

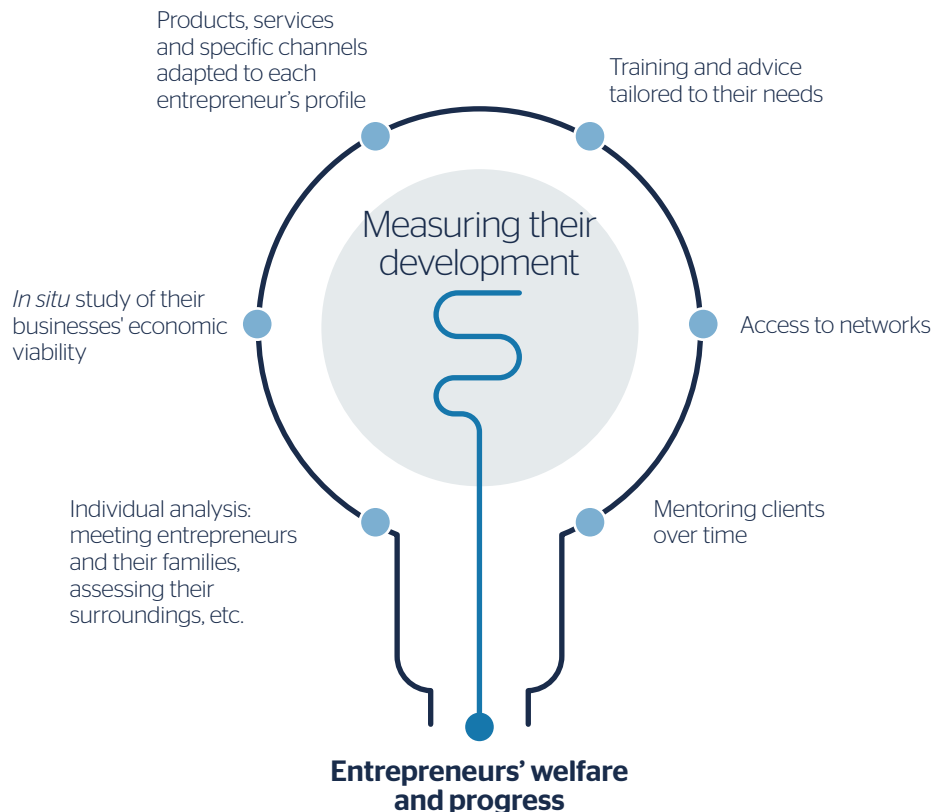
The sustainable and inclusive economic and social development of vulnerable entrepreneurs: our mission

BBVA Microfinance Foundation was set up in 2007 by BBVA as part of its corporate social responsibility to use its more than 150 years of experience to support vulnerable people with productive activities to improve their lives. Over the 10 years we have been working, we have seen that providing low-income and excluded entrepreneurs with the right financial products and services over time is key to generating economic and social development, mitigating poverty and its consequences. That is why our priority is to drive the sustainable and inclusive economic and social development of low-income people through our proprietary methodology: Productive Finance.

We use this methodology in five Latin American countries, implemented in six microfinance institutions. We put people, low-income entrepreneurs, at the heart of all our activity, supporting them with financial products and services, advice and training to ensure their progress. The Foundation also keeps another core focus in mind in its everyday work: transforming the microfinance sector.

Productive Finance

This entrepreneur-centered model promotes their sustainable development through the net incomes they generate in their businesses and helps them to achieve long-term success.



BBVA Microfinance Foundation



1,941,232
Total entrepreneurs



8,051
Employees



514
Offices



USD 1.14 billion
Gross portfolio



USD 1,308
Average loan



USD 10.80 billion
Disbursed 2007-2017

Credit clients at the close of 2017

Dominican Republic
Banco Adopem

Panama
Microserfin

Colombia
Bancamía

Peru
Financiera Confianza

Chile
Fondo Esperanza
Emprende Microfinanzas



BBVAMF contributes to the development of the microfinance sector

- Innovation
- Good Governance
- Measuring social impact
- Training
- Women's empowerment
- Regulatory framework

Transforming our world

Committed to meeting the UN’s Sustainable Development Goals

“The BBVA Microfinance Foundation is a tool for improving people’s futures. It is clearly in line with BBVA corporate culture and with the UN Millennium Development Goals – to which we specifically want to contribute”

Francisco González, BBVA Group Executive Chairman

The Foundation’s mission is aligned with the Sustainable Development Goals (SDGs) of the 2030 Agenda, the road map agreed on by United Nations Member States to transform our world. An action plan in favor of the people, the planet and prosperity, to ensure that no one is left behind. 17 goals and 169 inter-connected targets that recapture the progress achieved with the Millennium Development Goals (MDGs) which inspired them and which were in place until 2015.

In 2007, when the Foundation was launched, Francisco González, BBVA Group Executive Chairman, established this link with the MDGs, which endures with the SDGs: “BBVA Microfinance Foundation is a tool for improving people’s futures. It is clearly in line with BBVA corporate culture and with the UN Millennium Development Goals – to which we specifically want to contribute.”

The 17 Sustainable Development Goals recognize the importance of financial inclusion and microfinance in reducing poverty. Its eradication, which is indispensable for sustainable development, is the greatest challenge faced by the world, which is why SDG 1 states: “End poverty in all its forms everywhere”. Ending poverty is also our *raison d’être* and the starting point for this report, in which the SDGs are the storyline that binds our work.

Our reason for being

2.03 billion people with incomes of under USD 3.2 a day

2 billion people excluded from the financial system

77% of the people who escaped poverty did so thanks to entrepreneurship, with financial exclusion as their main obstacle

Source: World Bank

The Foundation specifically impacts on eight of the seventeen SDGs

The Foundation's activity has a specific impact on eight of the goals, starting with SDG 1 and its target 1.4: "By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to financial services including microfinance" and ending with SDG 17 "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development". Our day-to-day activity also encompasses other SDGs: SDG 2, SDG 4, SDG 5, SDG 8, SDG 10 and SDG 16.



We innovate to transform our world

The Foundation provides an innovative vision of the microfinance sector, building on the knowhow of its founder BBVA, the local experience of our institutions and the work of our more than 8,000 employees.

We invest in the digital revolution and new waves of innovation as the means of transforming financial inclusion: we are working from the banking core, the technology base of our institutions, on a mobility strategy

that factors in the most advanced risk models and the design of new products and services to maximize our clients' progress. All this, together with agile, efficient processes that ramp up scale and scope even in the poorest, most remote areas. We also support social innovation in training, and in how we reach the most excluded segments. With innovation in our DNA, this is how we are transforming the sector to bring the age of opportunity to everyone.

Backing today's and improving tomorrow's

SDG 1

No poverty

Goal

End poverty in all its forms everywhere

Target 1.4

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, and access to financial services, including microfinance



Poverty is a complex, multi-dimensional phenomenon that goes beyond income scarcity. The 2030 Agenda acknowledges that eradicating it in all its forms and dimensions is the greatest challenge faced by the world and an indispensable requirement for sustainable development. According to the United Nations, to achieve SDG 1, economic growth has to be inclusive to create sustainable jobs and promote equality.

In Latin America a new category has come into use, that of vulnerable people, in addition to the 186 million poor people in the region, according to the UN Economic Commission for Latin America and the Caribbean (ECLAC). Even though they are above the poverty line, vulnerable people are at a high risk of falling back. This socio-economic group is currently the largest of all, accounting for 38% of the Latin American population, according to the most recent data from the Inter-American Development Bank (IDB), ahead of the middle classes (33%) and those in pov-

erty (26%). Although the MDGs reduced poverty down from 45%, ECLAC has warned that it has been on the rise again since 2015. For this reason, in the SDG era, the main challenge is still that of eradicating poverty in the region, where two out of every three people are poor or vulnerable, according to the World Bank.

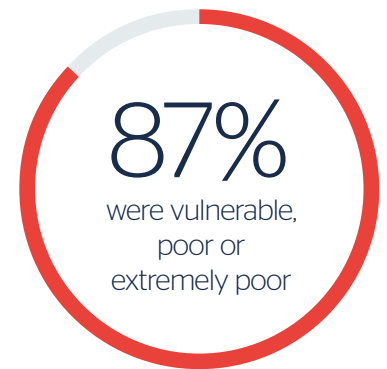
With this goal, BBVA Microfinance Foundation estimates that in 2030, it will have delivered over USD 25 billion in productive loans to reduce poverty. Working from this premise, we measure the progress of entrepreneurs over time and keep track of how their businesses grow.

We are bringing innovation to microfinance and we put it at the service of entrepreneurs to encourage their development and reduce poverty. Marcos, Marcela, Lucy, Juan, Adelaida and Luz are, together with the nearly 2 million people we serve, the real protagonists of our story. With their efforts, they prove that, given the opportunity, they

The nearly two million people whom we serve are the real protagonists of our story

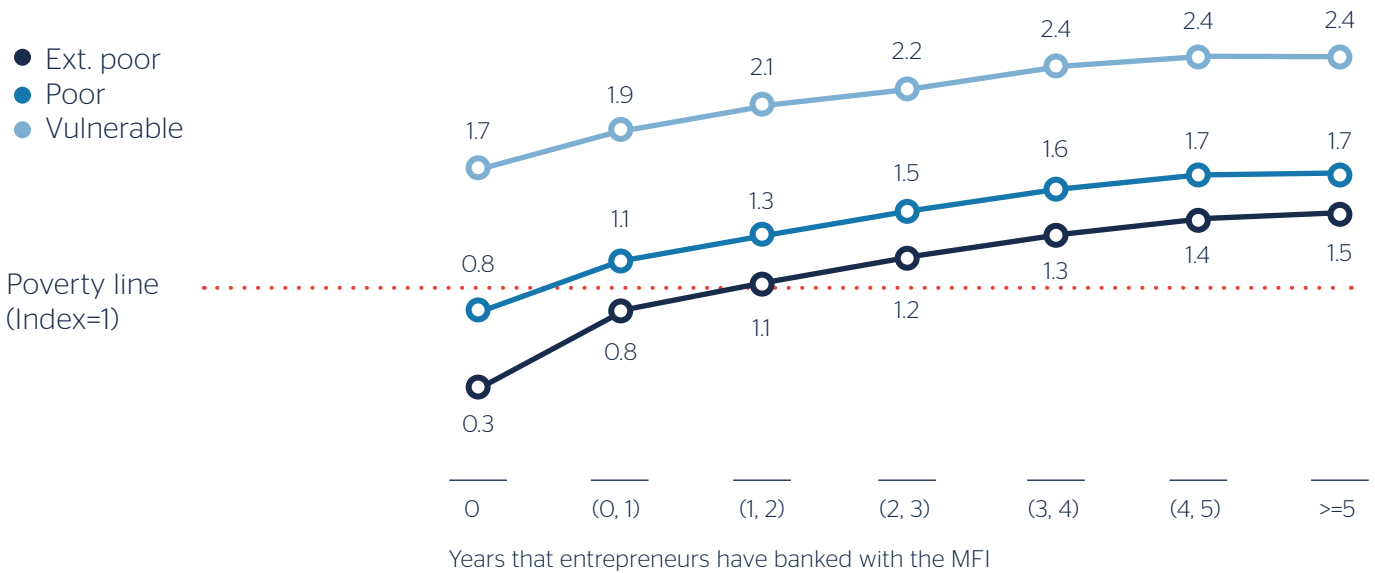
can contribute not only to their own progress but also to that of the world around them. Sustainable development is as essential for them as it is for transforming the planet and complying with the 2030 Agenda.

Situation at the outset of the entrepreneurs served since 2015



Per capita monthly income relative to the poverty line, change since outset *

*Entrepreneurs served since 2015



Extreme poverty line

Below this threshold, incomes are insufficient to pay for a food basket that satisfies minimum nutritional needs.

Poverty line

Below this line, minimum nutritional, clothing and housing needs cannot be met.

Vulnerability line

The vulnerability curve identifies people who have overcome the poverty line but have a high probability of falling back below it.

In its measurement, the Foundation adapts to the poverty lines set by each country, and sets the vulnerability line at a multiple of three times the poverty line.

Innovation to end poverty

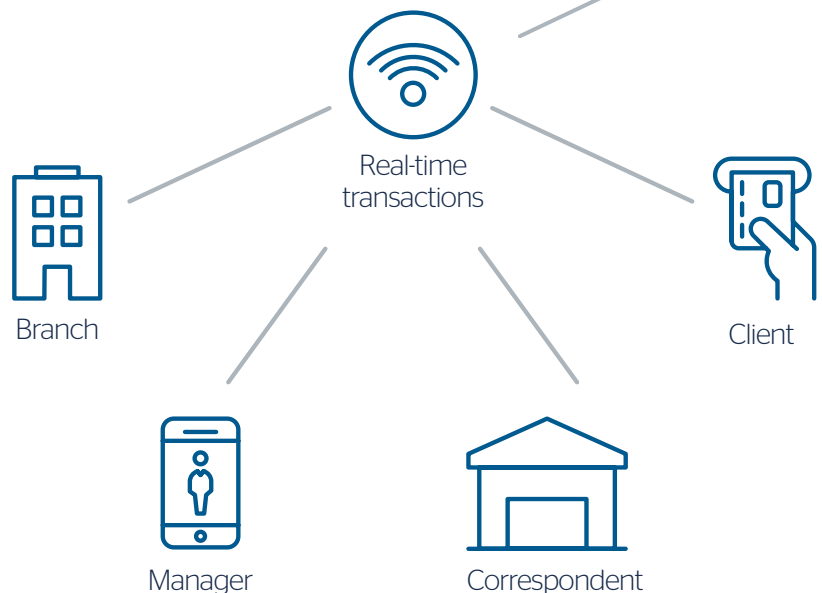
The Foundation offers services to the poor and vulnerable people who are excluded from the financial system. We constantly work to become more innovative and be more beneficial to them, with products and services that are tailored to their needs.

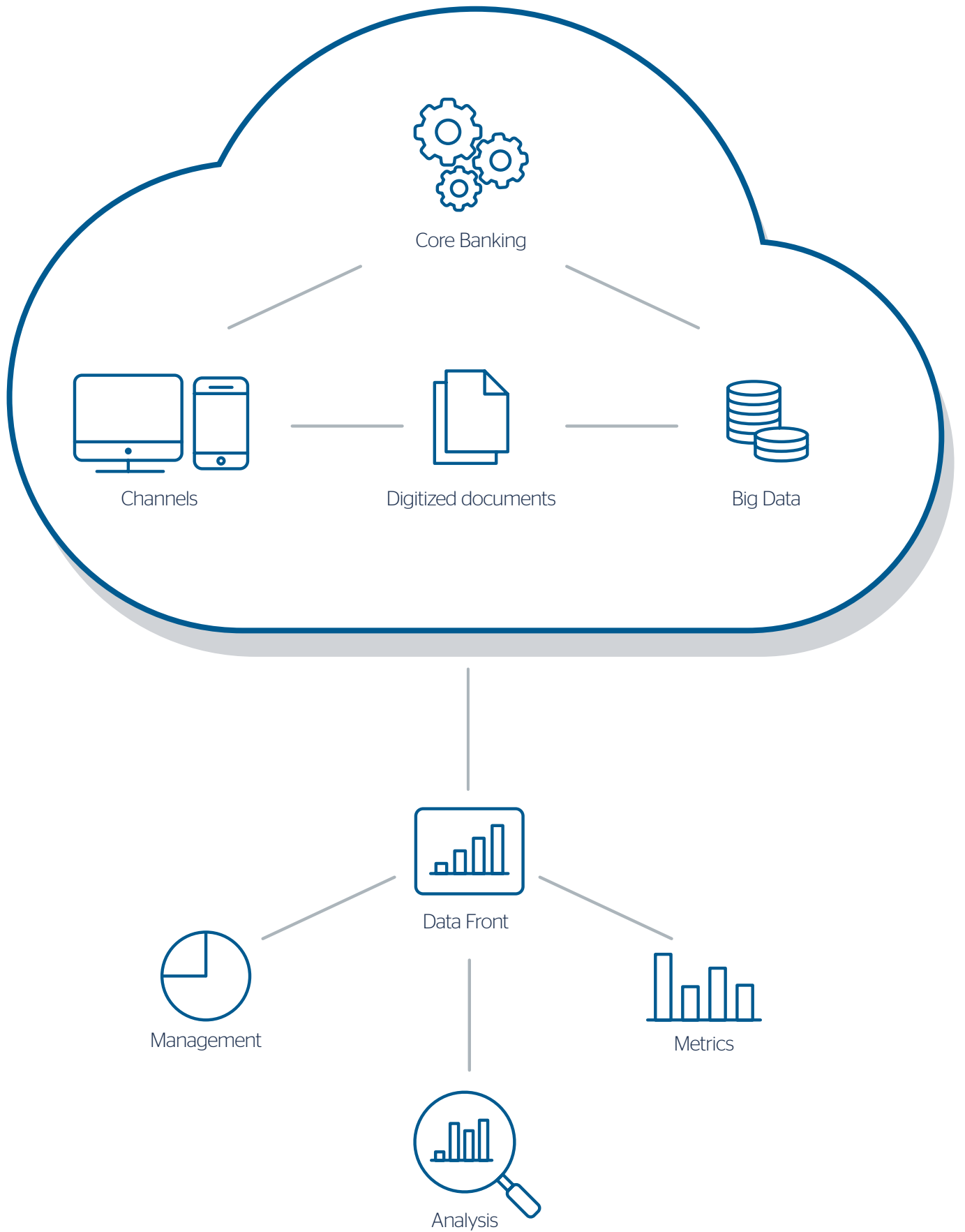
We promote economic development and inequality reduction, with advanced risk management and models, found in the most demanding banking environments, brought to the world of microfinance. We implement shared cloud technology solutions in the Foundation Group: a banking core that forms the hub of all our activity, multi-device mobile solutions to provide online services to entrepreneurs, document digitization to improve client service processes and to save costs, and a data repository to understand their needs better and faster. This technology hub means that our new products and all our new channels can be set up quickly and flexibly, and as efficiently as possible.

To all intents and purposes, we carry the branch office in a mobile device to reach remote populations, rural areas where, according to the UN Food & Agriculture Organization (FAO), 75% of the poverty in developing countries is concentrated and where there is less access to financial services. Thanks to technology, loan officers can reach these entrepreneurs with all the information and transactions on hand, to make the procedures more straightforward and avoid unnecessary trips for clients. Thus, we have a complete and innovative model that supports vulnerable people.

BBVAMF Group's technological platform

- Synergies
- Speed
- Efficiency
- Flexibility





Our protagonists



Marcela Aedo

The training she received from the *School for Entrepreneurs* not only boosted her business, but also her self-confidence, improving her future and that of her family.



Lizandro Ramón (Officer)

"The mobility strategy is a breakthrough in time, speed and motivation"



Marcos Flores

He has succeeded in progressing and creating employment in his community, thanks to technology. The challenge is to adapt it to the work done by farmers like him.



Lucy García

She went from driving a motorcycle-taxi to managing an entire fleet, providing jobs for over 200 families in her community. Underestimating women like her is a common mistake.



Martha Bernal (Officer)

"Tablets have sped up our response times, especially when we are advising clients. We can provide them with information on the spot, access their credit history and adapt their loan payment dates to their circumstances"



Angélica Albornoz (Officer)

"What is inspiring about all this is knowing that we are eradicating poverty; knowing that I can help someone, and that behind that woman is an entire family"



Juan Disla

At the age of 65 he can live without worries, knowing that he is protected by a microinsurance policy. With his savings, he hopes to buy a plot of land to extend his business and give his seven children a future.



Luz Dary Paz

Even though she lives in a conflict zone in Colombia, she has managed to rebuild her life and bring up her children without having to flee.



Macarena Neira

(Sales assistant)

"Our model involves an assessment, field work in which the officer personally visits clients' home-based businesses to see whether the entrepreneur's standard of living has changed"



Luis Salazar (Supervisor)

"Many of the refugees we serve come from humble backgrounds whose primary need is financial support and advice to set up a business"



Adelaida Morán

She has done so well that she dares to be ambitious, because she has seen what she can do with small loans and with advice from the officers: to reach her goals and continue making progress.



We work in partnership with major local and global players in the field of poverty and development.



Daniel Aguiar (Officer)

"Being able to help entrepreneurs when they ask for a loan and to see the progress they have made with that money over time, fills me with satisfaction"

SDG 2

Zero hunger and sustainable agriculture

Goal

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Target 2.3

By 2030, double the agricultural productivity and incomes of small-scale food producers, particularly women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to financial services.



We are never going to end poverty until we reach the most remote populations. It is there, in rural areas, where the highest levels of poverty and financial exclusion persist, because of the difficulty in getting to them. Narrowing that gap and supporting smallholders is a major challenge if we are to achieve SDG 2, because by 2020, 60% of poverty will still be rural, according to the FAO.

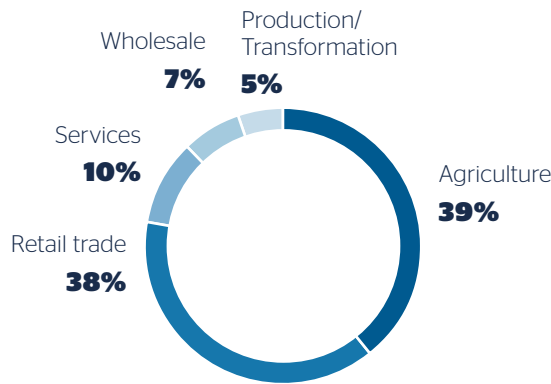
BBVA Microfinance Foundation brings financial services closer to the remotest corners of Latin America, contributing to their development. It invests in innovation to make its officers' work more agile; officers who travel hundreds of kilometers to the entrepreneur with their mobile devices, allowing them to access their entire credit history and enabling them to open applications for new loans, give advice, etc. This way, we avoid scenarios where entrepreneurs would waste time and money travelling to the branch office, leaving their business unattended.

Farmers account for a significant proportion of the Foundation's rural clients, and serving them presents an additional challenge. Family incomes linked to the sector depend on the quality of the harvests, productive cycles and the vagaries of the weather, often affected by climate change. These are circumstances which forced Marcos Flores to make an investment to alter his planting methods. They also require officers such as Martha Bernal to have the necessary skills in agronomy to give advice to entrepreneurs, and to offer them the most appropriate and tailored products for them.

According to the FAO, growth in agriculture is particularly efficient to reduce hunger and malnutrition, so investing in the Agribusiness sector helps not only to put a stop to hunger, but also to mitigate poverty. For the BBVAMF, developing a value proposal and a specific model of service for this segment is key to complete its mission.

Our product *Agrocrédito*, in the Dominican Republic, won the Inter-American Development Bank (IDB) 2017 *Award for Financial & Entrepreneurial Innovation* because it promotes financial inclusion and strengthens the productivity and resilience of small farmers. These rural microloans take into account the sector's productive cycles, that vary according to activity. The IDB also highlighted the role of *Atamovil*, a digital device used by officers in the country to manage loan applications outside the office, reducing operating and transactional costs. Furthermore, a number of initiatives such as the *MEbA* (Microfinance for Ecosystems-based Adaptation) program in Colombia and the *Finanzas Rurales y Ambiente* (Environment and Rural Finance) program in the Dominican Republic, adhere to the efforts of the BBVAMF in favor of the environment.

Economic activity in rural areas*



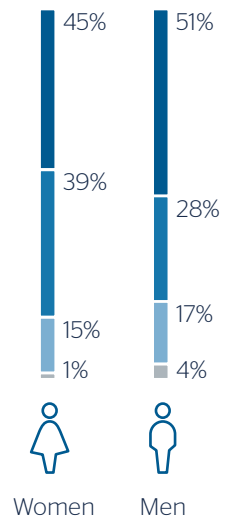
33%

of the Foundation's entrepreneurs live in rural areas

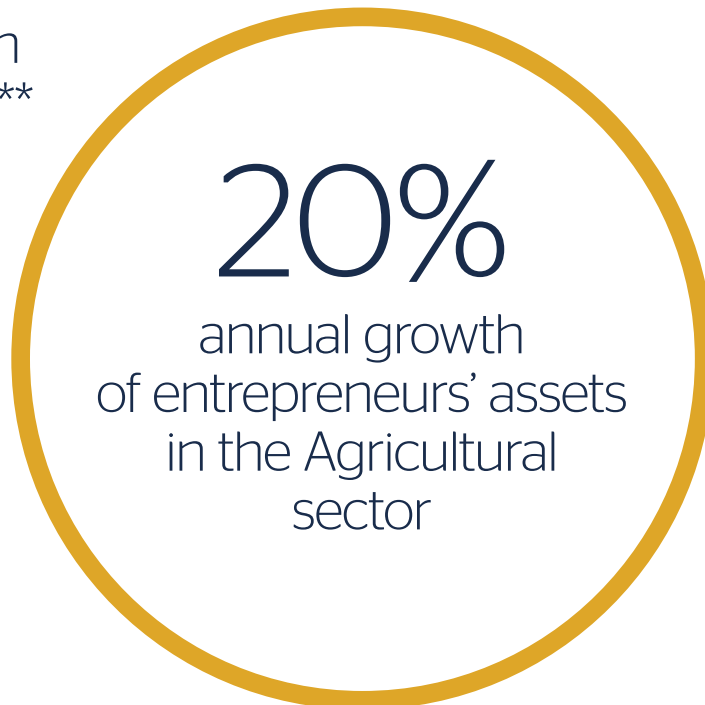
Percentage of rural clients in the BBVAMFG current at 12.31.2017

New clients' activity **

- Agriculture
- Livestock
- Mixed farming
- Others



Entrepreneurs served between 2015 and 2017***



*Client breakdown by sector, served between 2015-2017 (current at 01.01.2015 plus all those served, whether new or returning, since then)

**New clients served in 2017, breakdown by activity and breakdown by gender according to activity

***Clients current at some point in 2017 with data updated within the previous 12 months. Average CAGR for 2012-2017 cohorts

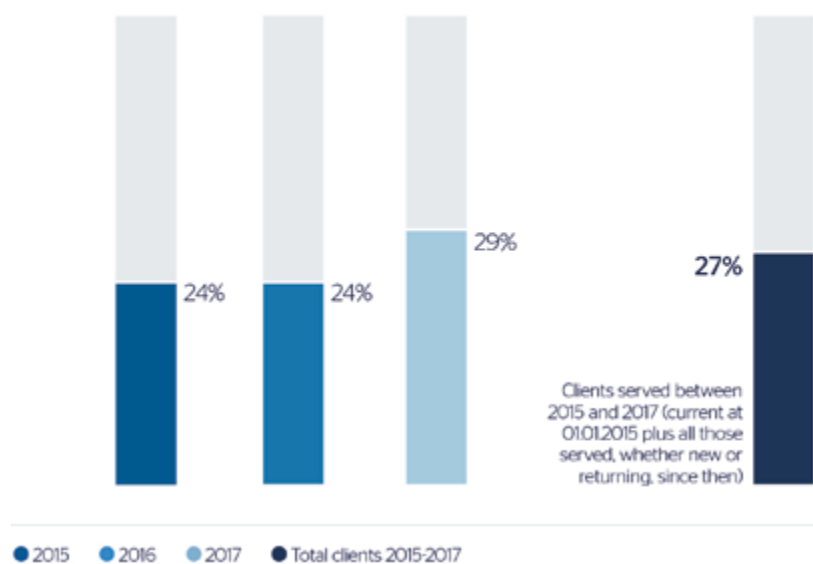
Access to financing for rural women

Women face the greatest obstacles in joining the job market and accessing financial resources in rural areas. That is why many of them often work in trade or other activities with lower barriers to entry. Even so, rural women are increasingly overcoming them and taking up agricultural activities, as is the case with the women entrepreneurs served by the Foundation.

Women's participation in the Agricultural sector has a positive effect on their families' nutrition and on improving their communities' food security. In particular, more women than men work in animal husbandry.

In the Dominican Republic, our *Agromujer* loan takes into account the fact that rural women who are starting an enterprise lack collateral, one of the barriers to entry in formal banking. Together with the loan, we offer financial training, entrepreneurship courses and technical assistance.

Percentage of rural women in agricultural activities



29% of new rural women clients served in 2017 are taking up agricultural enterprises

Marcos Flores' story

Marcos is convinced: the challenge is to adapt technology to the work that farmers like him have to do. In the digital era, this enables them to grow, but the reality shows that many do not have this opportunity. That is why in the Foundation we are committed to bringing innovation closer to them; this is what all of us intend to achieve. Thanks to this effort, entrepreneurs like Marcos, who are not yet using modern tools, see how Chilean farmers can tackle the major changes that are transforming their sector. He started off

with half a hectare and now he has 20, where he grows native corn, cauliflower and broccoli.

By attending specialized training and workshops, he learns about new agricultural developments and techniques that would be otherwise out of his reach. His credit officer gives him the technical support he needs to apply what he has learned and improve his crop, as well as adjusting his loan repayments to his seasonal cash flow. "Technology is important in order to



SDG



By supporting smallholder farmers, we are promoting more efficient working practices that help rural communities develop

make progress; nowadays you can invoice over the phone, and buy materials with bank transfers... But you have to know how to do it", he points out.

Although he knows that the land is the great determinant, he explains how in recent years climate change has forced him to adapt to unforeseen scenarios: "I sow at particular seasons to prevent possible losses. We can't take risks as we used to, the climate has changed a lot and we have to be vigilant all the time".

With its support for smallholders, at the Foundation we promote more efficient work practices that help rural communities develop, where most people work, and we strengthen their resilience to the effects of climate change. "With my job, I am generating employment, helping my family, paying for my children's education... that is priceless". As priceless as his contribution to SDG 2, like that of over 200,000 farmers whom the Foundation has served in the last three years.

Products and services for the agricultural sector

Dominican Republic

Agrocrédito

This is part of the *Finanzas Rurales y Ambiente* [Environment and Rural Finance] program and won IDB's *Inter-American Award for Financial and Business Innovation*.

Panama

Ruralfin

This includes training in new agricultural techniques, financial education and mentoring throughout the credit cycle.

Colombia

Agromía

The product line enables payment dates and methods to be tailored to the client's cash flow.

Rural Finance Initiatives (in conjunction with USAID*)

Targets municipalities affected by the armed conflict that are under reconstruction.

Peru

Agricultural Credit

Meets this sector's needs, adapting the timing of payments to the crop cycle.

Cooperation with USAID*

Through an initiative to support farmers who replace illegal crop production with cocoa bean crops.

Chile

Farming loans

For agricultural entrepreneurs.



*United States Agency for International Development

Interview with Martha Bernal, officer in Colombia



The Foundation, environmentally aware

MEbA (Microfinance for Ecosystems-based Adaptation)

In Colombia, this program provides vulnerable rural and periurban populations in the Andean Region with products, services and advice on how to adapt to climate change while raising their incomes. In 2017, together with UN Environment and ICAM College (Institute for Agribusiness Science & the Environment), we launched the *Fincas Demostrativas* [Pilot Estates] initiative, to teach entrepreneurs about adaptive response measures. The initiative includes access to credit so that they can implement these measures.

Crediverde

The 'green' credit line offers its users the option to acquire eco-efficient technologies in the countryside or the city. The aim is to improve small businesses by providing access to renewable energies that are more environment-friendly and, in the long term, generate higher returns.

FRA - Finanzas Rurales y Ambiente [Environment and Rural Finance]

In the Dominican Republic, this initiative includes other "green" finance programs for entrepreneurs who invest in looking after the environment, as well as *Agrocrédito*, such as *AgroPyME*, *Ecocrédito* and *Agromujer*. It also provides the Financial Education program for the rural population.

Five years ago, Martha left her job as a researcher in agronomy to work full time with the Foundation's entrepreneurs in Colombia. Her vocation for rural development has led her here, where she manages the portfolio of over 200 people, many of them working in the Agricultural sector. A few months ago, she swapped her notebook for a tablet, which enables her to speed up processes, provide the entrepreneur with a more immediate service and organize her daily tasks and visits with a geolocation system.

How does your training as an agronomist help you in the role you have in the Foundation?

I understand crop and production cycles and I know when my clients are going to have revenues, depending on what they sow. In Colombia, people tend to diversify their crops, so as well as potatoes they grow lettuce, spinach, cilantro... This gives them higher revenues because the harvest periods are different.

Why is it important to adapt the products and the advice you give to the Agricultural sector?

Agricultural credit products have different payments depending on the entrepreneurs' needs. We adjust them automat-

ically to when they are generating revenues. Loans for all other activities, on the other hand, are paid back every month. Additionally, we look at how clients handle their crops and we advise them on market conditions, whether selling prices are good or unfavorable to them. In general, they have a lot of experience, so, depending on what they are planning, they make a go of it given their knowledge of traditional production methods.

How has technology changed your job?

When I go visit my clients, I finish with nearly all the paperwork completed. Tablets have brought response times down, particularly when it comes to advice. We can give them the information on the spot, access their credit history and adjust the loan payments to their circumstances.

How have entrepreneurs reacted to this innovation?

Most of them are already familiar with tablets, but at the beginning their greatest concern were the changes involved, and whether the processes were going to be straightforward. All new formats take a bit of time to get used to, but it is well worth it. On one of the first visits using the tablet, the client thought we were going to take photos!



SDG 4

Education for all

Goal

Ensure inclusive and quality education for all and promote lifelong learning

Target 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for entrepreneurship.



