

Social Performance Report 2023

Impacting to change lives



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People living in poverty are constantly juggling their finances because of the frequent risks and crises in their daily lives. What is more, the pandemic, the food crisis, and the effects of climate change, among other factors, have significantly increased these risks, contributing to an increase in poverty and inequality worldwide.

So that they can make sustainable progress, the institutions in BBVAMF offer financial services to entrepreneurs so that they can generate incomes from their small businesses while also securing enough capital to manage these risks and accumulate assets to pull them out of poverty. These interventions also mitigate the impact of unexpected contingencies, smooth their spending patterns and in many cases enable them to save their surpluses.

In uncertain, precarious surroundings, the provision of accessible, timely and tailored financial solutions allows households to improve their standards of living and welfare significantly. Investments in business, healthcare, housing, and education, together with the increasing adoption of technology, contribute to improving the different dimensions conditioning the quality of life in these households. Microfinance becomes a key instrument for generating inclusive and sustainable development.



Who we are

BBVA set up the BBVA Microfinance Foundation (BBVAMF) in 2007, as part of its corporate social responsibility remit, with the purpose of driving the sustainable economic and social development of vulnerable people carrying out productive activities.

Since then, BBVAMF has been supporting the sustainable and inclusive progress of numerous vulnerable households in Latin America, driving the reduction of poverty and inequality, opportunity creation and the narrowing of gaps, empowering the development of small businesses and improving the financial health of vulnerable households and their welfare.

BBVAMF promotes poverty reduction by means of inclusion, fosters gender equality and nurtures economic, social, and environmental development.

BBVAMF institutions operate in Colombia, Peru, Dominican Republic, Chile, and Panama, where over 8,000 professionals offer financial products and services, financial education, together with business and digital training to three million entrepreneurs.

In 2023, the Foundation's microfinance entities offered a comprehensive range of financial products and services to 3 million people and signed off loans to the value of EUR 1,571 million to entrepreneurs

OVERVIEW 12M23 (At the close of 12.31.2023)

 **Total clients**
2,972,417 +4% AGR

16%

Dominican Republic
476,133 +8%

1%

Panama
19,440 +6%

55%

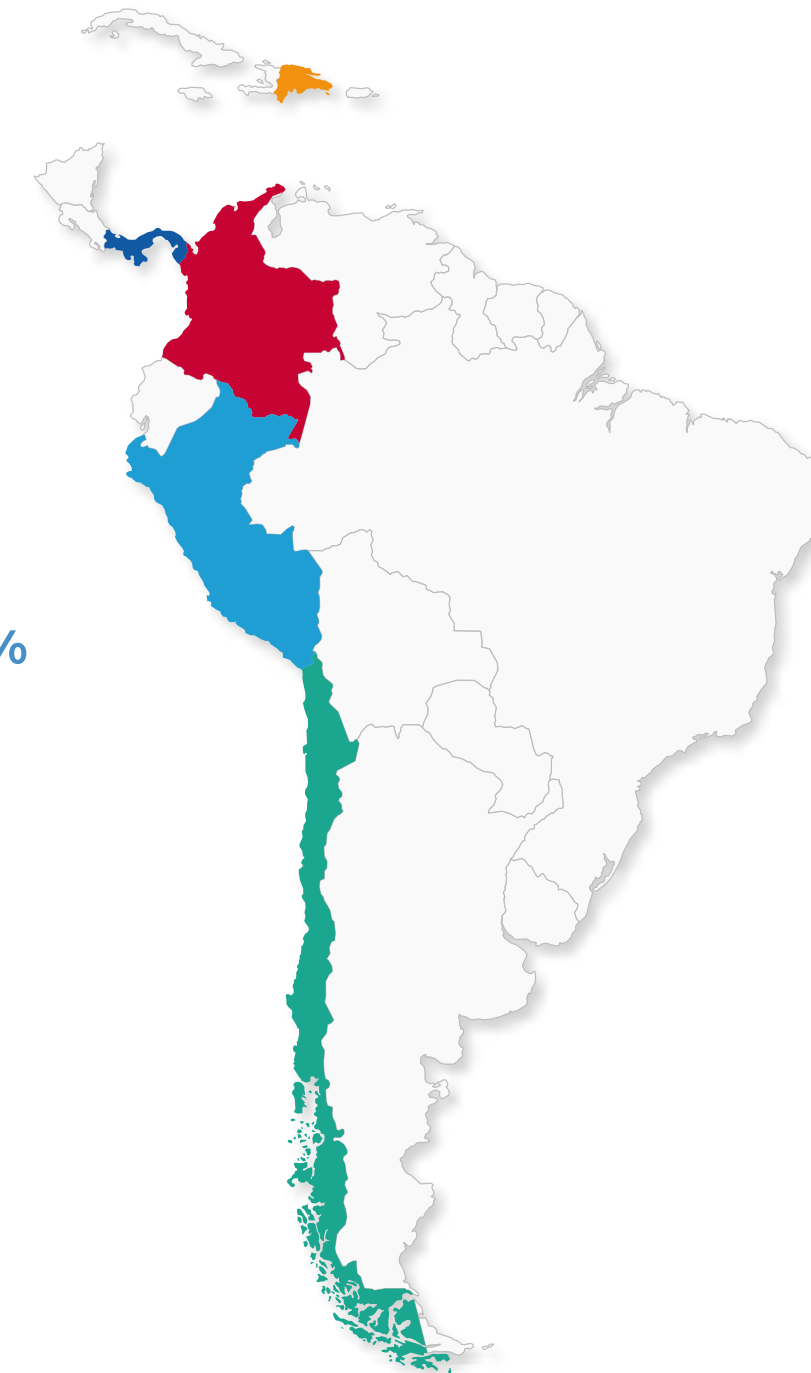
Colombia
1,625,761 +3%

24%

Peru
724,610 +4%

4%

Chile
125,949 +4%



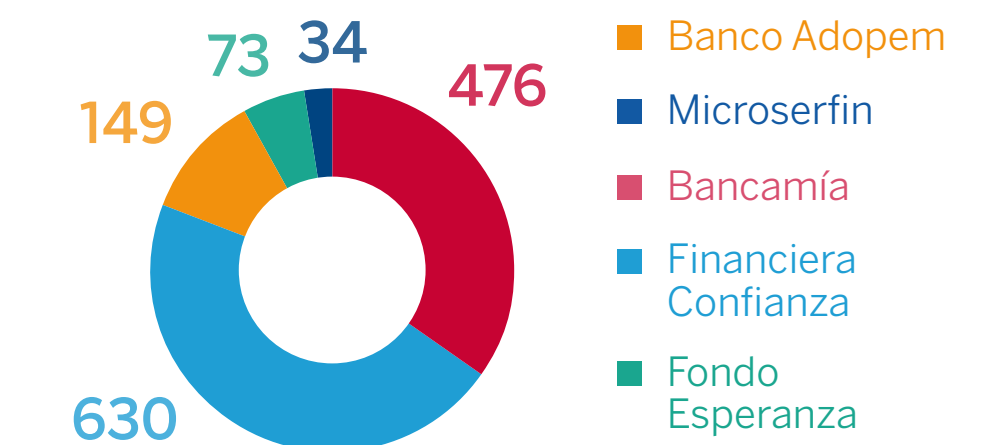
Gross portfolio
USD **1,364 M**

Client resources
USD **784 M**

Amount disbursed
USD **1,571 M**


Average loan
USD **1,343**


Gross portfolio by country (USD M)



 **Employees****
7,723

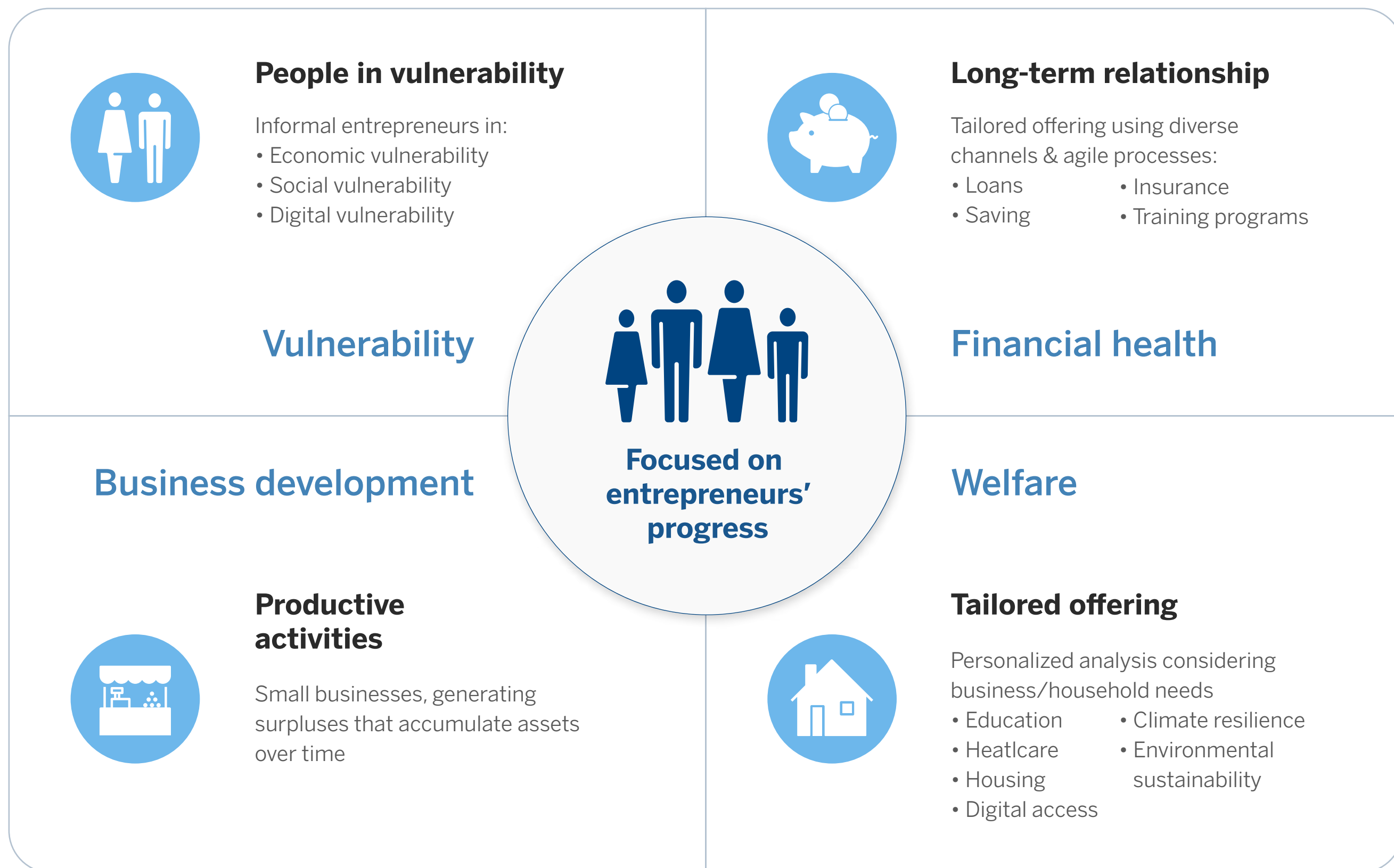
 **Branches & service points**
557

 **Non-banking correspondents**
3,402

 **Other transactional points**
111,526

* Includes Emprende. ** Number of employees at the end of the year.

PRODUCTIVE FINANCE MODEL



Our work focuses on entrepreneurs' sustainable progress; to that end we endeavor to understand the lived reality where their activity takes place, which is critical if we are to build a product and service model that increases their likelihood of success, making their financial inclusion permanent. It is essential to drive responsible financial inclusion that enables positive impacts to be triggered for the client when they access lending, impacts that last over time, and that have a greater chance of success.

The model is based on [Productive Finance](#) (see [Productive Finance](#) for greater detail) which contributes to eliminating the barriers that determine this segment. This model makes it possible to give financial support to entrepreneurs so that they generate sustainable economic surpluses over time, enabling them to improve their welfare, together with that of their families and communities.

The productive finance model is based on reducing the income gap with business development, the social gap with investment in welfare, while financial health permeates everything, since it makes long-term investment and planning possible. All this is anchored in a sustainability model that assesses all the intervening components (clients, employees, and wider society).

The Foundation drives a vision of sustainability in its broadest sense, seeking to generate impact on its stakeholders and looking after the environment, to ensure sustained growth. All within a good governance structure that never loses sight of its principal focus: entrepreneurs and their families (see [Sustainability Model: ESG](#)).

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

Entrepreneurship, an escape from poverty

One of the structural features of Latin America's labor market is its low level of job creation in the formal economy, something that particularly affects the most vulnerable population as they face additional barriers to achieving better conditions and development. They tend to have lower educational levels so that even when they join the labor market they are participating in precarious conditions.

Around 22% of those employed in Latin America live in poverty, and 7% are in extreme poverty, with over six in every ten workers in the informal economy. In many cases they become inactive because they are in poverty even whilst participating in the labor market.

All this is reflected in a low participation rate in employment, at 65% (74% for men and 51% for women), representing a gender gap of 23%. Women face greater difficulties in accessing the labor market, particularly in the most vulnerable communities, as they assume the burden of unpaid work within the home.

Job creation between 2014 and 2023 was the lowest since the Fifties. In the last decade, occupation rose by 1.2%, against 3.2% in the Eighties. During the pandemic, job creation fell by 8.2% in 2020, the only fall recorded in the last seventy years¹.



The employment situation is precarious. Of the approximately 56 million occupied people in the BBVA Microfinance Foundation's footprint (Colombia, Peru, Chile, Dominican Republic and Panama), 55% are in informal jobs, 41% are self-employed, and half are not contributing to pension schemes.

In all these countries, in-work poverty in 2021 was higher than before the pandemic. There has been an adjustment in all countries since the peak poverty level reached in the second quarter of 2020, but current levels of poverty remain higher than before the pandemic: average in-work poverty is 4.6% higher in Peru, followed by Chile, where it is 2.8% worse than before COVID, Colombia by 2.3%, in Panama by 2.4% and in Dominican Republic by 1.4%.

Lower growth and higher inflation in the last few years have had a particularly harsh impact on lower-income populations, further exacerbated by lower job creation

1. Economic Commission for Latin America & the Caribbean (ECLAC).

This situation becomes more acute in periods of low growth. Across the Foundation’s footprint², the economy grew just 1% in 2023, a significant drop compared to 2022 when it expanded by 4.8%. Lower growth in 2023 was driven by Peru (-0.3%), Chile (0.2%), and Colombia (1.1%), whereas Dominican Republic (2.5%) and Panama (7.3%) grew at faster rates.

The picture was similar across the rest of the region where the Foundation is developing its programs, with inflation posting at an average of 5.3% in 2023, tending towards convergence with targets, down from the maximums reached in 2022 of 10.9%, with the food component posting an especially high variation.

This combination of lower growth and higher inflation in the last few years has hit the lower-income population particularly hard since it has also been accompanied by lower job creation. Furthermore, job creation is increasingly only happening in the informal economy.

In 2020, during the pandemic, job creation fell by 8%. Since then, two thirds of jobs created in the next two years were informal, particularly among women and the least fortunate population segment, that has no other alternative but to accept them.

