for each client, and advice provided as to how to go about the building phases, with a commitment to finish and to use the money sensibly.

Casafin improves business productivity by making more space and better conditions available to develop commercial and/or productive activities and has improved the standard of living of over 1,800 families. This innovative program has received several prizes, such as the award for inno-

vation given by the Chamber of Commerce, Industries and Agriculture of Panama and the National Secretariat for Science, Technology and Innovation (Senacyt).

Ruralfin, program for helping rural communities

Ruralfin is a program that has been offering support, advice, training and access to credit for more than three years to small farming producers in Panama. Ruralfin facilitates loans to finance investment in working capital and fixed assets with affordable collateral. The program has an extensive team of specialist officers who reach the remotest parts of the country, together with a progressive plan which makes it possible to accompany the producer along the different development phases of their activity, providing advice and training.

"Ruralfin Farming Training Courses" are supported by the Panamanian Farming Institute and the Panamerican Health Organization (the World Health Organization's regional office for the Americas) which are

in charge of training small producers in the subject areas of their specialty, with the former providing the farming and stock-breeding modules, and the PHO the "Five Keys for Growing Safer Fruit and Vegetables" module. The Microserfin staff responsible for executing the project have received specialist training from the PHO, such that the Microserfin team decides on the training courses using the materials previously produced and coordinated with the PHO. In 2015 training sessions took place in San Felix, Chiriqui, Darien and Veraguas, with attendance by around a hundred producers in the area.

Access to credit, advice and training are the three areas covered by the "Ruralfin" program for helping rural communities and small farming producers in Panama.

UNHCR program providing credit access, training and advice for refugees

In November 2015 Microserfin ratified its commitment to continue offering financial and social inclusion to entrepreneurial refugees in Panama through the agreement it has with UNHCR and the Panamanian Red Cross. Since it was signed for the first time more than five years ago, this agreement has provided opportunities for refugees, giving them access to microcredits and training which have enabled them to have hope for their futures.

During the diagnosis that UNHCR carried out in Panama, the refugees specifically highlighted the lack of access to banking systems, loans and opportunities for self-employment as key obstacles they face in their integration process. Microserfin supports refugees, who are also looked after by the Red Cross, giving them loans and skill building, which make it possible for them to create and consolidate small enterprises.

The integration of refugees in Panama is a priority for UNHCR and Microserfin. Because of their extremely vulnerable situation, access to banking services and microcredits becomes a major challenge for refugees wanting to make something of themselves and give back to Panamanian society. Microserfin's alliance with UNHCR provides refugees with an opportunity, making social and labor integration easier for them, in a situation in which refugees would otherwise not be able to access loans.

"Thanks to Microserfin we have examples of refugees who have flourishing, successful enterprises". Fernando Protti Alvarado, Regional UNHCR Representative for Central America, Cuba and Mexico.

Microserfin Awards and Honors 2015

Institution

- Microserfin was honored in the **Panamanian Credit Association (APC) Awards**, winning 4 out of 5 prizes, achieving first place in the categories of information quality, updating, compliance and overall change. These awards recognize timely, accurate and thorough information reporting on the part of financial and commercial institutions that benefits the system, national economy and their clients.

Client(s)

- Clients won **Micro-entrepreneur prizes** in the “Micro-entrepreneurs for Development” awards. Microserfin’s entrepreneur Hilda Hernández took **first place in the “Service” category**. Another of Microserfin’s entrepreneurs received a special mention in the “Impact on the Community” category which honors the support and creation of jobs that have a positive impact on improving the community.



Marleny Benítez with companions

Panama Macroeconomic Context

Panama is the fastest growing economy in Latin America.

The Panamanian economy held to its 6% growth rate in 2015, although this is a slight slowdown from recent years, when it grew at an average rate of over 8%, essentially because of the healthy constitution of the construction sector, both in civil building projects linked to expansion work on the canal and the boost to residential building.