Education is one of the cornerstones of people's economic and social development. An essential foundation on which to build a more inclusive and prosperous society. That is why at the Foundation we assume this responsibility and support training and financial education, to contribute to the progress and sustainable development of our entrepreneurs.

So that they make the best decisions in their businesses, we need to provide training in skills, particularly when 43% don't have training or have primary education at best. Just in 2017, we gave training to over 420,000 people in a number of programs such as *Educación Financiera* [Financial education] in Colombia, *Palabra de Mujer* [Woman's Word] in Peru and the *Escuela de Emprendimiento* [School for Entrepreneurs] in Chile. It was that very school where Marcela Aedo attended, and thanks to which she improved her life and that of her children. She is one of over 160,000 Chilean women entrepreneurs who have passed through its classrooms in 2017.

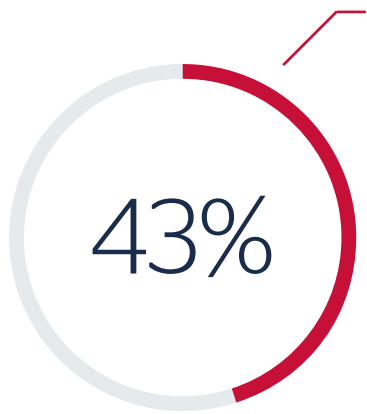
We also design financial products and services that facilitate access to education and even help them make their greatest dream come true: for their children to have better education and more opportunities in the future, such as going to university.

None of this would be possible without our commitment to train our employees. We have invested in our Microfinance Campus, an innovative digital platform, to enhance and improve the skills of those who contribute to our entrepreneurs' success. We are particularly proud of our *Amigotchi* app, a training program which in a straightforward, intuitive way helps our officers to extend their understanding of management and leadership, "mentored" by the virtual character, Simón.

Lizandro Ramón, who started out as a loan officer is now a branch manager, training teams, explains that this technology is turning training into a life-changing tool.

We provide training, particularly financial education, so that our entrepreneurs can make the best decisions in their businesses

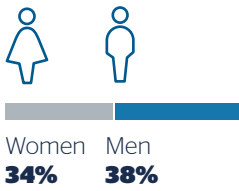
The academic backgrounds of our entrepreneurs



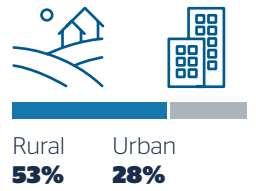
have no education or primary education at best

Current clients at 12.31.2017

Entrepreneurs who have primary education at best, by gender:



Entrepreneurs with primary education at best, by environment



New clients served during 2017

Our training programs



Educación Financiera [Financial Education] program in **Colombia**

Escuela de Emprendimiento [School for Entrepreneurs] in **Chile**

Palabra de Mujer [Woman's Word] skills program in **Peru**

Others

A benchmark in the region: *School for Entrepreneurs* in Chile

Among the training programs run by the Foundation, the *School for Entrepreneurs* offers a socially innovative example.

It includes psycho-social support and 18 educational modules in four study areas: business development, family welfare, empowerment and social capital. The plan is flexible, tailored to students' needs and learning speed, and uses a participative adult education methodology based on learning by doing, called "Experiential Learning" (David Kolb), in which the entrepreneurs are the protagonists.

165,673 entrepreneurs trained in 2017

82% women

50,676 hours of lessons delivered

2 year courses

Marcela Aedo's story

Gabriela is studying a university degree in English. She has managed this thanks to her mother, Marcela, a 50-year old woman who in the last seven years has changed the course of her life and the lives of her family members. Now she is independent and the head of household.

Until then, no matter how early she got up, or how much she sacrificed, she couldn't change her job, which prevented her from spending more time at home to look after her children, and which didn't give her enough money to pay the bills. She had lived in the countryside for years with her family, but



SDG



Without Marcela's determination to learn and grow, her children would not be at school, and she would not be in control of her life

she had not lived off the land. One day she was given some hives and she be-

gan keeping bees. Because of the pesticides being used in the fields around her, they did not make much honey. That, together with her children's asthma, led her to try organic farming. In Chile, this accounts for only 0.1% of agricultural production, according to the European Institute for Research into Organic Agriculture (FiBL).

Without Marcela's determination to learn and grow, her eldest daughter would not be at university, the younger children would not be at school, and she would not be in control of her life. First as a beekeeper and then when she decided to di-

verify her enterprises with the support of the Foundation in Chile. There, she succeeded in learning at the *School for Entrepreneurs* how to get other business ventures off the ground, and to boost her self-confidence by proving that by her own efforts she has changed her future and that of her family.

There are lots of Marcelas in this report, who, together, contribute to meeting some of the Sustainable Development Goals that aim to transform the planet. They are examples of how our entrepreneurs turn out to be the architects of the better world we want to reach by 2030.

Financial products and services for education

We are fully aware of the importance of education for development, so we innovate in financial products (loans, savings, insurance, etc.) to lower the barriers for entry to education for entrepreneurs and their children. The Dominican product *Educa-T* is an example.

***Educa-T*, in the Dominican Republic, a loan that enables access to university**

This program uses the agreements set up with 26 of the best universities in the country to make it easier for entrepreneurs to achieve their greatest dream: for their children to go to university, stopping the intergenerational transmission of poverty.

This line of credit covers the funding for tertiary studies, technical training and vocational courses. The most pop-

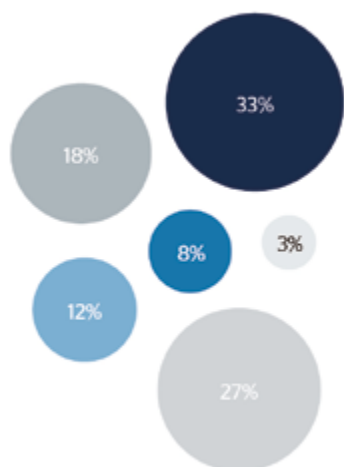
ular degrees studied are Primary education teaching and Medicine (14% and 12% respectively).

The beneficiaries of these loans who completed their studies obtained above-average marks (85 points, the average being 60).

Parents' educational level

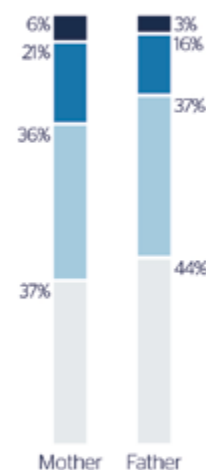
75% of the students served reach higher levels of education than their parents, increasing their likelihood of having better standards of living.

Breakdown of students by branch of study*



- Biology
- Health Sciences
- Social Sciences
- Education
- Engineering and Design
- Psychology

Parents' educational level *



- Primary
- Secondary
- Tertiary
- Doctorate

*Current clients at 12.31.2017

Training employees



See video



Amigotchi app

The program that won the most accolades on our Campus

Team management

Learn as you play

Evolves for fast learning

Awards and honorary mentions

Simón, the virtual character who trains employees

Interview with Lizandro Ramón, officer in Peru



Lizandro is one of the Foundation's pioneers in Peru. He says that after all this time what motivates him is his passion for helping society and his country. He started as a loans officer and today, after spending hours in learning skills, such as credit risk or group management, he is the one training the teams of employees. Now he is a branch manager, with 22 people reporting to him. He has the technical and professional abilities that help vulnerable people become entrepreneurs and is one of the users of innovative methods such as *Amigotchi*, designed to

improve the way in which entrepreneurs are served. The need to innovate is present at all levels of the Foundation.

Do you think we are making innovations in training?

Yes. Once you've been taught how to use the tablet, the mobility strategy is a breakthrough: in time, speed and motivation. I click and up comes the list of clients, their data and even their birthdays, which makes it easier to build a relationship. It is a very powerful tool!

Have you found the *Simón: Amigotchi* program helpful?

Was it effective?

It's attractive, dynamic, different. It's a game on a mobile phone that makes you think, putting you in specific scenarios and situations.

Does the training received by officers translate to the people they serve improving their businesses and their lives?

Everything the officer learns is taken on board as a lived experience, and this means that it trickles down to the entrepreneur. I have seen it for myself. I haven't just seen it, I've felt it. My training impacts the client.

SDG 5

Gender equality

Goal

Achieve gender equality and empower all women

Target 5.a

Undertake reforms to give women equal rights to economic resources, as well as access to financial services



The achievement of full human potential and of sustainable development is not possible if one half of humanity continues to be denied its full human rights and opportunities. That is why it is critically important to incorporate gender perspectives systematically. The 2030 Agenda builds on this, indicating the need for women to have equal access to good quality education, economic resources and political participation; not forgetting the right to the same opportunities as men in employment, leadership and decision making at all levels.

Poverty is gender-biased: globally, more women than men are poor and they suffer greater financial exclusion. These are circumstances that their children inherit; it is often the women who bring them up on their own. According to the FAO, women reinvest up to 90% of their incomes in their household: in nutrition, health, education and activities that generate further income so that they can continue to make progress. That is why empowering them economically is a sure bet to the future: the impact is already seen in the next generation.

An example of this are the million plus women whom we mentor in the Foundation, who develop over time with adapted financial services, such as products to support their children's savings, microinsurance policies with coverage adapted to women's needs and Chile's group lending model. We also offer non-financial services such as training in business administration, budgeting and family welfare, self-esteem reinforcement and access to support networks, as well as financial education. Angélica Albornoz, an officer of the Foundation in Chile, is sure that the psychological support among women

Poverty is gender-biased: more women are poor and suffer greater financial inclusion

entrepreneurs in lending groups motivates them to overcome adversities and keep on working towards prosperity.

Nearly seven out of ten poor entrepreneurs we served over the last three years are women. They are capable of growing, even though they start out with less, and in spite of being in charge of more family members. 82% have dependants and the average family size is 3.2 people. Lucy García started a small business to support her children, whom she is bringing up on her own, and today she manages a fleet of motorcycle-taxis that service her community.

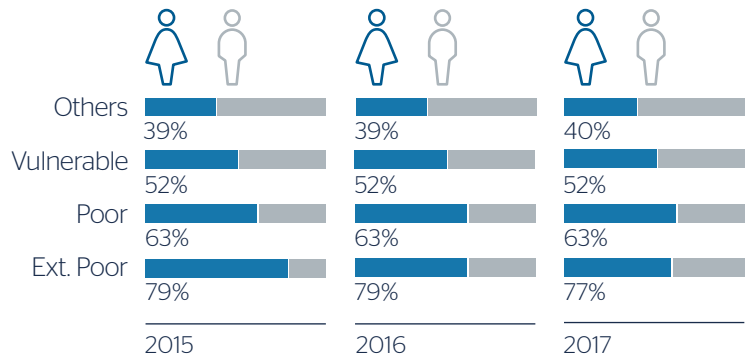
We are pushing through a cross-cutting strategy to encourage women's economic independence, listening to their concerns, their needs and the obstacles they face. Furthermore, we continue to work on the internal gender culture in the BBVA Microfinance Foundation Group, and support partnerships that create value for our women entrepreneurs.

Our women entrepreneurs

8 out of 10 of all our entrepreneurs who have succeeded in crossing the poverty line since 2015 are women.

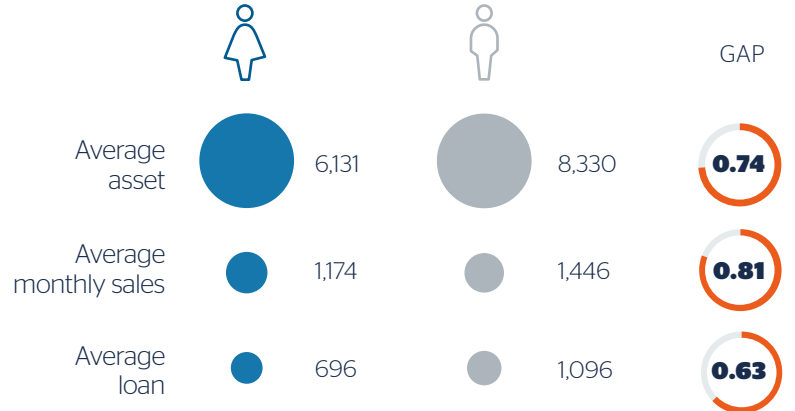
Our clients' initial vulnerability, by gender

Breakdown by gender and vulnerability of new clients served between 2015 and 2017



Assets, sales and disbursements. Gap between women/men

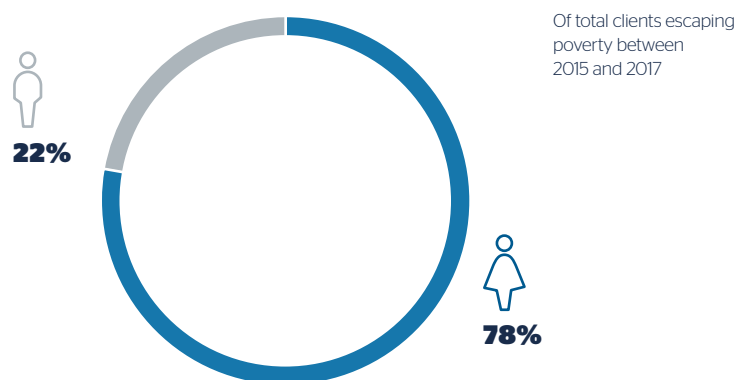
Our women entrepreneurs start from a more vulnerable situation. The assets of those who joined the Foundation in 2017 are only 74% that of the men, and their loans are 63%. However, the gap narrows when we look at their sales figures.



New clients in 2017 by gender

Entrepreneurs who escape poverty

Women entrepreneurs are more able to grow and escape poverty than their male counterparts, despite their lower levels at the outset and their greater family commitments.





Lucy García's story

It was on *Esperanza* (Hope) Avenue, as chance would have it, in the Ate district, where Lucy challenged the opinions of those around her. A woman can't drive a motorcycle-taxi, they said, let alone make a living from it. Lucy not only had to cope with her husband leaving her, but also with the difficult task of bringing up her children. But there are few things stronger than the determination of a woman, of a mother in charge of her family.

She admits that it was anything but easy, but she never let herself give up. That is probably one of the secrets of her success, and what has led to her winning the first prize for the *Microentrepreneur of the Year* in Peru in the Trade category of *PREMIC 2017*. Supported by the Foundation, Lucy went from driving a motorcycle-taxi to man-

aging a whole fleet of them, providing jobs for more than 200 families in her community. What is more, one of her daughters is currently a partner in the company, while the rest are all accomplished professionals.

Underestimating a woman like her is a common mistake. Aside from these women's daily grind, they also have to prove that they are indeed as capable as men and deserve to be treated in the same way. Their efforts do not go unnoticed, and the United Nations has dedicated one of its SDGs to gender equality, as a driver of economic growth, but above all, as a basic human right. SDG 5 is a call to the whole world to acknowledge the work of women in changing things and transforming the world.

Her determination to overcome adversity has led to her being named Microentrepreneur of the Year 2017 in Peru

Products and services for women's economic empowerment

The group lending method in Chile

Microfinance products

- Productive microcredits
- Microinsurance

Skills

- *School for Entrepreneurs*
- Specialized training

Support networks

- Business consolidation
- Extended learning
- Social protection
- Community development



82% of entrepreneurs are women and
95% of these women are poor or vulnerable

They have the support of an officer

They regularly meet up with an officer, who helps them boost their leadership skills in the group, in their business, at home and in their community.



Other programs for enterprising women

Palabra de Mujer [Woman's Word]

Peru

This is a group lending product to empower women who are excluded from the financial system in remote areas, making it easier for them to access loans, teaching them how to save, and offering them financial training.

Over

83,000

women served since 2015

Management training

Colombia

Thanks to an agreement we have reached with the country's biggest company in textiles and clothing catalog sales, *Marketing personal*, we are offering credit lines to women vendors, as well as training in commercial management, customer service and personal finance.

Agromujer

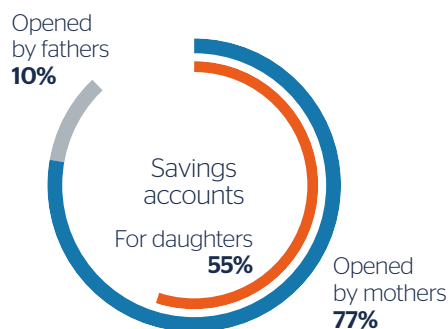
Dominican Republic

A credit product for rural women who work in agriculture and sell their produce at fairs and local or regional markets.

Ahorro Mía

Dominican Republic

This is designed for children and young people and contains a financial education program that emphasizes the importance of saving and planning to meet their goals. The vast majority of savings accounts are opened by mothers (77%), compared to fathers (10%), and particularly for their daughters (55%).



Casafin

Panama

This credit product enables the most vulnerable entrepreneurs to make improvements to their homes, which are often their working spaces too.

59%

of the entrepreneurs taking out this product are women, who are accessing decent housing, where they can take care of their children and their business

Victims of gender violence

Dominican Republic

We run a joint program with the State Prosecutor's Office to serve women who are victims of gender violence, offering loans so that they can become economically independent and access the labor market in order to improve their lives and that of their families.

Interview with Angélica Albornoz, officer in Chile



Angélica has been with the BBVA Microfinance Foundation for many years. As a long-term employee she has seen how thousands of entrepreneurs have overcome the obstacles simply for being women. She works with 18 lending groups and perfectly understands how for many, this system is the only way to have a livelihood.

What are lending groups and what kind of support do they give women?

They are groups of around 20 people, most of them women entrepreneurs, whom we support with loans. It provides a financing solution for their businesses unavailable through formal banking. We can support them without too much paperwork because the group members work as joint and several guarantors and back one another.

Why is this methodology so important for them?

Because much of the time they don't have anyone to turn to. They are often vulnerable people, single mothers who have the initiative and capacity to start something new. They have the energy to move forward and sustain their families. That is their motivation.

What support do they get from group lending?

They don't just receive capital, they can also rely on support from other groups, people and institutions. Among themselves, they build personal relationships, networks. This encourages them to engage with other people, they feel accepted, they can have a cup of coffee and share each other's problems. It is not all about money, it is also about the

psychological support that the lending group provides.

What type of training is provided?

In our *School for Entrepreneurs*, we provide modules; we hold workshops on costs, sales, earnings... It is a basic-level enterprise academy, but it is highly participatory. There are different levels of education: from students with higher education, to others who are functionally illiterate, but entirely capable of doing their calculations well.

What motivates you most on a daily basis at work?

Knowing that we are eradicating poverty. Getting up every day and seeing that I can help someone, that there is someone just waiting for an opportunity and that behind that woman there is an entire family. That is what makes this so satisfying!



SDG 8

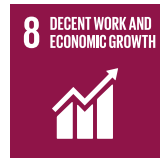
Economic growth

Goal

Promote inclusive and sustainable economic growth, employment and decent work for all

Target 8.3

Promote development-oriented policies that support productive activities, and encourage the formalization and growth of micro-enterprises, through access to financial services



Target 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Ensuring that everyone has a decent life is a priority in the 2030 Agenda, and for the Foundation, giving it purpose in its everyday work. Promoting sustainable and inclusive socio-economic development for vulnerable people is the Foundation's aim. For this reason, SDG 8 is the goal which best reflects our mission.

We place entrepreneurs at the center of our activity and accompany them along their journey, providing financial products and services, advice and skills training to help sustain their progress over time.

They grow with the use of productive loans, microinsurance and savings

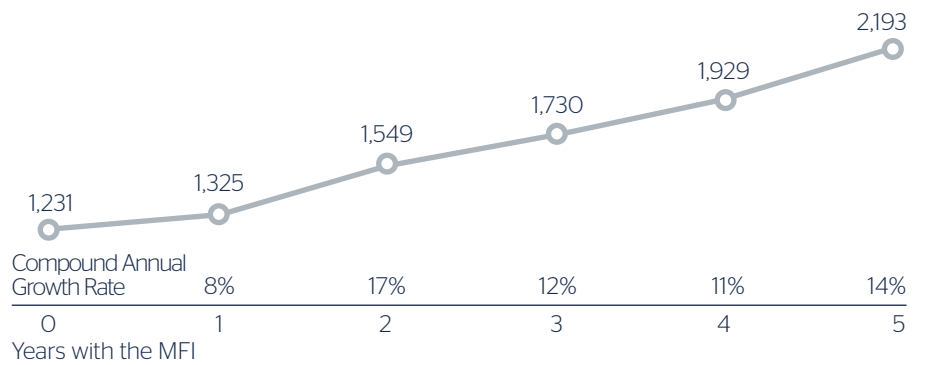
We apply our methodology, Productive Finance, to their home-based businesses so that they can prosper from the net incomes generated, which grow by an annual average of 17%. They can cover all their expenses and give their families a better life, as well as drive development in their communities. In fact, for every ten entrepreneurs we serve, more than two jobs are generated.

They grow not only through productive loans, but also with the aid of micro-insurance and savings, which enable them to accumulate assets, invest in education and health, while protecting the household in the event of emergencies. For example, when faced with a crisis, having a savings account makes it easier to receive remittances and public subsidies. This is possible thanks to the development of technological platforms that drive transactional costs down and bring financial services within the reach of more people.

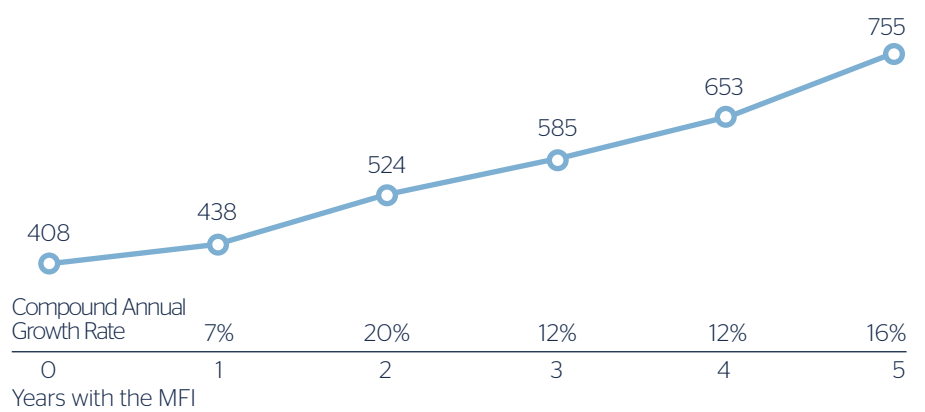
This is the case of Juan Disla, who at 65 years old is still managing his business, with the peace of mind that comes from knowing that unforeseen circumstances will not lead him to lose everything. Macarena Neira, a sales assistant in Chile, has been working with the Foundation from the beginning and explains how over the years she has formed a bond with the entrepreneurs and has seen their businesses grow. That, she insists, makes all the difference.

The advice and training offered with these products mean that those who were excluded from the financial system become familiarized with it and make better decisions. Universal access is one of the World Bank's priority goals, through the Universal Financial Access 2020 initiative, to which the Foundation is committed.

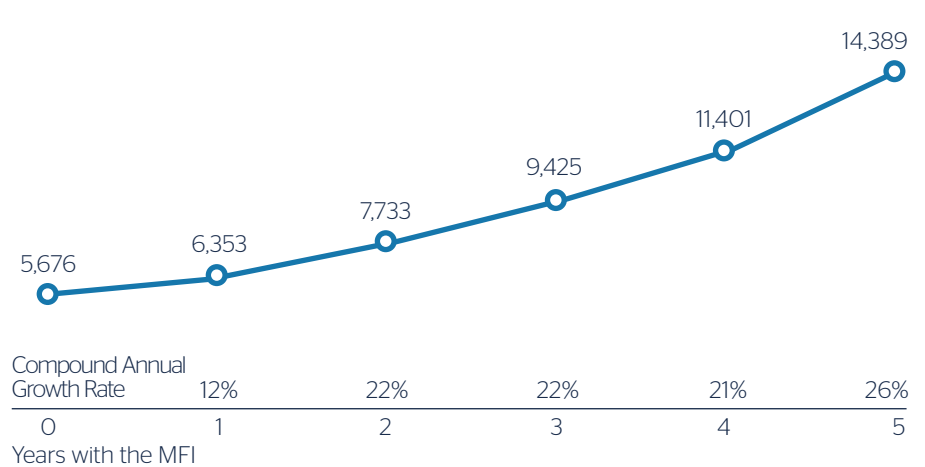
Change in sales *



Change in net incomes *



Change in assets *



Change in monthly sales, net income and assets in USD, by n^o of years with the MFI

Clients current at some point in the year whose data have been updated during the previous 12 months. Average growth rates for 2012-2017 cohorts. The value at the outset is the average of the initial values of the 2012-2017 cohorts; subsequent years are extrapolated from the average value at the outset using the average growth rates.

For every 10 entrepreneurs served since 2015, **2.3 additional jobs** have been created

Employment created between 2015 and 2017 by clients served between 2015 and 2017 (current at 01.01.2015, plus all those served, both new and recurrent, subsequently)

Their assets grow every year by

24%

Clients current at some point in the year whose information was updated in the previous 12 months. Average growth rates for 2012-2017 cohorts.



Juan Disla's story

Nobody is surprised to see Juan sitting in the courtyard of his house, converted into a small broom workshop. He has spent 20 years at his trade, which he learned by watching, and he hopes it will become a family legacy.

Cuchan, as he is affectionately called by the neighbors, has turned his business into a livelihood with which he has brought up his seven children, and he hopes they can do the same. Recognition for his dedication has come in the shape of the *Award for Microentrepreneur of the Year* he has just won, which acknowledges that his is one of the best family enterprises in the Dominican Republic.

With support from the Foundation, his workshop is a reference in the local market for the quality of the raw materials he uses

and the finished product, all hand-crafted. In Villa Vasquez, the town where he lives, it is difficult to find a house where Juan's brooms have not swept clean. He finds that direct selling is the best way of reaching his customers, so it is common to see distributors and locals buying in the courtyard of his house, or Juan himself riding his motorcycle loaded with brooms on his way to nearby municipalities.

In his country, which according to the ECLAC has one of the lowest rates of social welfare coverage in the region, retirement is not always an option. Especially for people like Juan. At 65 he knows that both he and his family depend on the business, but that they are protected by a micro-insurance and the savings that he has been depositing into an account.

Juan learned his trade by watching, and he has turned it into a family legacy

Money with which he hopes to buy a plot of land to build a bigger house and expand his workshop, growing by the day, and on which his future depends, as well as that of his two children, Juan and Daniel. Both are ready to continue the traditional craft of broom-making, convinced that with their father's effort and example they will continue to prosper. In any case, there will always be something to sweep up...

Products and services for inclusive and sustainable economic growth

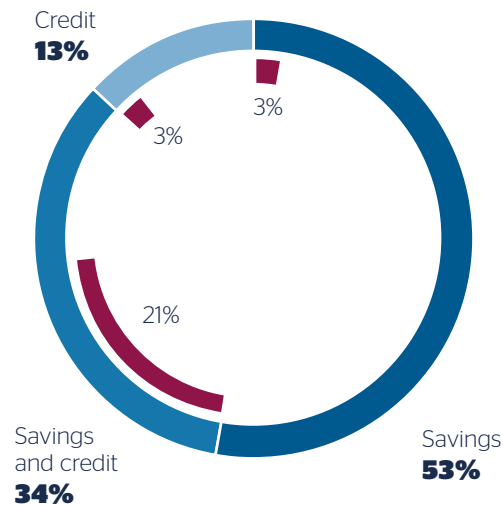
The Foundation provides financial products and services, such as credit, savings and insurance, as well as advice, adapted to the needs of entrepreneurs, destined to help their businesses grow, with the commitment of accompanying them for the long term.

Number of entrepreneurs by product type

Current clients at 12.31.2017

1,941,232 total clients

- Savings
1,029,920
- Savings and credit
660,484
- Credit
250,828
- Entrepreneurs with a voluntary insurance policy



Savings products

These products guarantee entrepreneurs that they will have resources for their future plans and be able to cope in case of an emergency.

Planned Savings *Soñando Juntos*

Colombia

The entrepreneur defines their own savings plan for a specific end, including the frequency and amount of payments.

Savings for Children *Mía*

Dominican Republic

An account for children that includes educational sessions on the importance of saving. Over 35,000 children have one of these accounts at the end of 2017.

Savings *San*

Dominican Republic

Formalizes informal savings associations (ROSCAs).

Microinsurance

We provide microinsurance policies that help reduce entrepreneurs' vulnerability and we plan strategies designed to find solutions that enable them to return to their businesses in the event of unforeseen circumstances. We get directly involved in creating these policies, tailored to specific enterprises and the amount they can afford.

52%

of entrepreneurs with a loan have a voluntary insurance policy

Life insurance

Colombia

Includes an advance payout if a serious illness is detected.

Chile

Voluntary microinsurance. Includes medical and legal advice by telephone.

+370,000

entrepreneurs with the Foundation have a life insurance policy

Damages insurance

Peru

Seguro Multirriesgo [Comprehensive insurance]: 92,688 entrepreneurs have taken out this product. 327 clients were compensated for the coastal *El Niño* phenomenon.

Colombia

Multiple coverage for unforeseen circumstances and natural disasters. 49,820 entrepreneurs have taken out this insurance.

Temporary incapacity insurance

Peru

Coverage of loan installment payments due to temporary incapacity.

Credit

These products allow clients to buy fixed assets for their businesses (machinery, premises, etc.) and fund their working capital (provisions, merchandise, etc.) adapted to their activity's cycle. We design products for specific purposes, such as agribusiness or access to education, or for home improvements, given that a very significant proportion of the people we serve conduct their business from their own homes.

Housing loans

We work in conjunction with the NGO *Hábitat para la Humanidad* in Panama, Peru and the Dominican Republic

Casafin

Panama

Household improvements, including construction mentoring.

Construyendo Confianza

Peru

Reconstruction of homes destroyed by *El Niño* phenomenon.

Loans for Homes

Dominican Republic

Purchase, extension and building of home-based businesses.

Home improvements

Colombia

One-off home improvements.

Interview with Macarena Neira, sales assistant in Chile



Macarena has worked with the Foundation from the beginning, seeing for herself how micro-finance changes lives. In Chile, her work currently consists of formalizing loans: she reads the terms and conditions out loud to the entrepreneurs and answers any questions they might have before they sign.

What is the added value of mentoring the entrepreneur?

In the years I have been here, I have created a bond with clients. In fact, they are more than that to me, they are people with a business that we have followed close by, and the idea is to grow as they grow, based on their activity and their abilities. In our model, there is an assessment, field work, the part in which the officer visits the home-based business and sees whether their client's standard

of living has changed, whether they have become over-indebted... The added value is knowing exactly what they need, and seeing how far they have gone, if they have put their children through school, or have created jobs with our support, and thanks to their hard work.

Is there really an impact on the whole community?

Of course! When an entrepreneur tells us that they are providing jobs for two or three people, and that over time that turns to four or five, it means that they are doing well, that they are able to grow and help the country grow. They are changing more lives, as well as their own.

Why are microinsurance policies so important for the entrepreneurs we serve?

Sometimes it is hard to make people understand that they need to spend extra money on an insurance policy because of the vulnerability of their businesses. With microinsurance, they have a buffer if something happens to them and that is one less thing for them to worry about.

What motivates you most on a daily basis?

Seeing how much progress women in Chile have made. History has changed. We work with lots of housewives who set up small businesses... Women working in their homes who have a job that enables them to sustain their families. That is what makes the difference.



SDG 10

Equal opportunities

Goal

Reduce inequality

Target 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



Inequality in accessing capital, education, food and healthcare continues to be a challenge for the entire world and must be tackled with global solutions, according to the United Nations. One of these solutions, included in SDG 10, is to guarantee opportunities where equality is lacking. The 2030 Agenda's target is for the incomes of the 40% poorest to grow at above the average rate for their country.

Latin America is one of the most unequal regions in the world. This undermines its capacity for economic growth, particularly in rural areas where, as the FAO points out, one in every two people is poor.

Ensuring equality of opportunities is a priority for the Foundation; we do this by bringing the financial system closer to vulnerable people who find it hard to access formal banking. We use innovation to provide them with financial products and services that are tailored to their needs.

Using the physical or digital distribution channels that best suit them, entre-

preneurs can carry out all their transactions, familiarizing themselves with new tools which help to close the digital gap over time.

We have strengthened our presence in the remotest areas through our own network of 339 banking agents. They are trusted clients who make their place of business available for the use of the community and facilitate transactions and payments for our entrepreneurs, who can operate from a small local trading outlet as though they were in a branch office. We train them and provide the technology they need to make processes easier and offer more services. Mobile banking, "express" offices, agreements signed with other institutions, plus our own branches, constitute, together with the agents, an ecosystem that brings Productive Finance to vulnerable populations. Daniel Aguiar, an officer with the Foundation in the Dominican Republic, explains how these agents make life easier for entrepreneurs.

We take special interest in serving those facing the highest barriers such as

We make innovations in the physical and digital channels so that no one is left behind

women, people with lower educational levels, those living in rural environments, young people who are at an age when they can break the cycle of poverty, and older people, who in many countries have insufficient social care or none at all. Adelaida Morán is an example of how a woman, isolated from everything in her small Panamanian community, can change her life and have an impact on the lives of those around her.