2. Colombia, Peru, Chile, Dominican Republic, and Panama.

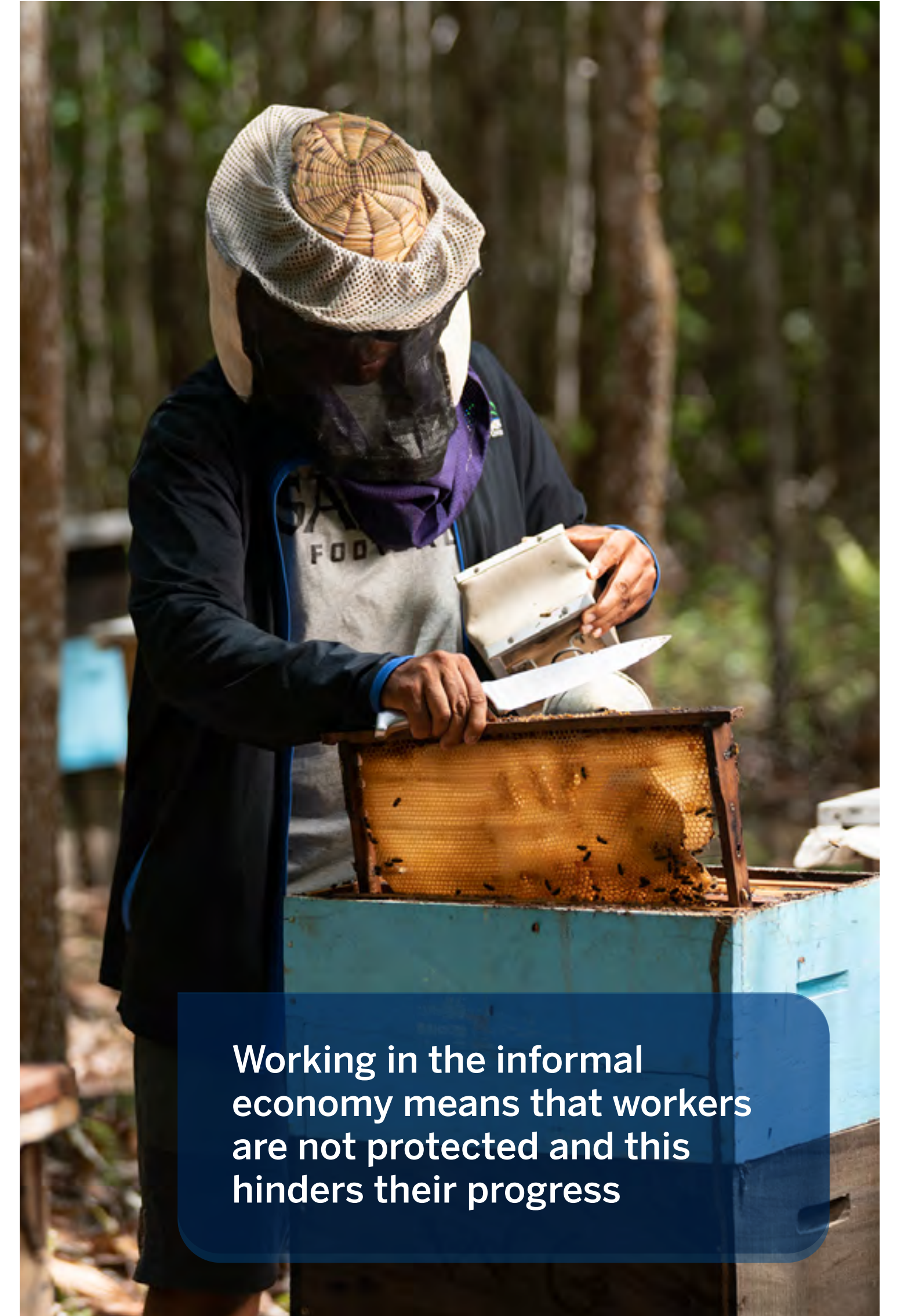
A significant number of informal workers are actually employed by others and, as their real labor status is not acknowledged by their employer, they are not making any social security contributions or receiving any other social welfare. Other workers in the informal economy are employers or self-employed, or unpaid family members of the former.

Informal employment leads to lack of protection of workers “in the shadows”, low pay and productivity, unfair competition, legal and tax evasion.

This is one of the structural reasons why Latin America and the Caribbean continue to be one of the regions with the highest rates of poverty in the world. In the region, over 35 million people do not have sufficient income to meet their basic needs and, of these, 30% do not earn enough to buy a basic basket of food.

All this makes Latin America the region with the greatest inequalities, which leads to lower economic growth and a brake on poverty reduction, with a drop in social mobility and instead the transmission from generation to generation of poverty and exclusion, increasing the risk of unrest and political instability.

Inequality of employment and unequal opportunities are closely linked. Among the most vulnerable population, individual initiative and development of enterprises are a way of escaping poverty.



Working in the informal economy means that workers are not protected and this hinders their progress

However, they face barriers when looking for financing, as well as complex bureaucracy to access the market, coupled with a lack of support for innovation, which are obstacles to the full development of these entrepreneurs' potential.

In the region nearly a third of adults, around 150 million people, most of them low-income population, often the same as those working in the informal economy, do not have access to the financial system. That is where the BBVA Microfinance Foundation is acting, and where it has supported over 6 million adults in developing their small enterprises, people who over time have raised their incomes and come into the formal economy, generating jobs for third parties.

The rise in unemployment and greater inequality in recent years have made it necessary to develop self-employed activities with small enterprises that enable them to escape poverty. Designing public policies for inclusion and participation is a key component in breaking up the inequalities that spring from the informal economy.

All this particularly concerns women, who suffer wider gaps of inequality, as well as those of unemployment, poverty, and the informal economy. That is why women's empowerment is a strategic imperative for the BBVA Microfinance Foundation. For further details, see Women's empowerment.

3. International Labor Conference, (ILC), 2015.

* Source: BBVAMF's own estimates, based on The Global Findex Database 2021, World Bank Group

IN THE COUNTRIES WHERE BBVAMF OPERATES

Poverty

35

Million people
in our footprint

28% of the population
lives in conditions of
monetary poverty

Unemployment

8%

Unemployment rate
in our footprint



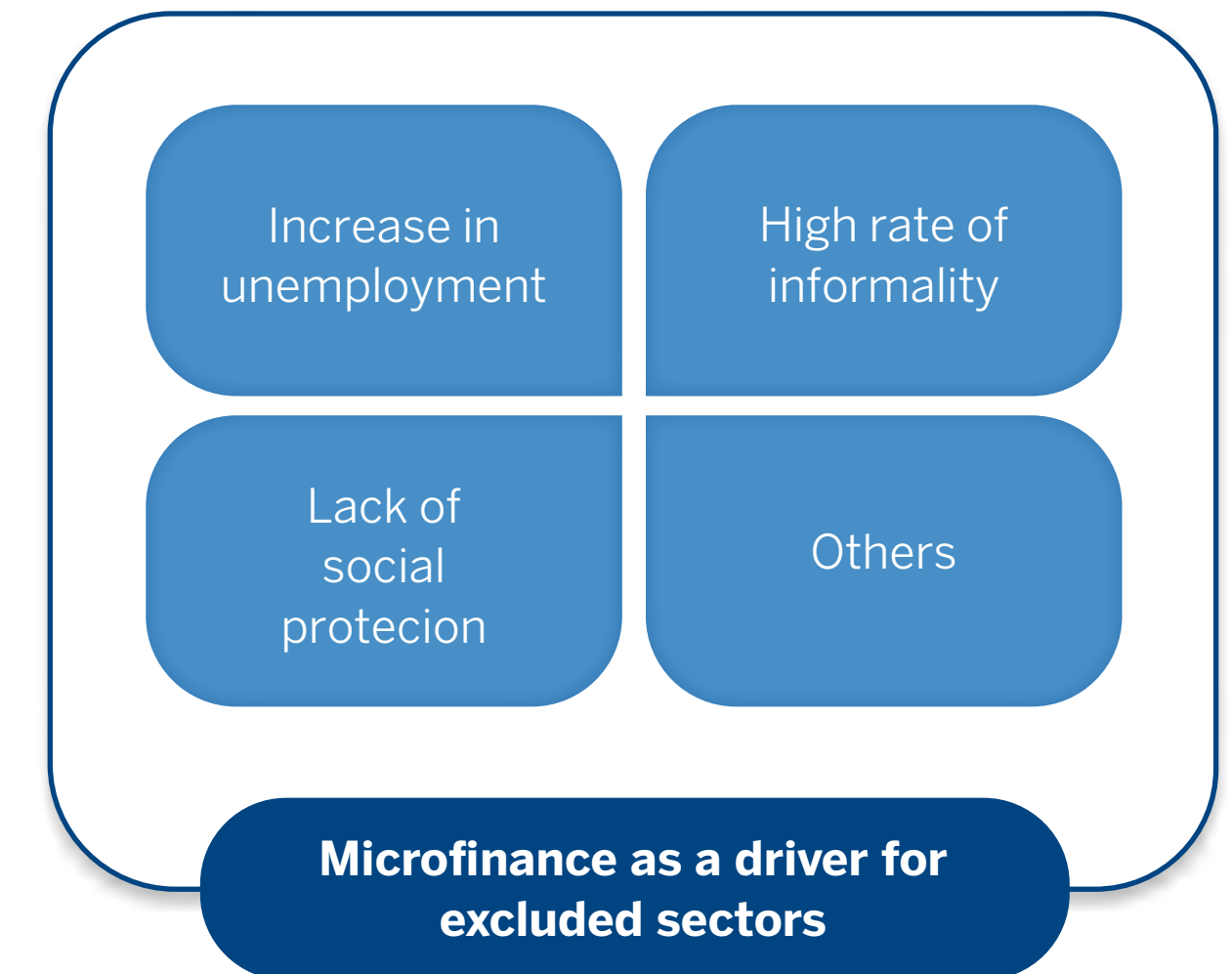
Financing

37%

Adults excluded from the financial system
in the countries where we operate

People who need capital to invest and make their
businesses grow

Creating micro-enterprises as a driver in society



Recent crises, especially COVID-19, have revealed that it is the network of micro and small enterprises (MSMEs) that drive a more resilient and solid economy, as well as more productive employment and decent jobs. In addition, they help to reduce poverty and inequality³.

Independent employment represents a very important labor component in these markets, where more people are self-employed than work for others. The majority are

self-employed non-professionals. For example, whereas in the United States only 6% of all workers are self-employed, in developing countries they account for around 60% of total employment.

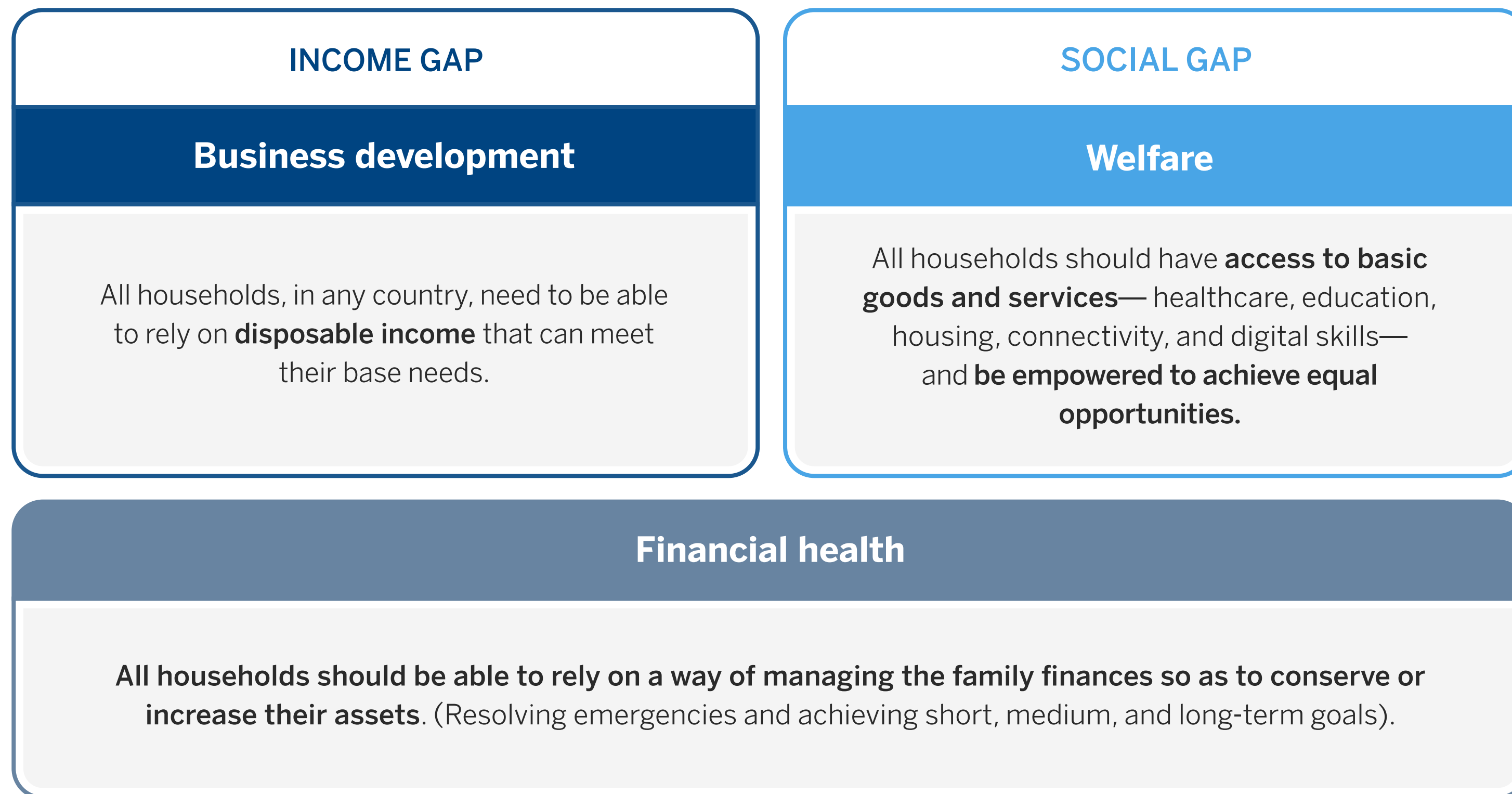
MSMEs drive an economy to become more resilient and solid, creating productive and decent jobs

It is not a traditional route, and many prefer the security of a paycheck at the end of the month to the difficulties of starting a business. But it is also increasingly necessary, in a context of scarcity, as it offers freedom, flexibility and, most importantly, income for households. Most of these entrepreneurs live and work in the informal economy out of need, not choice. However, these enterprises are extremely vulnerable to external crises and impoverished business environments.

We need to look beyond protecting jobs and the means of survival; we need to set our sights on a wider challenge: to upgrade these jobs. This social challenge lies at the center of the Foundation's mission: to foster the sustainable progress of households in vulnerability. For this reason, we are proposing to understand the lived experience of the places where they carry out their activities and the labor market these segments can access, which is a crucial step to construct a product and service model that increases their likelihood of success, enabling financial inclusion to be permanent.