This slowdown is consistent with convergence towards the economy's growth potential, together with the fact that some of the major investments that have been completed have not yet started production. The start of operations of the canal expansion in 2016 and of the Minera Panama copper mines in 2018 will help keep growth at around 6%-7% in the next few years.

This momentum held steady in 2015 with the construction sector growing by 6.5%, thanks mainly to the surge in residential projects which grew by 14%, although the lag in non-residential projects brought growth in this sub-sector to 3.2%, well below the rate of years past.

Growth in mining and quarry operations continued, linked to the sectors above, as well as electricity, gas and water supply, which increased by 7% and 12% respectively. The latter is a response to the increase in energy consumption on the part of commercial customers and, to a lesser degree, of residential customers.

The transport, warehousing and telecoms sector grew by over 7% as a result of the 3% increase in tanker traffic through the Panama Canal and a rise of more than 6% in cargo movement. Tolls increased by 7% and services to ships passing through the canal grew by around 5%. Traffic through Tocumen International Airport also expanded by 6%.

Trade grew by 5.5% mainly thanks to the performance of domestic demand. The value of re-exports from the Colon Free Trade Zone fell by 13% to their lowest level since 2010 against lower demand from some of the country's main trading partners, given the challenging economic situation facing some of these economies, especially Colombia and Venezuela, affected by a serious recession, factors affecting the companies operating out of Colon Free Trade Zone.

The restaurant sector enjoyed a 3.3% uptick and hotels one of 5.6% as a consequence of higher tourist numbers. The key manufacturing industry indicators reported a contraction in activities associated with the production of dairy products, alcoholic drinks, non-metal minerals and their exports.

The Panamanian economy is experiencing a similar scenario to that in the Dominican Republic, because of external sector impacts. Solid performance in the US economy, as well as the fall in oil price, both represent a positive shock on Panama.

However, the appreciation of the US dollar introduces a delaying factor for investments.

Inflation as measured by the Consumer Price Index was hovering around deflation at year end, with a rate of variation close to 0.2%, the lowest figure for a decade, due to the behavior of the energy price because of the fall in the oil price, as well as the drop in import costs because of the dollar appreciation. Price controls on 22 products, established in 2014 and extended in principle until December 2015, continued. If these distortions are corrected and the impacts of the energy price isolated, inflation will be closer to the 3-4% mark.

The 2015 fiscal deficit was 2.0% of GDP. The deficit reduction is the product of a real spending fall of 7%, while real income increased by the same amount. The main adjustment was made in capital expenditure, which shrank by 30% in real terms because of the new Administration's review to its plans for a number of projects. Transfers in subsidies for energy also fell sharply because of the oil price trajectory.

The current administration proposed a five-year infrastructure investment and social welfare spending plan, with more emphasis on the latter. Key programs include: urban renewal of Colon, the Techos de Esperanza (Roofs of Hope) program, the metro extension and other building projects aimed at making an impact on wider society. Altogether this new five-year plan is approximately half the size of the previous one, in an attempt to achieve greater fiscal sustainability. Recurrent loss-making management has pushed the debt-to-GDP ratio up to nearly 50%, and grew at a real rate of 10% in 2015.

The external sector continued to support a weighty current account deficit equivalent to 6% of GDP, although this was half of the 2014 rate. The fall in imports because of the lower value of oil-derivative products was one of the main factors behind this reduction. Foreign direct investment increased by 18%.

In the labor market unemployment stood at 3.8%, close to full employment, when in Latin America the average is above 6%. Nevertheless the rate of urban unemployment came in at around 6%, a rise for the second year in a row. 2015 was notable for the adjustments resulting from the final phase of major projects, which historically cause temporary, or frictional unemployment, the result of a transition to new activities, particularly those based in the construction sector with completed projects and which can be absorbed by new building projects approved in the new five-year investment plan.

Adult participation in the labor force was 73%; the labor market has a high proportion of informal employment, at 42% of the labor force, while self-employed workers and/or micro-entrepreneurs make up 27% of the whole, one of the lowest ratios in the region after Chile.