Entrepreneurs

58%
Women



41%
Young people



38%
Primary education at best



31%
Rural



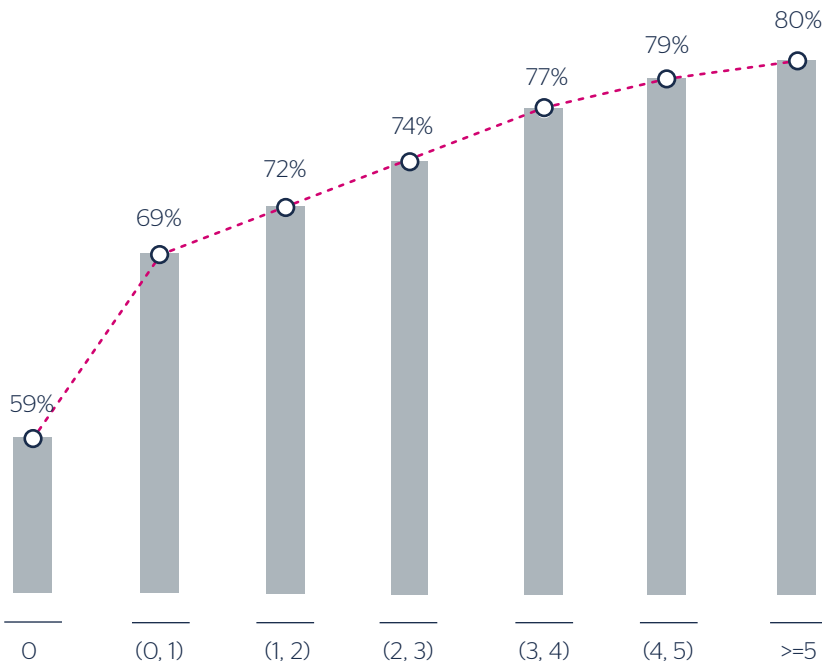
7%
Older people



Entrepreneurs who joined us in 2015, 2016 and 2017

New clients served between 2015 and 2017, by profile

Entrepreneurs above the poverty line



The client segment above the poverty line has increased since 2015, from

59% to 80%

Years that entrepreneurs have banked with the MFI

Clients served between 2015 and 2017 (current at 01.01.2015 plus all those served, new and recurrent, subsequently) who reported their vulnerability data on signing up and with at least one renewal between 2015 and 2017. Percentage of clients over the poverty line by the time between the first loan and the latest update.



Adelaida Morán's story

The only barrier which Adelaida cannot fight is the rain, which turns her small village, Capiro, into a quagmire, so that the only way of getting in or out is on horse-back. Her home-based business is 30 kilometers away by dirt track from the nearest district, La Chorrera, in Panama.

Her 200 neighbors know her because she runs a little sundries store. She also raises chickens and grows coffee, which creates jobs in her community. Sometimes she hires up to seven locals because she says she understands that where there is no equality, what people need are opportunities.

She has never heard of SDG 10, nor any of the others, but it is clear that every day she contributes to reducing inequality without realizing it. Adelaida has become the head of her family. All this came about, she explains, because years ago

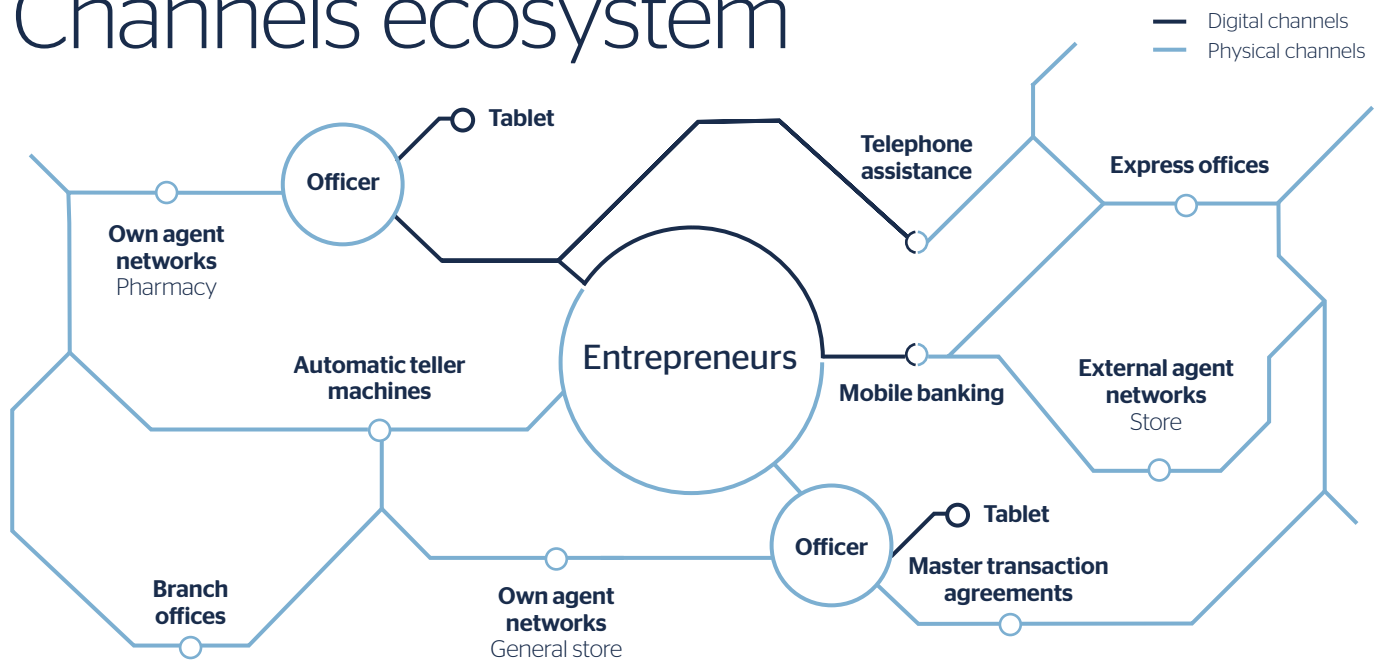
she heard on the radio that the Foundation's MFI in her country was giving opportunities to entrepreneurial people. That same day, she got on the bus, and she still hasn't stopped. She says that she has done so well that she dares to be ambitious. Now she wants to buy a car so that she can sell her products outside the village, but also for another equally important reason, or more so: if there is an emergency she can help her children and neighbors, without having to wait three hours for the bus to come and take them to the nearest hospital; or worse, having to wait until the next day, if something happens at night.

She already knows what she can achieve with small loans, and she knows she can rely on advice from the Foundation's officers to achieve her goal and continue making progress. "Thanks to them, I know how much

they can give me and how much I can repay, and thanks to them too, I am up to date with my installments", she says. She is talking while sitting in a house that no longer fears the rain. "My house was made of *penca* stalks [similar to those of a palm tree] and had a dirt floor. But with the *Casafin* loan we put on a zinc ceiling and laid a cement floor", she continues, referring to the home improvements she has done using one of the Foundation's products in Panama. "We even installed solar panels to get electricity, which we didn't have before".

Adelaida says that neither she nor her husband Evaristo, who helps her in all her business ventures, nor their five children have any doubts about her ability to invest in projects that go beyond the dirt roads that separate her from the city and from her will to continue growing.

Channels ecosystem



We have found the way to bring Productive Finance closer to everyone, to promote equal opportunities through alternative and complementary distribution channels. We transformed traditional branch offices and increased the number of ways we interact with entrepreneurs to reach those who are located the farthest, making physical and digital tools available to them that complement each other within the ecosystem.

Loan officers

The Foundation's loan officers visit entrepreneurs at their workplaces, breaking the banking tradition. In the shape of a mobile device, they take the branch office with them to the clients' home-based businesses, avoiding the need for clients to make costly trips. They analyze the feasibility of clients' activities and their surroundings.

Branch offices

Branch offices are strategically positioned to create an area of influence from which to serve our entrepreneurs. They also serve as support to other distribution channels.

Express offices

Express offices are smaller offices that use alternative channels and serve entrepreneurs in remote areas. In Peru, although their official name is Basic Transaction Establishments, they are known as *Tambos*, from the term *tampu* used in the Incan period, meaning "the shed". In Panama, they are known as OPI, the Spanish acronym for Promotion & Information Office.

Own agent networks

This channel refers to clients who provide services using the institution's technology from a commercial establishment, such as a pharmacy or a general store. This is a way to achieve the institution's expansion, especially in Colombia. In the Dominican Republic, they are called banking subagents, and are also a key factor in increasing entrepreneurs' savings, which shows how much they trust both subagents and traditional branch offices.

External agent networks and master transaction agreements

External agent networks and master transaction agreements are set up with independent agents. These agreements allow them to also work with other financial institutions or in supermarket chains. The distribution system in Chile relies on over 4,000 hotspots, in order to service clients living close by, give them more options, plus easy, fast and secure customer care.

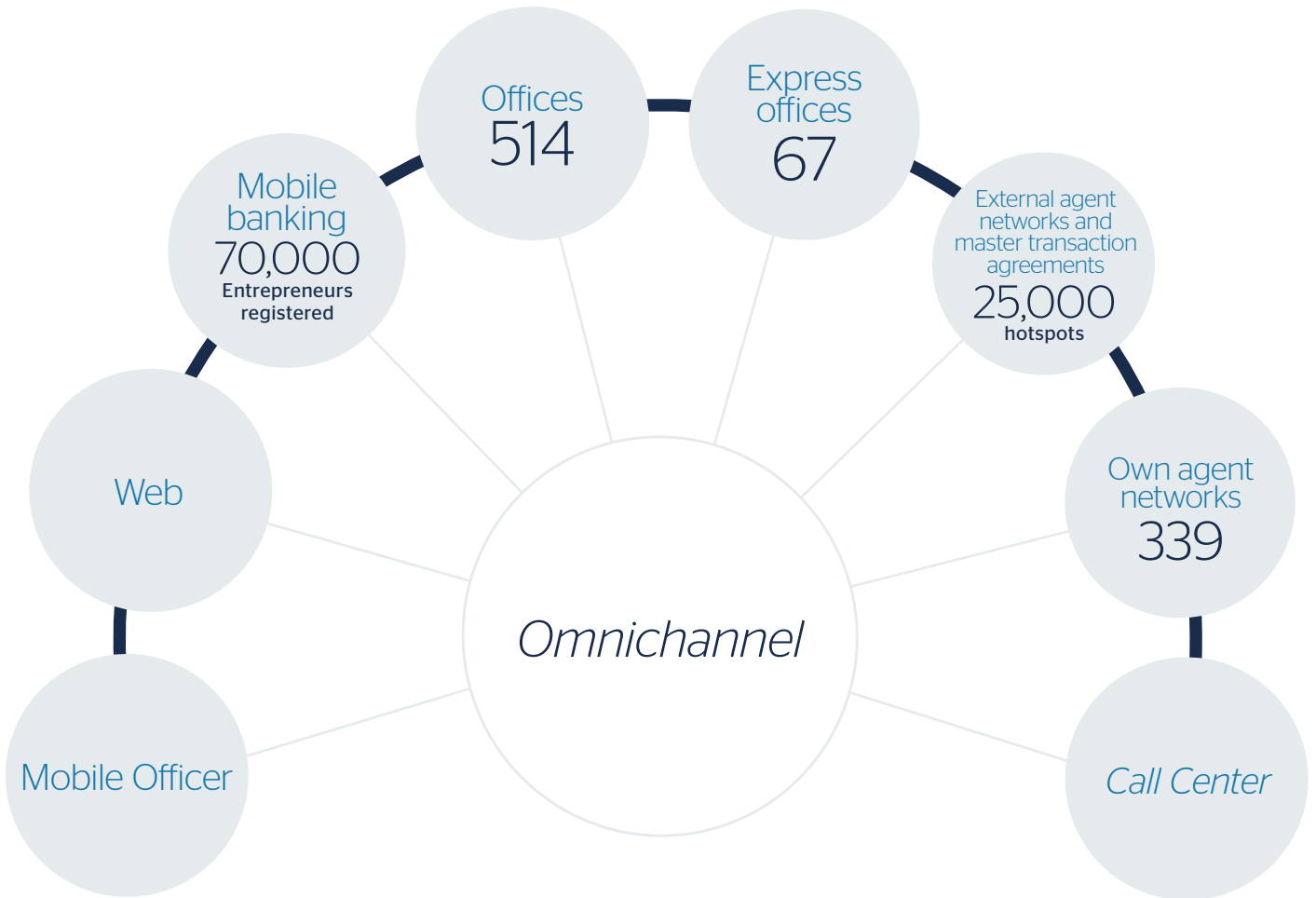
Mobile Banking

Over 70,000 users carry out transactions and check information on their mobile phones. There were more than 481,000 transactions in 2017 in Colombia and in the Dominican Republic. Despite the digital gap, which impacts vulnerable segments the hardest, it is an effective channel because it brings financial services within reach of our entrepreneurs, lowers their costs and enables them to manage their finances more easily.

Telephone assistance

The Foundation's institutions also provide customer support over the telephone, complementing the other channels.

The Foundation's channels, traditional and alternative



Banking subagents (“SAB”) in the Dominican Republic

SABs play a dual role: they are entrepreneurs who are clients of the Foundation's Dominican MFI and at the same time assume the function of agents. At this point they become the institution's representative in their neighborhood because, through them, clients can carry out most of the transactions they could make through a traditional branch.

Since 2015, more than 67,000 entrepreneurs were served by SABs, and the greater a client's seniority with the Foundation's institution, the more they operate through this channel. SABs have handled more than 500,000 installment payments, deposits or cash withdrawals.

For the Foundation, they are strategic allies, who enable us to get closer to our entrepreneurs.

Over **67,000** entrepreneurs served

More than **500,000** installment payments, deposits or cash withdrawals

Interview with Daniel Aguiar, officer in the Dominican Republic



Daniel has been an officer with the Foundation in the Dominican Republic for years. Despite the difficulties of his job, which often takes him along beaten dirt tracks almost too narrow for his motorcycle, he acknowledges that helping people is his motivation for getting up every day. Because of the area where the entrepreneurs whom he serves live, he knows very well that the subagents play a crucial role in enabling them to conduct transactions, payment installments and, in short, facilitating their lives.

How do you get to the entrepreneurs?

By motorcycle. The area where I work now is quite cut off. There are places you can't access by car, only a motorcycle can make it through. That applies in the

case of La Victoria municipality, where we have a subagent who helps us. When entrepreneurs need to make a payment, or any other transaction, we ask them to go to him directly, and that makes their lives a bit easier.

What exactly are subagents and how do they help?

They are people with their own businesses who are well-established in the locality. We always try to find people who are well-known in the community, with whom the entrepreneur can feel comfortable about depositing money. This is one of our requirements. They can carry out all their transactions there, except for the loan disbursements, but they can make their regular installment payments. Using subagents, we reach virtually the entire country.

How is technology a part of the officer's day to day?

We use the telephone for the assessments in the entrepreneur's home. That makes the task much easier because we collect repayments, calculate the installment payments, we access all the information about them and their payment status. We can even print it out, there and then!

What motivates you most on a daily basis at work?

Seeing people grow. Being able to help a client when they ask me for a loan and over time, seeing with my own eyes what progress they have made with that money; I find that very satisfying. Knowing for a fact that we help people escape poverty and improve their lives is one of the reasons I enjoy my job and makes me want to go to work every day.



SDG 16

Peace, justice and strong institutions

Goal

Promote just, peaceful and inclusive societies



“Peace must be our goal and our guide”, said António Guterres in his first speech as Secretary General of the United Nations at the beginning of 2017. As set out in the 2030 Agenda, we need to work towards just and inclusive societies and ensure people’s physical safety so that they can make progress towards sustainable development. He also stresses the importance of resolving and avoiding conflicts, and of supporting countries coming out of them. All with a gender perspective that allows women to play their part in consolidating peace.

For over 50 years, millions of people have suffered from the conflict between the FARC guerrillas and the Colombian government, particularly those living in the countryside. The peace agreement was signed in 2016, putting an end to years of combat, with 8.4 million victims, according to official data (*Registro Nacional*). Of these, 7.1 million have been displaced, half of them are women, concentrated in rural areas, where there are 14 million people, most of them poor. These areas, where poverty abounds and inequality rules, have given Colombia one of the highest rates of inequality in the world.

The Foundation works actively for vulnerable populations, those which in

Colombia now have to start rebuilding their lives, especially in the rural territories which have been historically marginalized because of the war. Recently, we have set up the program *Emprendimientos productivos para la paz* [Productive Enterprises for Peace] to support small businesses owned by conflict victims using Productive Finance, as well as providing them with training. We are present in 188 out of the 306 municipalities prioritized by the Colombian government for implementing the peace agreement.

We pay special attention to women, who did not fight in the war but have suffered from it and are now leading figures in the reconciliation. People such as Luz Dary Paz, who in this new phase has been able to move on and send her daughter to university.

We reach the rural parts of Colombia to help repair its social fabric and we also work with the ARN (Agency for Reincorporation and Normalization), in our support for all those affected by the conflict, so that demobilized groups in the process of reintegrating into society can access, along with their families, financial services and education. We reinforce dialogue as a means to reconstruct the country and are taking

We are present in 188 out of the 306 municipalities prioritized by the Colombian government for implementing the peace agreement

part in the Second Macro-round for Reconciliation, that gives voice to the processes that the regions are undergoing and to the experiences of the affected communities; many of them, displaced by the conflict, had to flee the country.

In Panama we look after these refugees through a partnership with UNHCR (UN High Commission for Refugees) and the Red Cross. Luis Salazar, one of the Foundation’s supervisors, tells how people use the institution in Panama in search of an opportunity to restart their lives, far from their homes.

The Foundation's peace-building work, exemplary according to the United Nations



In April 2015, the United Nations' Sustainable Development Goals Fund (SDG-F) appointed BBVAMF, together with 12 other global institutions, as a founding member of the Private Sector Advisory Group, to give the UN strategic support and together, achieve better results in sustainable development.

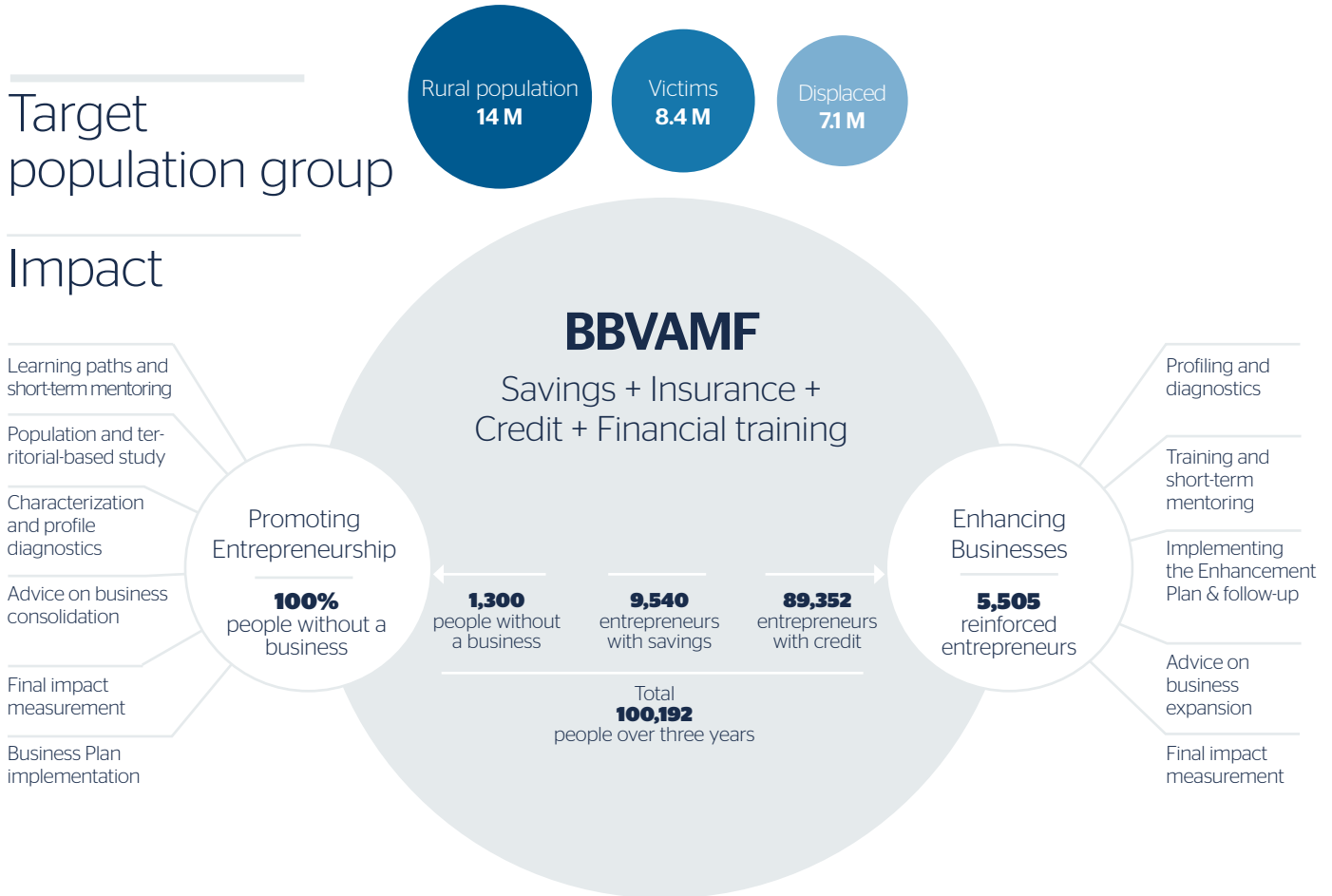
In conjunction with the University of Pennsylvania, the UN published a report in 2017 focusing exclusively on how the private sector can contribute to peace. "Business and SDG 16: Contributing to peaceful, just and inclusive societies" analyzes how this goal is important for the private sector and provides perspectives on the link between peace and the development agenda.

It is a set of good practice guidelines, that show how an effective legal framework generates trust and specify how companies can contribute to peace by improving their governance, their transparency and their social responsibility.

Beyond the rhetoric, the report contains successful case studies from around the world, such as the Foundation's work in Colombia, as well as our contribution to promoting good corporate governance and appropriate regulation.



Productive Enterprises for Peace program



Productive Enterprises for Peace is an initiative that will drive the development of those who have been left behind, victims of the armed conflict. With the Foundation's methodology, Productive Finance, we are extending our scope to reach over 100,000 people in priority municipalities, offering them education and financial services, with the support of international development agencies, and backed up by several governmental bodies.

We want to improve the conditions for rural development, together with *Corporación Mundial de la Mujer Medellín*

and the *Corporación Mundial de la Mujer Colombia* (minority shareholders in the Foundation's Colombian institution). Both institutions contribute their skills and experience at grassroots level in mentoring the entrepreneurs, especially women, in implementing a business plan, developing products, accessing markets and expanding projects, as well as providing psychological and social care. The aim is to provide comprehensive financial inclusion, based on mentoring and knowledge of the territory, professional commitment and the needs of the population.

We want *Productive Enterprises for Peace* to become an effective instrument in combating poverty and vulnerability, and for it to contribute to the sustainable development of rural areas in fields as important as women's economic empowerment and food security. All this intends to help peasant families reintegrate as productive members of society, and to contribute to the new generation and the resettling of people in these priority zones.



Luz Dary Paz's story

Luz Dary is 46 years old, so the armed conflict in Colombia has been going on nearly all her life. She has been living for quite a while in Cauca, previously a guerrilla zone, currently classified as a priority zone by the Government in the transition to peace. She has seen armed groups pass through its streets, the same groups that have fed the common crime that makes her neighborhood an even more unsafe place.

In spite of all this, for the past eight years she has had support from the Foundation in making her small business flourish, so that she can live with her fam-

ily and not be forced to flee. Thanks to her business, her eldest daughter, once threatened by the FARC, is now close to finishing her nursing degree in Cali. A vocation to serve others that she has surely inherited from her mother, who helps the community in any way she can.

Luz isn't able to restore peace on her own, but she can contribute to it, generating progress and development. Because, according to the 2030 Agenda, there can be no sustainable development without peace and no peace without sustainable development. It scarcely seems a coincidence that this tireless

There can be no sustainable development without peace

entrepreneur's surname is Paz - "Peace". There are millions of stories like that of Luz, stories of women whose hard work and efforts are repairing a social fabric destroyed by weapons and who are now hoping that the future will look brighter.

Initiatives for peace

As part of the Foundation’s commitment towards the peace process in Colombia, we are working on a number of initiatives to promote development in rural areas, which have been hit the hardest by the conflict:

Laboratorio Modelo Rural [Rural Model Laboratory]

This consists of adapting our products, services and channels to prevailing needs so that entrepreneurs in the Agricultural sector make progress. The objective in 2018 is to measure the impact of this comprehensive intervention in rural areas to see how effective it is in eradicating poverty in Colombia.

Rural Finance Initiatives (RFI)

The Foundation’s MFI in Colombia has signed a Memorandum of Understanding with USAID to join forces in supporting more people in priority municipalities and increase our value offer, consolidating our positioning and leadership in mentoring low-income entrepreneurs who are victims of conflict.

Agreement with ARN

The Foundation’s Colombian MFI has also signed an agreement with the Agency for Reincorporation and Normalization (ARN) to serve the demobilized population and their families in their reintegration process. The aim is to help them access financial services, financial education and mentoring in their businesses, which will enable them to improve their lives within the law.

As part of this agreement, we have trained around 200 professionals from ARN, known as the *reintegradores*, [reintegrators] using the Financial Education program *Echemos Números* [Let’s do the figures], among others.

We are fully aware of the important role dialogue plays in peace. That is why, in 2017 we took part in the Second Macro-round for Reconciliation, a civil society initiative that promotes the sharing of processes and experiences that are already being developed in those regions hit the hardest by the armed conflict. We describe our work supporting vulnerable entrepreneurs, small-scale enterprising people who are moving away from poverty, victims of the conflict who see entrepreneurship as a new path to follow.

Interview with Luis Salazar, supervisor in Panama

Cooperation with UNHCR and the Red Cross in Panama

Many have fled Colombia to other countries such as Panama. The Foundation has been cooperating in this country with UNHCR and the Red Cross to provide financial and social inclusion to those who have been displaced. Since it was signed for the first time over five years ago, this agreement has provided opportunities to refugees, enabling them to access financial services and training that give them hope for the future.

Integrating refugees in Panama is a priority for the Foundation, because their extremely vulnerable situation makes access to financial services a huge challenge for them.



Luis Salazar knows a great deal about the circumstances that lead someone to leave their own country. Many of the entrepreneurs he serves are refugees, who have fled the war in search of a future. He coordinates with UNHCR to provide support to these entrepreneurs, giving them a second opportunity in Panama.

What do the refugees need when they first arrive at the institution?

Many of them come from humble backgrounds, so the first thing they need is economic support and advice on how to set up a business activity, which will be their family's sole means of livelihood.

What does this support consist of?

We mentor them and we help

them to enhance their businesses with loans for working capital and to buy assets, because many of them worked in trade in their home countries and see entrepreneurship as the only way of surviving.

With time, how does the help they receive change?

Entrepreneurs are guided so that their businesses prosper. Every year, they attend a training session on the importance of saving a part of their income and diversifying their activities, as well as on keeping financial records so that they have better control over their ventures.

What countries do these people come from?

Mainly from Colombia, but also from Venezuela, Cuba, Honduras, Nicaragua, Haiti, Sierra Leone, Congo, Burkina Faso...



SDG 17

Partnerships for the goals

Goal

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Target 17.16

Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technologies and financial resources



Solidarity is a transformative force that can eradicate poverty and put an end to financial exclusion; a challenge so great that it must be tackled by both the public and private sectors. It is only by working together that we can change the world and the success of the 2030 Agenda depends on it. That is why SDG 17 refers to a Global Partnership for Sustainable Development.

The BBVA Microfinance Foundation works with major local and global players in the field of poverty and development, such as the United Nations, World Bank, Inter-American Development Bank, and Spanish Cooperation. We also establish other partnerships that generate value for our entrepreneurs. We are building these connections on the basis of

shared principles, values and goals. Our partners, who are also shareholders in our institutions, participate through their knowledge and experience in each of the territories where we operate.

Together, we bring an innovative vision to microfinance and help the sector with the activity of our group of microfinance institutions. Using the wealth of our own experience, we are driving good corporate governance, appropriate regulation, women's economic and social empowerment, training and social measurement in the sector.

We have conveyed our results and achievements at the United Nations HQ in New York and the head office of the OECD, in Paris. During the celebra-

tion of the Foundation's 10th Anniversary, held in Madrid and with the Honorary Presidency of Her Majesty the Queen of Spain, our entrepreneurs recounted the reasons behind the job that we have been carrying out for ten years and that we know is changing lives. We want the innovation in our processes, programs and products to set an example for the sector, and the acknowledgement of our work is a proof of that.

The SDGs are a call to action to end poverty. Millions of people are committed to the Agenda and have taken ownership of this roadmap for all. It is our responsibility to guarantee the success of sustainable development, a challenge that can only be achieved when we all work together.

**ONG SEPAR
Peru**

A civil non-profit association promoting sustainable development in Peru, and particularly in the central region, with development programs and projects.

**ONG Adopem
Dominican Republic**

A non-profit organization that enhances and builds on the entrepreneurial skills, the social and human development of its clients and their families, by providing training and advice, generating a positive impact on their business growth and living standards.

Corporación Mundial de la Mujer Medellín. Colombia

A non-profit institution focused on the development and reinforcement of microentrepreneurs. It provides tools and services to set up, consolidate and sustainably expand microenterprises, as well as protecting the families economically dependent on them.

Corporación Mundial de la Mujer Colombia

A non-profit institution that improves the living standards of vulnerable people, especially women, with programs and projects driving their human and productive development.

**Hogar de Cristo
Chile**

A charitable institution that helps the poorest and the excluded in society, opening up their opportunities for a better life.

**International Finance Corporation
(World Bank Group)**

184 member countries make up the IFC, the largest international development institution working with the private sector in developing countries. As a member of the World Bank Group, its goal is to eliminate poverty and boost prosperity.



Strategic partnerships

	<p>Inter-American Development Bank The Foundation signed a Memorandum of Understanding (MoU) in 2007 with the IDB to work together on activities to improve access to microfinance services in Latin America.</p>	<p>2007</p> <p>2008</p>	 <p>World Bank - IFC The IFC and BBVAMF have signed an MoU on strategic collaboration. At the end of 2016, the Foundation reinforced its commitment with the World Bank when it joined the <i>Universal Financial Access 2020</i> initiative.</p>
	<p>Spanish Cooperation The partnership with the Office of the Secretary of State for International Cooperation and for Ibero- America was signed in 2014, to join forces in financial inclusion and microfinance. In 2015, a partnership agreement was signed with <i>Marca España</i>.</p>	<p>2014</p> <p>2015</p>	 <p>United Nations Organization The Foundation has worked throughout these 10 years with the United Nations, namely: with the SDG Fund at a global level, with UNEP in Colombia, and with UNHCR and WHO in Panama, among others.</p>
	<p>UN Women The partnership with UN Women was put in place in 2015 to promote the development and inclusion of low-income women entrepreneurs in Latin America.</p>	<p>2016</p> <p>2017</p>	 <p>ECOSOC In 2016, the United Nations awarded the Foundation a special consultative status on its Economic and Social Council (ECOSOC).</p>
	<p>Development Bank of Latin America (CAF) Ever since it was set up, the Foundation has worked with the CAF. In 2017 an MoU formalized the existing solid relationship.</p>		

Sector development

We also work to transform the microfinance sector and eliminate the obstacles restricting its expansion

Good corporate governance

Improving corporate governance, one of the greatest challenges facing the sector in Latin America, is key to attain social goals.

A clear organizational structure, well-defined and transparent responsibilities

and efficient procedures for identifying, monitoring and communicating risk is essential for integrated and efficient management. It is also fundamental to generate transparency and trust among all stakeholders, from clients to investors.



BBVAMF Group's Corporate Governance Code

This encapsulates the values and principles of governance and its commitment to generate social impact and long-term sustainability, which is the necessary first step towards improving performance. The Code has received accolades and is a benchmark in the sector.

Good Governance training workshops*

The Foundation has given Good Governance training to 400 board directors and company directors from over 230 microfinance institutions in Colombia, Peru, Dominican Republic and Costa Rica.

Publicly available reference papers



Universal Corporate Governance Code

The **Universal Corporate Governance Code for Microfinance Institutions** contains the principles and regulations that all good governance manuals for the sector should include, in line with international standards and best practices.



Good Governance Guidelines

To achieve their practical implementation and application, the Foundation worked with the IDB to draft the **Guidelines for the adoption of good governance principles in microfinance institutions.**



Passport

The **Passport** is a self-assessment questionnaire for identifying areas for improvement in the governance of microfinance institutions.

*These workshops were organized with support from: the Training Center of SBS, the Peruvian banking, insurance & Fund management supervisory body; *Asomif*, Peru's Microfinance Association; *Fepcmac*, the Peruvian Municipal Savings & Loan Federation; *Redcamif*, the Central American and Caribbean Microfinance Network; *Redcom*, the Costa Rican Network of Micro-enterprise Organizations; *Abancord*, the Dominican Republic's Association of Savings Banks and Credit Corporations; *Banca de las Oportunidades* and *Bancoldex*.

