

15 years of sustained growth

15 years ago, the need for financial inclusion was huge. According to the Foundation's own estimates, around 80% of the global adult population that was in poverty or vulnerability was excluded from the formal financial system, that is, around 3 billion adults.

Today, more than 1.5 billion adults previously outside the reach of the financial system have accessed it. However, another major challenge remains. In 2022, 140 million adults in Latin America still didn't have an account in a financial institution¹, of whom 35 million live in our footprint (37%), and 212 million people in the region were living in monetary poverty.² Most of the people in economically and socially vulnerable segments are impeded by any number of obstacles from improving their living conditions. Regrettably, the pandemic has been responsible for a major reversal on the road towards financial inclusion and poverty reduction.

In the Foundation we have witnessed both this situation and the reversal, and that is why we continue to invest in inclusive and sustainable growth, bringing the opportunities of this new era within reach for all.



1. Global Findex 2021.

2. CEPAL 2021, 32% of the total population of 664,997,000 people.

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BBVA Microfinance Foundation's unique model is designed to generate social, environmental, and financial performance that is positive and measurable.



We designed a model that combines the experience and local knowhow of the non-profits that set up the microfinance institutions, with the knowledge, innovation and global financial experience of BBVAMF, stemming from its founder, BBVA. This meant that our group of institutions has been acknowledged throughout these 15 years for their adherence and commitment to our founding purpose: to promote economic and social development among those who have the least. But the group is also recognized for its professional management and solid financial performance which, together with our focus on innovation and the synergies between countries, has enabled us to consolidate a leadership position in the region.

At the beginning of our journey, we discovered that only 17% of adults in the region were savers in formal financial institutions. At that time, microfinance was basically a single product focusing on microcredits. Real financial inclusion encompasses a wider range of products that must be marketed in a responsible and sustainable fashion over time by formal financial institutions and should also be used by clients on a regular, recurring basis.

What is more, women were the group most negatively impacted by the lack of access to financial services. Only 30% of women in developing countries had bank accounts, compared to 42% of men. The gap was even greater among poor segments. Women in this situation were 30% less likely than men to have a bank account. The size of the disparities facing this segment meant that they needed special treatment.

Therefore, it was not only a question of providing access to financial products, but rather one of using them appropriately so that they had a decisive impact on people's lives.

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When a loan is disbursed for an entrepreneur's business, the aim is to raise the revenues from a pre-existing business or to provide a source of income that wasn't there before, which enables them to generate and accumulate surpluses. This in turn is an opportunity to improve their patterns of consumption, increase their investments and manage their risk. Access to financing, together with the entrepreneur's capacities and skills, plus their personal qualities (perseverance, hard work, self-discipline, creativity, passion, etc.) are key factors in achieving success. The likelihood of success increases if the multiple dimensions affecting this performance are taken into account, if there is mentoring for skills, financial literacy and digital training, and if, in addition, a favorable environment for it to develop can be fostered.

Most of these entrepreneurs live and work in the informal economy, from necessity, not by choice. Their households and their small, self-owned companies often operate as a single unit, meaning that the consumption and production decisions of home and enterprise are linked to one another. In other words, the traditional distinction between consumers' financial needs and those of their companies is imprecise and bound up with one another. As a result, moving forward—as a household and as a business—in this segment goes hand in hand. The goal is to raise standards of living, reduce domestic contingencies, and for them to manage their finances appropriately so that they can create and keep their assets, reducing the social and economic gap.

The combination of a broad spectrum of financial products and services, a favorable environment and their own efforts enables low-income people to transform their personal economic circumstances and raise their standard of living, investing in their welfare. This is why **the Foundation's mission has always been to reduce gaps by creating opportunities.**

Entrepreneurs' households and their small, self-owned companies often operate as a single unit, meaning that their consumption and production decisions are linked to one another



INCOME GAP



All households, whatever country they are in, should have **disposable income** that covers their basic needs.