According to official figures, poverty in Panama measured by income stands at 22.3%, a reduction from 2014 when it was 25.6%, while extreme poverty edged down from 10.8% in 2014 to 10.3% in 2015. The people covered by the latter figure are basically in the indigenous areas, where 90% of the population is extremely poor.

Microfinanzas PR Puerto Rico

Corporación para las Microfinanzas - Puerto Rico (Microfinanzas PR) was created in 2008, through a collaborative agreement between the BBVA Microfinance Foundation and the Economic Development Bank for Puerto Rico and began operating in 2010. It was the country's first microfinance institution to provide funding for low-income people in Puerto Rican society so that they could develop their productive activities and thus encourage self-employment.

Martin Alberto Mcinnis López

Outstanding areas of initiative in 2015

Microfinanzas Puerto Rico has developed a program to train students and communities close to the university campus in order to provide incentives for sustainable entrepreneurial activity, out of its belief that education is a growth driver for the country.

Microfinanzas PR

Puerto Rico

La Corporación para las Microfinanzas Puerto Rico (Microfinanzas PR) was created in 2008, the result of a cooperative agreement between the BBVA Microfinance Foundation and the Puerto Rican Economic Development Bank (BDE), and started operating in 2010. Microfinanzas PR is the country’s first microfinance institution, set up to provide funding for people with low incomes in Puerto Rican society to develop their productive activities and promote self-employment.

In 2013 it became the first social enterprise in Puerto Rico to be registered as a Community Development Financial Institution (CDFI). This accreditation and recognition guarantees that it is a company that complies with the parameters and requirements established by the United States Treasury Department for originating loans and credit

to low-income communities on the island, contributing to improving the economic reality of micro-entrepreneurs in these communities.

Microfinanzas PR provides help to sectors that are especially precarious and without access to banking services, such as women who are the main breadwinners, people who have been to jail and have come back into society, the unemployed and farmers. The institution has 20 employees.

Microfinanzas PR currently looks after over 1,100 clients, who generate over 1,400 jobs in their businesses, as well as their own, thus constituting a significant growth driver in Puerto Rico, where there is a high level of unemployment and a low rate of participation in the labor force.

Management team and board

Management Team	Board
Annette Montoto President	Ramón Feijóo President
Eduvino López Sales Manager	Ramonita Otero Vice-President
Fernando Fernández Finance and Operations Control Manager	Margarita Correa Member
Nirlia L. de Jesús HR and Administrative Manager	Mercedes Canalda Member
	José Joaquín Villamil Member
	Alberto Maldonado Member
	Joey Cancel Member
	Ángel Torres Member



Azuree Dee Baez

Microfinanzas PR Stories of Hard Work and Achievement **Azure Dee Baez**

The Taino
craftswoman
who succeeded in
creating her own
art enterprise.

Azure Dee Baez is a Puerto Rican painter who was born in San Juan, Puerto Rico. She specializes in painting subjects reflecting the culture of her country and its Taino roots. She studied Graphic Arts at Atlantic College High School and has a certificate in Advanced Painting from the University of Puerto Rico. Azure uses watercolor, acrylic and gouache to express Taino culture's references to the supernatural world, the three dimensional and the subjective. Her work also reflects the abstraction of continuous contemplation and the fusion of cultures.

In 2008 she set up her microenterprise "Di Azul Art Designs" after losing her job. To overcome this crisis, she began to invest in her art business and attended classes at a talent and modeling school until she became pregnant.

Azure suffers from a cerebral illness diagnosed in her teens which requires daily medication. She had to leave her job to

look after her health and that was when her cash-flow problems began. After surmounting a number of problems, amongst them the loss of her car, she decided to reinvent herself and began to sell her work at prices that range from USD 4 to USD 30.

2012 marked the beginning of a new phase of her productive activity, when she received her first loan from Microfinanzas PR for USD 600, which Azure used to buy materials and inventory with which to make her artistic creations. Since then and up to now she has taken out eight credits, for a total of USD 4,950.