Women's empowerment

We are a reference for, and take an active part in, the principal women's economic empowerment forums, such as the Commission on the Status of Women (CSW), held every year at the HQ of the United Nations, the *Gender Days* during the World Bank's *Law, Justice and Development Week*, the annual meeting of the *Global Banking Alliance for Women*, the *Gender Group* in the OECD's network of foundations *Netfwd* and the OECD's *Policy Dialogue on Women's Economic Empowerment* events.

Human capital

In partnership with the IDB, BBVAMF has developed a program to train microfinance specialists, in conjunction with Spain's National Distance Learning University (*UNED*), Latin American universities and higher education institutions (*Universidad del Pacífico*, *Universidad Javeriana*, *Universidad Latina*, *Instituto de Estudios Bancarios* and *Ampyme*). The program has trained 1,669 microfinance specialists over 48 courses run in five countries.

Promoting appropriate regulatory frameworks



Financial inclusion, which promotes the development of vulnerable population groups, needs an appropriate regulatory framework.

BBVAMF publishes *Progreso Microfinance: Corporate Governance, Inclusion and Development*, a quarterly digital newsletter with legislative news about the microfinance sector. It reports on the most important legislative and regulatory developments in the sector in each country and new developments in corporate governance worldwide. It targets governments, regulators, supervisors, legislators, multilaterals, academics and the media, among others, in support of a more informed regulatory debate.

The drive to measure social impact

The social impact measurement system designed by the Foundation has been public since 2012 and has become a benchmark in the sector. This is acknowledged in the Harvard Kennedy School report for the UN, *Business and the United Nations: Working together towards the SDGs*. In addition, BBVAMF has presented this social measurement system at the most important international microfinance forums.



Institutional Activity

JANUARY



January 9th

The President of the IDB, Luis Alberto Moreno, visits our head office.

Madrid, Spain

January 26th & 27th

European Microfinance Summit 2017 "New Perspectives on the Impact of Microfinance".

Barcelona, Spain

FEBRUARY

February 2nd

5th CSR Congress: Social Responsibility in Public-Private Partnerships to achieve the SDGs: the principles governing corporations and human rights.

Zaragoza, Spain

February 23rd

II International Conference A practical look at inclusive businesses: Technology and innovation to overcome the last mile, challenges and opportunities.

Madrid, Spain

MARCH



March 13th -24th

CSW61 (2017) Commission on the Status of Women - ECOSOC. Women's Economic Empowerment in the Changing World of Work.

United Nations HQ.

New York, USA

March 13th

Rural and Indigenous Women: Economic Empowerment and Food Security.

United Nations HQ.

New York, USA

March 15th & 16th

Social Investor Meeting on Responsible Inclusive Finance 2017.

Zurich, Switzerland

March 16th

OECD NetFWD 2017 Annual Meeting. "Philanthropy for development: What should this look like in 2030?" panel.

Paris, France

March 16th

Master class on Corporate Governance: progress and trends in the XI Microfinance Training Program,

Boulder Institute. Mérida, Mexico

March 16th & 17th

13th Annual Global Microfinance Forum "Future Challenges and how Microfinance will look in 10 years."

Prague, Czech Republic

March 24th

Conference by the Chairman of the Board of Trustees of BBVAMF Current challenges facing microfinance in Latin America. Organized by AECID.

Madrid, Spain

March 29th

Measuring social impact: the case for microfinance by Spainsif.

Madrid, Spain

March 30th

The Microfinance Industry: "Revolution or footnote, Lessons for the next 10 years".

Pennsylvania, USA

APRIL



April 1st

IDB Board of Governors Assembly.

Asunción, Paraguay

April 19th

Banca @ Google Madrid workshop. Case history: BBVAMF.

Madrid, Spain

MAY

May 10th

Documentary on *Televisión Española's Informe Semanal Historias de Superación* about our women entrepreneurs receives the Silver Globe award at the Media Global Festival.

Hamburg, Germany

May 17th

Acknowledgement as one of *The 10 most innovative social initiatives of 2016* from the Development Bank of Latin America (CAF) and the journal *Compromiso Empresarial* for the *Amigotchi: Simón* project.

Madrid, Spain

May 17th

V AFIDE National Entrepreneurship Congress: *Education, Development & Social Innovation, keys for a better society.*

Panama City, Panama

May 19th

Meeting of the Private Sector Advisory Group of the SDG Fund, UN.

New York, USA



May 29th

BBVAMF's 10th Anniversary celebration: *Financial Inclusion & Development* chaired by H.M. the Queen of Spain. Speakers included Francisco González, BBVA Group Executive Chairman, Angus Deaton, Nobel laureate in Economics and other experts.

Madrid, Spain

JUNE

June 8th

SPTF Annual Meeting, *Measuring and using client outcomes data* panel.

Mexico City, Mexico



June 14th

Carlos Torres, Chief Executive Officer of BBVA, visits our entrepreneurs.

San Juan de Lurigancho, Peru

June 21st

10 years of the BBVAMF: Fighting poverty from the private sector, presentation of the 2016 Social Performance Report.

Lima, Peru



June 29th

Development and social impact of microfinance in Colombia: sector challenges and opportunities forum, presentation of the 2016 Social Performance Report.

Bogotá, Colombia

JULY

July 5th

Presentation to the Chilean media of the 2016 Social Performance Report.

Santiago de Chile, Chile

July 18th

Productive Finance in the Dominican Republic forum, presentation of the 2016 Social Performance Report.

Santo Domingo, Dominican Republic



July 20th

Presentation of the 2016 Social Performance Report.

Panama City, Panama

SEPTEMBER

September 6th

Empowering Women in the Economy conference organized jointly with the United Nations' General Secretariat's High-level Panel on Women's Economic Empowerment, UN Women, DFID and Business Fights Poverty.

London, United Kingdom

OCTOBER

October 2nd

Lecture; *The importance of education and its links to finance and development*, opening the academic year at the University of Granada.

Melilla, Spain

October 30th

Towards a national financial inclusion strategy, conference organized by the Central Bank of Costa Rica.

San José, Costa Rica

NOVEMBER

November 3rd

– Meeting of the Private Sector Advisory Group of the UN's SDG Fund.

– Presentation of the *Business & SDG 16* report at the HQ of the United Nations.

New York, USA

November 16th

6th GWC Executive Edition, the largest conference of leaders in gamification for transforming companies and society, with *Simón: leadership and team management*.

Madrid, Spain



November 17th

The regional director of UN Women for Latin America and the Caribbean, Luiza Carvalho, visits our HQ.

Madrid, Spain



November 21st

OECD DevCom Annual Meeting 2017 "Listening, Learning & Linking Up: Communicating in the SDG era."

Paris, France

DECEMBER

December 14th

Presentation of the UN report *Business and SDG 16: Contributing to peaceful, just and inclusive societies*.

Madrid, Spain

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Giovanni Di Placido Rosato

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Compliance

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Auditing

Joaquín Cortés Hernández

Outstanding acknowledgements

BBVA Microfinance Foundation

United Nations Award
Social Investment Pioneer (2012)



SOCIAL INVESTMENT
PIONEER AWARDS



The UN's Sustainable Development Goals Fund chose BBVAMF, for its contribution to the SDG, as a member of its **Private Sector Advisory Group** (2015)

United Nations awards **consultative status on the ECOSOC** (2016)

The 10 best transparency and good governance initiatives 2015-2016, for BBVAMFG's Corporate Governance Code, *Compromiso y Transparencia* Foundation

BBVAMF's social measurement system was recognized as best practice in the Harvard Kennedy School report: *Business and the United Nations. Working together towards the SDG: A framework for Action*, commissioned by the SDG Fund (2015)

BBVAMF Group's methodology, Productive Finance, was showcased in the **UN's SDG Fund Universality and the SDGs: A Business Perspective** (2016)

The 10 most innovative initiatives in 2016, for the digital learning project *Simón*, CAF-Development Bank of Latin America and the journal *Compromiso Empresarial*

Honorary Mention for Innovation for the program *Simón*, in Wolters Kluwer's Human Capital awards (2017)

Institutions

Colombia Bancamía

Colombia's Securities National Fund Award 2010

Best institution in Risk quality

Mix Market

Transparency certificate, 5 Diamonds (2010)

Smart Campaign

Ethics Code among the 10 Best in the World (2012)

Recognition by the Colombian Reintegration Agency

in the entrepreneurship category (2017)

Chile

Fondo Esperanza

Mix Market

Transparency certificate. 5 Diamonds in transparency, quality and reliability (2008)

Superintendencia de Bancos e Instituciones Financieras [Supervisory Body for Banking and Financial Institutions]

Award for Financial Education in the Contribution to Financial Inclusion category, for the *Excluded Segments* program (2016)

Chile

Emprende Microfinanzas

Mix Market

Transparency certificate. 5 Diamonds in transparency, quality and reliability

Dominican Republic

Banco Adopem

IDB-FOMIN

- Institution with Best Outreach (2009)
- Best Microfinance Institution in Latin America and the Caribbean (2010)
- Best Microfinance Institution in Latin America and the Caribbean (2012)
- Inter-American Award for Financial & Business Innovation, in the *Financial Services to Smallholder Farmers* category (2017)

Mix Market

Transparency certificate
5 Diamonds (2013)

Mix S.T.A.R.

Socially Transparent and Responsible Certificate (2014)

Citi Microentrepreneurship Awards for **Most innovative microfinance institution of the year** (2013)

Women's World Banking (WWB)

- Recognition for Leadership (2013)
- Award for Excellence in Leadership (2016)
- Award for Excellence in Leadership (2017)

Smart Campaign certification 2015

Microrate

- Best MFI in Latin America (2015)
- Best MFI on an international scale in institutional performance (2017)

Argentarium

Argentarium Award 2016

Panama

Microserfin

Mix Market

5 Diamonds certification for transparency, quality, reliability of financial information (2014)

Mix Market IDB-FOMIN

Only Panamanian company in the overall ranking *Microfinance in the Americas: The 100 best of 2014*

Panamanian Credit Association

- APC Award for satisfaction, data maintenance and compliance (2015)
- APC Award for compliance and Award for data maintenance (2014)
- APC Award for satisfaction, data maintenance and compliance (2013)

Peru

Financiera Confianza

Mix Market IDB-FOMIN

Transparency certificate. 5 Diamonds in transparency, quality and reliability (2008)

Award for the most innovative financial institution in 2015 for its *Ahorro para todos* [Savings for all]

Citi (Premic) award

Mix Market IDB-FOMIN

First Peruvian financial institution in microenterprise outreach, in the overall classification *Microfinance Americas: The 100 best in 2014* ranking.

Among the 300 best companies in Peru and Latin America in the magazine *América Economía's* ranking (2013)

FAO. Honorary Mention in the category of Rural Women for the life story of Rut Pelaiza, officer with the Peruvian institution (2017)

2017 Social Performance Report

Measuring what really matters

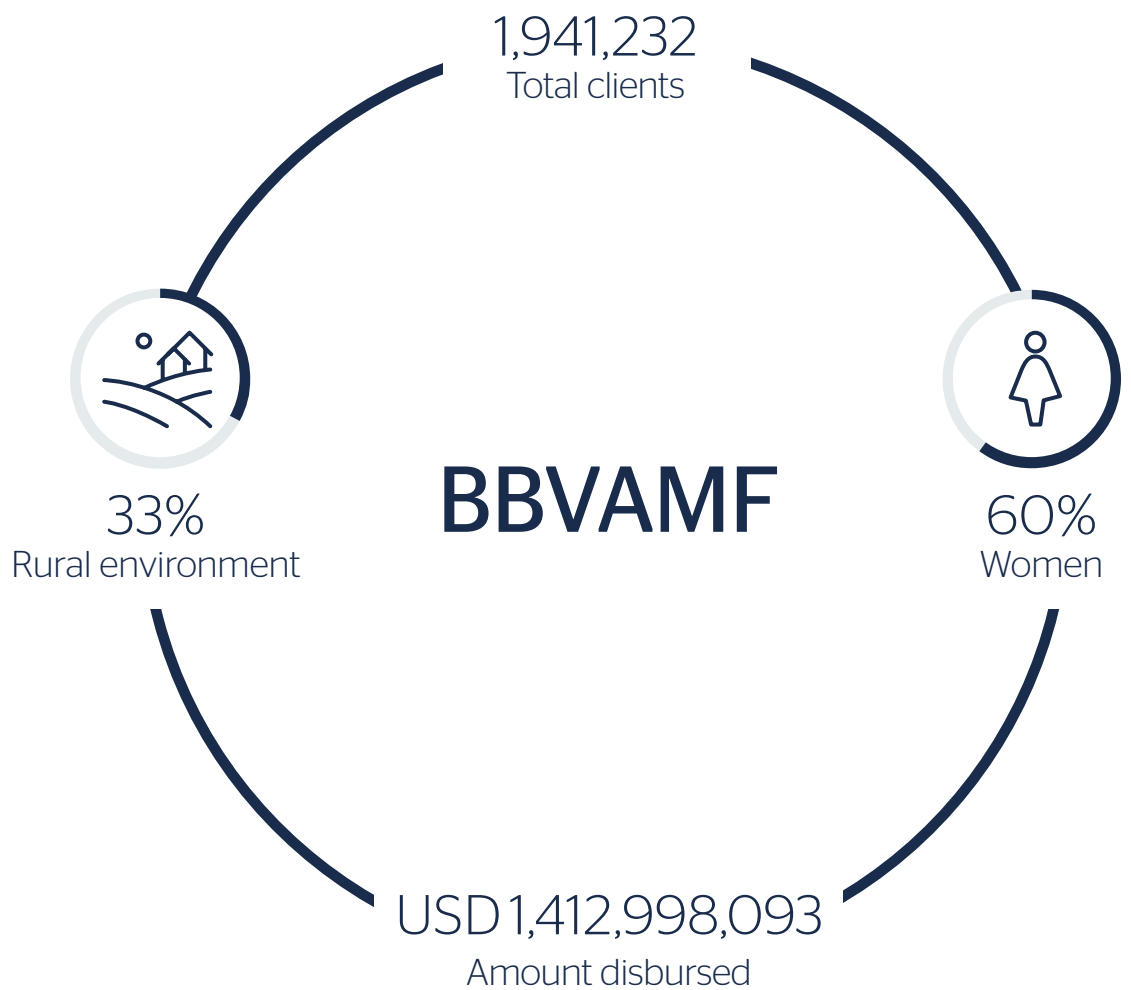


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Total clients

1,941,232

In Latin America, 184 million people still lack access to the formal banking system*. Access to financial services drives the spirit of entrepreneurship.

It represents an opportunity to increase revenue, smooth consumption, increase productive investment and obtain coverage. A key tool for transformation that in turn improves living standards for low-income people.

* To 2017, based on information from Global Findex (World Bank) and BBVAMF Research estimates.

Credit clients

911,312



80%

Vulnerability¹



60%

Women



33%

Rural environment



43%

Primary education at best²

New credit clients

272,987



84%

Vulnerability¹



57%

Women



31%

Rural environment



36%

Primary education at best²



875

USD

Average disbursement³



189

USD

Monthly net income per capita



3.2

people

Household size

1. According to each country's official poverty line (differentiating between the rural and urban environments). Clients whose net income *per capita* (estimated as the business net income divided by the size of the household) is below the threshold calculated by multiplying the poverty line figure by three, are classified in *vulnerability*. **2.** Proportion of all credit clients who have completed primary education, at best. **3.** Average disbursement: average disbursement by new clients served during 2017.

Source: BBVAMF Group institutions. BBVAMF calculations.

The BBVAMF Group serves over 1.9 million people with financial products and services, together with training. The success of their projects and their level of development and living standards, depend to a large degree on having access to these products and services.

BBVAMF Group institutions' work hinges on Productive Finance methodology, built around micro-entrepreneurs and their needs, to analyze and understand their reality, their surroundings, their business and their capacity to generate long-term net incomes. It is a key factor in ensuring their sustainable economic progress.

During the course of 2017, the six institutions in the BBVA Microfinance Foundation Group (BBVAMF Group or the Group) have worked with over 1,900,000 low-income entrepreneurs offering financial products and services (credits, savings, insurance, remittances, etc.) and training to support their progress.

With Productive Finance, which works on the basis of personal client knowledge, their surroundings and their reality, the Group is helping micro-entrepreneurs to generate net incomes that are sustainable over time. Detailed, regular

measuring of their progress ensures they are aligned with the Group's mission and converts it into actionable impact.

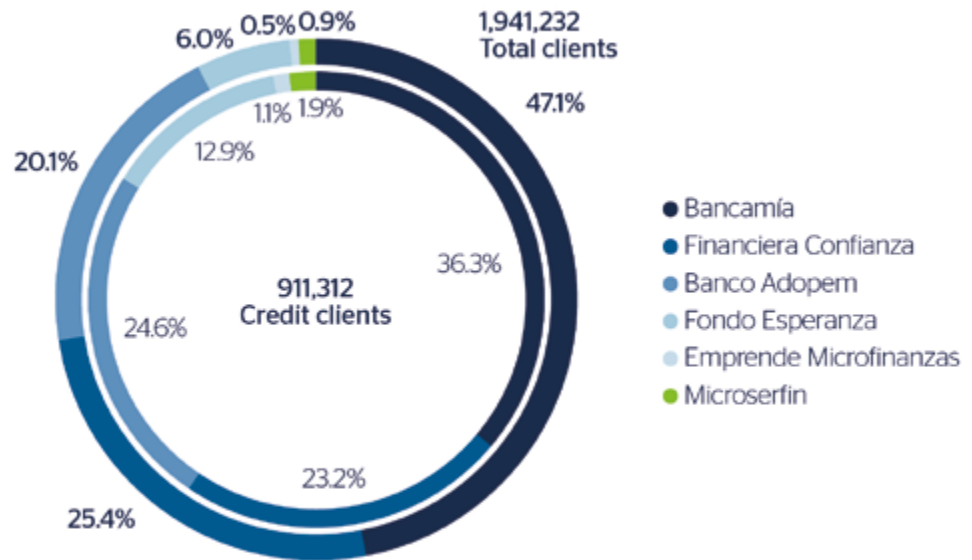
BBVA Microfinance Foundation (BBVAMF or the Foundation) has a proprietary system of quantitative and qualitative metrics that systematically and periodically analyze the stages that entrepreneurs go through as their businesses and their standard of living develop throughout the course of their relationship with the institutions.

This enables it to accumulate knowledge about its clients, acquired year

on year, disclosed in five social performance reports published, in which the financial, societal conditions they are dealing with, and their local context, are analyzed. We need to keep this level of knowledge up to the mark and enrich it, working towards more active management in the sector.

The Social Performance Report is, therefore, a reflection of the Foundation's commitment to measure the progress of the entrepreneurs it serves, to understand and find ways of improving the service offered and the social impact. Most of the analysis has been

1. BBVAMF Group clients



Source: BBVAMF Group institutions. BBVAMF calculations.

Current clients at 12.31.2017

conducted on credit clients, given the availability of detailed information about them and their businesses.

The effort to better understand clients' progress and thus serve them better, is visible throughout the report, and has been addressed across **three areas**:

- **1. Commitment to low-income clients:** recognizing vulnerability in all its manifestations (economic, social and geographic).
- **2. Observing how entrepreneurs progress:** analyzing their performance in order to reach a deeper understanding of their preferences and needs.
- **3. Client relationships:** staying by our clients' side with financial products and services that match their needs as they grow, together with training.

This report analyzes the changes in the characteristics of our clients and the progress of their enterprises, while they access the products and services in our institutions. How these entrepreneurs

develop depends on a series of factors that include their individual abilities, the decisions they take, how their immediate surroundings change, etc., where the provision of financial services represents an essential added component. So, the Foundation analyzes this performance but does not self-attribute causality for these impacts.

The results obtained show that vulnerability generates inefficiencies when taking decisions and that in order to serve clients better, their development cycle needs to be analyzed in depth.

When that analysis is broken down, looking at clients in poverty, the **key factors that condition their performance are**:

- **a.** Their environments (rural/urban), which impacts on their living conditions, competition, demand, etc.
- **b.** The productive sector in which they are conducting their activity, particularly those in which it is relatively easy

to obtain short-term incomes that help them overcome poverty.

- **c.** The initial investment in assets, the accumulation of reserves or of capital that enables them to generate income in the future.

Identifying these characteristics is the first step in defining the aspects that impact on their development. They are the basis for a more efficient client segmentation.

In addition, the level of stability in generating client incomes and, as such, the difficulty in managing adverse events, affects all segments equally. The greater the instability, the lower the asset accumulation over time. This must therefore also be taken in to account when accompanying the client over time.

Overall, the analysis of outcomes shows how entrepreneurs' performance is positive in the medium term, in particular in areas relative to job creation, housing and the client's education.

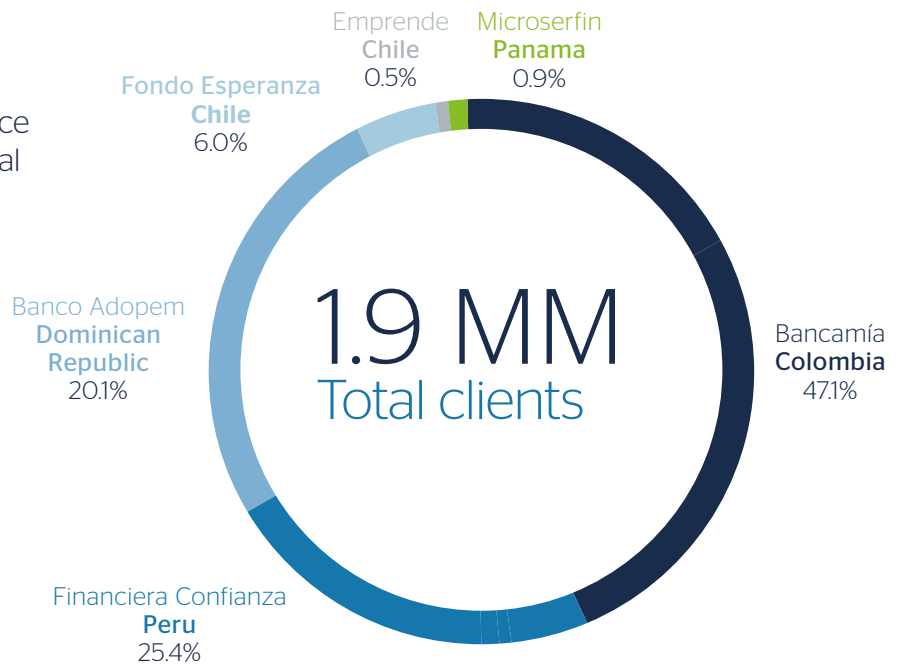
Committed to serving low-income clients

BBVA Microfinance Foundation has a constant commitment to serve vulnerable entrepreneurs.

The multidimensional nature of this vulnerability means that microfinance should focus on the economic, social and geographical contexts of each country.

911,312
Credit clients

272,987
New credit clients



Economic vulnerability



80%

of credit clients are poor or at risk of falling into poverty*

Clients current at 12.31.2017.

*Their net incomes, per household member, are less than 3 times the poverty line

Social vulnerability



60%
Women



33%
Rural environment



43%
Primary education, at best

The level of education, gender and the environment are factors shared by the poorest clients

Clients current at 12.31.2017

Geographic vulnerability



70%

of new clients live in areas with high or medium levels of poverty

New clients in 2017

BBVA Microfinance Foundation's mission is centered on a permanent commitment to serving vulnerable clients working in productive activities (i.e. entrepreneurs). Vulnerability can take many forms, and in the BBVAMF Group we look at it on the basis of three aspects:

- *Economic vulnerability*, which is based on the calculation of entrepreneurs' net business incomes and, as such, on the financial resources available for their households.
- *Social vulnerability*, that analyzes the composition of the client profile that might condition someone's vulnerability, so, for example their level of education, their gender, their age, etc.
- Environment and/or geographical context, which considers the region in which they live and conduct their activity since infrastructure and access to certain resources can condition their development.

The Foundation tracks these characteristics and ensures that the new entrepreneurs it serves meet some of these vulnerability criteria, in line with its mission.

1. Keeping the focus on economically vulnerable clients

Classifying each client by economic *vulnerability* is a cornerstone in the social impact measurement of the BBVAMF Group's activity. Entrepreneurship is key if low-income people are to raise their economic incomes in the longer term and bring up their families. It is significant that entrepreneurs in Latin American countries account for 28% of the active population (See *Macroeconomic analysis*).

For this reason, the BBVAMF Group promotes the generation of financial opportunities for entrepreneurial people who are excluded from the traditional financial system, or left behind, and in vulnerability; this economic situation is then measured over time.

We have defined four client segments depending on the ability of their micro-enterprises to generate net income for each household member, above

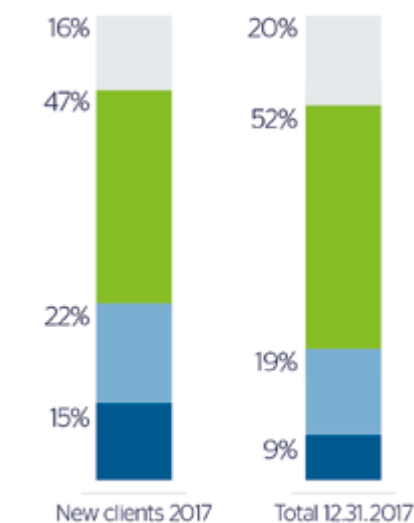
the cost of the basic basket of food-stuffs (each country's extreme poverty line); and another, wider group, with the cost of basic services (the poverty line), with both of these differentiated between urban and rural environments. They are classified as:

- **Extremely poor**: when their *per capita* (*p.c.*) surplus (or net income) is lower than the corresponding extreme poverty line.
- **Poor**: when their net income is lower than the corresponding poverty line but above the extreme poverty line.
- **Vulnerable**: when their net income is less than three times more than the poverty line.
- **Others**: when their net income is more than three times the multiple of their country's poverty line*.

Looking beyond poverty, there is a segment of clients, the "economically *vulnerable*", (incomes under three times the poverty line) defined given their likelihood of falling back and/or remaining under the national poverty line (See *Notes on methodology* for more details).

This classification is proprietary and comparable with the standards used by international bodies such as the United Nations and the World Bank. For example, if we look at the extremes of poverty and extreme poverty lines in the countries where the Group's six entities operate, the entrepreneurs classified as *extremely poor* have monthly net surpluses for each person in the household of under USD 35 (USD 1.1 a day) in Colombia's rural areas and of USD 71 a month (USD 2.3 a day) in Panama's urban areas. *Poor* entrepreneurs have incomes of less than USD 56 a month (USD 1.8 a day) in Colombia's

2. Client economic vulnerability



● Ext. poor ● Vulnerable
● Poor ● Others

Source: BBVAMF Group institutions. BBVAMF calculations.

2. New clients (no previous loans) signed up over the year. "Total" represents clients current at 12.31.2017.

* Clients under the poverty line or in poverty include *extremely poor* and *poor* clients, and clients over the poverty line or in non-poverty, are those classified as *vulnerable* or *others*. *Vulnerability* includes *extremely poor*, *poor* and *vulnerable* entrepreneurs.

1. Keeping the focus on economically vulnerable clients

rural areas and USD 145 a month (USD 4.8 a day) in the urban parts of Panama.

We should note the case of Chile, where the segmentation has been adapted to that country's criterion and the measurement of *extreme poverty* covers not only a basket of foodstuffs, but also includes clothing and housing. Chile's poverty line is between two and three times higher than that of the remaining countries, in line with its level of development. In this country, the minimum monthly income necessary to avoid being classified as *extremely poor* is USD 166 (USD 5.5 a day), and USD 249 (USD 8.3 a day) to overcome poverty (See *Notes on methodology* for more details).

In 2017, the BBVAMF Group granted loans to 272,987 new entrepreneurs. Of these, 84% are classified in economic *vulnerability*. Over time, BBVAMF Group institutions continue to focus on entrepreneurs in *economic vulnerability* (in line with previous years). In fact, *extremely poor* entrepreneurs generate a monthly net income of USD 51, which amounts to 38% of the poverty line. In other words, their income would have to grow by at least 163% to top that line. For *poor* entrepreneurs, the average income generated by their businesses is USD 81 a month, and this would have to grow by 30% to breach the poverty line. *Vulnerable* entrepreneurs with a monthly income of USD 171 breach the poverty line by 73% (their net income is a multiple of 1.73 of the poverty line).

3. New clients (no previous loans) signed up each year. **4.** New clients (no previous loans) signed up over the year. *Per capita* monthly net income relative to each country's official poverty lines. The p.c. monthly net income takes the value of one when it is the same as the poverty line.

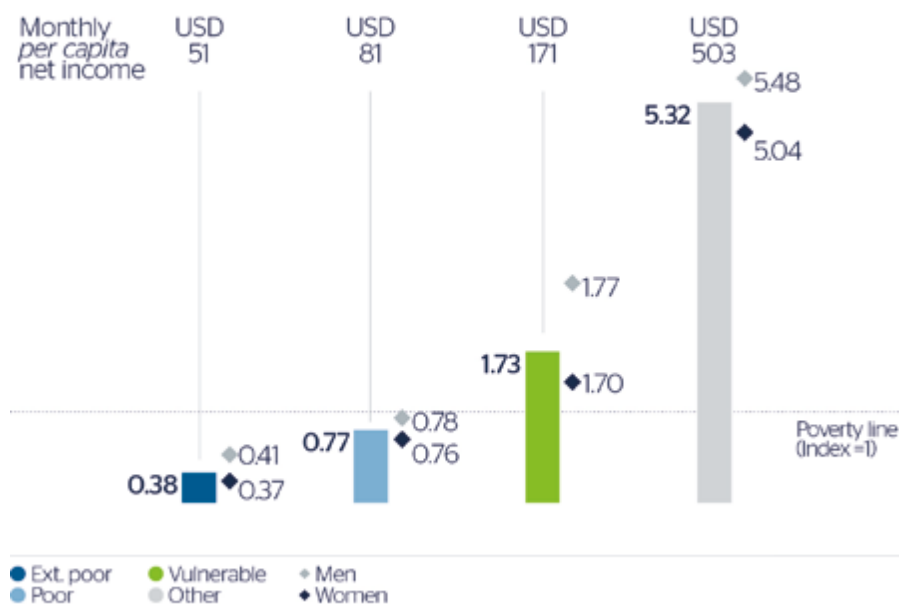
Note: The historical data has been refined, and so differs slightly from that published in earlier reports. The methodological changes refer to the changes in clients' classification by environment in Colombia, the new poverty line in Chile and the greater availability of historical data (in all institutions).

3. New credit clients and economic vulnerability



Source: BBVAMF Group institutions. BBVAMF calculations.

4. New clients' net income, relative to the PL

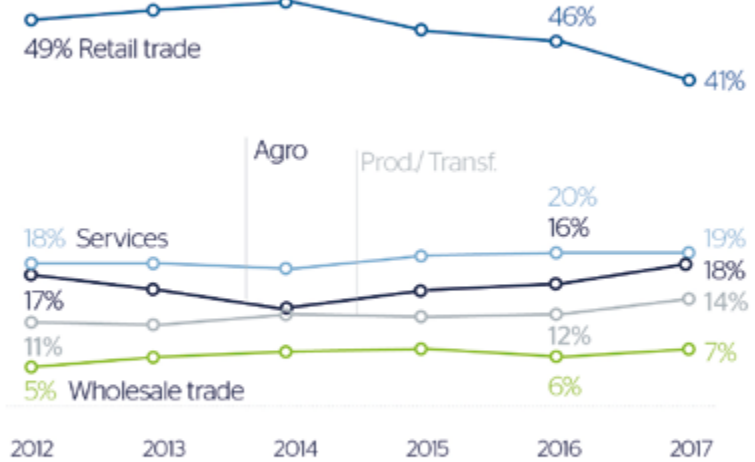


Source: BBVAMF Group institutions. BBVAMF calculations.

Retail trade continues to be the predominant sector (41% of new clients and 47% of all current clients). Entrepreneurs prefer to conduct their activities in flexible sectors, where it is easy to change their type of business, so they operate with low costs and lower asset volumes. For example, on average, client assets in the Retail trade sector (where the most *vulnerable* clients are to be found) are USD 7,548 compared to USD 11,006 in Services*. The Services sector (18% of all clients) concentrates the less *vulnerable* clients and reports higher margins and asset volumes.

There has been an increase in sector diversification, with a higher proportion of new clients in Agriculture (17% in total) and in Production / transformation (12%, bakers, artisans, etc.). This is the result of developing new service channels and of the efforts made by the BBVAMF Group to expand its activity into new areas.