Our model is based around three dimensions, and rooted in a sustainability framework that assesses all the intervening actors (clients, employees, government).

IMPACT FRAMEWORK



To raise the likelihood of success for these households, we have defined an impact framework to reduce the income and social gaps with the help of the right financial health

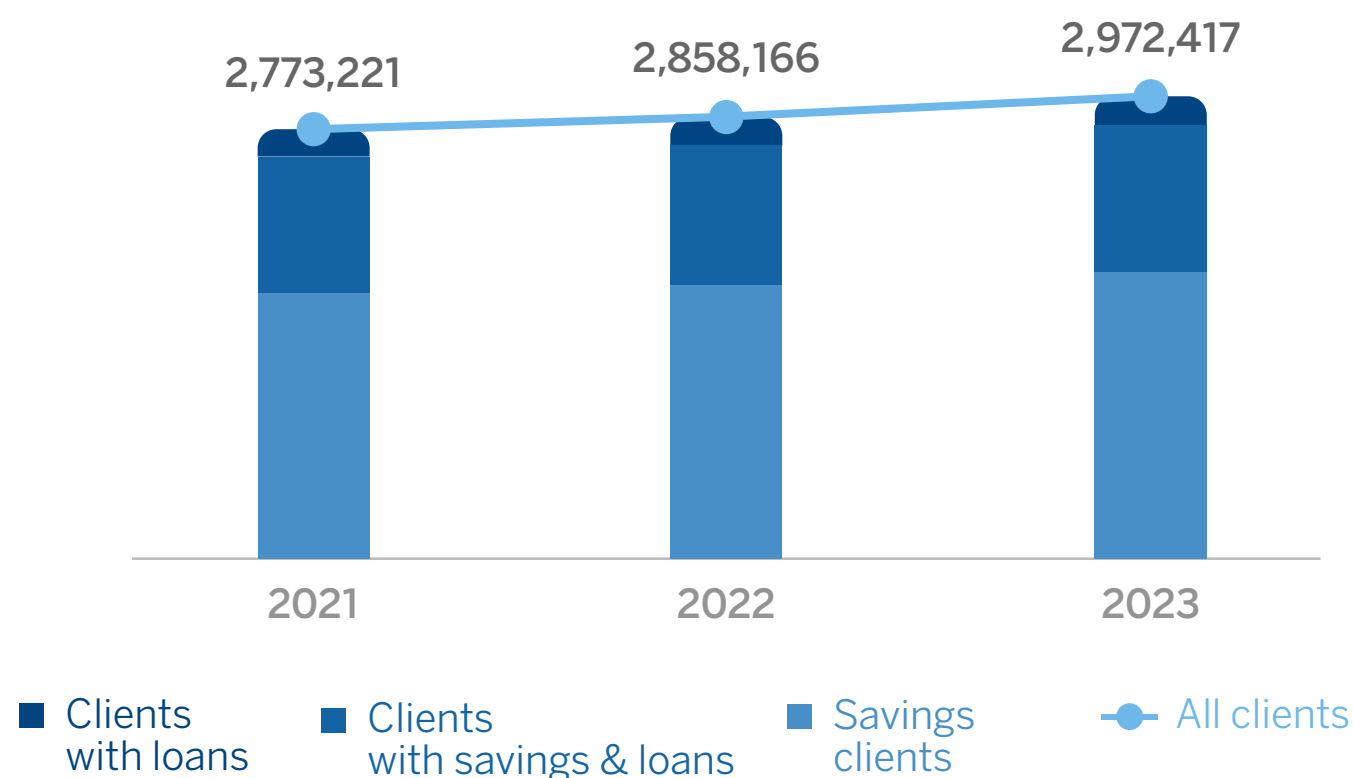
The profile of the vulnerable microentrepreneur

In 2023, the five entities that make up the BBVA Microfinance Foundation Group (BBVAMF Group or BBVAMFG) worked with 2.9 million low-income people, most of whom received a microloan for a business, whether to jump-start their incomes or increase them.

In 2023, 517 thousand entrepreneurs renewed their loans and the Foundation also served 280,000 new entrepreneurs. Despite the bleak economic situation, and one that varies hugely from country to country, the Foundation's institutions continue serving the most vulnerable entrepreneurs⁴.

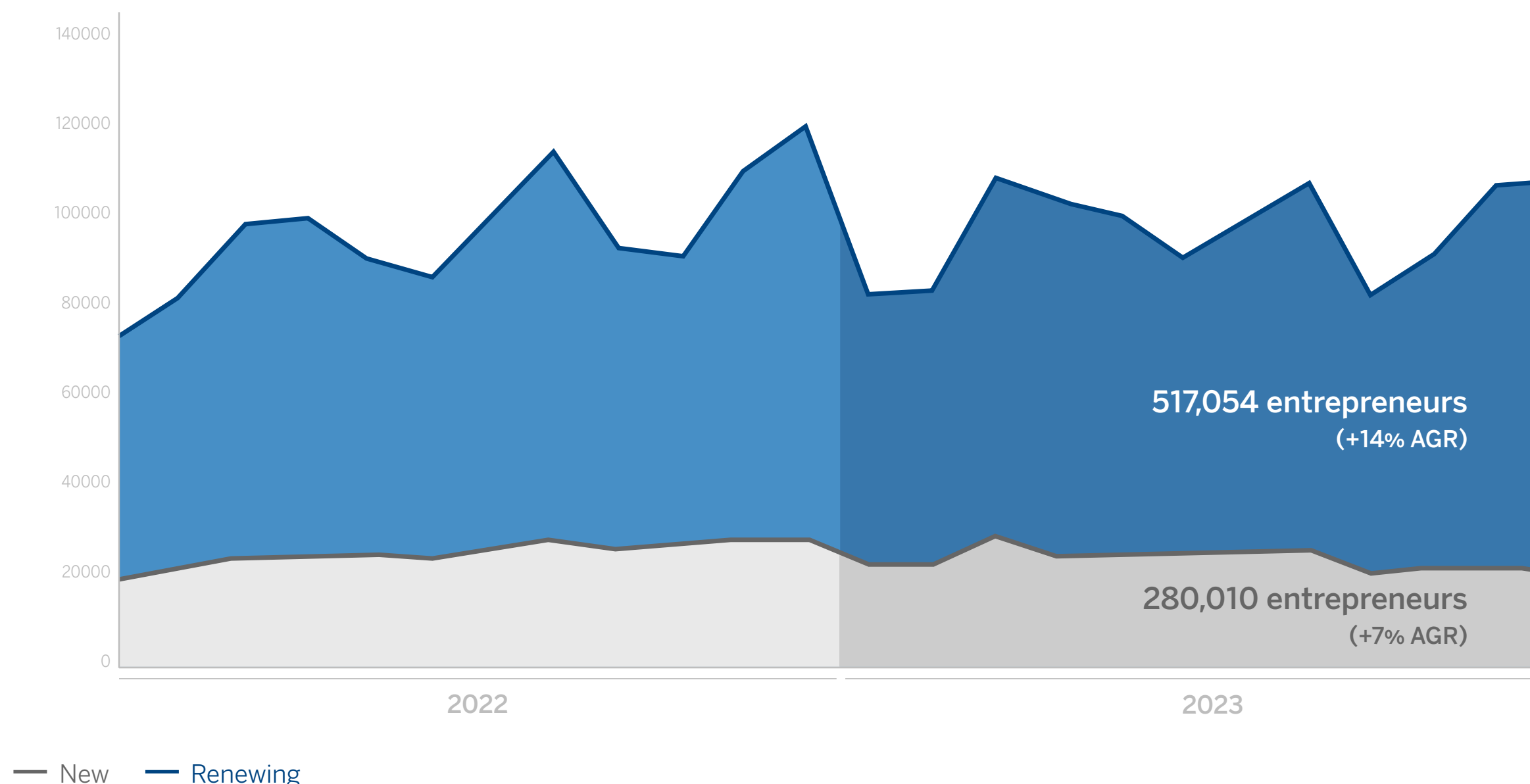
1 All clients, by product type

All clients at each year-end



2 Entrepreneurs applying for loans in 2023

Entrepreneurs with credit, new and renewed



4. No significant changes from 2022.

G.1. Clients current at 12.31.2023. Bancamía, Financiera Confianza & Banco Adopem are regulated entities, licensed to market savings products.

G.2. Entrepreneurs taking out a new loan or renewing one, at each data observation date. Total = annual amount. AGR: annual growth rate over 2022.

Entrepreneurial profile

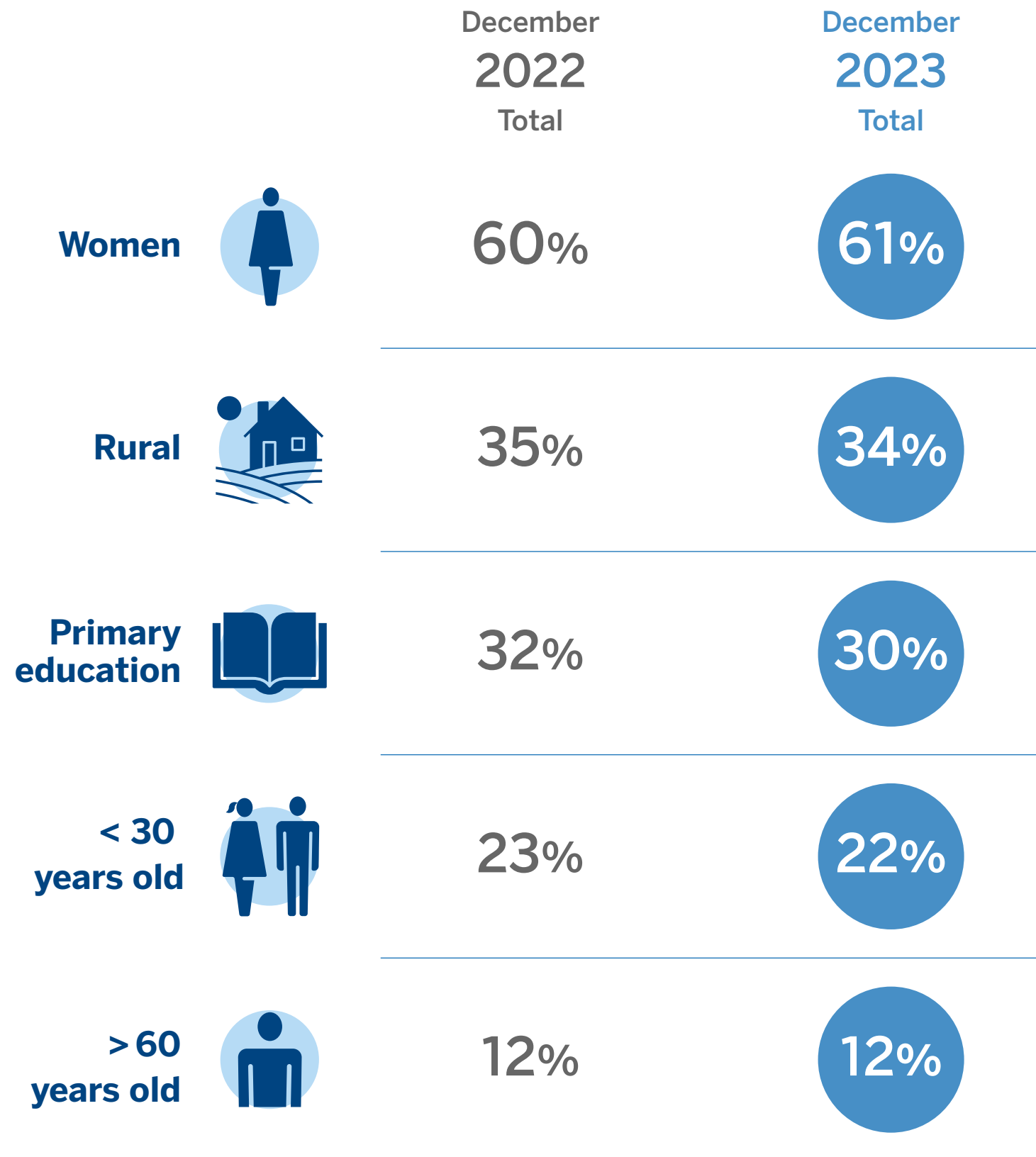
Women, people with low educational levels and young people were the groups most often served. This is partly due to a gap in the access to the labor market which makes it harder for them to enter the financial system.

Most of the people starting an economic activity and applying for a loan from our institutions are women (61% of the total) in peri-urban areas (65%), on the outskirts of cities, in more vulnerable neighborhoods; rural women, although less numerous, are in greater economic poverty than those in urban areas.

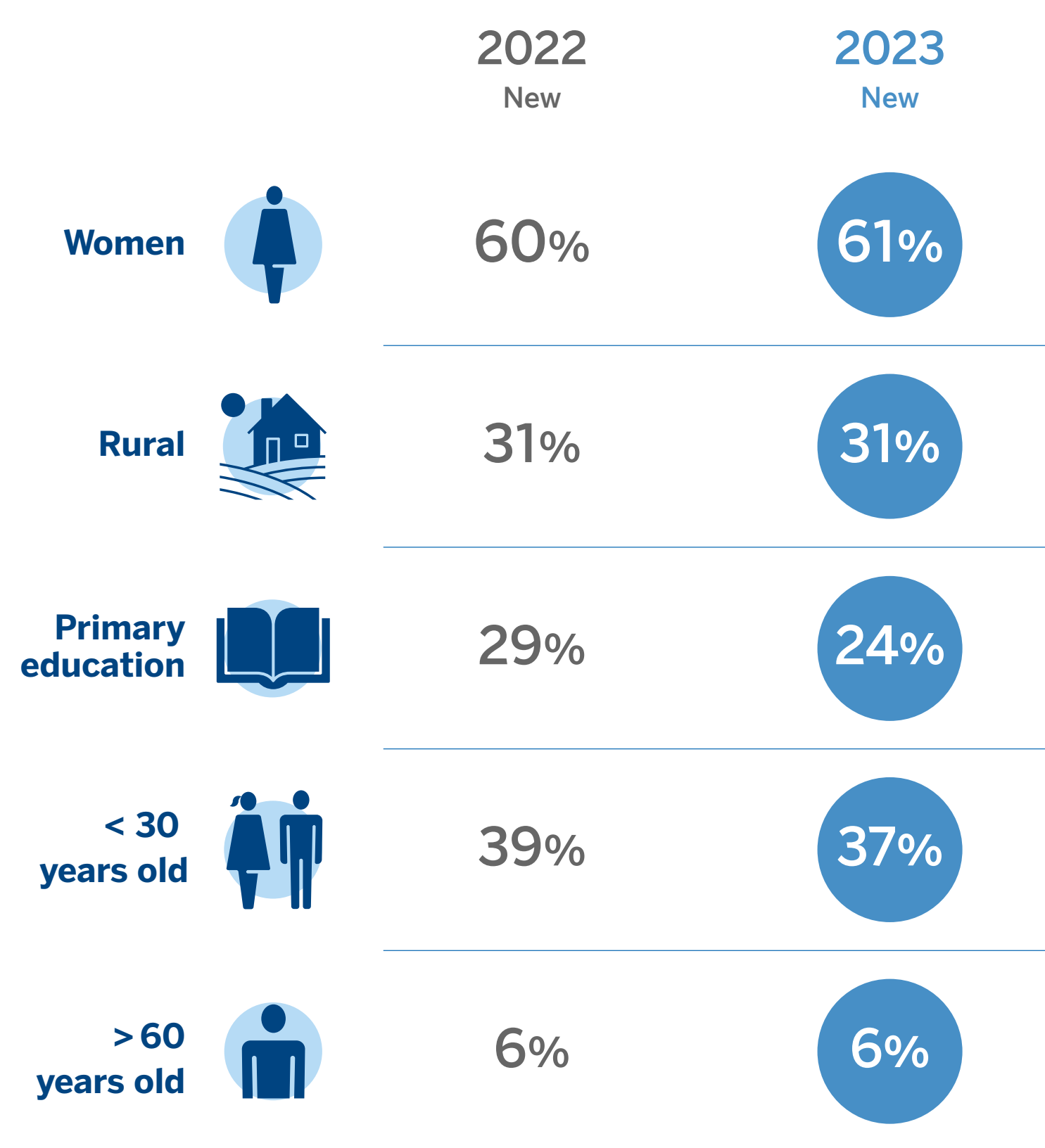
Gender gaps mean that women who become entrepreneurs take on a double role as both providers of income and of caring and domestic tasks. This means that they are over-represented in smaller-scale enterprises and in low-productivity sectors such as trade. In fact, 64% of new female entrepreneurs served by our entities are single, with dependents, which is a significant restriction when it comes to running a business.