Thanks to the funding from Microfinanzas PR, she has managed to develop a successful business, selling her artistic creations at town fairs and festivals. She also has business customers who commission larger numbers of pieces, including well-known stores which sell souvenirs from Puerto Rico to foreign visitors.

To complete her income she also works part time in a fast-food restaurant. Although her business is going well, having a steady wage is helpful when her sales are less buoyant. **With eight loans from Microfinanzas PR she has succeeded in expanding her micro-enterprise and doubled her inventory. But what Azure values most, above everything, is that she has succeeded in improving the quality of life for herself and her family.**

Microfinanzas PR

Outstanding Areas of Initiative in 2015

Microfinanzas PR promotes the expansion of self-employed productive activities and micro-enterprises among the university population. It is the institution's contribution to Puerto Rico's economic development, convinced of the value of education as a driver of economic growth.

Microfinanzas PR in universities

Microfinanzas PR, in partnership with the Ana G. Méndez University System, has developed a program so that young university students can contribute to Puerto Rico's economic development, bringing the value of education as a driver of the country's economic growth. This program runs workshops and educational seminars in all universities, at which it trains students, faculty staff members, both academic and administrative, as well as the communities where the campuses are located when these are in disadvantaged areas. The goal is to provide incentives for the growth of self-employed productive activities and micro-enterprises, as well as educating people about the financing opportunities that exist for the sector.

Microfinanzas PR

Awards and Honors 2015

Front Line Management

- Annette Montoto, President of Microfinanzas Puerto Rico, was awarded the “Top Management Award” in the Banking & Finance category in January 2016. The **Top Management Award** is one of the highest distinctions conferred in Puerto Rico on senior managers from different disciplines who have made significant professional or ethical contributions, for the prestige this lends both to their profession and the industry in which they work. The award is given by the Sales and Marketing Association.

Puerto Rico

Macroeconomic Context

A decade of recession and major financial difficulties have marked Puerto Rico.

Puerto Rico's economy has been suffering a lengthy recession for the last ten years; in 2015 the economy is estimated to have shrunk by more than 1%, in a year scarred by partial defaults on debt, which stands at USD72 billion, 70% of GDP, in a territory which lacks the legal protection enjoyed by US states that would enable a debt restructuring. In August it defaulted on USD 58 million and is now in a dead end, moving funds from one creditor to pay the next, a problem which will be exacerbated at year end and in the first quarter of 2016.

This situation has generated a sharp fall in investor and consumer confidence, reflected in the fact that the island is not reacting favorably to macroeconomic variables such as the drop in interest rates and oil prices, as it would have done in the past. The response has been a sharp contraction in private and public investment.

The issues facing the island are apparent in the non-arrival of new investments and the lack of expansion of existing ones. The challenging fiscal scenario means that public investment, a growth factor in the past, is completely paralyzed at all levels of government: state, municipal, federal and local corporations.

In earlier decades, Puerto Rico was helped by a fiscal system which enabled companies to repatriate all their profits to the US at a zero tax rate. This allowed the island to

become the producer of 50% of the medications consumed in the US, doubling the weight of the industrial sector in its economy. But, by virtue of an agreement between San Juan and Washington, that system began to be phased out in 1997 and disappeared completely in 2006, the very year in which the long recession period began.

The positive effects looked for by laws 20 and 22, focused on the arrival of new investors and service firms to the island in the tourism sector have yet to be seen, ditto strategic projects to replace the drop in the industrial sector.

Emerging sectors such as aerospace, clusters, farming and biotechnology have not expanded enough, or provided the momentum for public and private investment, to substitute the sectors which have been lost. The economy in general has moved out of step with the US.

After nearly a decade between recession and low growth, the population has diminished noticeably. 11 years ago the population of Puerto Rico was 3,826,878; in 2015 the latest census available put the population at 3,474,182 people, a 10% fall over the period.

The exodus of Puerto Ricans has accelerated in the last few years and the trend suggests that it will continue. Between 2010 and 2014, the average annual number of

Puerto Rican migrants was 53,000, accompanied by a net exit of foreigners.