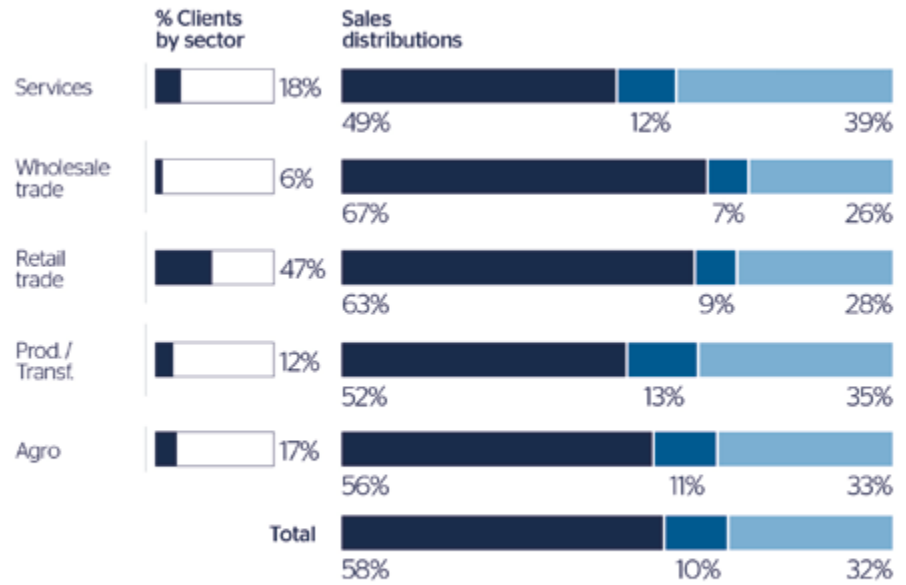
5. New clients, by sector



● Agro ● Prod./ Transf.
● Retail trade ● Wholesale trade
● Services

Source: BBVAMF Group institutions. BBVAMF calculations.

6. Sales distribution, by sector



● Costs over sales
● Installment over sales
● Net income over sales

Source: BBVAMF Group institutions. BBVAMF calculations.

5. New clients (no previous loans) signed up each year. 6. Current clients at 12.31.2017. Business expenses (costs), installment payment and the net income are split between monthly sales.

2. Committed to social vulnerability: identifying the poorest segments

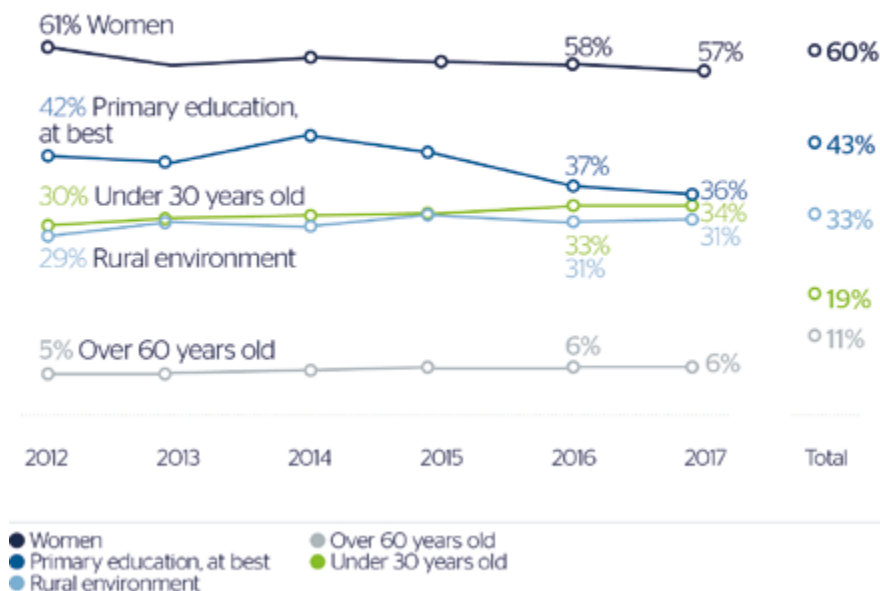
Over the course of 2017 we continued to serve clients in the key segments we have identified as being priority from the social perspective:

- Women, who account for 57% of new clients.
- Those with basic education (primary, at best), who represent 36% of new clients.
- Young people (under 30 years old), who account for 34% of new clients.
- Older people (over 60), who make up 6% of all new clients.
- Rural clients, who represent 33% of new clients.

Our focus on serving women was very marked because accessing the financial system is more difficult for them. In Latin America in general, women do not have their own source of income (the likelihood of a woman being unemployed is particularly high in emerging economies), and their level of human capital (education) is lower than the regional average, so they face greater entry barriers to becoming an entrepreneur or accessing the labor market (See *Macroeconomic analysis*). Of all new clients served during 2017, 57% are women and, of these, 45% are in poverty. Furthermore, women represent 78% of clients classified as *extremely poor* and 64% of those classified as *poor*.

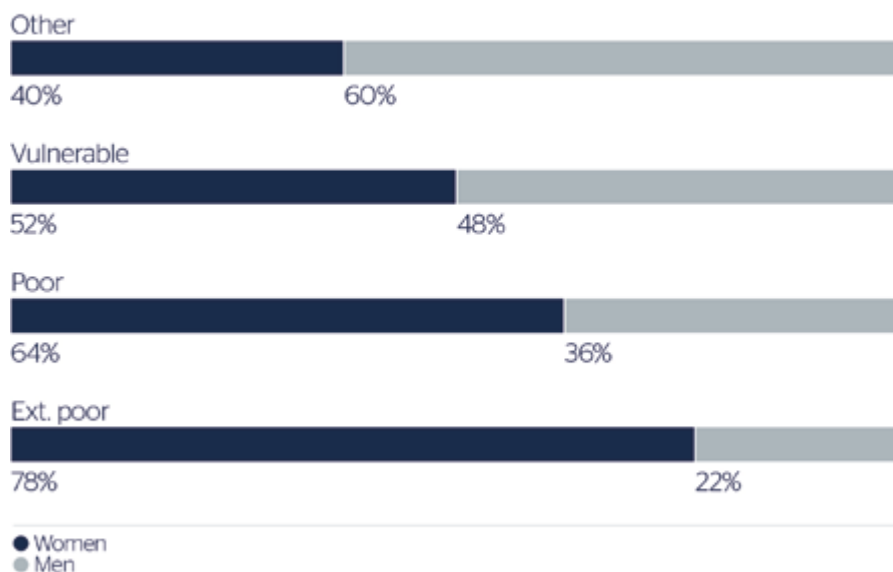
7. New clients (no previous loans) signing up each year. Total shows the number of clients current at 12.31.2017. 8. New clients (no previous loans) signing up during the year.

7. Socio-economic profile of credit clients, new & total



Source: BBVAMF Group institutions. BBVAMF calculations.

8. New credit clients' vulnerability, by gender



Source: BBVAMF Group institutions. BBVAMF calculations.

Their enterprises generate lower returns, on average, and as a result they suffer from worse levels of economic *vulnerability*. This is partly due to the fact that they have to take on all household tasks, and because their occupation is in sectors with low productivity (Retail trade, 56% of all women). Furthermore, there are increasing numbers of women in Latin America who bring up their children on their own: 43% of women served by the Group are single, separated or widows, with family dependents*.

In 2017 we conducted a multivariate study** to identify those socio-demographic and economic attributes characterizing clients whose businesses generate income below the poverty line. The study enabled us to pick out correlations and define segments where poverty is more acute.

We identified three shared factors determining a greater concentration of the *poor* and *extremely poor*:

- Gender: this is one of the most important variables when accounting for the poverty of entrepreneurs. In all Group entities, being a woman implies greater economic *vulnerability*, even when the client's other characteristics are the same. We have seen this in the *poorest* segments analyzed in most of the Group's entities.

- Environment: living in a rural or urban environment conditions people's poverty level. At a nationwide level, poverty is concentrated in rural environments, where access to financial services and other essential services is more difficult than in urban environments.

- Other household income: clients with other household income (i.e. not

In 2017, the BBVAMF Group granted loans to 272,987 new entrepreneurs. Of these, 84% were in economic vulnerability

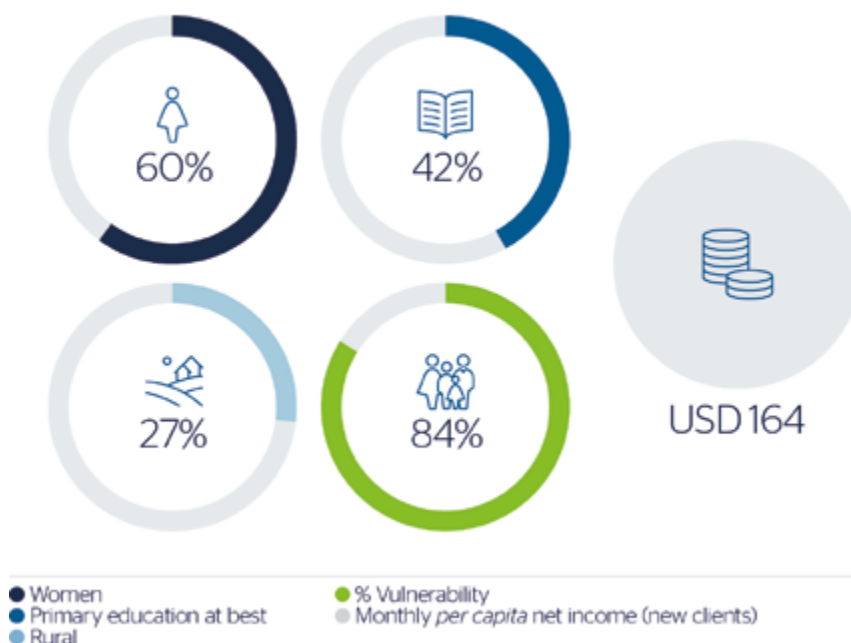
from their business) have smaller enterprises, perhaps because they do not spend all their time on it, and instead rely more on additional income streams.

Other specific variables stand out in certain countries***:

- Education: there is a positive correlation between clients' level of education and their income (the higher the education, the lower the poverty), and the correlation is particularly strong in Panama.

- Other living conditions: for example, housing construction materials in Colombia or the type of premises in which the business operates in the Dominican Republic are highly determinant factors.

9. Entrepreneurial women BBVAMF Group clients, characteristics



Source: BBVAMF Group institutions. BBVAMF calculations.

9. Women clients current at 12.31.2017. Average p.c. monthly net income of new female clients in 2017.

*Average assets for clients current at 12.31.17.
** See *Notes on Methodology* for more details.

***The volume of assets, measured relative to the type of activity or sector in which the client is active, is one of the significant variables when determining poverty. Nevertheless, due to its high correlation with the classification of poverty (business surplus) it has not been included in the segmentation.

2. Committed to social vulnerability: identifying the poorest segments

- Age group: as the years go by, people normally accumulate assets (fixed and financial) that reduce their vulnerability. However, if no public policies to protect and provide pension cover for older people are in place, they are obliged to work to obtain or supplement their incomes. In these cases, older clients may suffer higher levels of poverty (as is the case in Panama).

Four segments have been identified in the group that account for 58% of the *poor* clients served in 2017; in turn, these represent 42% of new clients signed up:

- Urban women with other sources of income from within the household (15% of clients under the poverty line).
- Rural women working in Agriculture (5% of clients under the poverty line).

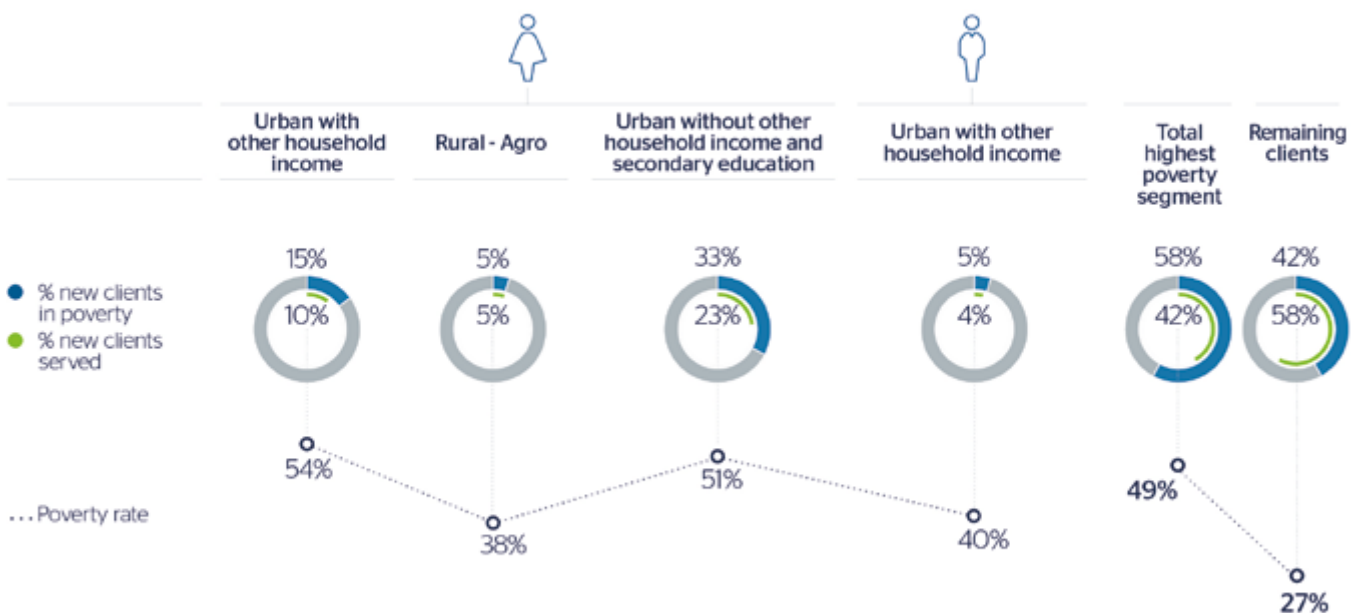
- Urban women with primary education only, whose micro-enterprise is their sole source of revenue (33% of clients under the poverty line).

- Urban men with other sources of income from within the household (5% of clients under the poverty line).

The poverty rate* of these segments is 49%, and the first segment "Urban women with other sources of income from within the household", suffers from the highest level of poverty (one in every two clients in this category lives under the national poverty line). It is also useful to note that, although sharing the same characteristics as the previous segment (apart from gender), the "Urban men with other sources of income from within the household" segment has 14% lower incidence of poverty.

Women must be supported, because they face higher barriers to entry and are in the segments with the highest economic vulnerability

10. New entrepreneurs by segment, with higher poverty rates



Source: BBVAMF Group institutions. BBVAMF calculations.

3. The geographical context: poverty maps

Latin America is highly heterogeneous in terms of its development dynamics by region and province, mainly as a result of asymmetries in access to infrastructure and resources, and because of sociocultural differences. It is particularly interesting to contrast the profile of clients served by institutions with pockets of poverty defined nationally. This allows for more focused plans to manage and service new clients.

Given that the only information available at a national level is about clients under the poverty line, this is the benchmark indicator used. The BBVAMF Group has created an indicator that measures the percentage of *poor* and *extremely poor* clients served in 2017 in each country's regions (provinces) (referred to hereinafter, for this section, as new *poor* clients by region).

The BBVAMF Group concentrates on clients with productive activities, with a particular focus on the most vulnerable areas in the countries in which it operates, where it generates a greater positive impact in people's development. A quarter of total clients are in areas of greater poverty and a third of new clients signed up in 2017 are *poor*. This indicator is higher in some specific regions*, so, for example, it is 50% in La Guajira (Colombia), 38% in the Amazon region of Loreto (Peru), 52% in Elias Piña (the Dominican Republic), and 62% in Bocas del Toro (Panama).

It should be pointed out that in areas of greater population density, such as capital cities, a high number of *poor*** people are concentrated, but in relative terms, the proportion of poor urban clients at national level is lower than in rural regions (so, 49% of clients are *poor* in Callao, Peru, and 47% of clients are

poor in Distrito Nacional, in the Dominican Republic).

The pockets of poverty in each country and the majority of the *poor* entrepreneurs served by the Group's institutions are in rural areas, where access to infrastructure and basic services is limited. In particular, the high dispersal of the population and the inability to access markets (e.g. in the sierra area of Peru and the Amazon zones of Colombia) are limiting factors when trying to give clients services tailored to their needs. This involves identifying those entrepreneurs who can overcome these obstacles with the help of a productive loan. It requires obtaining positive results in the activities they have the potential to undertake, regardless of the personal assets they may have (education, land ownership, etc.) to begin with. Client risk indicators should also be taken into account.

11. National poverty rate, total entrepreneurs and new, poor entrepreneurs served in 2017 in areas covered by BBVAMF Group

Measurement of nacional poverty	% Total current clients	% of poor clients served in 2017
High	24%	39%
Mediun	46%	27%
Low	30%	32%
Total		33%

10. New clients (no previous loans) signing up during the year. 'Total' shows the sum of the participation of the segments analyzed, calculated over total new clients served in 2017. The remainder shows the participation of segments not included in the table, calculated over total new clients served during 2017. 11. Regions classified according to the national poverty rate as "low" (below national 30%), "high" (above 60%) and "medium" (the remainder). 'Total' shows the number of clients current at 12.31.2017. New *poor* clients signing up during the year are new clients in 2017 that are under the poverty line.

*Number of *poor* and *extremely poor* clients in proportion to total clients. **Regional poverty classifications vary from country to country in terms of date and poverty levels. ***Number of poor and extremely poor clients in proportion to total clients.

Source: BBVAMF Group institutions. BBVAMF calculations.

3. The geographical context: poverty maps

12. National poverty rate and new poor entrepreneurs served in 2017

Colombia



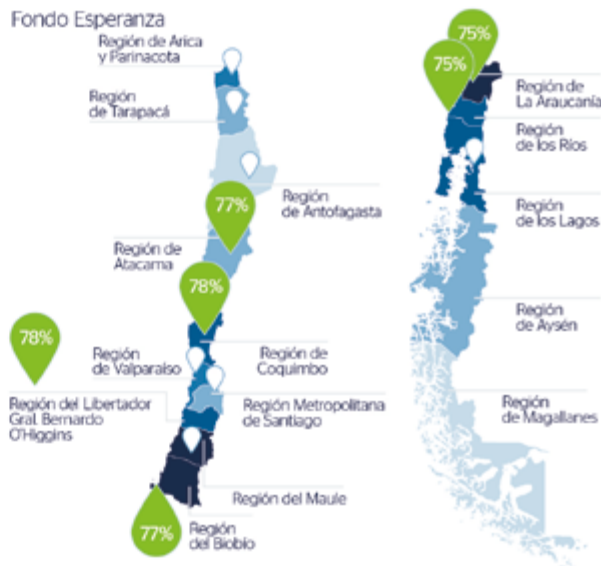
Peru



Panama



Chile



● Where more poor entrepreneurs were signed up in 2017
○ Other regions where entrepreneurs are served

Source: BBVAMF Group institutions, BBVAMF calculations. National poverty maps: Colombia (DANE, 2006); Peru (INEI, Poverty maps by province and district, 2013); Dominican Republic (Ministry of the Economy, Population & Housing Census data, 2010); Panama (Ministry of the Economy & Finance, that publishes the national poverty rate by region, 2015); Chile (Casen, 2015).

Dominican Republic



We need to work together, combining the body of knowledge held by BBVAMF Group entities with that of other players (public and private) to serve more *vulnerable* and/or *poor* clients sustainably. For this reason, the Group has defined separate social indicators, by region, to give a broader context to management and to move on from making an isolated to a collective impact.

This data corroborates the need to think in terms of a “shared model” that gets all parties on side (for the follow-up to come not just from an institution, but rather for the local reality to be taken into account). This will provide a joint understanding and approach when defining actions and is essential if greater impact is to be achieved. The poverty maps show client data, even as far down as branch level, and provide information that allows us to drive commercial intelligence in context, and team up with regional players, acting as a catalyst to achieve the greatest impact possible in the lives of our clients in situations of vulnerability.

Chile (cont.)



The BBVAMF Group places special emphasis on the most vulnerable areas in which it operates, which offer the greatest potential for development

12. The regions with the highest percentage of poor new entrepreneurs served in 2017 (in green) and in the remainder, the zones where the institution is active. The background color indicates the proportion of poor households in the region, according to each country's national statistics institute; the darker the color, the higher the poverty rate.

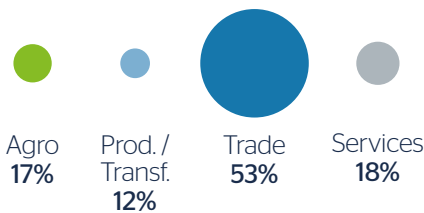
Charting micro-entrepreneurs' progress

Supporting our entrepreneurs as they progress enables us to learn much about their development, their needs and thus, to serve them better.

1. Our entrepreneurs' performance

Most entrepreneurs are traders, a sector with low barriers to entry

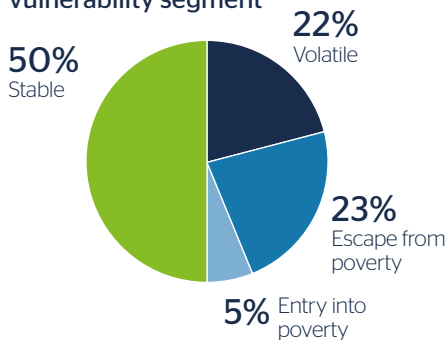
Total clients, by sector



Clients current at 12.31.2017

They have irregular incomes, and therefore tend to diversify their business activities

Change in client's economic vulnerability segment



Shows change in the poverty segments of clients served since 2011, with at least 5 loans disbursed.

They report sustained and positive growth rates on their net incomes and assets, over time

Net income and asset, growth rates

	Annual growth rate, since 2011	Average current value (USD)
Monthly Net Income	17%	568
Assets	24%	9,011

Clients current at some point in 2017 with updated information over the last 12 months with their MFI.

2. Indirect impact

On their standard of living, that of their families and their communities

8%

have improved their home after 3 years with the institution

190,112

people employed by our clients

3.2 people in the household

We serve around 2 million people



We have an impact on

7M people

Indirect impact is based on data on clients current at 12.31.2017

57% of the more than 400,000 clients of BBVAMF Group institutions who have renewed their loan in 2017 have improved their income relative to the poverty line, a slight rise from the 2016 result of 56%. A third of these are clients were in *poverty* or *extreme poverty* at the beginning of the year, and the client segment under the poverty line has fallen by 14%.

Thus, we see a constant and upward rate of annual growth in our clients' businesses: their sales, net incomes and assets have grown by 16%, 17% and 24%, respectively, with higher growth rates among women, although they start from a lower base point. It is very important that we study entrepreneurs' growth cycles in depth, understand their performance and the characteristics that affect them.

In order to do so, on the one hand, we have endeavored to better understand the clients who are in economic *vulnerability* and learn how they grow over time. On the other, we want to identify the determining characteristics of entrepreneurs who perform best (clients who escape poverty) and analyze the possible reasons that cause clients to fall into poverty.

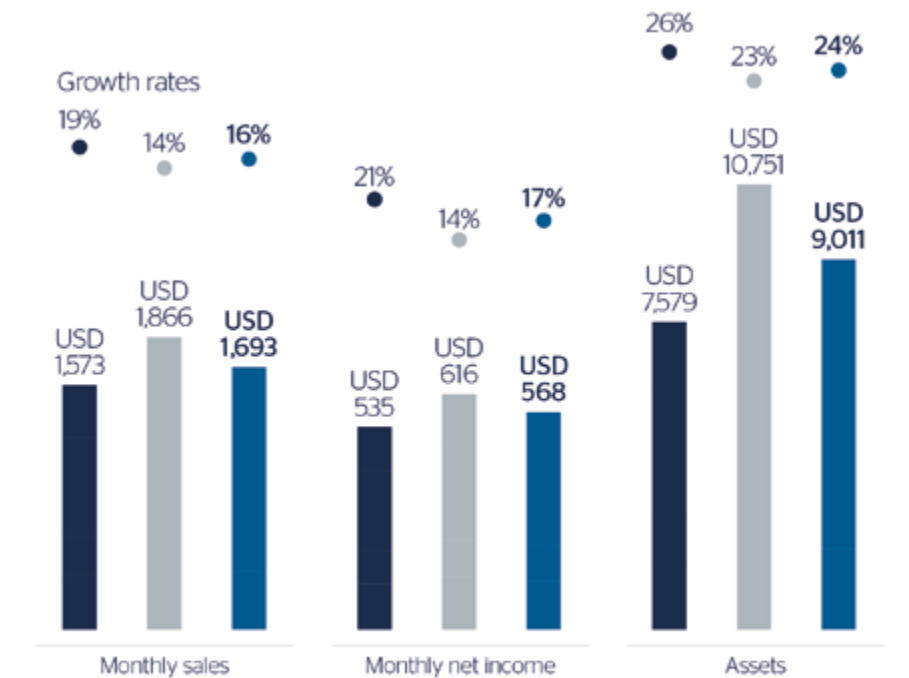
13. Clients served during the year, on each date. Performance



● Of those that renew a loan, those increasing their net income relative to the poverty line
● Of those that renew a loan, those that overcame poverty

Source: BBVAMF Group institutions. BBVAMF calculations.

14. Annual growth of headline figures (USD), by gender



● Women
● Men
● BBVAMFG

Average current value

Source: BBVAMF Group institutions. BBVAMF calculations.

13. Clients who have renewed their loan each year. 14. Clients current at some point in the year who have made a disbursement or update in the last 12 months of their relationship with the institution. The compound annual growth rate (CAGR) of the 2012-2017 cohorts was used for the calculation, and the weighted average of these rates for each gender is shown.

1. What our clients experience: income uncertainty

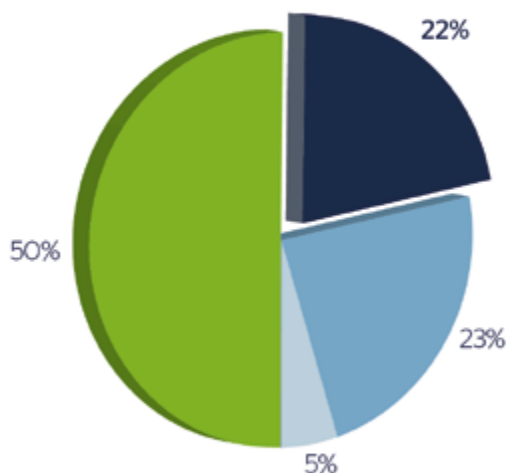
Changes in clients' *per capita* monthly net surplus are the result of a dynamic process; not all clients achieve sustainable growth and they frequently go back and forth over the poverty line because of the high volatility of their revenues (mobility). Instability and uncertain income is another dimension of vulnerability, exposing entrepreneurs to greater precariousness in the event of unforeseen circumstances and conditioning the decisions they take.

If we consider clients with at least five loans disbursed (since 2011)*, we see that 22% of them cross the poverty line at least twice, while the status of 50% of borrowers does not change throughout the course of the five loans they take out with the entity. This volatility is more pronounced when the client profile is more economically *vulnerable* (see graph 15).

The difficulties faced by individuals dealing with negative shocks are more serious when their income levels are low for prolonged periods. An extreme case of dysfunctionality in this dimension is that of the so-called poverty traps** that affect households in permanent deprivation, with incomes below the minimum thresholds that are

15. Net income volatility relative to the poverty line (PL)

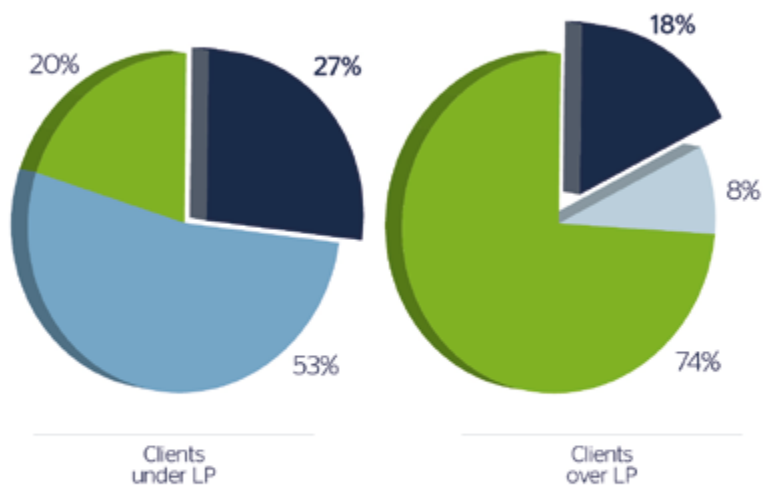
Change in clients' economic vulnerability segment, based on their net income relative to the poverty line. *Poor and vulnerable* people are frequently exposed to changes in their economic situation, throughout their lives, which causes them to go back and forth across the poverty line on more than one occasion.



● Volatile ● Fall into poverty
● Escape from poverty ● Stable

Source: Bancamía, Financiera Confianza, Banco Adopem, Emprede, Microserfin. BBVAMF calculations.

16. Net income volatility relative to the poverty line - Clients under and over the poverty line (LP)



● Volatile ● Fall into poverty
● Escape from poverty ● Stable

Source: Bancamía, Financiera Confianza, Banco Adopem, Emprede, Microserfin. BBVAMF calculations.

15 & 16. Data on clients served between 2011 and 12.31.2017 who have had at least five disbursements. The classification by *vulnerability* considers their situation at the first loan.
 • Volatile: client who crosses the poverty line at least twice, in either direction.
 • Escape from poverty: client who escapes poverty permanently.
 • Fall into poverty: client enters poverty in one cycle and does not escape it again.
 • Stable: client who remains *poor or non-poor* throughout the five disbursement cycles.
17. For the sample of clients served between 2011 and 12.31.2017. The client classification was based on their degree of *vulnerability* at each credit cycle.

2. What our clients experience: investment choices grounded in liquidity and flexibility

more precarious. Their likelihood of escaping poverty permanently is lower, so the Foundation centers its efforts on promoting productive activities that increase this probability.

Shocks, or the risk of suffering them, can exacerbate the absence of prolonged mobility because households with lower assets are structurally more exposed to negative effects, especially the poorest.

27% of clients under the poverty line get over it and then fall back to lower income levels (i.e. crossing the poverty line twice, one in each direction) and 20% remain in their segment (*poor* or *extremely poor*).

As clients' net incomes grow, the likelihood that they will relapse into poverty recedes. 74% of *non-poor* clients stay above the poverty line during the five credit cycles studied. However, 8% will fall into poverty and 18% will do so on a temporary basis and escape it again. This shows that income levels are as important as stability over time and permanence. More stable incomes have a direct impact on what decisions are made and are strongly correlated with better performance over time.

*The average seniority of clients who have had five credit cycles with a Group institution is three years and five months (excluding Fondo Esperanza). **The extensive reading material on poverty traps has tackled many of the channels which may play a part in perpetuating it; to mention a few, they include: bad health, which reduces productivity and stunts the capacity to manage or generate skills; access to poorer quality schools; people returning to complete their education, who are few and far between and take a long time to do so; the lack of infrastructure and of human capital which might otherwise attract regional investment; etc. (*Poverty reduction and growth: Virtuous and vicious circles*; World Bank 2006).

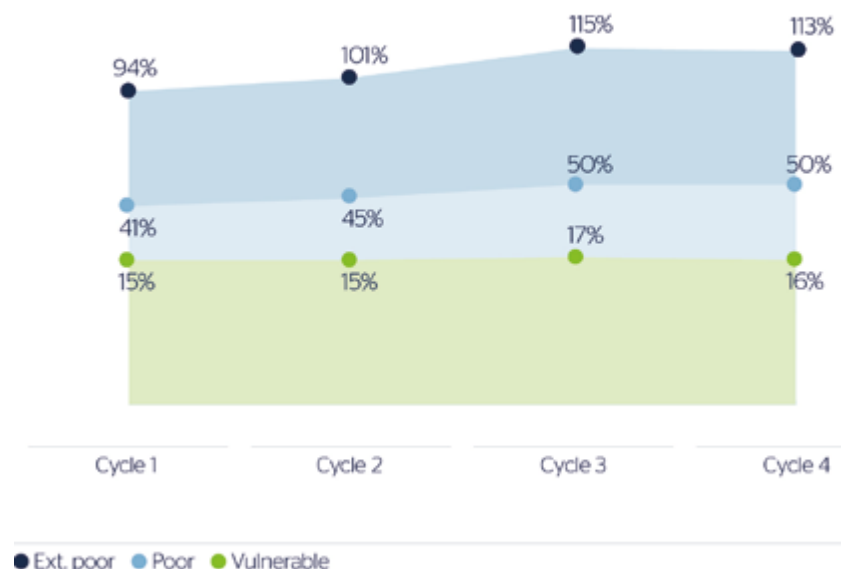
There is a high correlation between the degree of economic *vulnerability* and entrepreneurs' rates of net income growth: growth rates are higher in the case of lower incomes. For example, it is easier to raise a monthly net income of USD 35, equivalent to a basic basket of foodstuffs in Colombia (extreme rural poverty line) than one of USD 105, three times the basic food basket.

This relationship is visible in the growth rates of clients in the BBVAMF Group since 2011, where growth in the *extremely poor* segment is 98% on average, yearly, whereas among *vulnerable* clients it is 16%. Likewise, there are differences by activity sector, with the biggest variations in the case of the *extremely poor*. Along the same lines, the variation in the *p.c.* monthly net income is greater within client segments with very low incomes, where they double in each credit cycle (*extremely poor*).

The intrinsic nature of the entrepreneurs targeted by the BBVAMF Group's institutions means that their transactions occur in the in short-cycle activities they predominately favor; they choose sectors such as Retail trade. This sector enables clients intuitively to manage higher, risk-adjusted margins, so they concentrate here. Their preferences are for a low initial investment with low technical requirements (so for example, small-scale retail, buying in bulk and selling on).

Households with fewer resources, as they generate income, have to take decisions about investment, consumption and saving that will be affected by the need to ensure a basic level of consumption. As a result, there is a vicious circle of poverty leading the more vulnerable entrepreneurs to look for productive activities requiring low investments with fast returns, but these are

17. Relative net income growth rates



Source: Bancamia, Financiera Confianza, Banco Adopern, Emprrende, Microserfin, BBVAMF calculations.