Most of the entrepreneurs are women

3 Social vulnerability of all entrepreneurs



4 Social vulnerability of new entrepreneurs

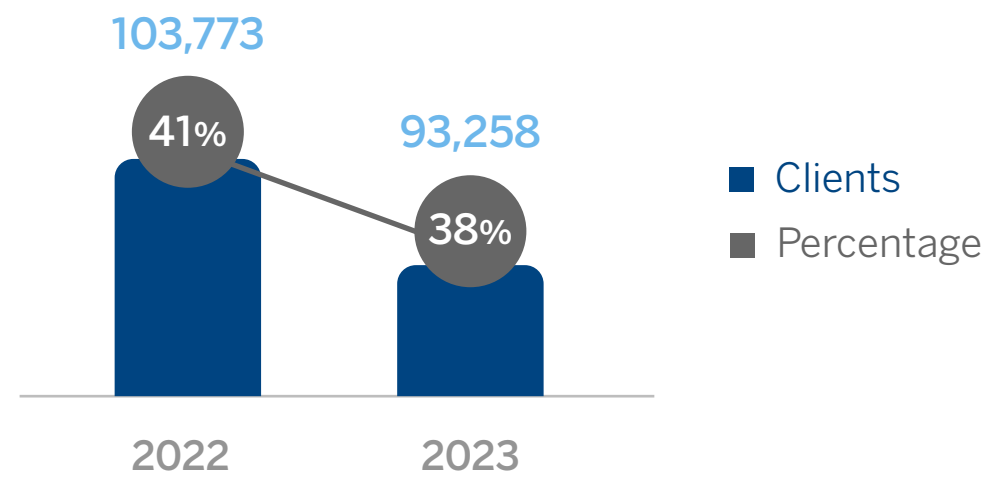


5 Banked entrepreneurs

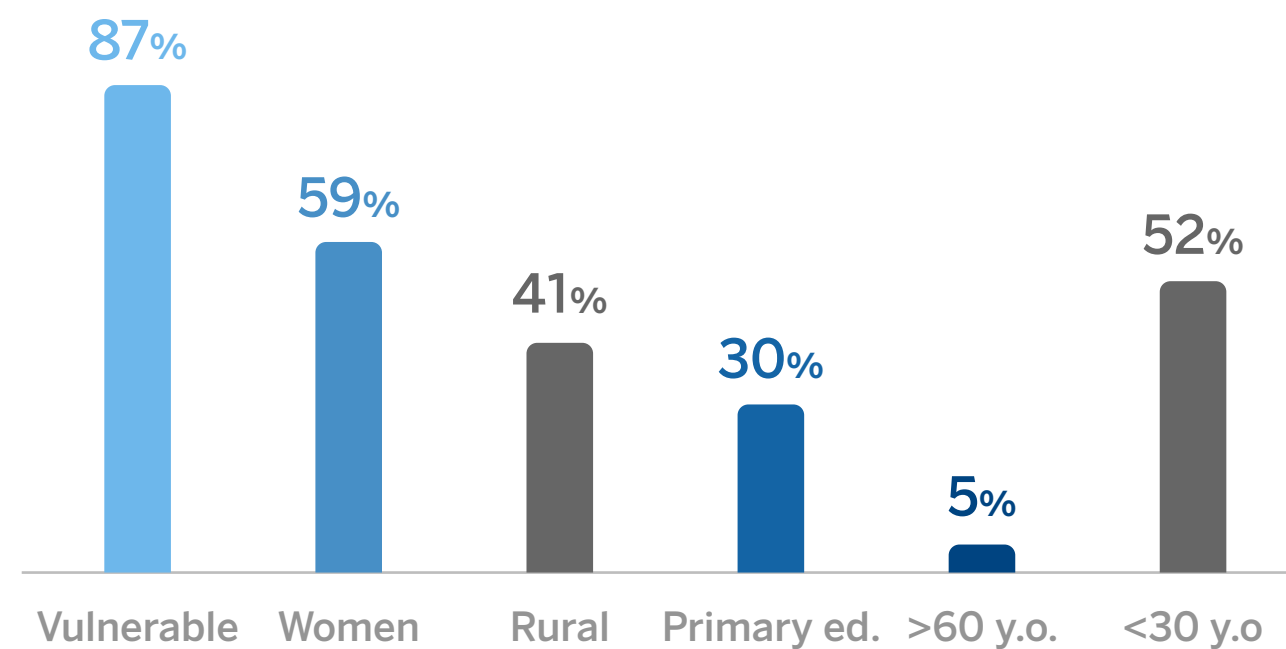
Entrepreneurs joining the formal financial system for the first time



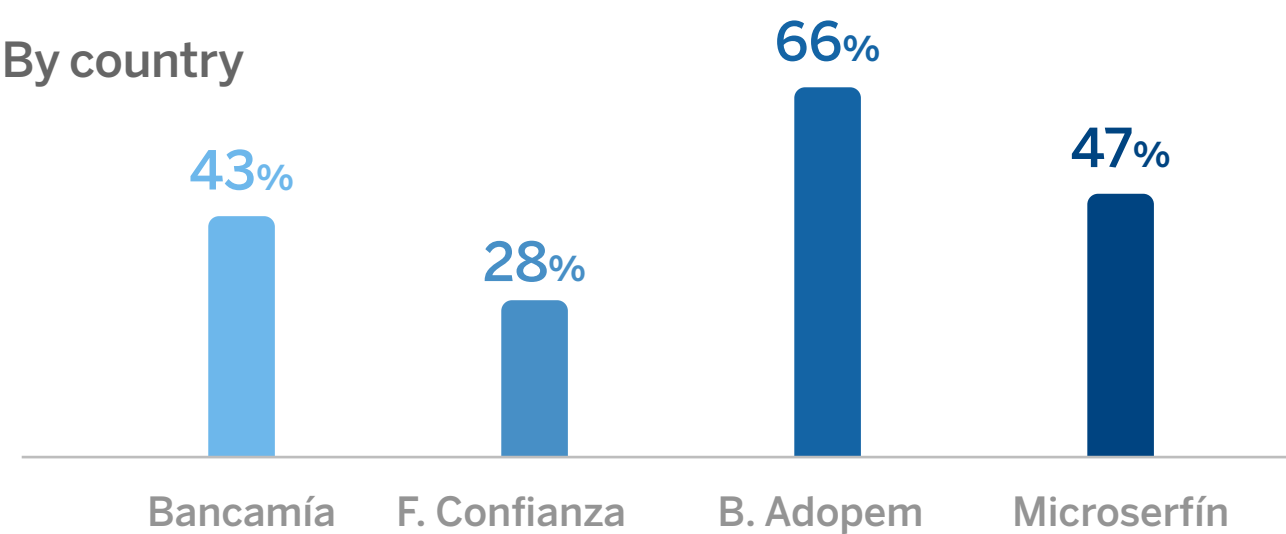
38% of new entrepreneurs
93,258 entrepreneurs



Profile



By country



The ratio of young people has remained stable; they see entrepreneurship as a conduit for better professional outcomes, or perhaps their only option. This also explains why the educational level of entrepreneurs has improved, as younger generations have benefited from better national educational programs.

Many of those who belong to these segments are precisely those excluded from the formal financial system or who do not make full use of it⁵. Thus, 38% of entrepreneurs come into the financial system for the first time; 41% of those being banked live in rural areas, while half are young people.

Likewise, it is hugely important to support the migrant, displaced and refugee population, which account for significant numbers in Latin American countries, due especially to the reception of Venezuelan migrants.

5. Very often they themselves end up leaving the formal financial system again.

G.5. Clients joining the formal financial system for the first time. Data for Colombia, Peru, Dominican Republic & Panama.

Over 17,000 entrepreneurs in these groups have been served with loans and savings plans, contributing in turn to fostering decent jobs and their economic growth. People in areas affected by violence and poverty are also being served, as in the case of Empropaz in Colombia. For further details, see Migrants.



17,951

Migrants & refugees

(Colombia, Peru, Chile & Panama)



172,094

people in EMPROPАЗ zone

(Colombia)

Sandra Beltrán

Sewing a story of inclusion and progress with needle and thread



In the southern part of Bogotá, a city of more than 10 million people, a story of bravery, determination, and courage of a single mother unfolds. Her name is Sandra Beltrán Barrera, a 54-year-old woman who is one of the faces of a reality experienced by thousands of Colombian women, as she pushes onward with an enterprise and five children in her care.

Sandra was born in Bogotá into a family with four siblings, struggling to make ends meet in the Alfonso López neighborhood, a situation that led her to leave studies after fifth grade. Life brought her a greater responsibility at the age of 15 when she became pregnant with her first daughter and took on the sole responsibility of bringing the child into the world and figuring out how they would survive, as the father of the child abandoned her. Three years later, he returned and asked for a new chance to have a family. Remembering her own upbringing, she wanted to have a family like hers and opened her doors to him to create a family together.

That's how she decided to create her home again, and they had four more children together. As she says, they've been her blessing ever since they started living together again. Her story is filled with hard work and sacrifices, but also with many rewards, such as her five children, whom she describes as "the source of love and joy in my life." Especially her two youngest daughters, who were born with cognitive disabilities, which have not hindered them from thriving.

Everything seemed to be going well until, at the age of 36, with her five children and a separation behind her, she made the difficult decision to move alone to the Acapulco neighborhood in Ciudad Bolívar, a sector affected by various phenomena of violence and poverty. From there, she set out to move forward, leaving behind a bitter experience of abuse. She had already managed to start a business with a fast-food stall in the streets of her old neighborhood; now she was going to look for ways to provide for her family. She found a job as a cook at the District University, preparing food for the students. This job helped her provide a better quality of life for her family. However, life also presented her with a greater challenge: her two youngest daughters, who were not admitted to educational institutions due to their special needs.

Sandra didn't give up; she found a public school that offered them education, meals, and therapeutic support so they could be in a school environment while she worked.

When her daughters, Laura and Jenny, completed their education, Sandra found someone to take care of them while she continued working, as her older children grew up and organized their lives with their partners. One day, Sandra felt she needed to be by her daughters' side, so she made a brave decision, one of the many she had made before: to start a new business at home.

The opportunity arose when a fellow parishioner from her Christian church offered her a job sewing clothes to sell at 'El Madrugón', a commercial area in the capital's downtown. She didn't hesitate; on the contrary, she saw it as the miracle that God sent her to be with her daughters. And so, with scissors, scraps, and a measuring tape, she began her adventure of learning to sew jackets.

She managed her life in this way until the pandemic arrived, a situation that changed her whole world. Like the rest of humanity, she faced a worrying and uncertain situation, which challenged her to innovate in her business with the help of another friend, who taught her to make first aid kits during the health emergency.

As she did so well, she decided to become independent and create her own brand to tailor clothes to her liking, since she has been sewing and assembling clothes her whole life. Three years ago, she created the brand 'Confección y Bendición Sandy' (Sandy's Tailoring and Blessing), and a year ago, she had access to her first formal credit of COP3,000,000 granted by Bancamía. Additionally, she was part of the first group of microentrepreneurs who took the Financial Education module Confianza pa' mi gente [Trust for my people], which is part of the digital platform Facilitamos su progreso [We facilitate your progress], leading her to being awarded an academic certificate from Bancamía and the Jorge Tadeo Lozano University. This recognition makes her a flag bearer, as she is part of the first group of Bancamía's Popular Economy entrepreneurs, supporting the Government's financial inclusion program, which is tackling not only the challenge of banking the unbanked, but a broad concept of FINANCIAL HEALTH.

This relationship with the Bank has lasted thanks to the human, consistent, and friendly approach of the advisors who attended to her from day one, visiting her at home and opening the doors of the financial sector to her, as the machinery she bought, such as the overlock machine, flat machine, and cover stitch machine, are now the livelihood of her



home and the evolution of her micro-enterprise. Her 33-year-old daughter is in charge of quality control for the garments and suitcases, while the youngest daughter operates the flat machine. Between the three women in the house and a seamstress off the premises, they produce an average of 250 children's jackets per week, or they turn out 800 to 900 suitcases, depending on customer orders.

She sells her products at 'El Madrugón' and through word of mouth in the Acapulco neighborhood in Ciudad Bolívar, where she has rented for the past 7 years. Her dreams continue to be intertwined with the new clothing lines she plans to launch, and with the inspiration and company of Laura and Jenny, who are living examples that anything is possible thanks to perseverance, effort, and the courage to not stay still but to go out into the world to build a handmade story, with needle and thread.

Their businesses

Many entrepreneurs own and operate multiple businesses at the same time in order to spread their risks: if one micro-enterprise goes badly, the other can provide economic support.

They often work in industries that do not require specialized knowhow or skills. They experience challenges similar to those suffered by better known entrepreneurs, simply on a different scale. As a result, as well as having multiple activities they tend to choose (above all at the outset) activities that are flexible such as retail trade. The micro-entrepreneur is a smaller and more agile enterprise that prioritizes flexibility before growth.

This accounts for why **retail trade** continues to predominate among the clients we serve (41% of the total) and it is the sector where entrepreneurs are most economically vulnerable.

Running a business while looking for maximum flexibility

They are distributors for large and small companies; they ensure that the goods and services of others reach markets which would otherwise be difficult to penetrate. Because of their size, they enter communities that the large multinationals cannot. Their micro-efficiency enables them to adapt to local needs, for example, with immediate delivery of products. This in turn is sometimes an obstacle to scaling up the business, something that could be mitigated by using technology.

One in three tradespeople has a clothing and footwear store, a type of business in which women predominate (see Women's empowerment). Another third work in food & beverages, generally in urban environments. Street vending (4.5%) and workshops (3%) are minority activities within the sector and generally run by men.