The migrations have mainly been by young people, contributing to the aging of the population and a higher proportion of people depending on government subsidies. Federal subsidies currently represent about 17% of GDP.

This change in the population has in turn meant that less taxable income is being generated because of the fall in the number of taxpayers which, taken with the lowered economic activity and the fall in employment have produced a real gap between the government's revenue and expenditure in 2015 of USD 8.5 billion, i.e. about 8% of GDP.

Meanwhile, debt servicing absorbs 16% of the consolidated budget, nearly double

that assigned to education and healthcare, revealing a trend of fiscal non-sustainability and the unlikelihood of being able to conduct an expansive fiscal policy to underpin economic activity.

Puerto Rico also suffers from 14% unemployment and has an active population of only 40.1%. Puerto Rico's total employment fell by 1.5% last year, while the rate of participation in the labor force shrank by 0.3 points.

20% of all employment is self-employed, with the informal economy making up 25% of GDP, suggesting that a significant proportion of the population works in this sector. All these factors indicate that major difficulties await Puerto Rico in the next few years and with them, increasing vulnerability on the part of its population.

Contigo Argentina

Contigo Microfinanzas delivers microcredits to low-income entrepreneurs, encouraging the expansion of their enterprises and their household incomes. Created in 2010, the institution promotes financial education among its clients for the purpose of advising them in an ethical and responsible manner about the financial decisions relating to the advancement of their productive activities.

Ricardo Pérez

Outstanding areas of initiative in 2015

Promoting clients' enterprises in social media

Program that harnesses the power of digital communication as a platform to publicize entrepreneurs' enterprises and create awareness in society of the entrepreneurial achievements of vulnerable people.

Financial Education program via mobile phone

Training that optimizes the potential of mobile telephony to offer financial education to clients.

Contigo Argentina

Contigo Microfinanzas S.A. (Contigo) has been operating in Argentina since 2010. Its mission is *to improve the standard of living of low-income entrepreneurs and that of their families*. Over this period Contigo has originated over ARS 50 million in microcredits to low-income entrepreneurs, encouraging their enterprises and their family incomes to grow.