2. What our clients experience: investment choices grounded in liquidity and flexibility

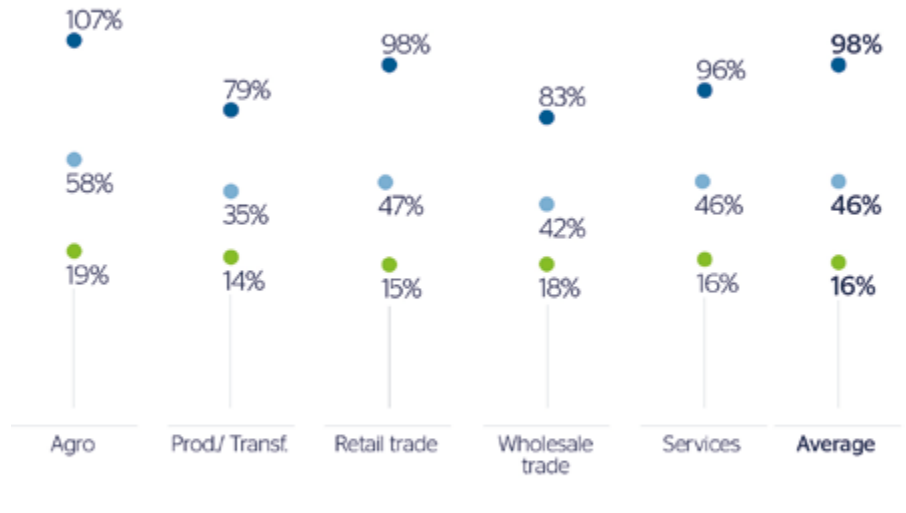
lower. The risk of failing in the activity is partially offset by greater rotation and diversification of activities.

For example, of the entrepreneurs served who work in Agriculture, nearly 50% raise livestock, which enables them to have cashflow flexibility in the short term (e.g. through the sale of chickens) compared to a medium-term investment (e.g. purchase of fertilizers or improved seeds that drive crop productivity and increase expected earnings).

The high mobility and need to obtain high returns in the short term means that these entrepreneurs cannot allow themselves a learning curve which would subsequently revert in higher productivity in the medium and long term.

In Peru, for example, the poorest clients change their activity frequently: they move from selling food (Services) to carrying out tasks related to sewing carnival costumes (Production/transformation) and even stop asking their financial institution for loans if the opportunity arises - on a temporary basis - to have a paid job. This also partially explains their lack of enthusiasm for saving.

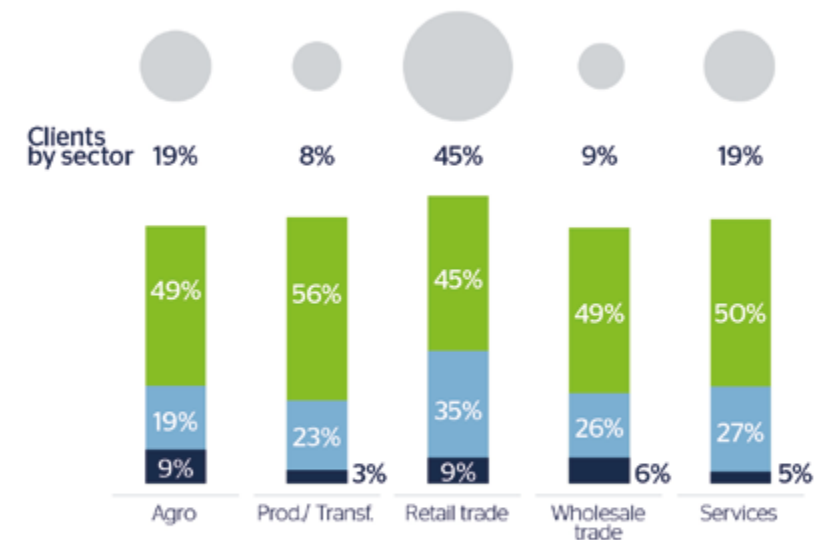
18. Growth rates by sector and vulnerability



● Ext. poor
● Poor
● Vulnerable

Source: Bancamía, Financiera Confianza, Banco Adopem, Emprede, Microserfin, BBVAMF calculations.

19. Clients by sector and vulnerability



● Ext. poor
● Poor
● Vulnerable

Source: Bancamía, Financiera Confianza, Banco Adopem, Emprede, Microserfin, BBVAMF calculations.

18 & 19. For the sample of clients served between 2011 and 12.31.2017. The client classification was based on their degree of vulnerability at each credit cycle, 19 shows the number of clients participating in each segment.

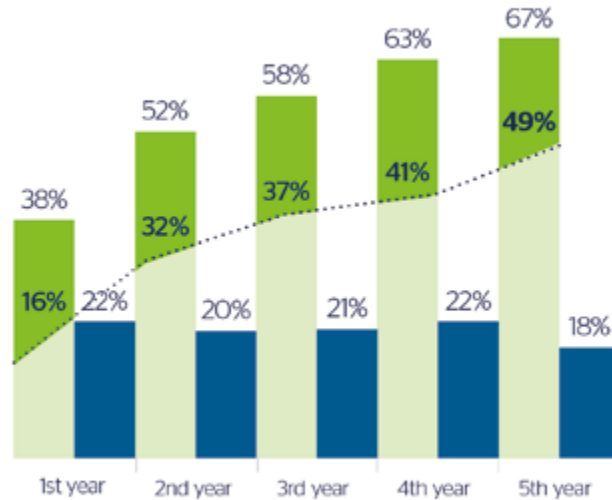
3. Poor and non-poor entrepreneurs' economic performance

Entrepreneurs' performance is not linear, so they move in and out of the *poverty* category. In the case of clients with BBVAMF Group institutions, on average 13% of the *non-poor* fall into *poverty* every year, whereas between 38% and 67% escape it, a proportion which grows the longer they remain clients (see graph 20).

We can conclude that the likelihood of our clients entering poverty remains stable, whereas their possibilities of overcoming it increase in correlation with the time they spend as clients. Their chances of beating poverty increase as they access formal financial products and services for sustained periods of time.

As a net effect, the segment of clients classified as *poor* or *extremely poor* diminishes over time; on average this reduction is 32% after two years with Group institutions (see graph 20).

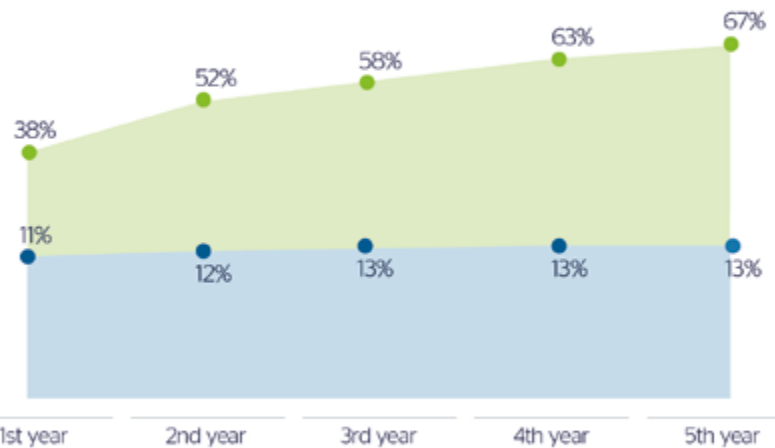
20. Variation in the poverty segment



● Escape from poverty ··· Net poverty reduction
● Entry into poverty

Source: BBVAMF Group institutions. BBVAMF calculations.

21. Clients who enter and escape from poverty



● Escape from poverty
● Fall into poverty

Source: BBVAMF Group institutions. BBVAMF calculations.

20. Clients current at some point in 2017 whose data was updated in the final 12 months of their relationship with the institution. Clients who have been written off are excluded from the escape from poverty figure. • Escape from poverty: clients in poverty (classified as *extremely poor* and *poor*) at the outset, who have climbed above the poverty line, as a percentage of all those in poverty at the outset. • Entry into poverty: clients not in poverty (classified as *vulnerable* or *others*) at the outset, who have fallen into poverty, as a proportion of clients in poverty at the outset. • Net poverty reduction: Escape from poverty minus Entry into poverty. **21.** Clients current at some point in 2017 whose data was updated in the final 12 months of their relationship with the institution. Clients who have been written off are excluded from the escape from poverty figure. • Escape from poverty: clients in poverty (classified as *extremely poor* and *poor*) at the outset, who have climbed above the poverty line, in terms of their own segment (poverty). • Fall into poverty: clients not in poverty (classified as *vulnerable* or *other*) at the outset, who have fallen into poverty, divided by the number of *non-poor* clients at the outset.

3. Poor and non-poor entrepreneurs' economic performance

BBVAMF has analyzed the performance of two client segments in particular: clients who escape poverty, on whom a multivariate study was conducted; and it has also started to analyze clients who fall into poverty.

3.1. Clients who escape poverty

BBVAMF has analyzed the socio-economic variable dataset in terms of business and services (the products and services provided, the conditions in which clients are served) that have the biggest impact on entrepreneurs in poverty who successfully escape from it*. The purpose of the analysis was to isolate the characteristics leading to greater poverty levels, since the more precarious the situation at the outset, the more difficult it will be to overcome poverty and find the factors that determine or facilitate better performance.

There are two main determinants of the progress made by entrepreneurs in poverty:

- Their environment (urban/rural).

The probability of escaping poverty is greater in rural environments than urban ones, whatever the income level at the outset. This performance is partly accounted for by a lower cost of living that generates higher surpluses, as well as by less competition in their activity; this probably makes for more stability in their productive activities. In particular, rural clients in Retail trade, Services and, to a lesser degree, Agriculture, are those with the best performance.

- Asset level at the outset

Initial assets have a positive correlation with the poverty escape rate, especially in urban environments. A bigger asset "cushion" implies greater capacity to absorb shocks or adverse scenarios, as

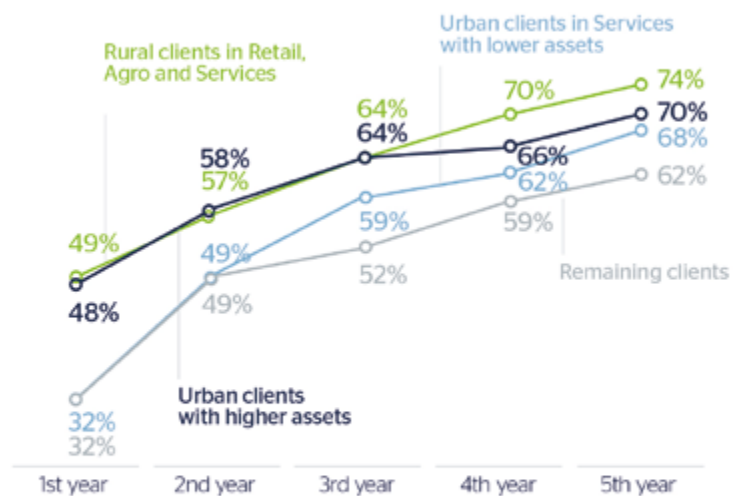
well as the likelihood of generating new productive investments.

The entrepreneurial profile more likely to overcome poverty is the rural client involved in Retail trade, Services or, although less so, Agriculture. 57% of these clients overcome poverty in two years, accounting for 26% of total clients leaving it in this period. Urban clients achieve a similar performance, provided that their assets, relative to average assets for each sector, are high. Urban clients in Services and with low asset levels at the outset achieve lower, but still significant success (49% after two years) of escaping poverty (see graph 22 and 23).

3.2. Possible causes for entering poverty

The main factors explaining why micro-

22. Rate of escape from poverty, by segment



○ Rural clients in Retail, Agro and Services*
 ● Urban clients with higher assets within their sector*
 ○ Urban clients in Services with lower assets within their sector*
 ○ Remaining clients

22 & 23. Clients current at some point in 2017 who have updated their data during the last 12 months. Clients who have been written off are excluded from the "escaping poverty" category. Proportion of those escaping poverty over those who were poor at the outset. Index by segments. In the case of Fondo Esperanza, which has a different method of collecting information, a multivariate analysis could not be conducted. Fondo Esperanza clients are included in "remaining clients". 24. Clients who have been current at some point in 2017 and have updated their data in their last 12 months with the institution. Shows those clients who at the outset were classified as non-poor and who are currently under the PL.

* Without Fondo Esperanza. ** See Notes on Methodology for more details.

Source: BBVAMF Group institutions. BBVAMF calculations.

entrepreneurs cross over the poverty threshold are: variability of their business income levels and of their capacity to absorb instability in their incomes (savings level, flexibility in expenditure, alternative income streams, etc.).

A drop in income is, on the whole, the result of variables that are directly related to business management. We have noted that:

- In 45% of cases, a reduction in sales is the main reason for *non-poor* clients entering poverty.

- In 14% of cases, it is due to an increase in direct expenses.

- 11% of the time it is because of an increase in indirect expenses (hire of premises, employee wages, etc.) and in 7% of cases due to an increase in all expenses generally.

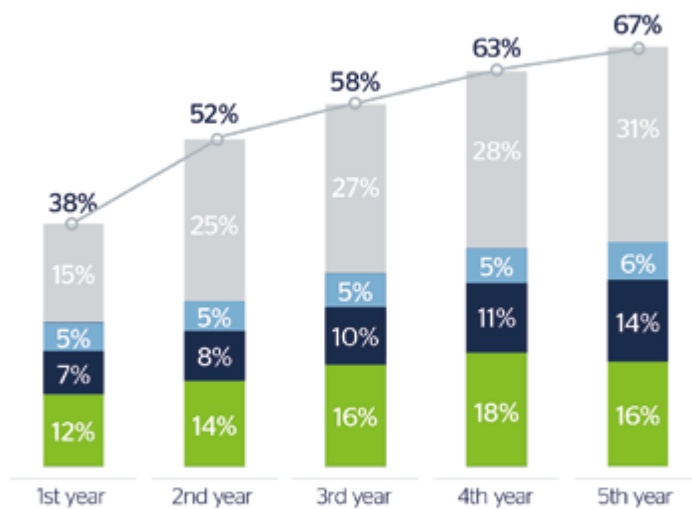
- In 22% of cases, income drops because there is an increase in the size of the household; clearly, this is not directly related to business management.

This highlights the importance of supporting clients by increasing their financial and business management training, to assess or anticipate the potential risks they may face. Most cases of a drop in sales occur in the Retail trade sector (20% of cases), an activity that concentrates a high percentage of the *poorest* clients, with the lowest educational attainment.

The factors accounting for the drop in income of clients entering poverty are multiple and inter-related. It is critically important to understand which are the most frequent and highly correlated; and of these, in which our institutions can play a helpful part.

The entrepreneurial profile most likely to overcome poverty is the rural client involved in Retail trade, Services or Agriculture

23. Escaping from poverty, by client segments



- Rural clients in Retail, Agro and Services*
- Urban clients with higher assets within their sector*
- Urban clients in Services with lower assets within their sector *
- Remaining clients
- Rate of Escape poverty (all clients)

Source: BBVAMF Group institutions. BBVAMF calculations.

24. Clients falling into poverty



- Net income increases or remains the same
- Net income decreases, sales increase or remain the same
- Net income decreases; sales decrease

Source: BBVAMF Group institutions. BBVAMF calculations.

4. Investment in productive assets

On average, clients' net incomes perform positively over the time they have a relationship with our institutions. In fact, entrepreneurs who have renewed a loan in 2017 have posted above-average performance (see graph 25).

The analysis is based on client outcomes depending on their business surpluses. Nevertheless, their capital balance and structure (debt/equity) needs to be studied. This may enable the institution to locate the client at a particular point of their cycle, in order to adapt its products to differing performance and needs, so as to support their development.

Client development can be explained by taking into account the change in asset levels according to the following variables*:

- Owned assets at the outset: income-generating asset stock is classified as: human capital (education and work experience), financial capital, physical assets (machinery, land, etc.); and social capital (relationships with others and involvement in organizations).

- Consumption: refers to the cost of living and the cost of using owned assets (for example, the real estate property).

- Asset returns: the performance of these assets** refers to net business surplus and other household income (other wages, rental income from property, etc.).

Higher asset levels imply a greater likelihood of achieving income as a result of better outcomes. However, increased assets over time depend on consumption decisions. This consumption in turn determines the change in the level of surpluses that are trans-

formed into future assets, by decisions to reinvest or save.

The ability to manage businesses (which depends on factors such as education) defines the productive activity's cost level, while personal and lifestyle decisions determine consumption levels. The capacity to keep costs below asset profitability is what generates the surpluses that, once reinvested, increase the level of productive assets, which turns into a virtuous circle of higher future profitability, bringing with it progress and development.

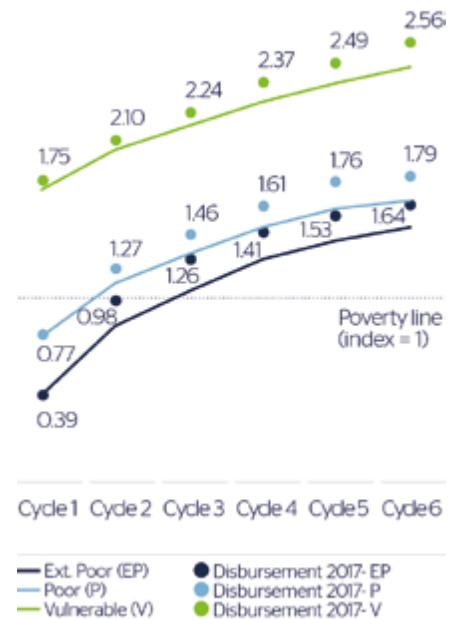
Therefore, if we combine these factors we see how clients with higher levels of wealth at the outset, or who use fewer assets, succeed in growing above the poverty line.

Poverty and deprived environments can lead to taking short-term, risk-averse decisions, that tend towards old habits of behavior at the expense of other alternatives that could be more efficient and/or effective. So it is that, among lower income levels, clients may spend a greater proportion on consumption.

The degree of vulnerability conditions entrepreneurs' productive choices. This applies because the profitability of their assets hardly covers the cost of living, but also when they are deciding whether to invest, or re-invest, their productive surpluses efficiently.

There is great potential for making further progress in understanding how performance changes, if we connect the analysis of change in asset profitability with other economic and social client variables. A greater understanding implies a supply of services and products that is better adapted to client needs, thus speeding up their progress.

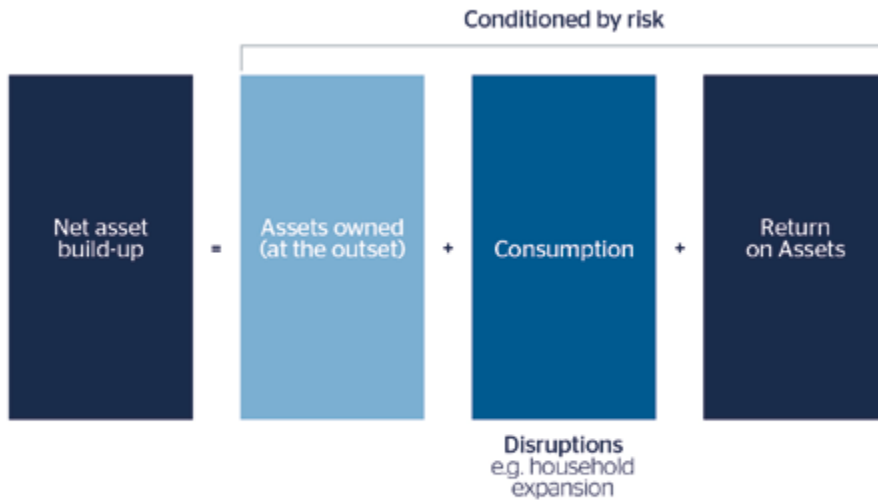
25. Net income relative to the PL



Source: Bancamía, Financiera Confianza, Banco Adopem, Emprende, Microserfin, BBVAMF calculations.

There is great potential for making further progress in understanding how the performance of vulnerable entrepreneurs develops, by better adapting the product offering to their needs

26. Maximizing household net assets



25. Clients served between 2011 and 12.31.2017. The client classification was based on their degree of *vulnerability* during the first credit cycle, relative to each country's official poverty line (rural/urban and year of disbursement). The data points show clients who renewed a loan in 2017. The line is the historic trend. Relative *p.c.* net income takes the value of one when it is equal to the poverty line. Data from the individual credit portfolios of all institutions.

*López-Calva & Rodríguez-Castelán, 2016. It seems reasonable to believe that clients seek to maximize their welfare by adjusting their consumption over time, in accordance with the yields from the assets they possess and the investments they have made or are planning. A simple conceptual framework is proposed for accumulating productive assets as a dynamic process that influences household welfare. **Yields from assets can be wages, in the case of human capital; interest rates in the case of financial assets; and rent payments, in the case of real estate rentals. Given that the subject is *vulnerable* clients, these yields are not being referenced.

Source: BBVAMF.

27. Maximizing household net assets, scenarios

Indicator	Assets owned (at the outset)	+	Consumption	→	Return on assets	Examples
	Value of assets at the outset		Net income growth rates relative to PL			
To maintain equilibrium	Low		Unstable		High growth rates	Extremely poor clients
	Low		More stable		Low growth rates	Vulnerable clients
Differential factors between micro-entrepreneurs overcoming poverty	Low		Low Rural environment	+	High growth rates	Rural clients with comparatively lower living or business-related costs
	High Higher asset level		High Urban environment	+	High growth rates	Urban clients with higher assets at the outset, or who are men

Source: BBVAMF.

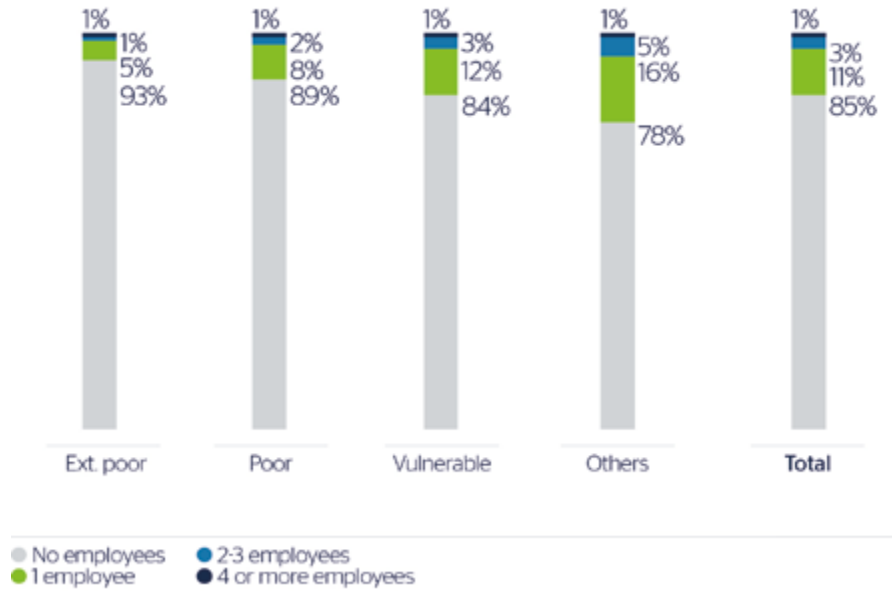
5. Other non-financial impacts

It is important to carry on compiling information about the social impact – irrespective of how their micro-enterprises perform – of clients’ standards of living, such as their home, their education and job creation.

In 2017, 85% of clients did not have an employee (vs. 86% in December 2016), and the less *vulnerable* a client is, the more likely they are to create employment. Micro-entrepreneurs in the BBVAMF Group provide jobs to 190,112* people. On average, 7.3% of clients create at least one new job position after two years of working with their microfinance institution.

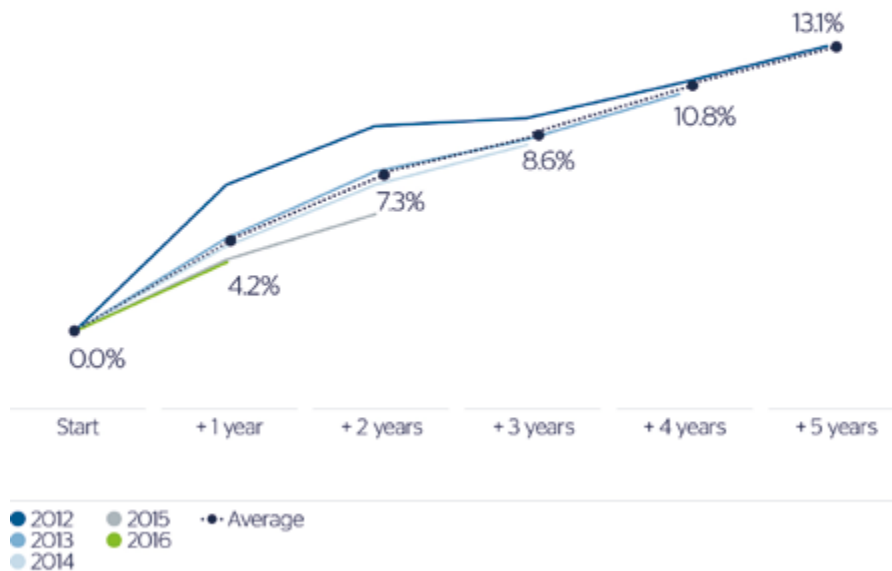
Another very relevant piece of data is that, after an average of two years with their institution, 7.9% of clients have made improvements to their home and 3.3% their educational status, which has a positive impact on future generations.

28. Micro-enterprise employee breakdown



Source: BBVAMF Group institutions, except Bancamia. BBVAMF calculations.

29. Job-creating businesses (proportion, by cohort)

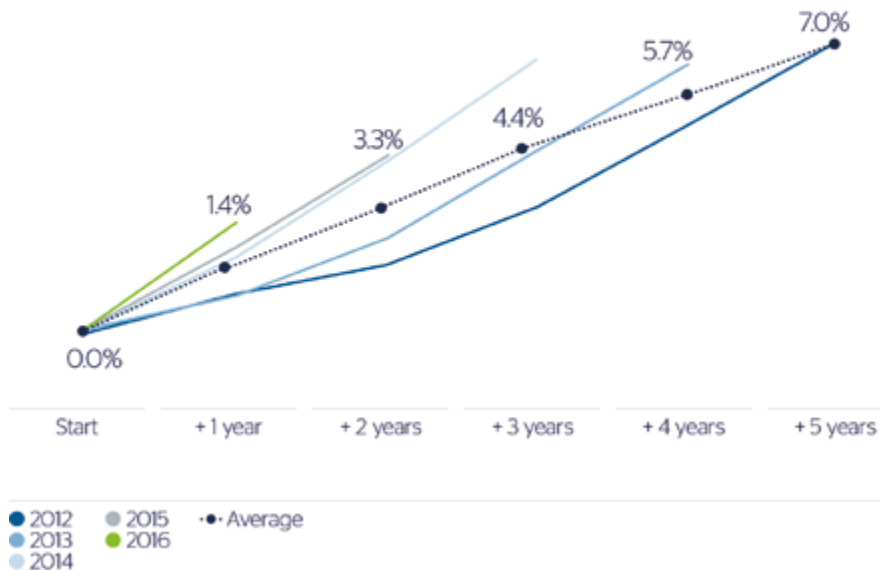


28. Number of employees working for clients current at 12.31.2017. 29. Increase in the number of employees compared to the outset, for clients current at 12.31.2017 in each cohort. Averages from cohorts 2012-2017 are shown.

* Data provided by 77% of all clients at 12.31.2017. Extrapolating to the remaining clients, 274,876 jobs would be created in all.

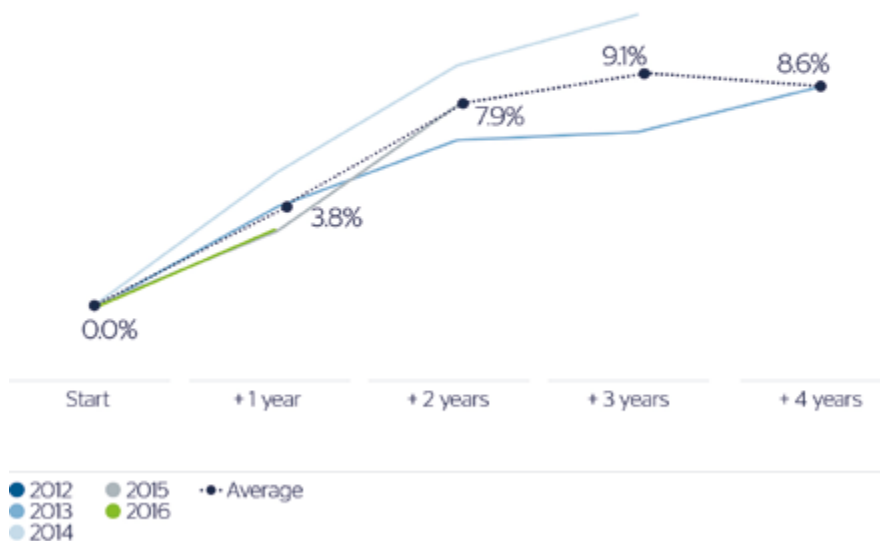
Source: BBVAMF Group institutions, except Bancamia and Financiera Confianza. BBVAMF calculations.

30. Improvement in educational level (by cohort)



Source: Available information for Bancamía, Banco Adopem and Fondo Esperanza BBVAMF calculations.

31. Improvement in housing (by cohort)



Source: BBVAMF Group institutions, except Bancamía, Financiera Confianza and Emprede. BBVAMF calculations.

By investing in their business, clients improve both their standard of living and that of their household, while also generating jobs in their communities

30. Proportion of clients current as of 12.31.2017 from each cohort, who have improved their educational attainment. Averages from cohorts 2012-2017 are shown. **31.** Proportion of clients current as of 12.31.2017 from each cohort who have improved their living arrangements (moved into their own home), upgraded their home (eg. bathroom, fuel used) or increased the number of rooms. Averages from cohorts 2013-2017 are shown.

Client relationships, serving different needs

Access to financial products and services is a key factor supporting our clients in the progress they make: it helps them to smooth their consumption, raise their investment and achieve coverage

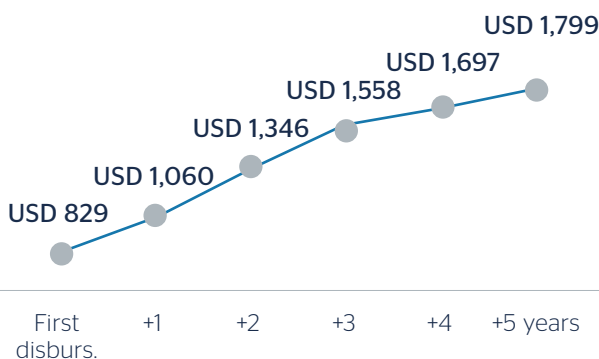
Credit

+900K credit clients

Credit is our key instrument for supporting vulnerable clients. Disbursements grow progressively over time, at an annual average of 17%, reaching USD 1,799 after five years

58% of clients take out a second loan

Average credit, change



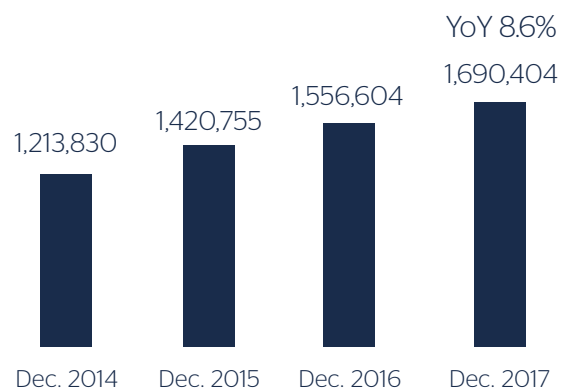
Clients served between 2012 and 2017.

Savings

Savings clients grew by 8% YoY

Just as important as financing productive activities is facilitating formal savings mechanisms, that enable entrepreneurs to get the resources to cover their needs or unexpected events

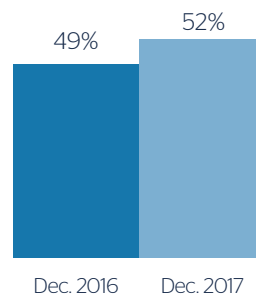
Total savings clients



Insurance

52% of credit clients also have voluntary insurance

They mainly take out life insurance, damages (protecting their micro-enterprise's assets, among others) and personal accident.



Proportion of credit clients with a voluntary insurance policy

Nº of credit clients current in each year, holding voluntary insurance products.

The BBVAMF Group offers its clients a diverse range of credit, savings and insurance products, transfers and remittances, which are made available to them using a multi-channel strategy to ensure they are taken up. This enables them to manage their household cash flows effectively and to improve their economic position to handle possible ups and downs in their income stream and to invest in their business growth. These products are supported by financial literacy actions that break down cultural barriers to them.