Their small scale enables them to shift rapidly according to market fluctuations (e.g. diversifying products), context (e.g. supply-chain blockages) and knowhow (e.g. technology). Entrepreneurs who start off in the trade sector often migrate, with time, to more specialized activities such as farming or services⁶.

Entrepreneurs look for the most resilient activities, that can adapt to change, meaning that merchants predominate

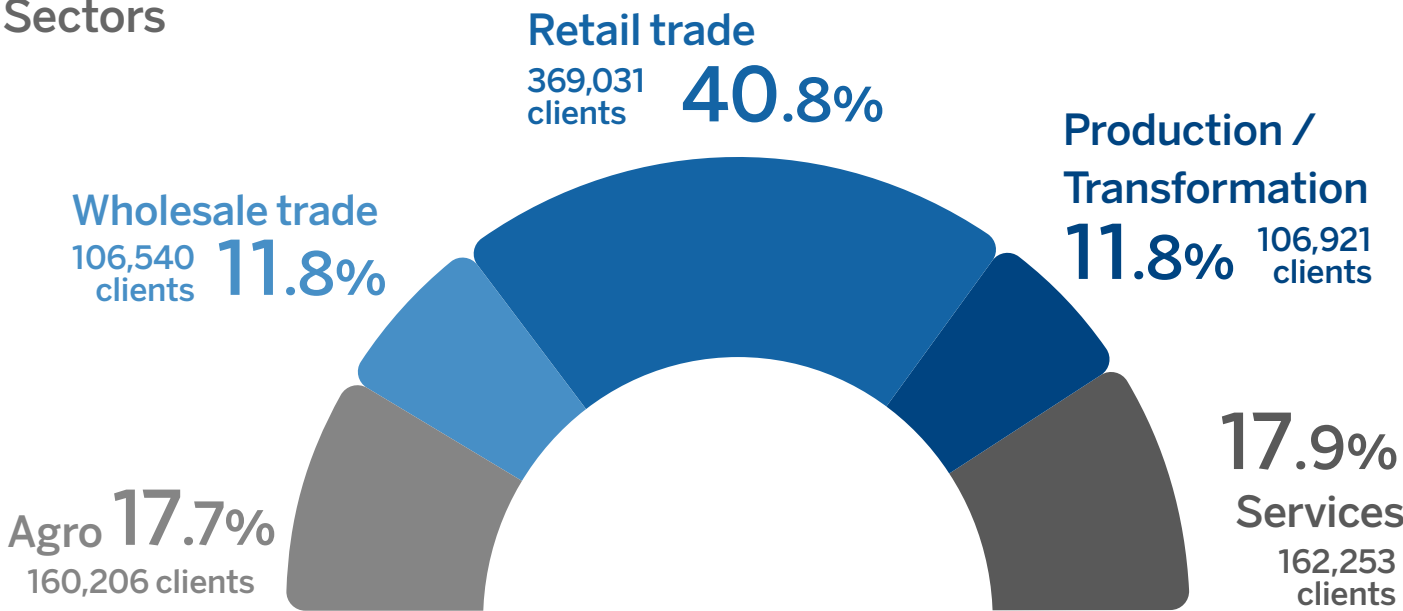
The **farming** sector (livestock and small-scale crops) is the second most important, mainly carried out by men in rural environments. The seasonality of farming results in irregular incomes, while the average profit margin is 33%, compared to other sectors such as services, which achieves 43%. Farmers need a high level of productive assets, so tend to have a relatively low borrowing level compared to other sectors such as services.

⁶. The study of enterprises that have been running for over 10 years reveals this trend.

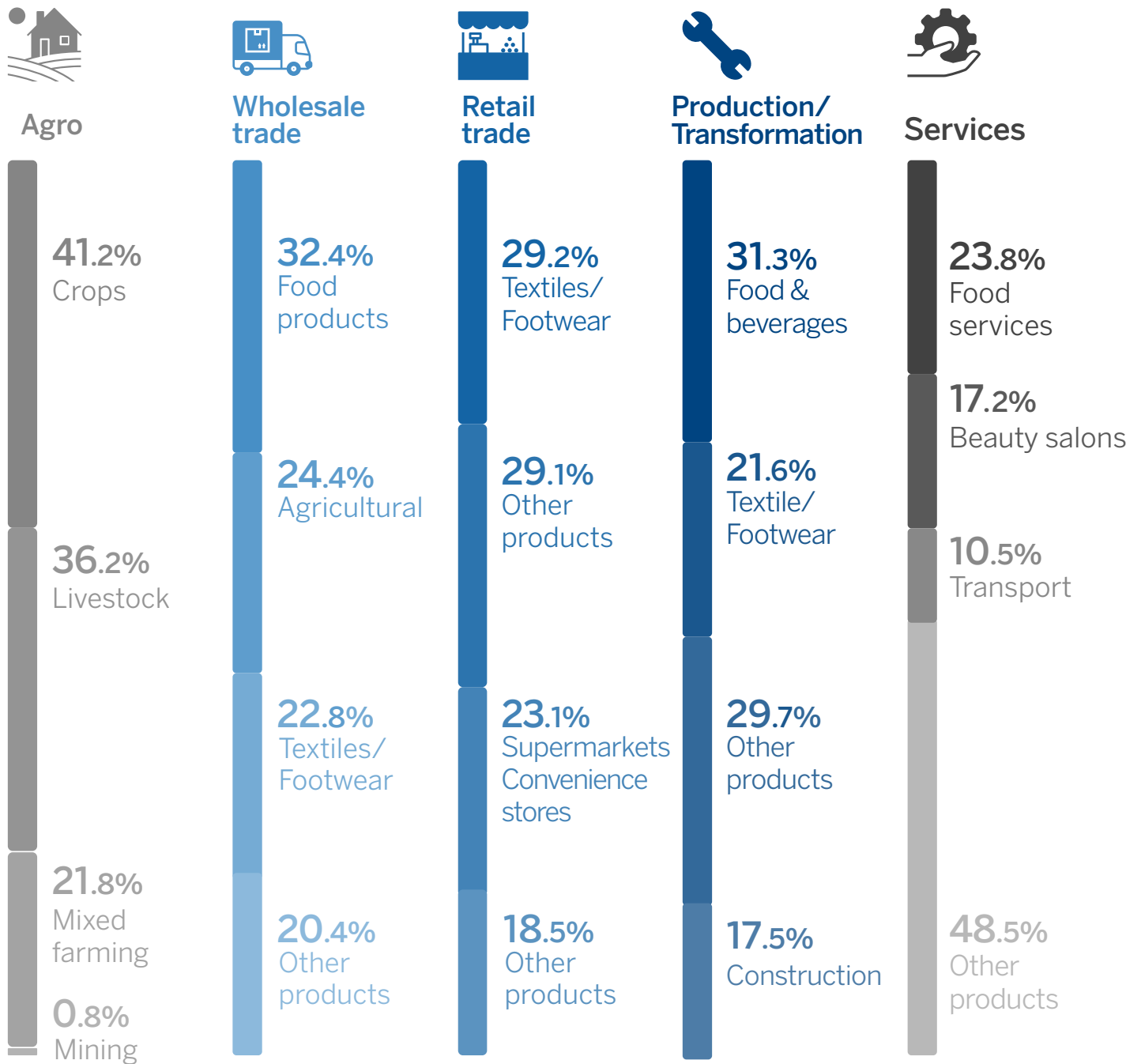
6 Types of entrepreneurial activity

All credit entrepreneurs

Sectors



By activities



In third place is the **services** sector, which has recovered since the pandemic, led by food services (24%), followed by hairdressers and beauty salons (17%), the latter led by urban women. Passenger transport and haulage (11%) and “Other Services” (48.5%) are generally handled by men in urban settings. Finally, there are a few entrepreneurs working in real estate, where the profile is older (60 years old) possibly because of the convenience for this age group of this type of management. Lastly, the care sector, which is smaller, is gaining ground with time, and chosen by young people, mainly women.

Services are generally staffed by less vulnerable entrepreneurs, who tend to start with small businesses, and as they develop their skills (which are not always particularly technical) they move to offering sought-after service. Thus, the service sector has the highest scope for growth.

In **production/transformation and wholesale trade** (each accounting for 12% of all entrepreneurs), women predominate in industries involving food (e.g. bakeries) and clothing/footwear (e.g. clothing workshops), while there are more men in construction and wholesale trading connected to farming.

7 Margins, by sector

All credit entrepreneurs(%)



G. 6. Clients current at 12.31.2023. The most representative activities are shown.

G. 7. Clients current at 12.31.2023. Note: %s of costs, loan installment and surplus over average sales in each sector. The surplus is after paying the installment.

Alonso Pizarro

Becoming an entrepreneur, a huge challenge



“Being an entrepreneur is a huge challenge, it’s like a rollercoaster with highs and lows, but there is nothing like working in something that you like and that is exciting every day. Its exhausting too, because sometimes there's a lot of work, you have to be on call 24/7. But you learn to get organized and when the business starts to bear fruit, the satisfaction is immense.”

Alonso comes from an entrepreneurial family, his maternal grandparents had a mobile amusement park they used to take around Chile. His grandmother, a widow now, set the business in Caldera, in the Atacama region, and Alonso and his two sisters used to help out during their vacations. Even when lots of people were employed in the park, he remembers his grandfather doing all sorts of things: peeling sacks of potatoes to sell potato fries, punching entry tickets, checking the games, closing the park at 3 in the morning. These memories are his inspiration.

He studied hotel and restaurant management, where he became fascinated by the world of wine. Then he trained as a barista, working as the manager at one of the branches of a cafeteria chain. For him, café culture has a lot to do with wine culture insofar as they both seek to safeguard the planet’s resources and sustainability, something that is at the core of every project he has tackled. “I like getting involved in environmentally friendly businesses. My idea is for all activity, whether in the kitchen or in the cafeteria, should be as environmentally friendly as possible”. This vision lies at the center of Café Laurenti, that he opened in the middle of Ovalle, where his customers can find high-quality organic products, everything made locally and using local resources, because “Ovalle is a farming area where you find excellent fresh fruit and vegetables all year round. So, for example our Laurenti lemon pie has a really intense lemon flavor”.

After his first meeting with Fondo Esperanza, which he set up on a friend’s recommendation, he knew that this was a great opportunity to lay the foundation stone of his enterprise. He spent his first loan on buying the oven he works with to this day. He says that he has needed a bigger one for some time, but didn’t want to abandon the first partner on his adventure.

He started baking bread in his house, then cinnamon rolls and focaccia, all made with sourdough. To begin with he used to sell them at entrepreneurs' trade fairs. With the success of his products, he started to dream about opening a café where he could deliver amazing experiences and service. The results are here to see, with attention to detail on the visual production of the cups, the pastry and cakes, the signage and the service itself. Two other people work with him, Claudia, who bakes the cakes and pastries, and Fernanda as a barista. They split the customer shifts between the three of them.

The members of his group lending bank, Renacer Positivamente, support each of the enterprises that the others set up. "Most of them are entrepreneurs here in the center and we see each other during the day. When I go shopping for the café I buy from the stores or market stalls run by my group colleagues. We have been together for quite a few years now and we're a really tight group".

The next phase is to smarten up the café's courtyard with lots of plants and tables so that people can eat and use it as a coworking space. He also wants to experiment with more Savory products like pizzas and sandwiches.

The dream or "final project", as Alonso calls it, is a hostel on the hilltop with views over Limarí valley and the city of Ovalle, with a restaurant supplied from his own vegetable garden with produce just dug up from the earth, fresh and organic.



Key deprivations they face

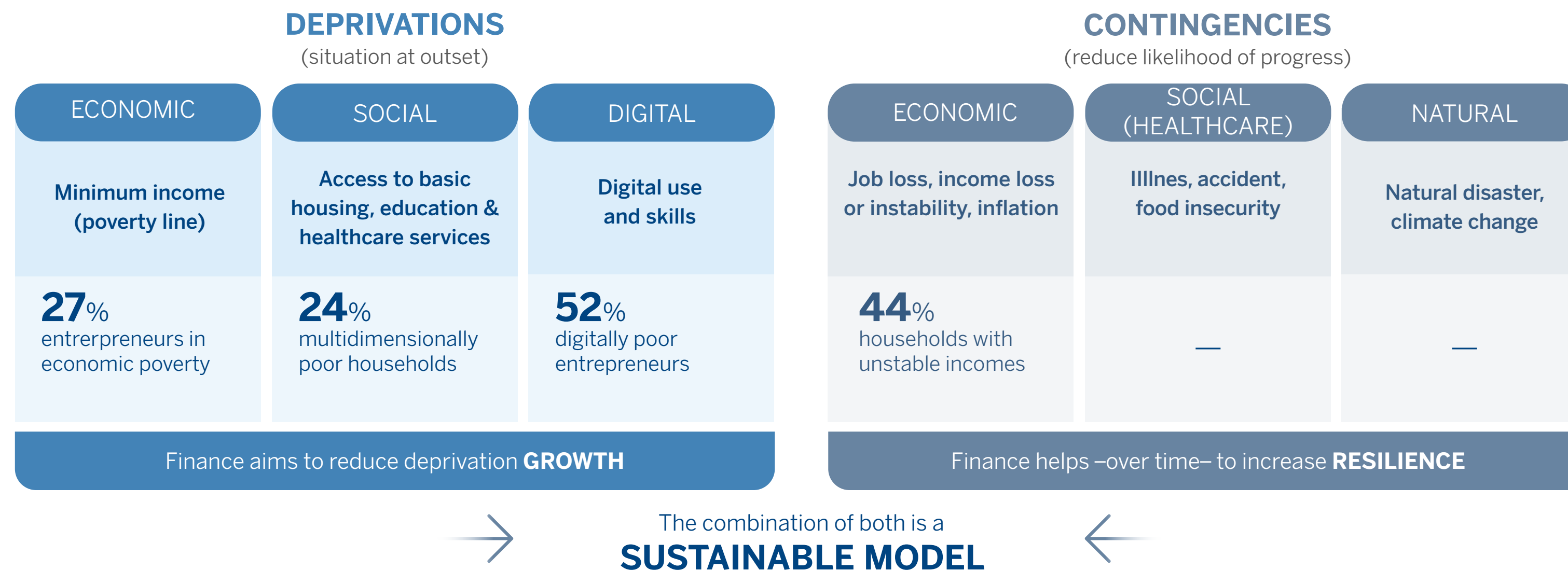
In the case of vulnerable micro-entrepreneurs, the traditional distinction between consumer financial needs and those of the company is unclear: they are a household-company, and decisions about their assets are interrelated. This means that decisions about spending and production are also conjoined (household-company). In consequence, the progress of the household and of the business in this segment of the population goes hand in hand. Measuring **economic vulnerability** is the core activity, followed by **social**

deprivations, which include access to quality healthcare, housing, and education. Added to this are **digital poverty** and the **risk** of impacts from **climate** change.

Understanding the situation at the outset is crucial for improving household welfare, reducing unforeseen events, being able to invest in business productivity, and fostering transitions to the formal economy. Additionally, other benefits should be considered, such as maternity leave and

a basic retirement pension. This requires public assistance to extend cover to informal workers, mostly self-employed micro-entrepreneurs, and to create a comprehensive social protection system that goes beyond health and pension plans. The evidence of this comprehensive value proposition is that entrepreneurs served by BBVAMF entities are willing to embrace it, driving the transition to greater welfare (see [Financial solutions](#)).