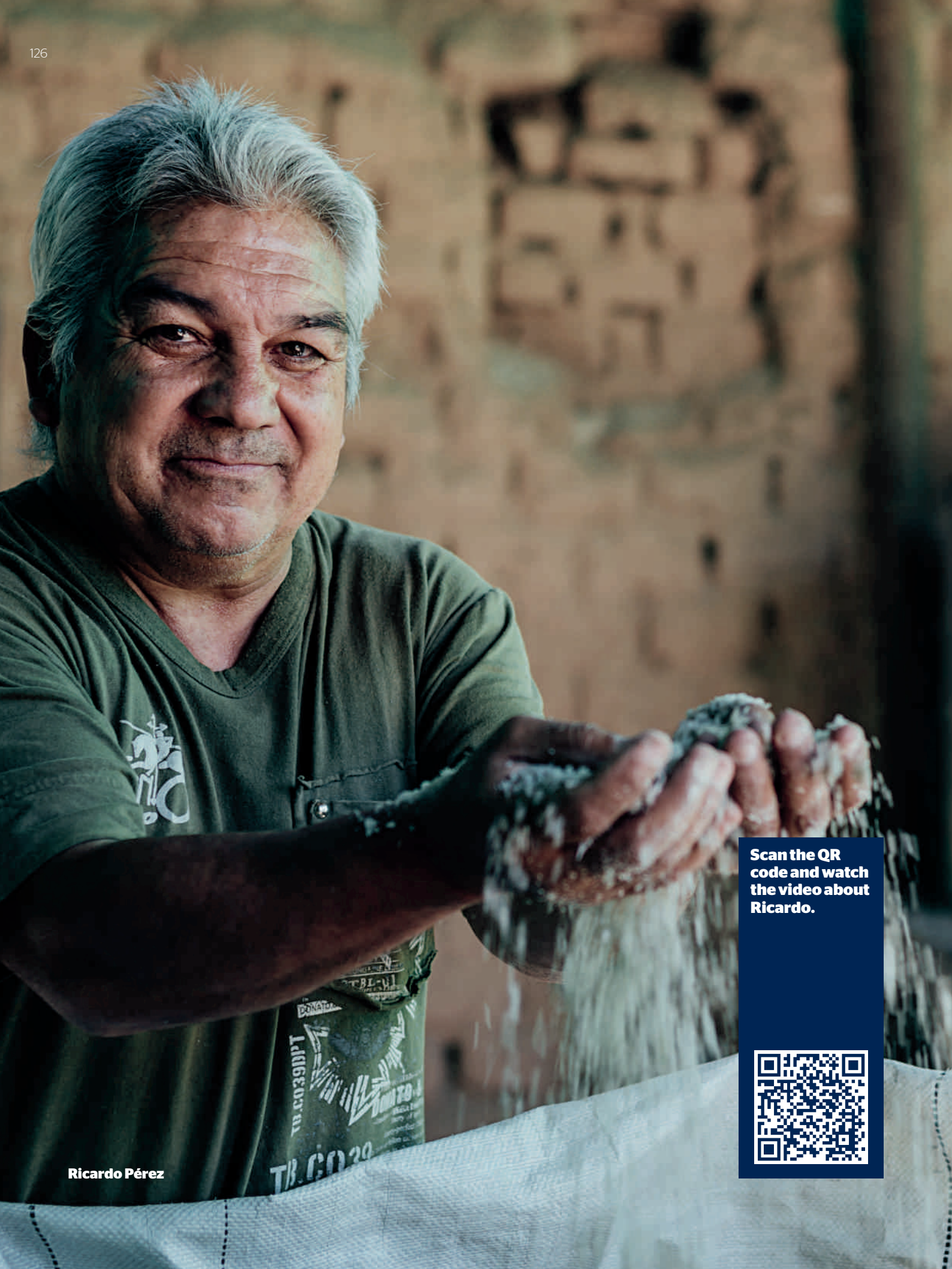
The institution has continued to support its clients’ productive development in a regulatory and macroeconomic environment that has been hostile to the sector’s development, subject to a heavy fiscal and inflationary burden. Contigo has managed to adapt to these prevailing uncertain and volatile conditions.

The institution has promoted Contigo’s value propositions in social media, instruments which have enabled the institution to promote its clients’ financial education and to serve as a platform to broadcast awareness of its clients’ enterprises.

In 2015 two Contigo entrepreneurs were honored in the annual “Micro-entrepreneur” awards. This is the third year, in the five years since the awards were set up, that entrepreneurs supported by the institution have been recognized.

Management team and board

Management Team	Board
Javier Lombardi General Manager	Ramón Feijóo President
Lucas Cardozo Sales	Guillermo Tripoli Vice-President
Diego López Administration	María Inés Silva Director
María Belén Lorenzo Collections	
Sabrina Arzani Human Resources	



Ricardo Pérez

Scan the QR code and watch the video about Ricardo.



Contigo Stories of Hard Work and Achievement **Ricardo Pérez**

“We work with garbage; thanks to trash, we make a living”.

Ricardo Pérez is proud of taking his plastic recycling business forward and at his 46 years of being able to give his children the opportunity to be their own bosses. The Pérez family has been working for itself for over 10 years in plastics recycling. **Nearly the whole family works in the recycling business, his wife and two of their four children, and he is proud to be able to give them jobs.** They get most of the material for recycling from the packaging of materials sold in stores. These products used to be thrown away, but Ricardo and his family buy them from the stores to recycle them.