Business development

SOCIAL GAP



All households should have access to **basic goods and services**—healthcare, education, housing, connectivity and digital skills—and **be empowered to achieve equal opportunities.**

Welfare

UNFORESEEN EVENTS

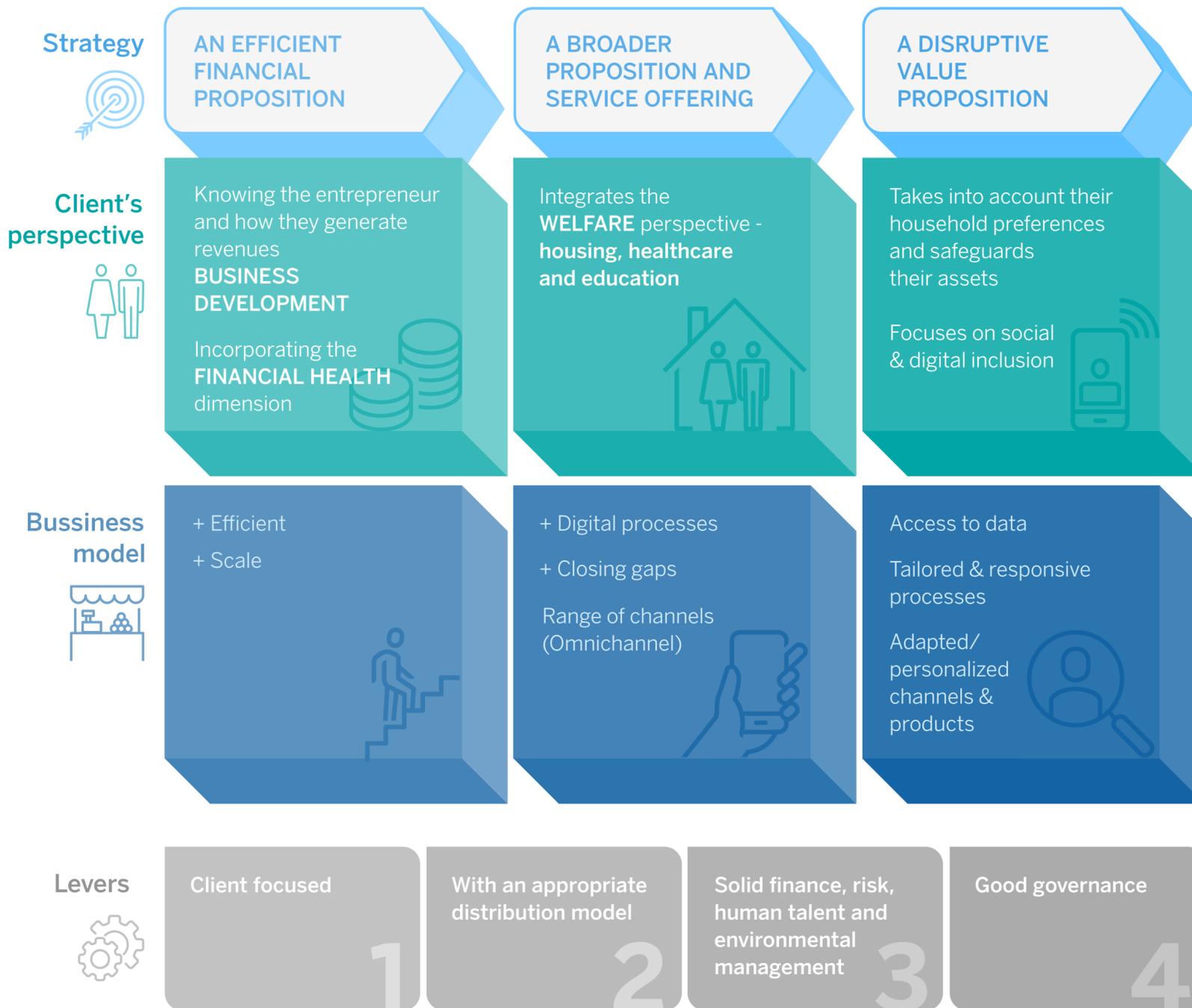
All households should be able to manage their domestic budgets so as to conserve or increase their assets. (Overcoming emergencies and reaching short, medium and long-term goals).