IMPACT FRAMEWORK*



Micro-entrepreneurs' households and businesses very often comprise a unit: that is why it is important to act across all dimensions simultaneously

* Economic poverty is measured by how much the business contributes to the household. Data for all clients at 12.31.2023. See [How the business contributes to the household](#).

Multidimensional poverty uses surveys conducted in 2021, although this data is being compiled on a regular basis for the entire household database. Data for all clients, with a representative sample. See [Social deprivations](#).

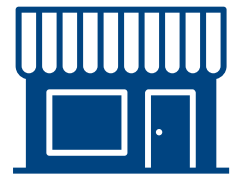
Digital poverty uses surveys conducted in 2022. Data for all clients, with a representative sample. See [Digital poverty](#).

Economic contingencies were calculated using a survey conducted in 2023, with a representative sample. See [Income deprivations](#).

Climate contingencies are being measured although the methodology is not uniform across all countries. See [Climate change risks](#).

Income deprivations in households

Entrepreneurs' businesses represent a major part of their household income. Their enterprise tends to be supplemented by other wages or businesses and, to a lesser degree, by pensions, remittances or other sources of help. Therefore, the low level of income is worrying, as is the difficulty in sustaining even this level of income even when it is paltry, or a higher one over time.



61%

of clients earn most of their household income from their business⁹



44%

of clients have unstable incomes



90%

of clients cover their monthly expenses

Most households manage their income well in terms of meeting household expenses, but incomes are unstable in one in every two households

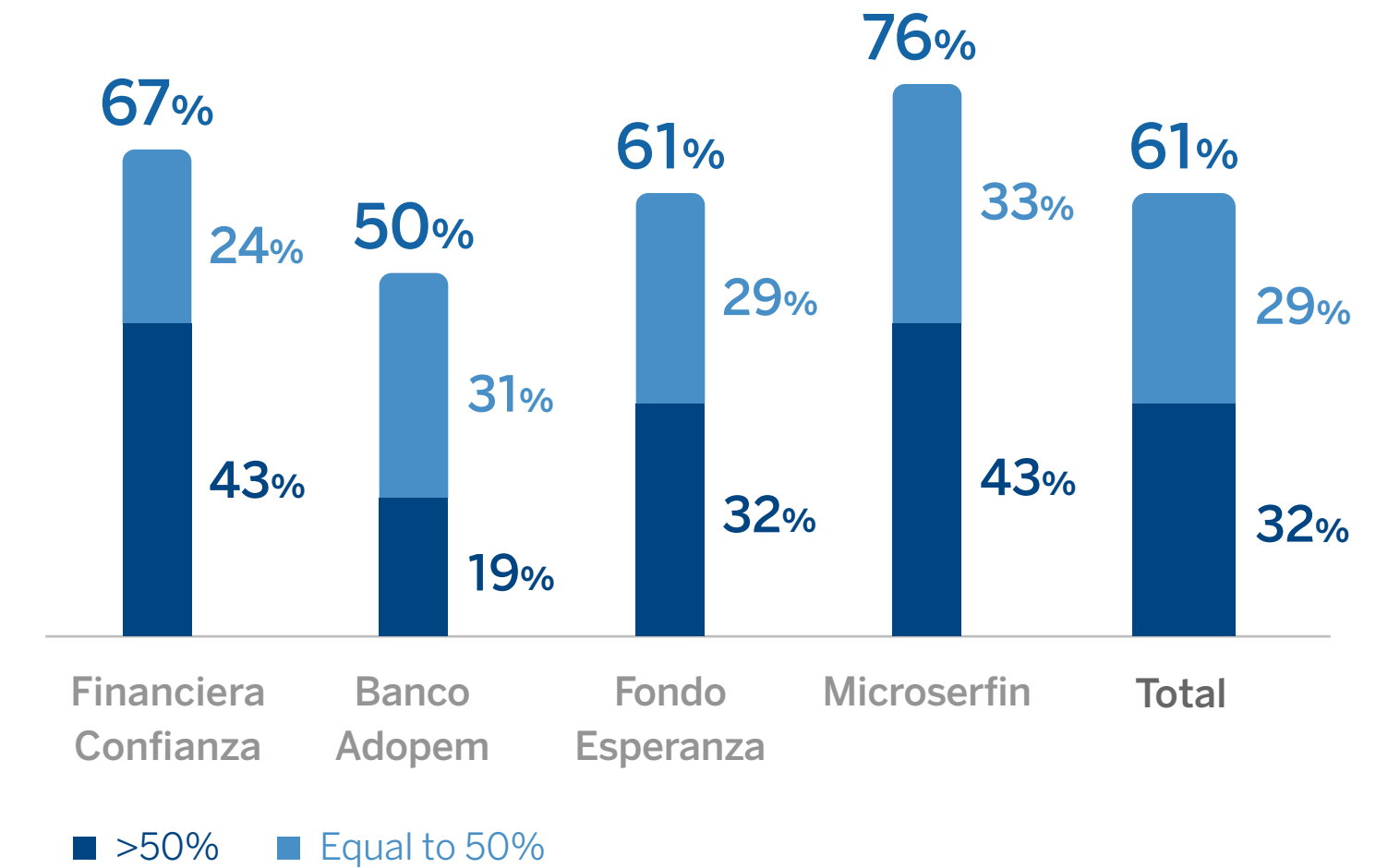
44% of households have unstable incomes, i.e. they earn most of their income over a maximum period of 9 months a year (indeed, 17% earn most of their income during a 3-4 month window each year).

Although incomes are low and unstable, most households (90%) say they can meet their expenses, with 76% saying that they spend much less than they earn. In fact, when asked how they manage their expenditure under financial stress (the months during which they earn least) only 5% cannot cover their costs.

It appears that our entrepreneurs are good at day-to-day managing, and so they satisfy a basic financial health threshold. Nevertheless, only 35% are capable of covering all their costs during the months with lower incomes, which suggests a certain degree of vulnerability because if unforeseen contingencies occur frequently, and are sufficiently onerous, their household finances will be very compromised.

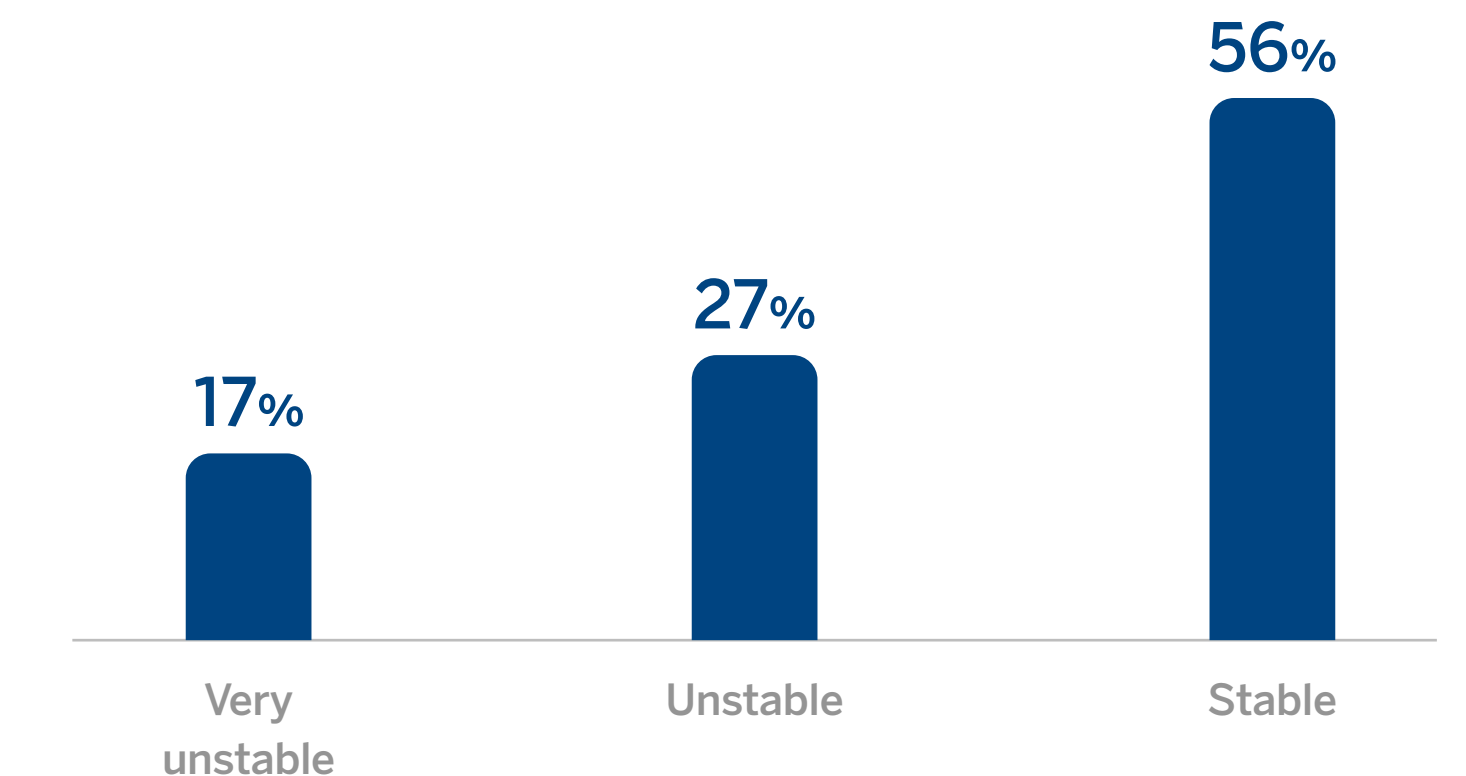
8 Business as their main source of income

All entrepreneurs surveyed



9 Instability of household income

All entrepreneurs surveyed



G. 8. An income source is recorded as "main" when it contributes half or more than half of household income.

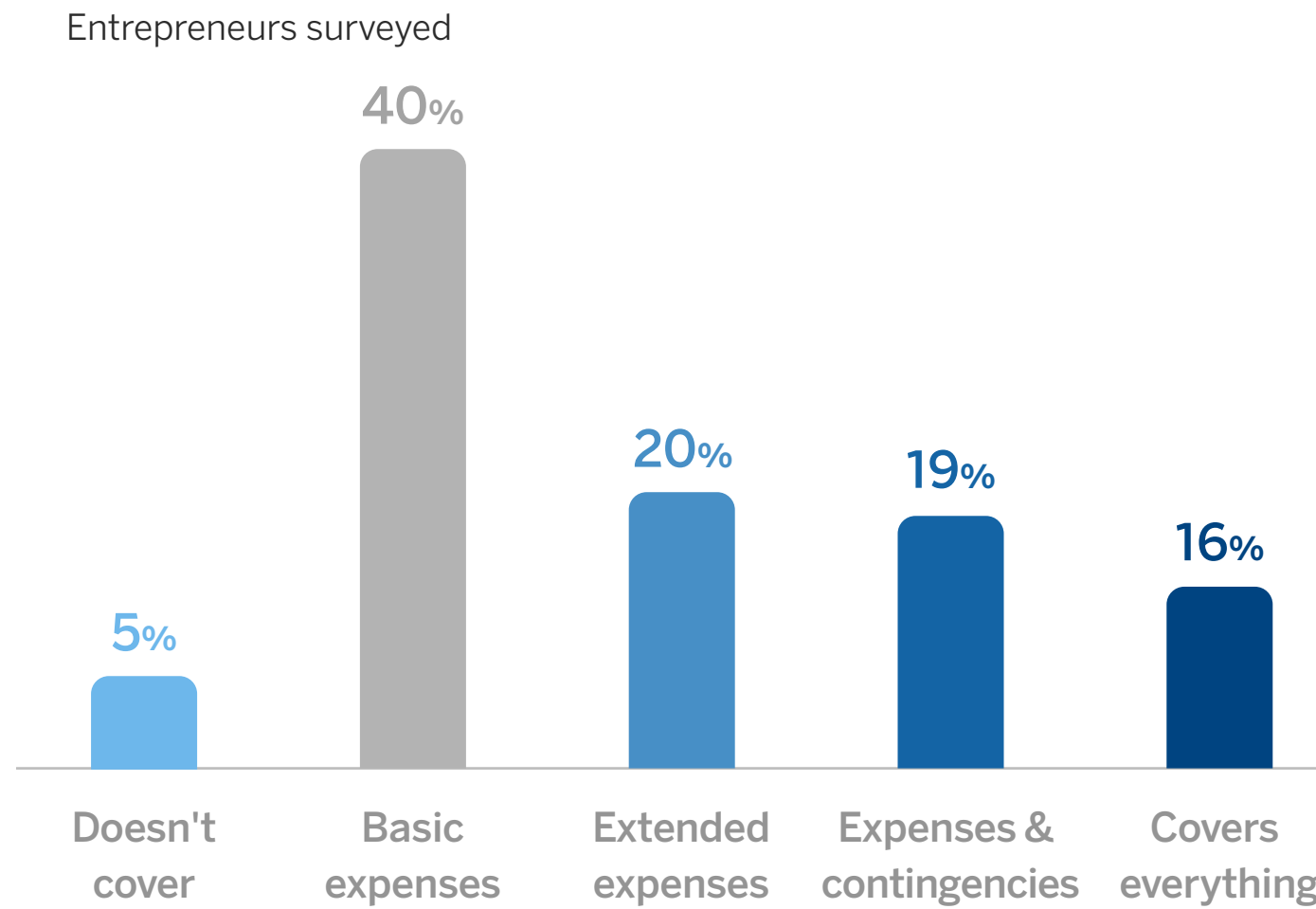
G. 9. "My household income is...": 0. Very unstable income: for 4 months of the year. 1. Unstable income: for 9 months a year. 2. Stable income: for over 10 months of the year.

Instability and scarce incomes are a fair reflection of the degree of vulnerability facing the households we serve

By combining both dimensions (incomes & costs), 25% of entrepreneurs can be classified as stable because they have regular incomes and cover all their costs. 24% are in a precarious situation because they have unstable incomes and during their worst months only cover basic costs. However, the most worrying group is the one comprising those who do not cover costs even though they have stable incomes (22%), given that these households face recurring vulnerability.

By client profile, there is greater income instability and difficulty in covering costs at moments of financial stress among the poorest and those in middle age (between 30 and 60 years old, probably with young children). The farming sector income also suffers from greater income instability.