His business helps to generate wealth for his community, because several people live from collecting the plastic which they then sell on to Ricardo. “This is a chain; in the same way as the people in the stores often make things easier for us, we also give a hand to all those who are selling plastic on the street. People know that we buy, so whenever someone brings us something, we give them a hand and buy from them”

explains Ricardo. **“I am very grateful to Contigo Microfinanzas for believing in me and in my family when they gave us the ARS 28,500 microcredit. Thanks to them we can carry on improving our business”.**

His next ambition for the business is to get a bigger clumping machine, which can recycle 2,000 kilos of clumped plastic a day. The clumping machine he is using at the moment can process only 800 kilos a day, so this would improve his business performance considerably. He also wants to be able to make plastic pellets, which requires a different machine. Ricardo shares his story with us. “You could say that we work with garbage, thanks to this we can make a living. It sounds tough when I say it like that, but it’s true. And what’s more, we make the place cleaner; otherwise, everything would be thrown away all over the place”.

Ricardo comments “At one point all four children were working with us but the two older ones went on to set up their own business and preferred doing that. Luckily the two younger ones help me, my wife and my daughters-in-law”.

Mirta, Ricardo’s wife, says “I always say to my children that they have to be better than us, to grow, to get on, to find something else to do, but they don’t want to leave their father alone with this business”. **Ricardo for his part adds that this enterprise is what he can leave his children, that he is doing it for them, so that they have something in the future.**

Contigo Outstanding Areas of Initiative in 2015

Communication with clients is reinforced and personalized by using social media, which enables Contigo to show Argentine society how setting up an enterprise is an effective way for people in vulnerable situations to climb out of poverty.

Promoting clients' businesses in social media

Contigo is rolling out a social media program that harnesses the power of digital communication as a platform to publicize the work being done by its entrepreneurial clients to the wider society. Clients' enterprises are promoted easily and effectively, harnessing the immediate nature of social media, providing visibility to these businesses, mainly in their local environment, at zero cost for the entrepreneur.

Increasingly clients (and their children) are users of social networks, so they can do their own promotion, making it easier to give their enterprises exposure. Social networks also serve to communicate with suppliers and clients, whether current or potential. This tool is transforming how entrepreneurs do business, and is also the way in which Contigo communicated with them.

Contigo also makes the most of networks to share its entrepreneurs' stories, so that other people can see that with hard work and commitment, people in vulnerable groups can set up activities which improve

the standard of living of the entrepreneur and those close to them. Hearing about case studies directly from entrepreneurs encourages others to overcome their concerns about innovating, and also enables the wider society to understand the impact of microfinance on the lives of entrepreneurs.

Financial education program via mobile phone

Contigo is developing a financial training program that harnesses the potential of cell phones to provide financial education to entrepreneurs and their communities.

One of the tools used in this program is sending SMS texts that distil an idea, useful piece of advice or information so that the entrepreneur can carefully consider the financial decisions they have to take in their enterprise. The main goal is for the financial understanding provided by the institution to enable the entrepreneur to improve the profitability of their enterprise.

Financial education in 140 characters: The financial training program uses SMS so that the entrepreneur can improve their business profitability, providing tips and useful information about financial decisions.



Enrique Sombra and Elizabeth Oliver

Contigo Awards and Honors 2015

Clients

- Two entrepreneurs who are clients of Contigo Microfinanzas were honored at Argentina's **Micro-entrepreneur Awards**, which represent an opportunity for society to learn about how being an entrepreneur enables people to carve out their own future and get ahead, by recognizing their work.

Ricardo Pérez won the **Gold Award in the "Services" category**. Most of his family works in his plastics recycling business -his wife, two of his four children and two daughters-in-law- and he is proud to be able to provide employment for them.

Adriana Triviño received a Special Mention. Her eponymous fashion school is a source of great satisfaction, the result of much effort over the years to make her dream come true. Her business gives private dressmaking classes (she currently has over 15 students) so that other people can also set up on their own. She also makes garments for private clients, schools, dance schools and tailors in the area. A third side to her business activity is the sale to her students of fabrics, thread and other materials needed to make garments.



Gabriel Martorelli

Argentina

Macroeconomic context

Low growth and significant distortions in the financial markets.

The Argentinian economy has been suffering significant distortions which reveal low growth, high inflation, a major fiscal deficit partly financed by monetization on the part of the central bank, together with multiple exchange rates involving major distortions. These punish exports and investments while encouraging imports, all within a framework of legal problems with its external debt which has raised the country's risk to levels of an economy in default.