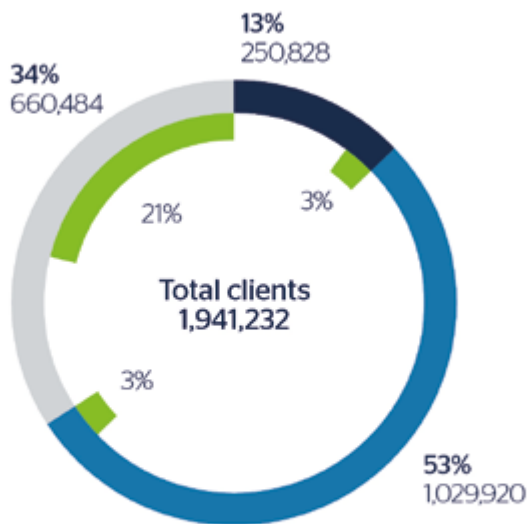
Because of their characteristics, low-income entrepreneurs have different needs in terms of managing their income and occasions on which to make new investments. They are also less time-sensitive, with the attendant cost implications. Their priority is liquidity and flexibility in their cash flows. That is why retaining them in the medium term, encouraging saving and taking out insurance all present a challenge.

For low-income entrepreneurs, credit has up to now been the most popular product (because it is more available, because of greater need, or an emergency). 47% of all Group clients have credit products and 34% also have a savings product. In other words, 72% of clients with a credit product also have a savings product. Furthermore, credit clients have expressed interest in diversifying their product portfolios and 52% have an insurance policy.

Access to a variety of financial products means that resources can be used more responsibly in the medium term. The effort and abilities of micro-entrepreneurs creates the basic favorable conditions for wealth creation and to overcome the different negative events or financial shocks they might undergo.

Access to financial products enables resources to be consumed optimally; this generates the right conditions for overcoming financial shocks in the future

32. Client linkage by product type



32. Clients current as of 12.31.2017. Banco Adopem, Fondo Esperanza and Empeñe offer voluntary insurance. Bancamía, Financiera Confianza and Banco Adopem, also offer savings products.

Source: BBVAMF Group institutions. BBVAMF calculations.

1. Relationship with our credit clients

1.1. Stability in the credit relationship

The credit profile of new clients served in 2017 was stable, with average disbursements of USD 875 which meant that the installment represented a weight on (monthly) sales of 8.5%. This disbursement rises by 17% every year, reaching an average of USD 1,799 after five years.

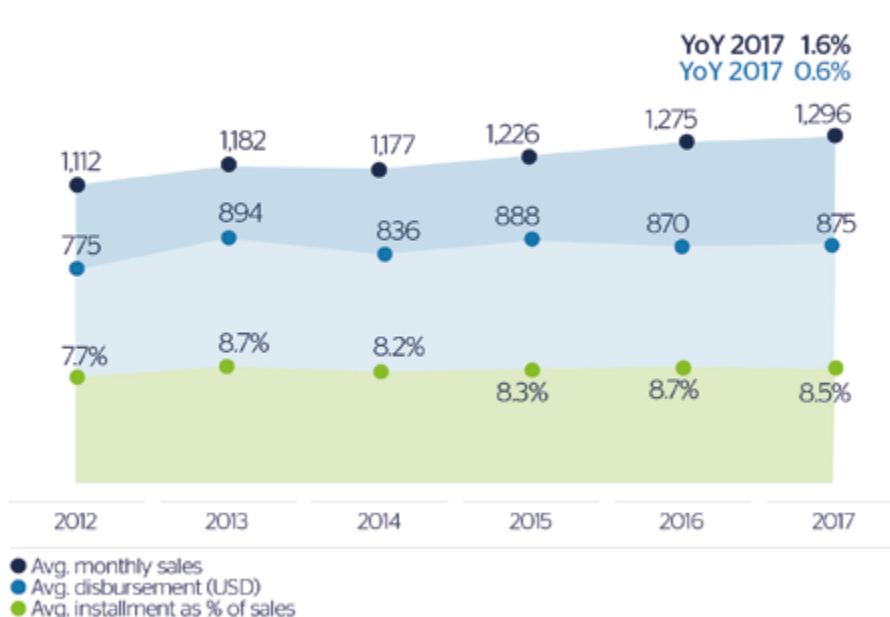
1.2. Improving client retention

On average, 65% of credit clients stay linked to BBVAMF Group institutions after a year and 42% after two. Furthermore, 58% of clients take out a second loan (up from 53% in 2016), reflecting a significant improvement from 2016 (see graph 35).

Preliminary studies indicate that there are two clearly defined profiles: first, the more *vulnerable* clients who, given the instability of their enterprises, chop and change between formal and informal sources of financing or else prefer to pay off their financial obligations temporarily; second, the more sophisticated (less *vulnerable*) client, who seeks other financial options or perhaps no longer needs a loan.

33. New clients (no previous loans) signed up over the year. Average disbursement, calculated as the average of the first disbursement for new clients in each year. Weight of the installment calculated as a ratio average (installment over sales). YoY: 2016-2017 annual growth rate. **34.** Variation in the average disbursement per transaction by length of time since the client signed up. "Value at the outset" is the average of the outset value of 2012-2017 cohorts to which the average growth of the disbursement of cohorts 2012-2017 is applied. **35.** Retention: Percentage of clients in each cohort still current at each year-end and to 12.31.2017. Shows averages from 2012-2017 cohorts. • Recurrence: Clients served since 2011. Data from the individual credit portfolios of all institutions. Percentage of clients that, after an initial loan, accesses another. Distance between cycles is the number of days between disbursements for one loan and disbursements for the next (the first has not necessarily been canceled).

33. Sales, disbursement (USD) and installment as % of sales, new clients



Source: BBVAMF Group institutions. BBVAMF calculations.

34. Average disbursement per transaction (by cohort)



Source: BBVAMF Group institutions. BBVAMF calculations.

35. Credit client retention and recurrence

Retention

Start	100%
+ 1 year	65%
+ 2 years	42%
+ 3 years	29%
+ 4 years	23%
+ 5 years	18%

Recurrence

Recurrence	Distance (days)
Cycle 1	100% -
Cycle 2	58% 367
Cycle 3	37% 369
Cycle 4	25% 339
Cycle 5	17% 304
Cycle 6 or+	12% 259

Source: BBVAMF Group institutions. BBVAMF calculations.

2. Relationship with our savings clients

Clients take out credit products intermittently and for different purposes (to invest in machinery, land or commercial premises, to resolve temporary cash flow problems, maintain their existing level of operations, for inventory), and these vary according to the scale, maturity and management ability of each entrepreneur. These characteristics, together with unstable production cycles and market changes, have an influence on the likelihood of escaping poverty and the frequency with which the client comes back for another loan.

The provision of reliable savings mechanisms is just as important as financing productive activities, since these enable entrepreneurs to take another step forward in managing their financial resources

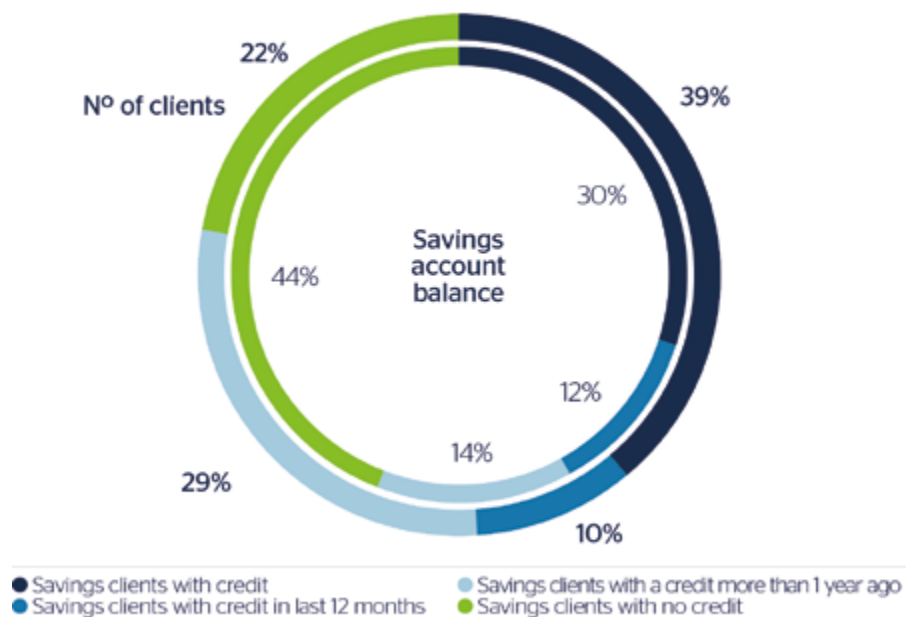
We view the provision of reliable savings mechanisms as being just as important as financing productive activities, since these enable entrepreneurs to take another step forward in managing their financial resources and coping with surprises. The growth in the demand for these products is an indication that clients want and need to access them although their continued use (number of transactions made) continues to be challenging. This is partly because of the difficulty and the cost of accessing these products (transport, travel distance from a branch office, etc.). To meet this need, an efficient channel strategy is key (banking subagents, correspondent banking, mobile banking, etc.).

In 2017, 203,656 new savings clients were served. The total number of BBVAMF Group's savings clients is growing at an annual rate of 8.6% and balances are

growing at 10% annually (see graph 37). Of all savings clients, 22% have never had a loan with a Group institution, and they account for 44% of the savings balances. 78% of savings clients have, or have had in the past, credit products.

When we analyze the progress of savings clients by gender we see that although their average balances are lower, women are slightly more prone to saving. If we compare the average balance of clients with an outstanding credit, we see how women's average savings balances are 40% of their monthly net incomes, whereas men's are 38%. In terms of how much they use the product, here the differences are small: 12% of women and 13% of men with savings products can be classified as "transactional" (as in, they have three movements in their account or more in the last quarter). Furthermore, these trans-

36. Linkage of savings clients



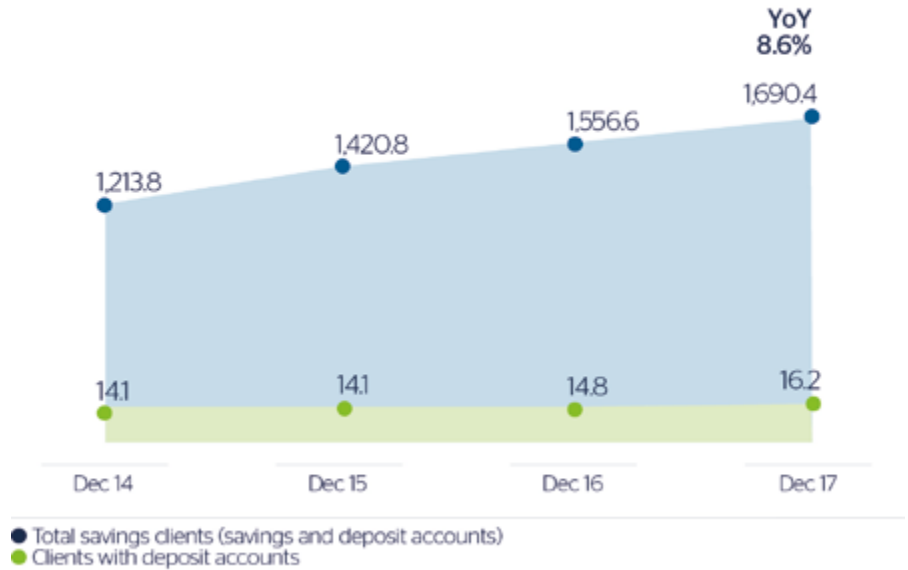
Source: Bancamía, Financiera Confianza, Banco Adopem, BBVAMF calculations.

2. Relationship with our savings clients

actional clients accumulate the biggest savings balances, 48% of all savings balances in the case of women and 49% in that of men.

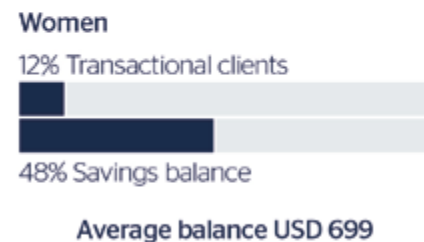
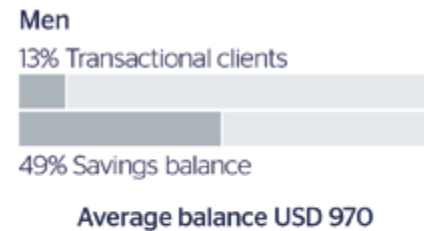
The accumulation of equity ought to grow over a client's life cycle, with smaller savings in youth, and larger ones in old age, although we note how clients in *vulnerability* between 30 and 60 years old have lower average savings than young people. One explanation for this is that it is at this time of life when households have bigger expenses, with a higher number of dependants, whether children or the elderly, so savings fall.

37. Clients with savings and deposit accounts ('000)



Source: Bancamía, Financiera Confianza, Banco Adopem, BBVAMF calculations.

38. Transaction frequency, by gender



● Men
● Women

Source: Bancamía, Financiera Confianza, Banco Adopem, BBVAMF calculations.

36. Clients and liability balances at 12.31.2017. Excludes institutional clients' savings. 37. Clients with savings products (savings accounts & deposits) on each date. Excludes institutional clients' savings. 38 & 39. Clients who conducted at least three transactions, excl. administrative movements (interest, fees, etc.) in their savings balances in the 3 months prior to 12.31.2017. Excludes institutional clients' savings.

39. Savings balance by client type



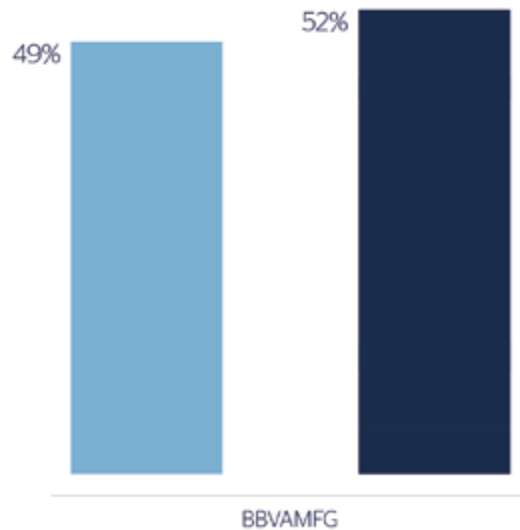
Source: Bancamía, Financiera Confianza, Banco Adopem, BBVAMF calculations.

3. Relationship with our microinsurance clients

BBVAMF Group works to make available to entrepreneurs microinsurance products that provide the cover they need. In aggregate, 52% of credit clients have a voluntary insurance policy, which represents a 3% rise over last year. This is to a large extent thanks to the efforts made by the Group's institutions to adapt their offering to their clients and provide training and technical assistance.

The realities of this product vary greatly between entities, because of the specific conditions in the value offering and the variations in client needs served by each market. These differences notwithstanding, there is a generalized greater product penetration in segments suffering from higher instability (for example in the Agro sector).

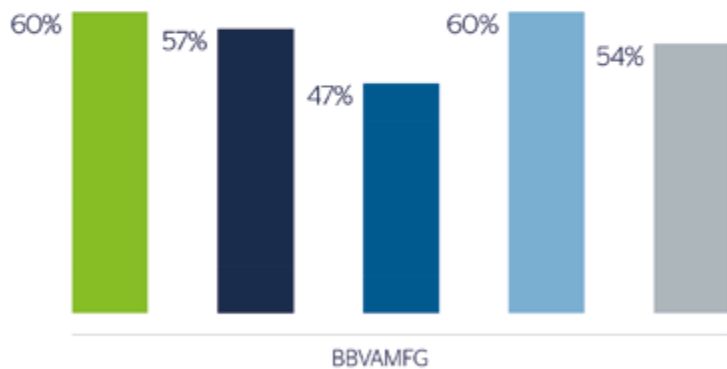
40. Clients with voluntary insurance



● Dec 16
● Dec 17

Source: BBVAMF Group institutions, Microserfin does not offer voluntary insurance. BBVAMF calculations.

41. Clients with voluntary insurance, by sector



● Agro
● Prod./ Transf.
● Retail trade
● Wholesale trade
● Services

40 & 41. Credit clients with voluntary insurance current at 12.31.2016 and 12.31.2017. Includes segmentation by activity sector at 12.31.2017.

Source: BBVAMF Group institutions, Microserfin does not offer voluntary insurance. BBVAMF calculations.

Using Productive Finance, BBVAMF Group supports micro-entrepreneurs as they generate long-term sustainable revenues

1. Committed to our clients

The multidimensional nature of poverty entails a more comprehensive analysis of the client’s reality. The Foundation is committed to safeguarding financial access to vulnerable entrepreneurs and therefore it focusses on signing up new clients who meet the vulnerability criteria.

8 out of every 10 clients are economically vulnerable



In other words, they are in poverty or are highly likely to fall into it (their businesses generate net incomes that are less than three times the poverty line)

6 out of every 10 clients are women



They face the greatest difficulties in accessing the labor market

USD 189
is the average net income, per household member, that their businesses generate monthly

85% 84%



New clients, by gender and vulnerability

● Women

● Men

● Vulnerability

2016

2017

2. Observing their progress

The degree of vulnerability conditions entrepreneurs' productive choices. As such, learning about the client's progress enables us to better address their needs and engage more effectively.

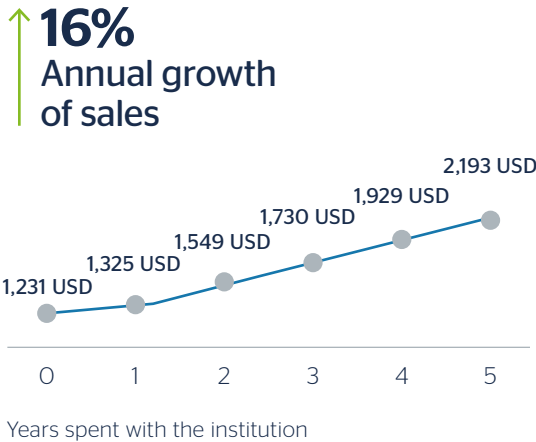
1. With a business loan they can invest in their business or cover their cash flow needs

2. This, in turn, increases their business sales

3. They then have higher net incomes for each member of the household

4. Generating impact on their household, their standard of living and their community

Average monthly sales over time



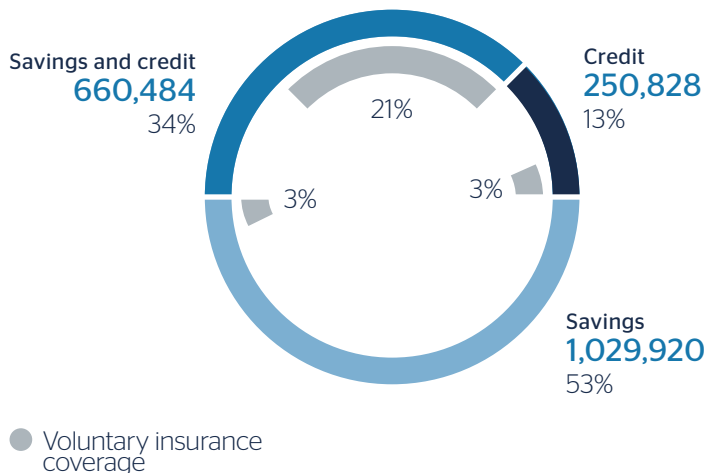
57% of clients have raised their net income in 2017

32% of clients, poor at the outset, escaped poverty after two years with the BBVAMF Group

3. The relationship with our clients

Access to a range of financial products and services enables them to use resources more rationally in the medium term.

Clients by product type



Total clients:
1,941,232

USD 875
the average value of a new client's first loan in 2017

Conclusion

During 2017, the BBVAMF Group has worked with 1,941,232 low-income entrepreneurs, of whom 272,987 are new entrepreneurs who are taking out a loan, while 203,656 are new savings clients. The Group's institutions are using this extensive level of client data to learn from their experiences, studying their realities and the dynamics of their business, in order to ensure that they prosper over time.

Aligned with its mission, BBVA Microfinance Foundation has a permanent commitment to serve vulnerable entrepreneurs. The multidimensional nature of their vulnerability means that microfinance must be framed within each country's economic, social and geographic context.

In economic terms, 84% of new clients served in 2017 are in economic *vulnerability*, that is, their net incomes are less than three times the poverty line figure in their country and they run a high risk of falling below it.

We also see other types of vulnerability: social, such as the level of education (36% of new clients have only primary education), gender (57% of new entrepreneurs are women) and surroundings (31% are in rural environments). These factors stand out because, after a multivariate analysis, these are the attributes that are shared by all those who are financially *poorest*. In particular, women need to be supported, because they experience higher barriers to entry; and rural entrepreneurs, because of asymmetries in access to infrastructure and resources.

It is also important to bear in mind the region where the entrepreneur is working. A look at national pockets of poverty corroborates that the Group is present in the most vulnerable areas of the countries in which it operates, which is where a greater positive impact is generated on people's development. The local context makes it possible to involve all the players (public and private)

as an opportunity to channel efforts to achieve the greatest possible impact on clients' lives.

In terms of the road traveled by entrepreneurs, we continue to see positive change in their businesses over time: over the last five years we see monthly sales are growing by 16% a year, their monthly net incomes increase by 17% a year, and their assets expand by 24% annually. Thus, in 2017, of all clients rolling over their loans:

- 57% or 216,312 entrepreneurs improved their net income relative to the poverty line.
- 14% or 53,308 entrepreneurs overcame poverty.
- 65% of credit clients remained with their institutions at the end of the first year.

For low-income entrepreneurs, income levels are as important as stability over time and permanence. Poor and vulnerable people are frequently exposed over the course of their lives to variations in their economic status which may result in their entering and coming out of poverty more than once. In the case of Group clients with at least five disbursements, 50% remain in their economic *vulnerability* segment (they are stable), while 22% cross the poverty line at least twice (they are volatile).

Precarity and instability are intrinsic to their situation: they are more exposed to shocks and to the idiosyncrasies of the markets where they operate. This reality leads them to:

- Look for liquidity and, in consequence, high incomes in the short term, instead of trying to build up an equity base in the medium term.
- Concentrate in flexible sectors, with low barriers to entry and exit, low technical requirements or specialization needed.

- Own assets that help them reduce risk, causing them to choose small, diversified assets.

Lack of income distorts entrepreneurs' productive choices and skews them towards old habits at the expense of others that could be more efficient and/or effective.

Therefore, client performance can be explained by the following variables: level of assets at the outset; consumption, that varies between the rural and urban environments; and business returns.

When we combine these factors, we see how the entrepreneur profile most likely to overcome poverty is the rural client working in Retail trade, Services or Agriculture. In total, 57% of them overcome poverty in two years, compared to 49% of all other clients. Clients who start off with higher assets or have lower consumption (in the rural environment) succeed in growing above the poverty line.

There is great potential in continuing to further understand the performance of vulnerable entrepreneurs. The performance in client net income shows positive net growth over the period in which they retain their linkage with our institutions. These analyses enable us to plot clients at a particular stage of their development cycle so that we can adapt the financial offering to different patterns of behavior and needs, so as to support their progress.

The advantages of sharing this knowhow and the experience the BBVAMF Group has in measuring impact will improve the service it can offer these entrepreneurs and to all the stakeholders who want to contribute to poverty reduction.

Macroeconomic analysis

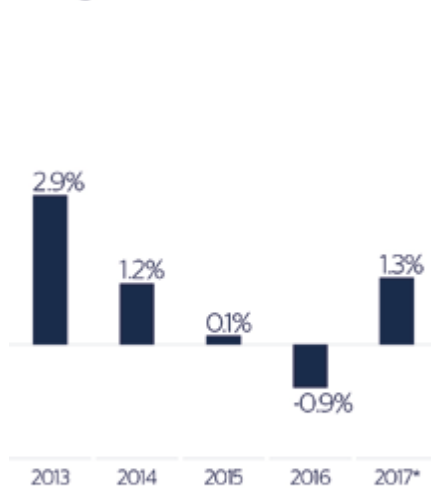
Latin America

Latin America has returned to the path of growth and controlled inflation after two years of turbulence which increased unemployment, poverty and labor informality. This put the brakes on progress being made in bringing down inequality and has made the Sustainable Development Goals that mark the agenda for the next 12 years more of a challenge.

Latin America: the challenge of inclusive growth

Moderate recovery

GDP growth (% var)

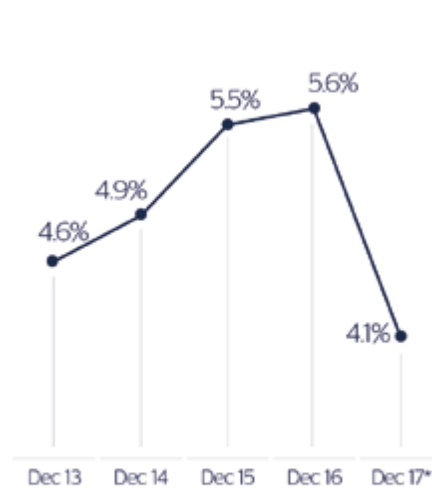


Source: IMF. *BBVAMF Research estimates.

After recording lower-than-expected growth in recent years, economic activity in Latin America is heading for a gradual recovery in the 2017-2019 period. In 2017 growth in Latin America and the Caribbean posted at 1.3%, as Brazil and Argentina came out of recession and the price rise in basic products benefited those countries exporting agricultural goods and energy¹.

If Latin America bottomed out in 2016, essentially because of performance in South America's biggest economies, the footprint² of the BBVA Microfinance Foundation (BBVAMF) did so in 2017. Even though it was the Foundation's worst year, average growth in the re-

Inflation (% var)



Source: IMF. *BBVAMF Research estimates.

gion doubled, to 2.4%³. The coastal El Niño phenomenon and the delay in Peru's public-sector investment brought growth down by 36 b.p. (base points), mining strikes in Chile shaved off 17 b.p., while, in Colombia, lower consumer and producer confidence, as well as the delay in public investment, reduced it by 45 b.p. Taken together, these factors shrank growth in our footprint area by one percentage point.

Domestic demand recovered in 2017 thanks to improved consumption, but investment remained sluggish and exports fell. Inflation is moderating in many countries, as the pass-through effects of previous exchange rate depre-

ciations taper off and some currencies appreciate. This moderation is also a consequence of persistent spare economic capacity, together with the price of foodstuffs and energy, which remain low. Lower inflation enabled monetary policy to be more flexible to support growth levels in a number of countries. BBVAMF's footprint shows lower structural inflation levels than the average for the region.

Climate factors and delays in infrastructure investment were the main factors putting a brake on Latin America's recovery

1. Conducted at the end of November 2017. BBVAMF Research estimates. 2. Includes: Colombia, Chile, Panama, Peru and Dominican Republic. 3. Weighted by GDP volumes.

Progress in Sustainable Development Goals

The 2030 Sustainable Development Agenda came into force in 2016 with 17 goals, the SDGs, which are universally applicable, mobilizing efforts to put an end to all forms of poverty, fight inequality and tackle climate change, while also ensuring that nobody is left behind. Over the next 13 years, Latin America faces the challenge of building a sustainable and inclusive development path⁴.

These SDGs can be divided into three main groups: economic, social and resilience to climate change, but they are not isolated compartments, but rather inter-connected.

The regional jobless rate shot up abruptly, from 6.6% in 2015 to 8.7% in 2017. Around 140 million people work in the informal sector

Economic SDGs

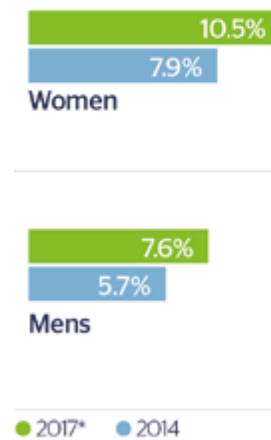
In the economic arena, two SDGs stand out: promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG 8) and reducing inequality within and among countries (SDG 10).

SDG 8 highlights the promotion of development policies that support productive activities, the creation of formal employment, entrepreneurial spirit, creativity and innovation, encouraging the bringing of jobs into the formal economy, supporting the growth of micro, small and medium-sized enterprises, and access to financial services.

In 2017 Latin America recorded growth of 0.3% in per capita GDP, after years of falls, which left average annual per capita GDP growth between 2015 and 2017 at a negative rate of -0.9%, compared to a positive annual rate of 2% between 2000 and 2014. The less developed countries in the region recorded lower rates of growth on average, with the added impediment of recurring natural disasters suffered by a good number of them, increasing their vulnerability and distancing them from the target set in the Sustainable Development Goals of 7% per capita real GDP growth.

Labor productivity, measured as the annual rate of real GDP growth per worker, recovered slightly in 2017, expanding by 0.2%, but posting a fall overall between 2015 and 2017 of 0.3%. Between 2000 and 2014, average productivity growth was 0.8%, whereas the worldwide average was 2.3%. This paltry productivity gain has had a negative impact on living standards and real wages.

Unemployment by gender (% of the active population)



Source: ILO. *BBVAMFResearch estimates.

The regional jobless rate shot up abruptly, from 6.6% in 2015 to 8.7% in 2017, an increase of 2.1%. The impact of this contraction in the demand for labor was very high, causing the regional occupation rate to fall by nearly 1%.

Women are more likely to be unemployed, particularly in segments that use less human capital. In 2017, the female unemployment rate in the region was around 10.5%, compared to 7.6% for men. The situation is more acute among young people in the active population, where male unemployment is 16.7%, against 24% for women. Worldwide, this gap is narrower, with young men's unemployment rate posting at 12.7%, compared to that of women at 13.7%.

4. All estimates in the section by BBVAMF Research.

Financial inclusion (% of adults)



● 2017* ● 2014

Source: World Bank. *BBVAMF Research estimates.

In creating decent jobs and getting jobs into the formal economy in Latin America and the Caribbean, there is a great deal of work to do. There are currently 13 million minors who are obliged to work (8%), while nearly half of all employment, about 140 million workers, is in the informal economy. 28% of employment, about 80 million people, is self-employed, while 5%, around 14 million, are unpaid family workers, mostly women.

Innovation has a significant effect on company productivity, although to different degrees, depending on the characteristics of each firm. Other factors that, taken together, influence productivity, are an enterprise's age, its access to credit and financing, and its partic-

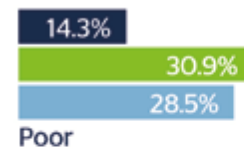
ipation in international markets and global value chains.

Access to financial services allows people and companies to manage changes in their incomes, cope with cash flow fluctuations, accumulate assets and make productive investments. In this area, Latin America has made progress in recent years, widening access to finance, such that whereas 39% of adults were financially included in 2011, by 2014 the figure had risen to 51%. According to our estimates, between 2014 and 2017, 40 million adults accessed the financial system for the first time, increasing the penetration of people with an account in a financial institution from 51% to 62%, in many cases as a result of conditional cash transfer programs that are being rolled out in the region.

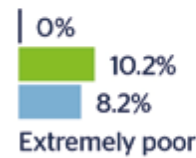
Despite the improvement in the financial inclusion metrics, in specific areas progress is uneven across the region, such as in reducing transaction costs faced by the *poor* when they interact with the financial sector, encouraging formal lending, access to savings plans, insurance policies and other financial products.

Social SDGs

Poverty (% total population)



Poor



Extremely poor

● 2030 Goal ● 2017* ● 2014

Source: Cepal. *BBVAMF Research estimates, UN.

The economic dimension is strongly linked to the social sphere, with a clear link in the case of four SDGs in particular: ending poverty in all its forms (SDG 1), achieving gender equality and empowering all women (SDG 5); and ending hunger, achieving food security and improved nutrition (SDG 2). All this in the context of SDG 16: promoting peaceful and inclusive societies for sustainable development.

In relation to *poverty*, the goal by 2030 is to eradicate *extreme poverty* for everyone, as well as to reduce by at least half the proportion of men, women and children of all ages who live in *poverty* in all its dimensions, according to each country's definition.

Progress in Sustainable Development Goals

The slowdown experienced in the region over the last four years is distancing it from this goal. The improvements made in *extreme poverty* and in general have been reversed. Between 2014 and 2017, *poverty* rose by 2.4%, that is, 22 million people have fallen into *poverty*, which has risen from 28.5% of the population (168 million people) in 2014, to 30.9% in 2017 (190 million people). *Extreme poverty* rose from 8.2% in 2014 (48 million people) to 10.2% in 2017 (63 million people); this means that 15 million people have succumbed to *extreme poverty*.

Nevertheless, despite the recent reversal, performance between 2002 and 2017 has been encouraging, since *poverty* has dropped by 15%, in line with the reduction projected by the SDGs for the region to 2030.

According to the most recent information, income inequality⁵, which takes values between 0 and 1, ranging from absolute equality (0) to maximum inequality (1), came to 0.467 in Latin America as a whole, still one of the highest in the world. Income inequality fell between 2002 and 2016, although the rate has slowed down in recent years, falling from 0.538 in 2002 to 0.467 in 2016, but with major differences between countries.

From 2002 to 2016, the annual rise in income in the lowest deciles was greater than in the highest earning deciles, both in countries where the inequality indicators improved and in those where the changes were less significant.

In some countries in the region, remittances from migrant workers have

brought household incomes up. Greater financial inclusion has allowed transfer costs to fall, which has contributed to the greater impact of this channel on living standards.

Gender equality is one of the most intolerable backward factors. By 2030, progress must have been made in ensuring that all men and women, in particular the *poor* and *vulnerable*, have the same rights, in all areas of life. In Latin America, there is a feminization of poverty. The ratio of *poor* adult women to *poor* men has risen in recent years: the indicator⁶ measuring the disparity in the rate of poverty between women and men was 107.1 in 2002, but 120.3 in 2017. This means that in 2017 the percentage of *poor* women was 20% higher than that of *poor* men; the situation in households suffering *extreme poverty* is similar, but even worse.