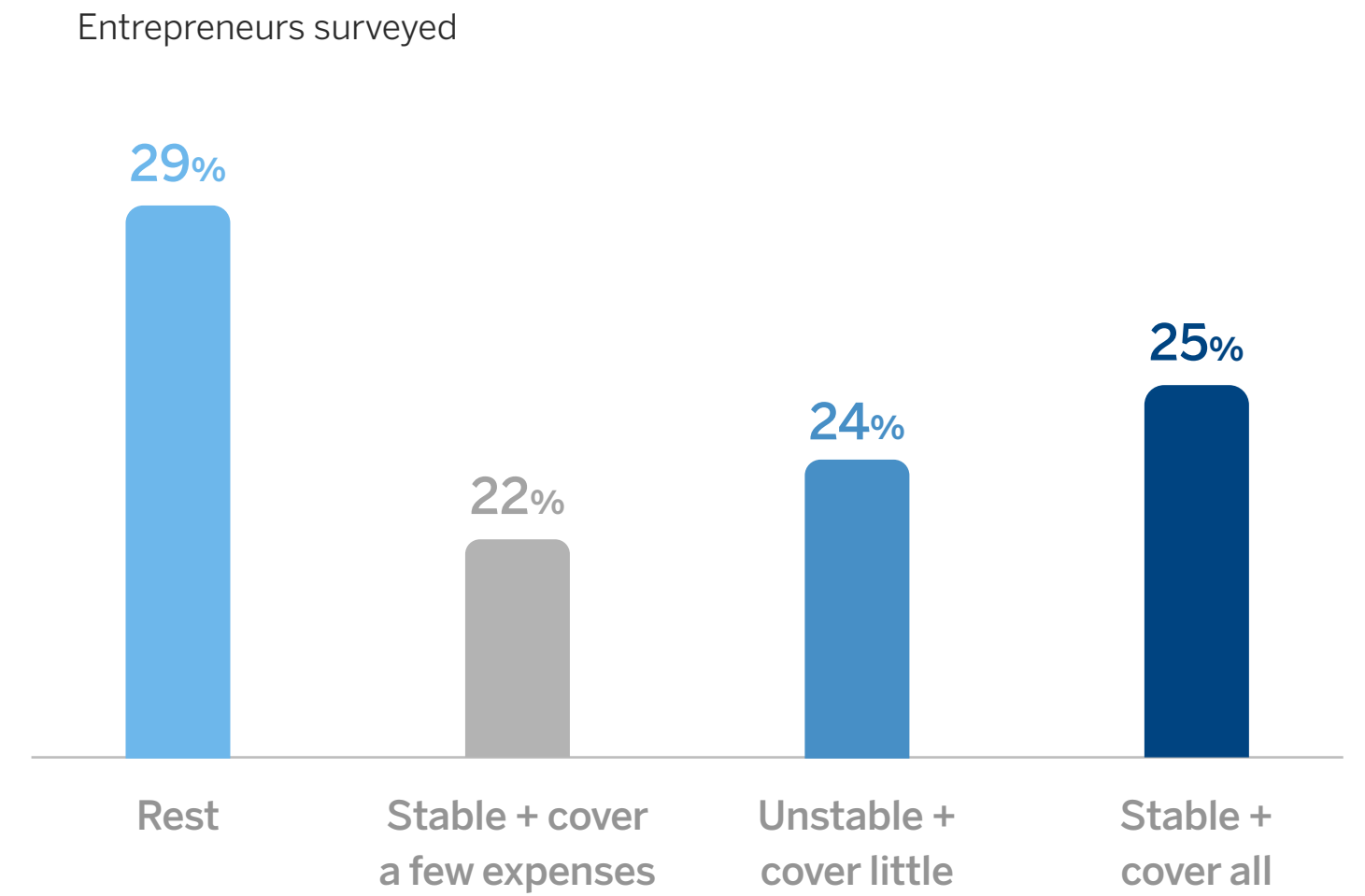
10 Covering costs



"In the months when the household income is lowest, normally these costs are covered..."

- Basic household costs not covered.
- Basic costs: food, beverages, housing (rent, mortgage), services (energy, gas, water).
- Basic costs + education, health insurance & telecomms.
- Basic costs + education, health insurance & telecomms + one-time household expenses (clothes & footwear, one-time health costs, one-time educational, housing (repairs, upgrades), household goods...).
- All household expenses (inc. entertainment, leisure...).

11 Household capacity



G. 11. Internal parametrics along two dimensions: income instability and covering costs. Covering few costs: only cover basic costs // Unstable: most income received in a period of under 9 months.

FINANCIAL HEALTH SURVEYS *METHODOLOGICAL NOTE*

Every year the Foundation carries out surveys to deepen its understanding of its entrepreneurs' performance and broaden the information it handles on a regular basis.

In view of recent events (inflation, uncertainty, etc.), our entrepreneurs have to cope with unstable incomes, unforeseen costs, and most of them exhausted their savings or do not have enough savings to get them through more than 3 months. An assessment of the financial health of entrepreneurs' households was carried out during the course of 2023.

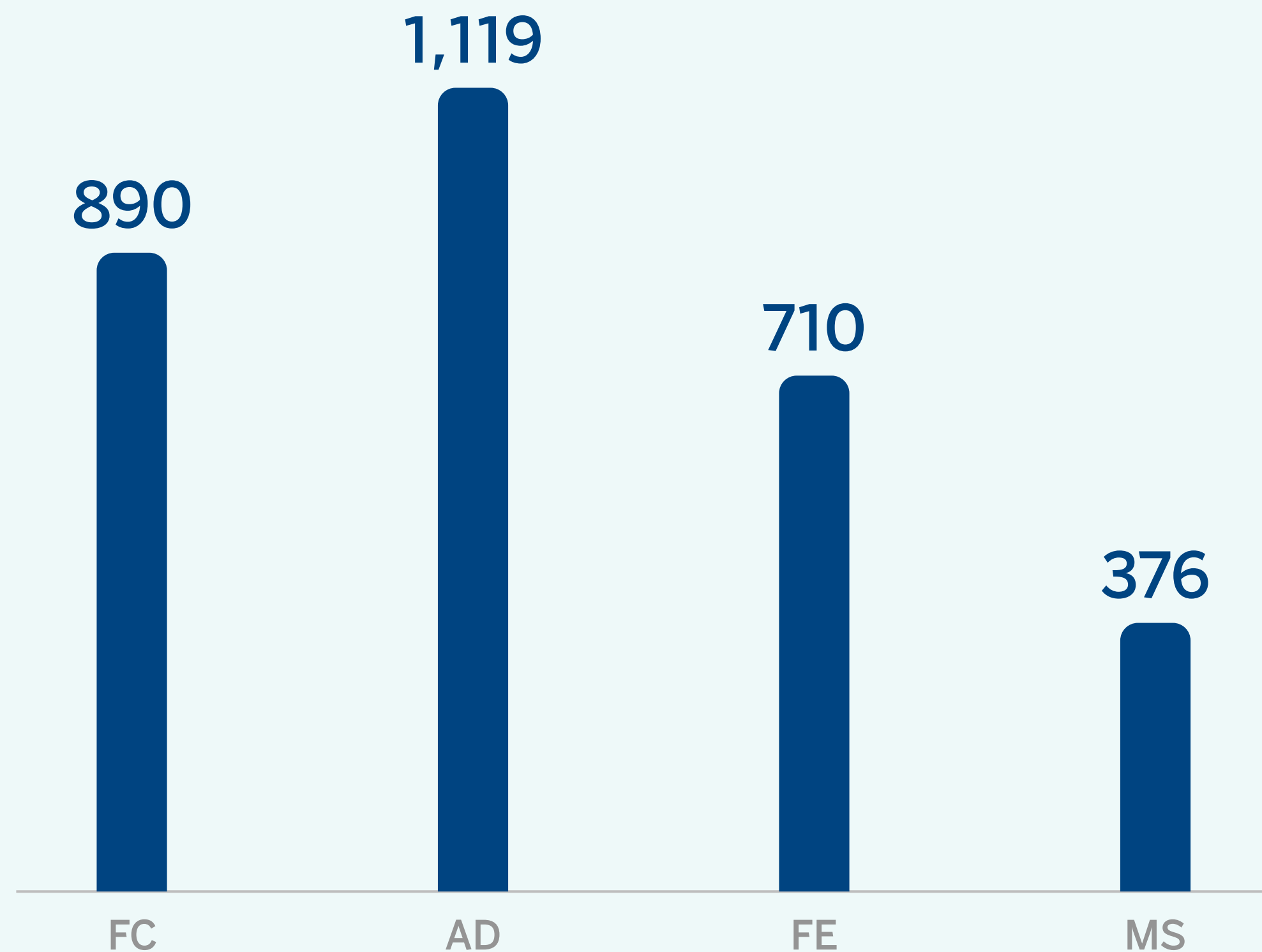
The research had a dual aim: to assess (i) the financial health of these households, and (ii) the economic resources they have or need to meet them. This information will help to design a proposition adapted to their interests and needs. Another objective is to develop tools that identify which clients would potentially sign up for this offering.

Project details:

- **3,177** surveys in total.
- The surveys were conducted using the network (advisors/credit officers) between Sept-Oct 2023. In Chile it was filled in by clients on their own.
- The sample is representative by profile and geography. Clients in default are excluded, as are those with only insurance policies and/or savings accounts, employees, and institutional clients.
- Margin of error 3% / confidence interval 95%.

Surveys by country

Number of entrepreneurs surveyed

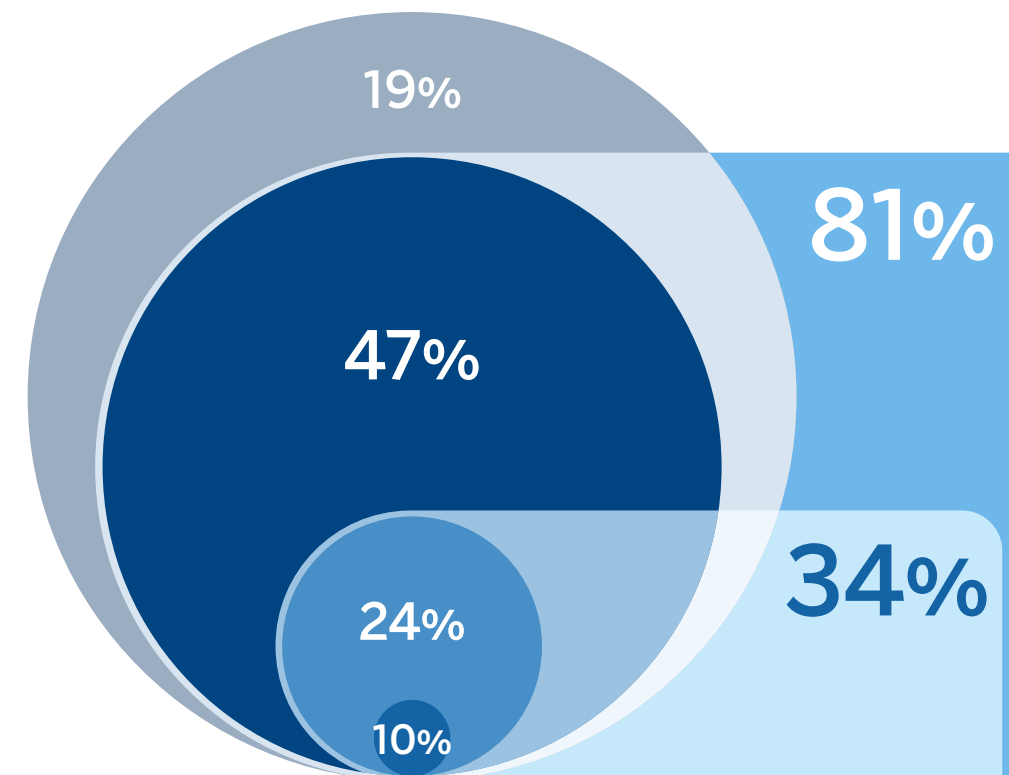


How the business contributes to household income

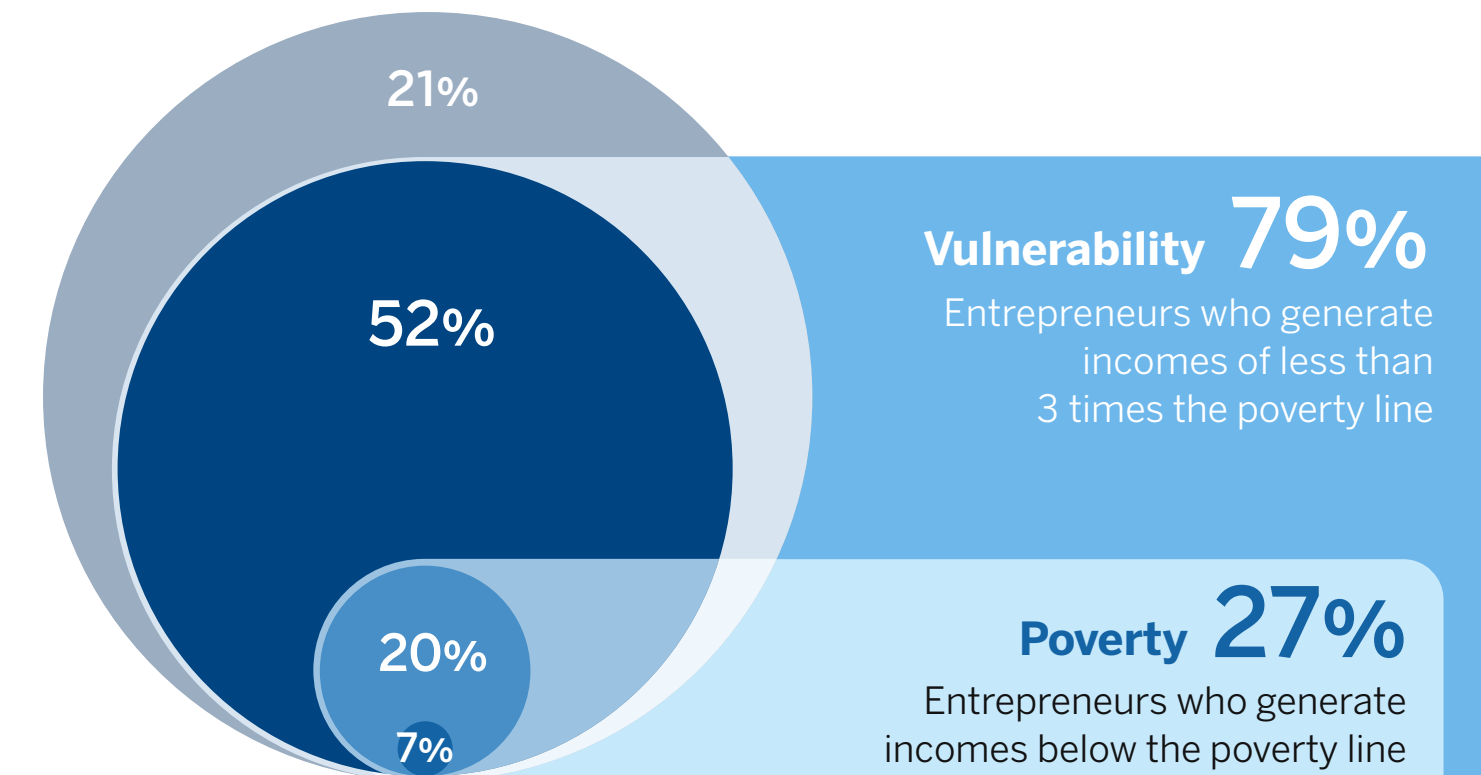
The economic vulnerability measurement enables us to understand the entrepreneur profile served by the Foundation's institutions. This is a differential measurement that allows us to assess the impact and depth of our work. In 2023 over 280,000 new entrepreneurs joined us to apply for a loan, of whom 81% were in vulnerability (vulnerable, poor, and extremely poor), while 34% had incomes that left them below the Poverty Line (PL). Entrepreneurs classified as poor earned USD 3.5 a day on average, while the vulnerable earned USD 7.4.