The economy went into stagflation principally because of the fall in its four key sectors: trade, construction, industry and financial services, which represented the engines of economic growth before 2011, together accounting for 40% of GDP and 46% of jobs in the formal economy.

The key drivers affecting the Argentinian economy have been, on the one hand, its exchange rate and financial instability, and on the other its lower growth trajectory and the drop in employment levels.

In this scenario, after growing 0.5% in 2014, the Argentinian economy performed better in 2015, registering growth of 2.2% in the first half, after achieving a degree of stability in the exchange rate tensions, closing 2015 with growth at close to 1.5%, because of the growth in public consumption and investment in construction, despite the limited increase in private spending.

Investment in general continued to be seriously affected by exchange rate uncertainty, which grew more acute in the months leading up to the presidential elections. In the run-up to elections, fiscal policy was expansive in order to provide momentum for an economy with a deficit close to 6% of GDP, the result of a sharp expansion in spending.

The sectors with most momentum were farming and stockbreeding (12.3%) and construction (7.4%), while manufacturing industry fell back a little (-0.2%), struck particularly hard by the fall in automotive manufacturing (-12%), which had in turn been affected by the drop in demand from Brazil.

The sharp contraction in the Brazilian economy, the main source of the country's manufacturing exports, and the fall in the international soybean price, its main export product, had a negative impact on the Argentine external sector. This caused the balance of payments to report a 2.5% reduction in GDP, due to a 16% fall in the exports of goods and services, whereas imports only shrank by 10%.

The distortions in the exchange rate have been the determining factors in how the economy has performed. The gap between the official exchange rate and the parallel exchange rate reached 68%. At year end, the central bank began the process of unify-

ing the foreign exchange market by establishing a single exchange rate for all kinds of operations, the flow of current transactions was freed up and only minimal restrictions were retained on capital transactions. This forced a sharp correction in the exchange rate, with the new exchange rate converging towards the parallel rate. The official dollar rose from ARS 9.83 to ARS 15, a hike of 52%, but closed the year at ARS 12.95, because of central bank intervention, bringing the rise down to 40%.

The high inflation that has characterized the economy continued against this backdrop, up to over 30% annually in the last few years, only surpassed in the Region by the hyperinflation suffered by Venezuela.

The labor market performed well, with the unemployment rate standing at 5.9% of the Active Population, down by 1.6 percentage points (pp) from 2014. The employment rate came in at 42.2% of the population, while the labor force remained practically the same as the year before, at 44.8% of the population. The rate of underemployment was 8.6%. The unemployment rate came in at 11.8%, a fall of 2pp from 2014.

The rate of informal employment was 33% among waged employees, unchanged from the year before. There was more momentum in the rate of formal job creation, with the private sector playing a bigger role in

the annual generation of jobs, accounting for 73% of the whole. Among the sectors driving this performance, construction, mining and public services were the best performers.

Wages went up by 25% from December 2014, with accumulated rises of 29% in public sector wages and of 23% in the remuneration to workers registered in the private sector, slightly below the level of inflation.

25% of the workforce works for themselves and/or are micro-entrepreneurs and their principal obstacle is financial exclusion. In Argentina half the population has no account in the financial system and only 10% report having asked for a loan in the preceding year.

According to independent reports, poverty in Argentina hovers around 20% to 25% and there is a high level of vulnerability among a wide swathe of the population, making it very sensitive to adverse shocks; a large part of those sections of the population that are outside the financial system cannot carry out activities due to this lack of access: this makes them more vulnerable than the others.

Measuring **what really matters**

2015 Social Performance Report

Images:

BBVA Microfinance Foundation

Editing:

BBVA Microfinance Foundation

Design:

Make it GAS

Texts:

BBVA Microfinance Foundation

English translation:

Henrietta Fielden

Project development:

Make it GAS

Printers:

Agpograf Impressors
Printed in Barcelona

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