Financial health

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Our strategy and where we are today



Our model was designed from the outset to last, by working to build long-term relationships with vulnerable entrepreneurs. To be successful in this segment, we have to understand their preferences, needs and surroundings, helping to overcome the barriers that some of them face by means of specialized and personalized mentoring. That is why we started by generating a strategy of consolidation and efficiency rooted in granting loans to microentrepreneurs for productive ends. As we dug deeper into the complexity of the inclusion challenge, we extended our proposition, offering saving and insurance products to reinforce their resilience and that of their business in the face of unexpected shocks. Finally, we have diversified out value offering in order to safeguard the welfare of their households, that is, we focused on understanding entrepreneurs and their households (upgrades to their housing, domestic sanitation, healthcare, education, digitalization, etc.). In short, an integrated, tailored offering.

This strategy has four differentiating features:

1. Putting the emprededor en el centro, adjusting our value proposition to their needs and their progress over time.
2. Reducing entry costs and improving the distribution of financial services. This was the seed that grew into our digital transformation, providing a responsive, high-touch service to the entrepreneur.
3. Building management —financial, risk, of people and environmental— that is sustainable with a view to a long-term future.
4. Finally, to do all this within a structure of solid corporate governance that strives for excellence and remains focused on its purpose.



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Since our beginnings we have served more than six million clients and disbursed USD 18.071 billion. This has shrunk the segment of poor clients by 60%, demonstrating the effectiveness of our model. What is more, we have been targeting our services more towards specific collectives, such as women, migrants and the internally displaced. We boost development through **productive finance** (see 'Productive Finance', for further details) that helps to break down the barriers conditioning this segment. This model allows us to support our clients with finance so that they generate economic surpluses that are sustainable over time, enabling them to improve their welfare, as well as that of their families and communities.

The reasons explained above have led the Foundation to push harder than ever for an understanding of sustainability in its broadest sense (beyond financial sustainability) throughout the Group. That is, one that considers all our stakeholders, that looks after the environment and the social dimension to ensure sustained growth. All under the oversight of good governance which never takes its eyes off its principal focus: the entrepreneurs and their families (see [ESG in the Social Performance Report –SPR 2022](#)).

Since we launched



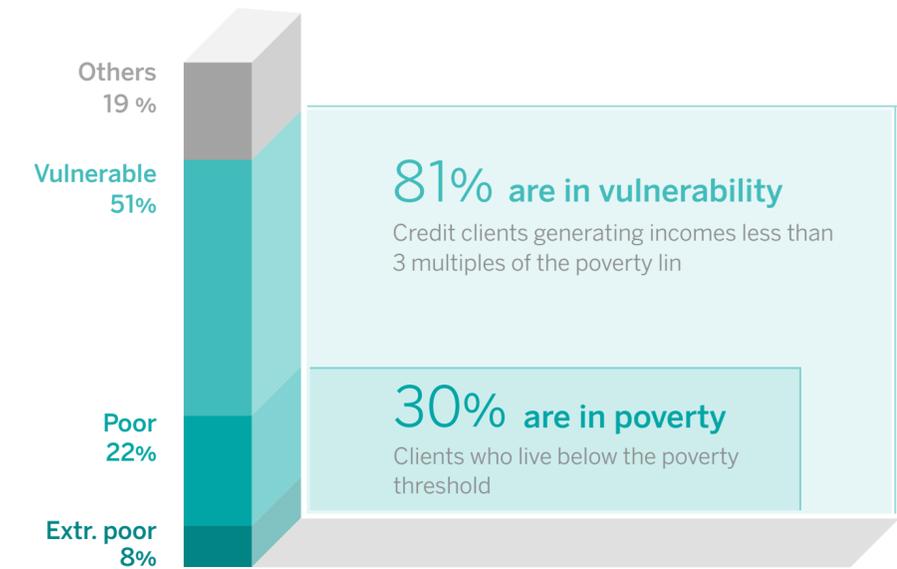
6,000,000
clients served



USD 18.071 B
disbursement to entrepreneurs

Economic development (2022)

Total n° clients 2022



Foundation Development

Since our beginnings we have served more than six million clients and disbursed USD 18.071 billion, reducing the segment of poor clients by 60%

	Employees	Offices & express service points	Own correspondents	Transaction points
Outset	5,587	231	-	-
Year-end 2022	8,028	557	2,820	105,244