Around 40% of adult women do not have their own incomes, if non-contributory transfers from the state are excluded, whereas only 12% of men find themselves in this situation. One of every two women of working age has a job or is looking for one, ie. is economically active, compared to three of every four men. Women's situation is restricted because of informality, given that between 60% and 90% of women's entrepreneurial activity in the region is in the informal economy.

Looking at nutrition, although progress has been made in recent years, making Latin America and the Caribbean the only regions that achieved the hunger-reduction targets in the Millennium Development Goals (MDGs), lower economic growth and the upturn in pover-

ty threaten to reverse these successes. The proportion of people with nutritional deficiencies in Latin America fell from 11.4% between 2000 and 2002, to around 5.5% in 2014-2016⁷. About 36 million people suffered from poor nutrition between 2014 and 2016, a huge drop, since between 2000 and 2002 there were 60 million people in this situation.

An estimated 6.2 million children under five were suffering chronic malnutrition in 2016. Over the region as a whole, the rate of malnutrition fell from 18% in 2000 to 11.6% in 2016.

Between 2014 and 2017, the penetration of people with an account in a financial institution increased from 51% to 62%. 40 million adults accessed the financial system for the first time

Environmental SDGs

Other dimensions that look at improved living standards for the population are access to drinking water and sanitation, as well as universal access to affordable, reliable and sustainable energy. In Latin America, 34 million people still do not have access to drinking water and 46 million do not have basic sanitation in their home.

Universal access to affordable and sustainable energy has improved in the region. 97% of the population has electricity, up from 91% in 2000. However, 20 million people still live without this basic utility.

Access to fuels and low-pollution technologies for cooking rose to 86%, against 78% in 2000. Even so, more than 91 million people do not have access to fuels and low-pollution technologies for cooking and are exposed to low-quality air in their homes.

17% of final energy consumption comes from renewable sources, showing a modest increase since 2000, when it was 15%. Primary energy intensity improved, but at a rate insufficient to double the rate of energy efficiency improvements, as set out in the Sustainable Development Goals.

In Latin America around 80% of the population lives in urban areas, the highest proportion in the world. Approximately 26% live in slums. Around 45 million households suffer from overcrowding and lack basic utilities.

Building up resilience to climate change is key in order to achieve sustainable development that allows for prudent environmental management and better conditions for future generations. Given the current concentration and continued emissions of greenhouse gases, the warming of the oceans and melting of the icecaps will continue. The average sea level is forecast to rise, with major implications for many countries in the region, that will have a serious repercussion on agriculture, on food security, on fresh water supply, on public health, on standards of living and on ecosystems.

Even though Latin America and the Caribbean only generate 13% of the planet's greenhouse gases and the region's emissions, in per capita terms, are 3.1 metric tons of CO₂ equivalent (lower than the world average of 4.9 metric tons), these emissions have risen by 70% compared to their 1990 levels.

The important institutional and technological changes being pushed through are an opportunity to put the brakes on planetary warming. These changes are intended to improve energy efficiency, reduce the carbon footprint in the production of goods and services through innovative and inclusive products and services, as well as to strengthen the resilience of communities to climate change.

The challenge facing Latin America is less stark than it is for other developing

regions, but the gains already made must be reinforced, given the vulnerability it has shown in low periods of the economic cycle; efforts must be redoubled to create climate-smart interaction, which is the dimension most ignored in a region whose main production is commodities.

The improvements made in terms of poverty have been reversed. Between 2014 and 2017, poverty rose by 2.4%, that is, 22 million more people have fallen into poverty

BBVAMF Group Aggregate data

Data at December 31st, 2017

COP /USD

Exchange rate as of December 31, 2017

0.000334605

Activity synopsis

	BBVAMF Group	Bancamía
Financial data		
Gross loan portfolio (USD)	1,140,889,147	403,048,633
Amount disbursed in 2017 (USD)	1,412,998,093	347,206,155
Number of disbursements in 2017	1,080,571	265,887
Average disbursement in 2017 (USD)	1,308	1,306
Deposits and others (USD)	556,786,335	171,558,299
Operating data		
Nº of employees	8,051	3,485
Nº of branch offices	514	200
People receiving financial education	426,907	202,220

Our clients

	BBVAMF Group	Bancamía
Total clients	1,941,232	913,977
Number of credit clients	911,312	330,718
As a % of all BBVAMF Group credit clients	-	36.3%
Number of savings clients	1,690,404	891,677

Our credit clients

	BBVAMF Group	Bancamía
Total clients		
Vulnerability of credit clients (% clients)		
Ext. poor	15%	9%
Poor	22%	24%
Vulnerable	47%	51%
% Vulnerability	84%	84%
Others	16%	16%
Rural	31%	45%
Women	57%	51%
Women's profile		
Poverty	45%	38%
Vulnerability	89%	88%
Primary education at best	34%	37%
Rural	25%	37%
Net monthly per capita net income (USD)	164	136
With primary education at best	36%	42%
Young (<30 years old)	34%	24%
Old (>60 years old)	6%	8%
Economic activity (% credit clients)		
Agriculture	18%	31%
Production / transformation	14%	18%
Retail trade	41%	30%
Wholesale trade	7%	4%
Services	19%	17%
Average monthly sales (USD)	1,296	1,363
Average assets (USD)	7,222	6,414

PEN/USD	DOP/USD	CLP /USD	CLP /USD	PAB/USD
0.,308994747	0.020692715	0.001625051	0.001625051	1
Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
484,176,610	129,163,276	79,550,028	16,214,973	28,735,626
633,338,655	142,493,511	251,956,414	15,291,528	22,711,828
306,508	194,958	289,265	9,489	14,464
2,066	731	871	1,612	1,570
313,790,063	71,437,973	-	-	-
2,127	1,418	608	148	265
153	74	54	20	13
36,672	16,466	165,673	-	5,876
Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
493,164	389,436	117,331	9,796	17,528
211,635	224,304	117,331	9,796	17,528
23.2%	24.6%	12.9%	1.1%	1.9%
423,002	375,725	-	-	-
Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
7%	5%	54%	6%	7%
20%	25%	18%	14%	16%
48%	58%	24%	68%	49%
75%	88%	96%	88%	72%
25%	12%	4%	12%	28%
24%	46%	-	34%	44%
52%	62%	75%	57%	42%
36%	33%	78%	24%	28,7%
82%	90%	97%	92%	77,0%
15%	55%	31%	36%	18,7%
19%	42%	-	-	36,1%
201	161	153	322	281
14%	57%	31%	40%	23%
42%	44%	28%	23%	24%
5%	4%	6%	10%	5%
21%	4%	1%	14%	38%
10%	0%	30%	19%	22%
23%	76%	57%	49%	22%
18%	5%	-	3%	2%
28%	15%	13%	15%	18%
1,372	1,264	973	2,154	1,586
10,218	5,250	11,800	7,312	14,467

Total current clients at 31.12.2017	BBVAMF Group	Bancamía
Vulnerability level of credit clients (% clients)		
Ext. poor	9%	6%
Poor	19%	19%
Vulnerable	52%	54%
Vulnerability	80%	79%
Others	20%	21%
Rural	33%	44%
Primary education at best	43%	54%
Young (<30 years old)	19%	12%
Old (>60 years old)	11%	15%
Women	60%	54%
Women's profile		
Vulnerability	84%	83%
Primary education at best	42%	50%
Rural	27%	36%
Economic activity (% credit clients)		
Agriculture	17%	28%
Production / transformation	12%	16%
Retail trade	47%	34%
Wholesale trade	6%	4%
Services	18%	18%
Income, Installment & cost as % of sales		
Cost	59%	61%
Income	10%	8%
Installment	32%	31%
Financial Structure		
Under the poverty line		
Equity/Assets	85%	83%
Liabilities/Assets	15%	17%
Over the poverty line		
Equity/Assets	88%	80%
Liabilities/Assets	12%	20%
Nº of staff employed by clients	190,112	75,143
% clients reporting they have employees	77%	51%
Nº employees hired (extrapolated to 100% of clients)	274,876	147,406

Our savings clients	BBVAMF Group	Bancamía
Rural	31%	32%
Women	56%	55%
With primary education, at best	48%	54%
By age (saving clients)		
Young (<30 years old)	19%	14%
Old (>60 years old)	12%	15%
Year-on-year growth of savings clients (YoY 2017)	8%	14%

Credit clients' progress	BBVAMF Group	Bancamía
Cohort performance (2012-2017)		
Monthly sales growth (avg. CAGR)	16%	14%
Monthly net income growth (avg. CAGR)	17%	15%
Asset growth (avg. CAGR)	24%	25%
Current value of core financial data by gender (2012-2017 cohorts)		
M - Net monthly income (USD)	616	524
W - Net monthly income (USD)	535	447
M - Net monthly income growth (avg. CAGR)	14%	15%
W - Net monthly income growth (avg. CAGR)	21%	15%
M - Average assets (USD)	10,751	9,419
W - Average assets (USD)	7,579	7,455
M - Avg. Asset growth (avg. CAGR)	23%	25%
W - Avg. Asset growth (avg. CAGR)	26%	26%

Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
5%	3%	43%	5%	6%
16%	21%	18%	11%	16%
49%	61%	32%	65%	50%
70%	85%	93%	81%	72%
30%	15%	7%	19%	28%
26%	41%	-	35%	40%
17%	50%	39%	50%	30%
26%	27%	15%	12%	12%
9%	7%	12%	21%	12%
50%	67%	82%	57%	43%
76%	87%	95%	86%	74%
17%	47%	40%	46%	25%
21%	36%	-	-	31%
22%	4.8%	0.3%	20%	33%
10%	0.2%	28.7%	19%	24%
29%	76%	62%	46%	23%
15%	4%	-	3%	2%
24%	15%	9%	13%	18%
58%	61%	44%	48%	56%
13%	5%	25%	7%	7%
28%	34%	31%	45%	38%
85%	86%	-	95%	92%
15%	14%	-	5%	8%
85%	88%	-	88%	90%
15%	12%	-	12%	10%
46,646	46,929	12,121	2,801	6,472
85%	92%	97%	92%	99%
54,607	50,847	12,443	3,030	6,543

Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
20%	40%	-	-	-
47%	66%	-	-	-
13%	54%	-	-	-
23%	25%	-	-	-
9%	8%	-	-	-
7%	0.1%	-	-	-

Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
14%	19%	42%	6%	7%
10%	19%	56%	13%	3%
28%	22%	-	5%	11%
687	551	1,160	1,187	633
532	501	795	979	592
9%	17%	45%	12%	2%
13%	19%	60%	14%	3%
15,423	6,454	-	11,160	20,724
13,533	5,010	-	6,046	11,109
26%	19%	-	6%	10%
31%	24%	-	4%	15%

(Cont.) Credit clients' progress

	BBVAMF Group	Bancamía
Net poverty reduction		
In first year	16%	19%
In second year	32%	20%
In third year	37%	21%
In fourth year	41%	14%
Volatility of relative p.c. net incomes		
Under the poverty line		
Volatile	27%	26%
Stable	20%	19%
Fall into poverty	53%	55%
Over the poverty line		
Volatile	18%	13%
Stable	74%	77%
Fall into poverty	8%	10%
Improve the quality of their home after two years	8%	-
Improve their educational level after two years	3%	2%
Create employment after two years	7%	-

Our relationships

	BBVAMF Group	Bancamía
New credit clients		
Average disbursement of new credit clients (USD)	875	987
Avg. installment as % of sales of credit clients	8%	7%

Total clients

Average retention of credit clients		
After first year	65%	78%
After second year	42%	48%
After third year	29%	32%
Average recurrence of credit clients		
Cycle 2	58%	49%
Cycle 3	37%	26%
Cycle 4	25%	15%
Client linkage by product type		
Credit, savings and insurance	21%	29%
Credit and savings	13%	5%
Credit and insurance	3%	2%
Credit only	10%	1%

Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
11%	20%	27%	-	-
23%	37%	44%	-	-
30%	51%	45%	-	-
39%	60%	-	-	-
23%	30%	-	-	16%
31%	15%	-	-	46%
46%	55%	-	-	38%
12%	46%	-	-	10%
82%	45%	-	-	78%
6%	10%	-	-	12%
11%	6%	9%	-	-
-	5%	-	-	-
-	8%	4%	4%	5%

Financiera Confianza	Banco Adopem	Fondo Esperanza	Emprende	Microserfin
1,294	430	346	1,536	1,130
10%	4%	15%	8%	6%
57%	74%	44%	64%	72%
32%	56%	30%	35%	43%
21%	42%	24%	22%	33%
57%	67%	74%	55%	51%
36%	45%	59%	35%	32%
24%	30%	50%	24%	21%
18%	17%	-	-	-
11%	37%	-	-	-
9%	0,1%	13%	49%	-
5%	4%	87%	51%	100%

Notes on methodology

Information limitations

Information limitations

Lack of information on certain variables. There are certain variables for which some client information is not available.

Positive bias. Clients' tendency to present a more favorable view of their micro-enterprise's performance.

Process limitations. Information gathering is essentially from loan processes; normally data are collected when the client acquires a new product or renews their loan (information is stored in each MFI's core banking system).

Heterogeneous databases and different criteria. Indicators are based on the faithful interpretation of each microfinance institution's (MFI) criteria and those of its agents/officers. In a very few cases, there are variables with definitions or nuances at a local level or variables that are only collected in certain countries.

Comments

• Where there are data gaps, that client's data has not been used and thus not included in the samples analyzed.

• BBVAMF methodology works on the premise that the data is gathered by an agent/loan officer with an informed understanding of the client's circumstances, who will therefore only report data he/she considers reasonable.

• There are limitations in the data capture process (e.g. difficulty of valuing the business, input errors, incorrectly interpreting the variable, lack of time, etc). For group loans (solidarity and other groups, where client meetings do not always involve visiting the client's business) this limitation may be greater. As far as possible, when we have found the data to be less robust, it has not been presented.

• Assets and sales indicators, in particular, are based on the in-depth understanding of each MFI's criteria and that of its agents. Criteria applied to value assets, liabilities, etc. may differ slightly between institutions.

• Social variables (for example housing materials, educational level, capacity to access other household income, etc.) are not collated in all the institutions or are collated differently. BBVAMF has adapted to the information available from each institution and each country's requirements.

Methodological explanations of selected variables and indicators

Selected variables for consideration

Variable	Comments												
New credit clients	<ul style="list-style-type: none"> New clients are defined as those who have not previously had a loan with any BBVAMF Group institution. 												
Urban / rural environment	<ul style="list-style-type: none"> The “environment” variable is defined by each institution as follows: <table border="1"> <tbody> <tr> <td>Bancamía</td> <td>The client’s business address (street, highway ...).</td> </tr> <tr> <td>Financiera Confianza</td> <td>The client’s address; in a given district all clients are classified as being in the same “environment”, according to their classification by the National Statistics Institute (INEI-2007). If the rural proportion of the district is larger than 50%, according to the INEI, the entire district is rural.</td> </tr> <tr> <td>Banco Adopem</td> <td>Assigned according to the % of rural/urban land in the province where the office is located, according to the National Statistics Institute. All clients in the branch office are classified according to the branch’s classification.</td> </tr> <tr> <td>Fondo Esperanza</td> <td>N/A (All clients are urban).</td> </tr> <tr> <td>Emprende Microfinanzas</td> <td>There is no individual (by client) environment indicator. Clients are grouped by commune and the relevant authority (CASEN) assigns a rural percentage for each area.</td> </tr> <tr> <td>Microserfin</td> <td>The client’s address determines the environment, according to the parameters of the province and the district (MEF).</td> </tr> </tbody> </table> 	Bancamía	The client’s business address (street, highway ...).	Financiera Confianza	The client’s address; in a given district all clients are classified as being in the same “environment”, according to their classification by the National Statistics Institute (INEI-2007). If the rural proportion of the district is larger than 50%, according to the INEI, the entire district is rural.	Banco Adopem	Assigned according to the % of rural/urban land in the province where the office is located, according to the National Statistics Institute. All clients in the branch office are classified according to the branch’s classification.	Fondo Esperanza	N/A (All clients are urban).	Emprende Microfinanzas	There is no individual (by client) environment indicator. Clients are grouped by commune and the relevant authority (CASEN) assigns a rural percentage for each area.	Microserfin	The client’s address determines the environment, according to the parameters of the province and the district (MEF).
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Microserfin	The client’s address determines the environment, according to the parameters of the province and the district (MEF).												
Data from financial statements (balance and P&L sheets)	<ul style="list-style-type: none"> Indicators with information on sales, disbursements, net incomes, etc. for current clients, use the values the clients reports at their latest disbursement, whatever the date it occurred. The exception to this methodology are the performance charts (e.g.: growth of average monthly sales), which require disbursements to have taken place in the previous 12 months (except in the case of Fondo Esperanza, see <i>Financial data performance and variation in the poverty segment</i>). 												
Payment installment	<ul style="list-style-type: none"> The installment has been calculated as a monthly figure (where it had another frequency) and, where the client has more than one loan, all their installments to the institution are added together. 												

Variable	Comments
Economic sectors	<ul style="list-style-type: none"> Based on the United Nations International Standard Industrial Classification of all economic activities (version 1).
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 (includes 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.

Selected indicators

Indicator	Comments
Dataset analyzed	<ul style="list-style-type: none"> The indicators are for clients with a productive unit (micro-enterprise), thus excluding loans to employees. Some clients are waged, from other jobs, generally temporary, as well as their productive unit. This type of client has been kept in the analysis, provided the waged job is temporary. For savings clients indicators, larger enterprise owners (e.g. institutional clients) have been excluded.
Monthly per capita net income	<ul style="list-style-type: none"> BBVAMF Group uses monthly <i>p.c.</i> net income to measure a client's available income. We take the surplus (business revenues, less direct and indirect business costs) divided by the number in the household. Other household income or costs are not included in the calculation for two main reasons: <ul style="list-style-type: none"> - The aim is to show the impact of the enterprise on the client and their families, rather than knowing the entire household income from other sources. - The information about the client is related to the loan and to the information pertinent for this transaction, so there is no control over the frequency or continuity of the other income unrelated to the micro-enterprise, nor is there documentary proof. Monthly net income is divided by the number of household members to understand its impact on the household as a whole. The household size includes the number of people living in one place who share the food budget. It is a more stable figure than the number of dependants, which can vary over time.

Indicator	Comments
Per capita net income relative to the poverty line	<ul style="list-style-type: none"> • Net income is calculated from the situation immediately before granting the loan, so does not include the repayment installment, pending its approval. Where existing loans are still active (whether with a BBVAMFG institution or not), these should be included as an indirect business expense (classified as financial expenditure). • Measures the ratio that monthly <i>per capita</i> (<i>p.c.</i>) net income represents relative to the poverty line (the mirror image of this is the gap below the poverty line). Relative <i>p.c.</i> net income is calculated taking the poverty line current at the time of the disbursement and, since the measurement is relative, it can be compared over time as well as by different geographies or segments. • Relative <i>p.c.</i> net income takes a value of one when it is the same of the poverty line, values below one indicate that the client is poor and values greater than one that the client is not poor.
Economic vulnerability	<ul style="list-style-type: none"> • Categories were set by the monthly <i>per capita</i> net incomes generated by the micro-enterprise in order to determine clients' economic situation. These are compared with the poverty and extreme poverty lines, for each country, as defined by that country, every year. • Clients with monthly <i>p.c.</i> net income (for each household member) below the extreme poverty line will be classified as <i>extremely poor</i>. Those between the extreme poverty and poverty lines will be classified as <i>poor</i>. • A third category is made up of <i>vulnerable</i> clients, those with monthly <i>p.c.</i> net incomes less than three times the national poverty line. Businesses of these clients generate monthly <i>p.c.</i> incomes above the national poverty line, but still suffer from great economic uncertainty, understood as a high likelihood of falling back into poverty. • The reference to clients under the poverty line or in <i>poverty</i>, groups together the <i>extremely poor</i> and the <i>poor</i>. The term "<i>vulnerability</i>" covers all three segments: <i>extremely poor</i>, <i>poor</i> and <i>vulnerable</i>. • Remaining clients are classified as <i>others</i>.
Segments of clients with higher rates of poverty. Multivariate analysis of poverty	<ul style="list-style-type: none"> • A multivariate analysis was carried out on the historic database of the situation at the outset of clients served between 2011 and 06.30.17, and a model then created, with the aim of obtaining a set of variables to determine the socio-economic factors associated with poverty or extreme poverty. • After this, a set of new clients from 2017 was segmented and the consistency of the indicators studied. • We have ensured there is no correlation between the variables analyzed.

Indicator	Comments
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Vulnerability line
(three times the poverty line)

- The economically vulnerable segment has been created because clients above the poverty line are still likely to fall into poverty.
- Clients whose net incomes do not reach three times the poverty line are defined as *vulnerable* because they are more likely to fall into poverty. This is in line with other World Bank studies².
- 90-95% of *non-poor* clients (at the outset of their relationship with the institution) who fall into poverty during their time with it, have *p.c.* incomes relative to the poverty line of under 2.86 or 3.18, so the likelihood of falling into poverty once they are over this threshold is small.

- **Monthly *p.c.* net income relative to the poverty line.**
- **Breakdown by clients who fall into poverty.**

Relative net income is the *p.c.* income relative to the poverty line (depending on the year of disbursement, environment and country). Clients served between 2011 and 2017 who report their income. Source: BBVAMF Group Institutions. BBVAMF calculations.

Clients falling into poverty	25%	50%	75%	90%	92.5%	95%	97.5%	99%
Rural	1.18	1.44	1.83	2.86	3.24	3.89	5.46	8.05
Urban	1.11	1.32	1.63	2.51	2.78	3.18	3.96	5.10

The threshold of three times the poverty line represents a level of economic security such that the likelihood of clients with higher incomes falling into poverty is less than 10% (around 8% in the rural environment and 6% in urban environments).

The analysis on clients falling into poverty was completed and confirms the trend referred to above:

Considers *non-poor* (at the outset) clients served between 2011 and 2012, current at 12.31.2017. Source: BBVAMF Group Institutions. BBVAMF calculations.

	Clients who fall into poverty	Clients who fall temporarily into poverty	Total clients
Relative net income <= 3	2,605	4,483	24,177
	11%	19%	100%
Relative net income > 3	270	316	5,258
	5%	6%	100%

The likelihood of clients falling into poverty with *p.c.* net incomes over three times the poverty line is only 5% over the next five years.

2. *Economic Mobility and the Rise of the Latin American Middle Class*, World Bank 2013.

Indicator	Comments
Financial data performance and variation in the poverty segment	<ul style="list-style-type: none"> Data from those clients who were current at some point in the previous 12 months, and who have made a disbursement in the previous 12 months, was taken to prepare performance indicators such as the progress made in terms of financial variables (sales and monthly income, assets) and the reduction in the poverty segment. Where information was updated after the disbursement, this information is used for the calculation. Fondo Esperanza is an exception because of the nature of its processes, in which the client's economic information is only updated in the fifth cycle disbursement, with the result that the client sample is made up of clients who have had two disbursements, without the stipulation that this had to have happened in the preceding 12 months. The aggregate data for BBVAMFG is calculated by requiring there to have been an update in the previous 12 months, except in the case of Fondo Esperanza. Clients who have been written off are excluded from the figures for those escaping poverty.
Segmentation of better performing clients. Multivariate analysis of the escape from poverty	<ul style="list-style-type: none"> A multivariate analysis was conducted on the historic data base of clients served between 2011 and 06.30.17, and a model then created on the "escape from poverty" variable (client classified as <i>poor</i> or <i>extremely poor</i> at the outset whose final situation is <i>non-poor</i>), in order to identify the set of variables with the greatest weight in each country, and on an aggregate level, to determine the client's degree of success. These include socio-economic, business and service variables. The set of clients forming part of the sample for the metric "Variation in the poverty segment" was then segmented; these provide the percentage rate of escape for each additional year of banking with the entity, as well as the participation of the whole client sample that overcomes the poverty line in this metric.
Client retention	<ul style="list-style-type: none"> The number of clients in each cohort staying with BBVAMFG (who continue to have a banking relationship with one of its MFIs) after a defined period. Calculated as the difference between the clients at the outset and those remaining at 12.31.17.
Recurrence	<ul style="list-style-type: none"> Recurrence is taken as the proportion of clients who take on successive loans, over those who took out a first loan. It is calculated with cohorts since 2011. Before inclusion in the calculation, a minimum period of monitoring is required, which depends on the institution's average transaction periods. Generally, in order to qualify as recurrent in the second cycle, the cohort must have passed a minimum term of 12 months, to qualify for the next cycle, the time passed has to be 24 months, etc. The differences in terms between individual and group banking mean that the transactions cannot be aggregated by cycles or disbursements; for this reason, only clients with individual loans are presented.
Job creation indicators	<ul style="list-style-type: none"> Changes in the number of workers hired by clients over time are analyzed in order to assess micro-enterprises' capacity to generate employment. Bancamía has provided this information since October 1, 2016, so it has not been possible to include this indicator yet. Although the historical data is not available, the number of employees hired, as reported, is presented, corresponding to clients current at 12.31.2017.
CAGR & YoY	<ul style="list-style-type: none"> Compound annual growth rate (CAGR) and year-on-year growth rate (YoY). CAGR is calculated as the weighted average of the annual growth rates between several cohorts, generally 2012-2017.

National poverty lines

The official extreme poverty and poverty lines will be taken for each country, whether it is urban or rural, as published by each country's official bodies. In the event that these lines have not been updated from the previous year, the latest available will be taken and updated using the annual CPI (Consumer Price Index) in December of the year in question.

Poverty line in Chile

In 2015 the Social Development Ministry (SD Ministry) published a new methodology (NM) in consensus with a wide variety of experts³, because the traditional measurement (TM) was no longer reflecting the situation of poverty in which many families were living⁴. The aim is to adapt to Chile's economic and social reality (higher standards) and reflect situations of deprivation that go beyond low income (multidimensional)⁵.

The NM brings in some important changes, with the most significant ones summarized below:

Updated poverty line.

- The basic food basket has been updated⁶ and the ratio between the poverty and the extreme poverty lines reviewed.

- **Basic basket:** The NM for measuring poverty by income recalculates the basic food basket (with a new estimate of its contents) for the "average household".

- Relation between extreme poverty and poverty

Extreme poverty line for an average household:

$$LPE = \frac{2}{3} LP$$

Where

PL: Poverty line

EPL: Extreme poverty line

- **Extreme poverty line:** This value is set so that EPL covers food, clothing and housing⁷. The NM includes in its income a charge for renting the home for those who own or have the use of one. The TM, conversely, only included a charge for those who had their own home.

Use of equivalence scales, elimination of environment.

- Instead of having a single poverty and extreme poverty line (expressed in *per capita* values), lines have been drawn that depend on the size of the household (as the number of household members increases, the expense incurred to cover nutritional requirements associated with basic food and non-food needs, increases by a lower proportion). Note that the NM does not consider the environment (rural vs. urban).

- The new poverty lines are, as such, significantly higher than those applied using the Traditional Methodology⁸.

- Given that the NM poverty lines are defined based on household income and takes into account economies of scale, to prepare the metrics, business income is taken (instead of *per capita* income) and the corresponding poverty line will be set, depending on the size of the household.

The Chilean poverty lines used are as follows:

	Household size	2012	2013	2014	2015	2016	2017
Extreme poverty (LOC)	1	85,838	91,274	95,888	100,944	103,139	105,511
	2	139,444	148,275	155,771	163,985	167,550	171,404
	3	185,210	196,939	206,896	217,805	222,541	227,659
	4	226,528	240,874	253,051	266,394	272,187	278,447
	5	264,825	281,596	295,832	311,431	318,203	325,522
	6	300,875	319,929	336,103	353,825	361,519	369,834
	7	335,157	356,382	374,399	394,140	402,711	411,973
	8	367,996	391,300	411,082	432,758	442,168	452,338
	9	399,622	424,929	446,412	469,950	480,169	491,213
	10	430,209	457,454	480,580	505,920	516,922	528,811

	Household size	2012	2013	2014	2015	2016	2017
Poverty (LOC)	1	128,758	136,911	143,832	151,417	154,709	158,267
	2	209,168	222,413	233,657	245,977	251,326	257,106
	3	277,817	295,409	310,344	326,707	333,811	341,489
	4	339,794	361,310	379,577	399,591	408,280	417,670
	5	397,240	422,394	443,748	467,146	477,304	488,282
	6	451,315	479,893	504,154	530,737	542,278	554,750
	7	502,739	534,573	561,598	591,210	604,066	617,960
	8	551,998	586,950	616,624	649,137	663,253	678,508
	9	599,438	637,394	669,617	704,925	720,254	736,820
	10	645,319	686,180	720,870	758,881	775,382	793,216

3. *Economic Mobility and the Rise of the Latin American Middle Class*, World Bank 2013. **4.** The Commission for Poverty Measurement (2013-2014); Technical Cross-Institution Round Table, with representatives from the National Statistics Institute and the Social Development Ministry, with support from CEPAL (2014); Casen's 2013 Panel of Experts and the Oxford Poverty and Human Development Initiative (OPHI, 2014-2015). **5.** Social Development Ministry, *Una Medición de la Pobreza Moderna y Transparente para Chile*, CASEN 2013, 2015 [A Modern and Transparent Poverty Measurement for Chile]. **6.** The methodological review of 2015 also revised historic poverty lines (from 2013 onwards). BBVAMF Group has reviewed the lines for its entire client portfolio and the results cannot be compared with what was published in previous years. **7.** Minimum income set as necessary to meet one person's basic nutritional needs. **8.** *Nueva Metodología de Medición de la Pobreza por Ingresos y Multidimensional* [New Multidimensional Methodology for Measuring Poverty by Income] (CASEN Social Observatory 2013), page 11.

Poverty lines in remaining countries

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Colombia	2016 lines updated with Dec. CPI	2017	Extreme poverty Poverty	101,870 166,068	124,580 276,924
	National Statistics Department (DANE) ⁹	2016	Extreme poverty Poverty	97,867 159,543	119,685 266,043
	DANE	2015	Extreme poverty Poverty	86,918 157,752	106,653 246,336
	DANE	2014	Extreme poverty Poverty	79,837 139,792	98,407 233,530
	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	2016 lines updated with Dec. CPI	2017	Extreme poverty Poverty	152 247	187 358
	National Institute of Statistics and Informatics (INEI) ¹⁰	2016	Extreme poverty Poverty	150 244	184 353
	INEI	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	2016 lines updated with Dec. CPI	2017	Extreme poverty Poverty	2,164 4,465	2,258 5,015
	Ministry for the Economy, Planning & Development (MEPyD) to Mar. ¹¹	2016	Extreme poverty Poverty	2,076 4,285	2,167 4,813
	MEPyD	2015	Extreme poverty Poverty	2,048 4,228	2,138 4,749
	MEPyD	2014	Extreme poverty Poverty	2,041 4,212	2,130 4,730
	MEPyD	2013	Extreme poverty Poverty	1,985 4,096	2,071 4,600
	MEPyD	2012	Extreme poverty Poverty	1,888 3,896	1,970 4,375
	MEPyD	2011	Extreme poverty Poverty	1,840 3,797	1,920 4,264

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Panama	2016 lines updated with Dec. CPI	2017	Extreme poverty Poverty	60 107	71 145
	Finance & Economy Ministry ¹²	2016	Extreme poverty Poverty	59 106	70 144
	Finance & Economy Ministry	2015	Extreme poverty Poverty	59 105	69 141
	Finance & Economy Ministry	2014	Extreme poverty Poverty	59 105	69 142
	Finance & Economy Ministry	2013	Extreme poverty Poverty	56 102	66 137
	Finance & Economy Ministry (to March).	2012	Extreme poverty Poverty	53 98	63 131
	Finance & Economy Ministry (to March)	2011	Extreme poverty Poverty	49 92	59 125

Currency exchange rates

All the (historical) data from MFIs is incorporated in local currency and the exchange rate applicable at December 31, 2017 is applied so that exchange rate fluctuations do not have an impact on the conclusions.

Country	Exchange rate	Source
Colombia	COP/ USD 0.0003346	BBVA Bank, mid-market rate on December 31, 2017
Peru	PEN/ USD 0.3089947	BBVA Bank, mid-market rate on December 31, 2017
Dominican Republic	DOP/ USD 0.0206927	BBVA Bank, mid-market rate on December 31, 2017
Chile	CLP/ USD 0.0016251	BBVA Bank, mid-market rate on December 31, 2017
Panama	PAB/ USD 1.0000000	BBVA Bank, mid-market rate on December 31, 2017

9. <http://www.dane.gov.co/index.php/estadisticas-por-tema/pobreza-y-condiciones-de-vida/pobreza-y-desigualdad/pobreza-monetaria-y-multidimensional-en-colombia-2016> 10. https://www.inei.gob.pe/media/cifras_de_pobreza/pobreza2016.pdf 11. <http://economia.gob.do/mepyd/despacho/unidad-asesora-de-analisis-economico-y-social/estimaciones-de-pobreza/> 12. <http://www.mef.gob.pa/es/informes/paginas/pobreza-e-indigencia.aspx>