12 Economic vulnerability

280,010 
New credit entrepreneurs



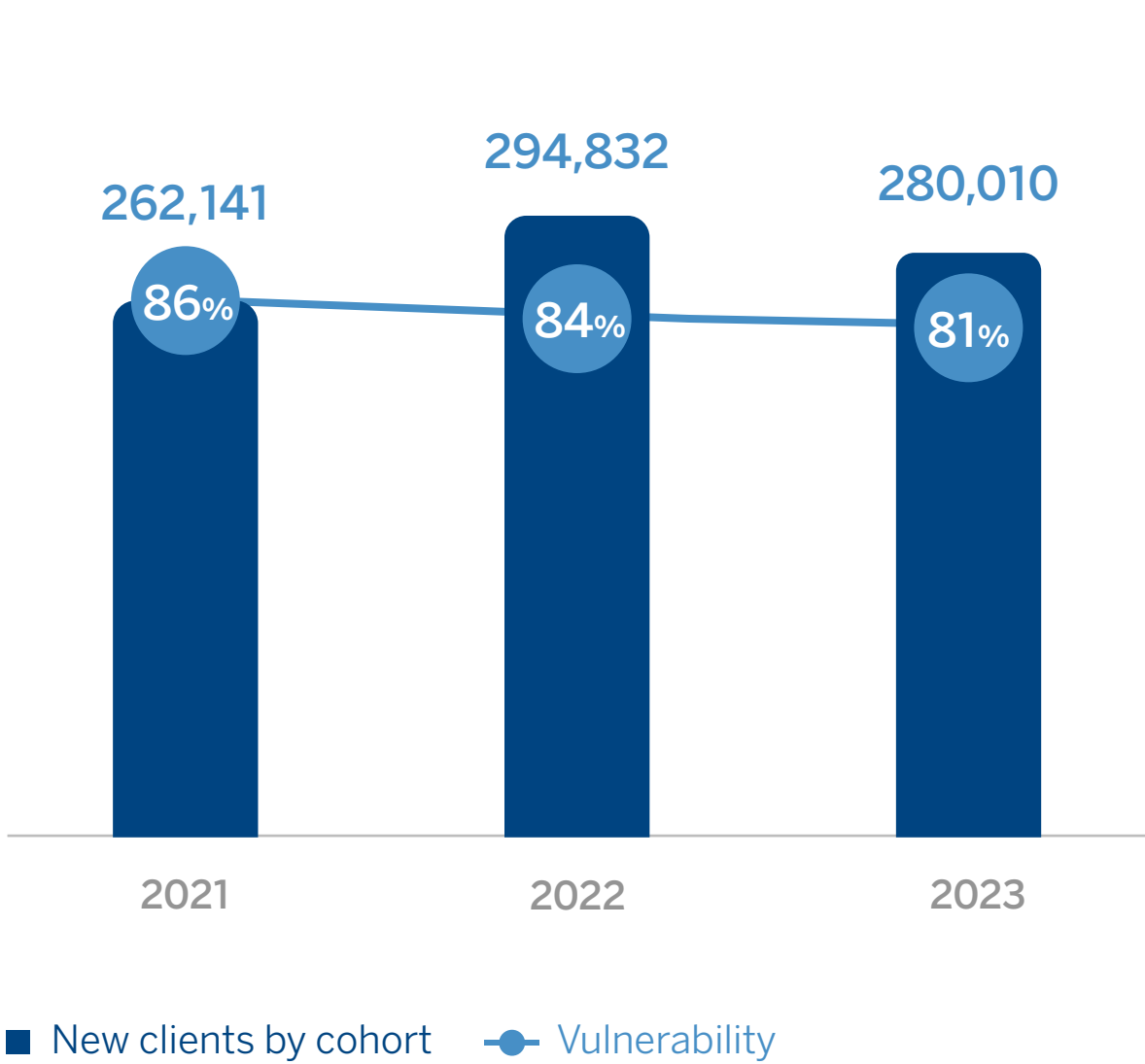
930,144 
All credit entrepreneurs



● Extr. poor ● Poor ● Vulnerable ● Others

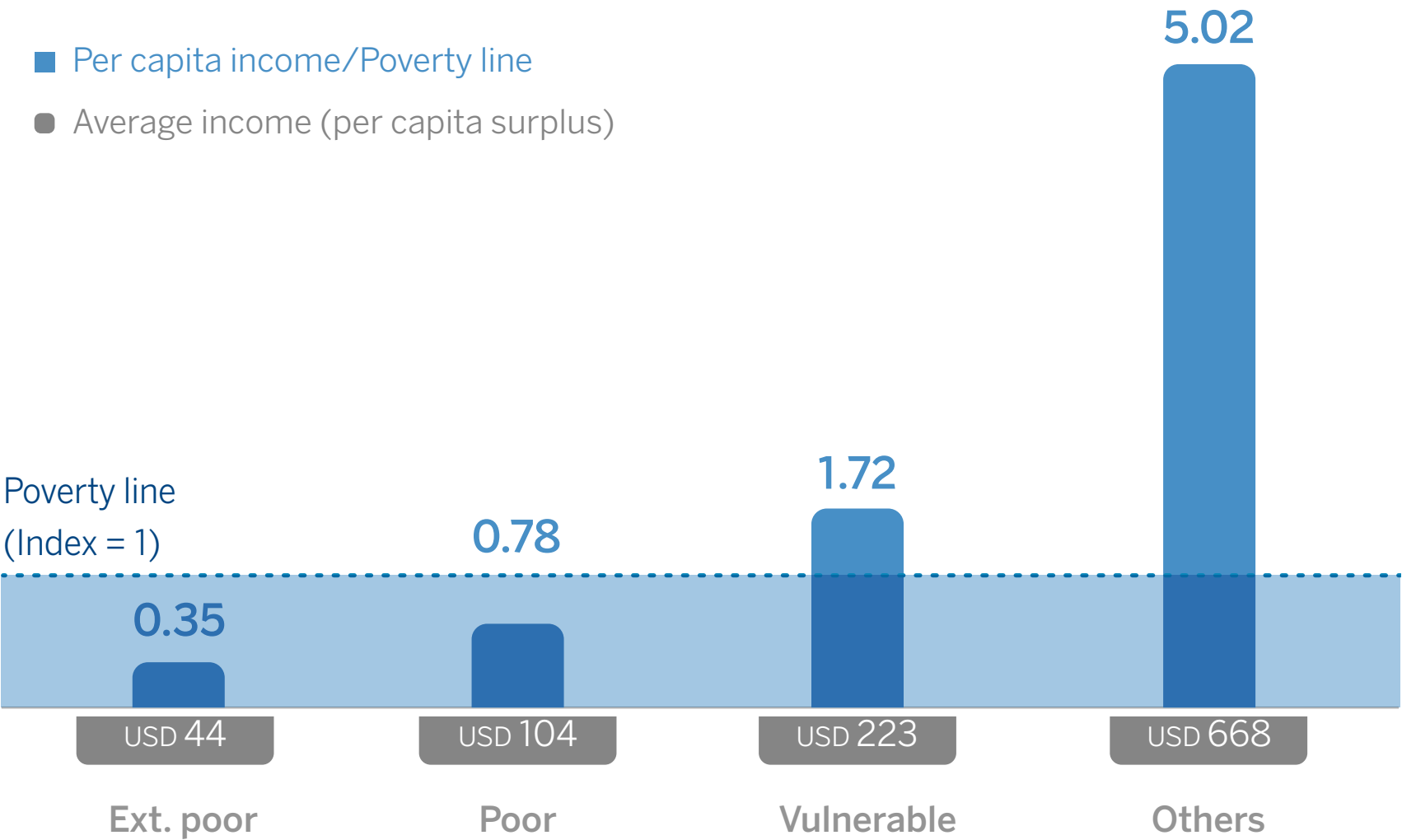
13 Commitment to new entrepreneurs

New credit entrepreneurs



14 Entrepreneurs' earnings

New credit entrepreneurs



G. 13. Clients joining during the year (no previous loans). Vulnerability = % of clients with income less than three times that country's official Poverty Line.
G. 14. According to each country's official Poverty Line.

HOW TO MEASURE ECONOMIC VULNERABILITY

We analyzed entrepreneurs' economic vulnerability by the economic contribution their business made to their households. Micro-enterprises' capacity to generate surpluses for each household member, per capita surpluses, and income were analyzed according to the cost of a basic food basket (Extreme Poverty Line) and another, extended basket that includes the cost of basic services (Poverty Line)⁷.

The method for calculating the PL in each country is based on common precepts. Therefore, the Poverty Line is a national benchmark that enables us to put the information into context, comparing it between countries, and to assess performance over time.

BBVAMF Group's classification of economic vulnerability:

- **Extremely poor:** when the surplus (or relative income) per household member is under that country's Extreme Poverty Line.
- **Poor:** when their income is over their country's Extreme Poverty Line, but under the Poverty Line (represented by the cost of the basic basket of food, goods, and basic services).

- **Vulnerable:** when their income is over the Poverty Line, but less than three times the corresponding poverty line (for more details see [Methodological note](#)).
- **Other:** when their income is more than three times the corresponding Poverty Line.

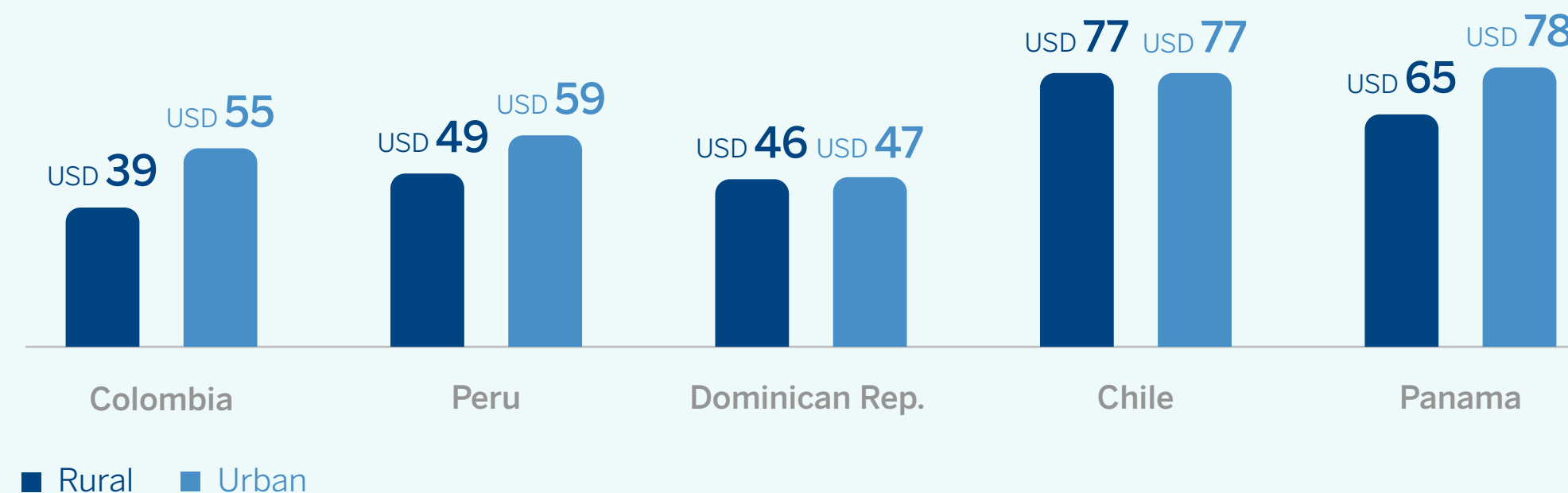
Although this is the Group's proprietary classification, it is comparable with the standards used by international organizations such as the United Nations and the World Bank.

Relative income is the business surplus divided by each household member in relation to the Poverty Line (PL). This income measures the distance from the PL which enables us to establish how poor a set of clients is, how much their businesses need to grow to get over the PL and whether they will be more or less at risk of falling back under it. This indicator is also an approximation of the concentration of poverty in the portfolio.

The relative income of the vulnerable clients served in 2023 was 1.7 multiples of the PL, very different from that of clients in the "Others" category, who are a long way above the Poverty Line (5 times the PL), so the likelihood of falling into poverty was much higher for the former.

15 Basic basket by country

Extreme Poverty Line according to each country's Statistics Institute



7. These Poverty Lines vary according to whether the surroundings are rural or urban in Colombia, Peru, Dominican Republic, and Panama. In Chile the distinction depends on household size.

G. 15. The chart shows each country's 2023 official basic food basket, updated by the CPI at the close of 2023. In all countries, except for Chile, this basic basket is segmented by surroundings (rural/urban) and represents the Extreme Poverty Line. A basic basket is also calculated in Chile, but the Poverty Lines use a new methodology depending on household size (from one to ten members).

Social deprivations: housing, education, healthcare

The concept of monetary poverty must be extended if we are to paint a more complete picture of poverty, moving to a more structural vision, assessing the potential deprivations they face in their homes in terms of housing, education, and healthcare.

People in poverty generally define it as an experience of simultaneous hardships, not merely a lack of income. The Multidimensional Poverty Indices (MPI), based on the Alkire-Foster methodology, can provide a wider understanding of the nature of poverty, that fleshes out one-dimensional monetary measurements. An MPI shows who is poor, and in what way, revealing important information for identifying which people are in poverty, as well as the problems that keep them there.

With the **aim of being able to rely on a minimum standard of living** in terms of housing, education, and healthcare for every one of our entrepreneurs' households, a recurring assessment of deprivations is being implemented in 2023. This involves:



- **New, non-financial assessment.** The non-financial questions are being re-assessed to include the deprivations, creating a corporate standard that has been validated by Wise Responder (previous SOPHIA Oxford). In the family environment⁸, it includes the dimensions of housing (housing materials, overcrowding and internet access), healthcare (access or not to a medical healthcare system) and educational level (based on national criteria).
- **Phased data collections:** The assessment will be inserted into the regular data capture process (disbursement) and updated every 12 months. As a precaution, it is being implemented in phases, to different client segments.
- **Methodology:** A new index will be designed, retaining the Alkire-Foster methodology⁹.

This information is compiled in every entrepreneur's onboarding or loan renewal process and as such is stored in the core banking IT systems.

⁸. Assessing conditions relative to the family situation as a whole (inc. every household member).

⁹. This was used in 2021 in the multidimensional poverty research for a group of clients that were surveyed.

STATUS OF THE MULTIDIMENSIONAL POVERTY INDEX ROLL-OUT

Goal

To identify deprivations on a regular basis

To assess and prioritize deprivations in order to facilitate a solution depending on the scale, intensity, and frequency of those deprivations.

To segment households

To select every vulnerable household nationally and in specific areas to target the value proposition.

Tracking the solution

To assess over time the reduction or increase in deprivations in order to address them.

Status

Colombia BANCAMÍA	Validating data from 50,406 households
Peru FINANCIERA CONFIANZA	Data validated from 67,036 households. Building methodology
Dominican Rep. BANCO ADOPEM	Validating data from 26,926 households
Chile FONDO ESPERANZA	Validating data from 16,676 households
Panama MICROSERFIN	Pilot program (78 households) completed
TOTAL	Validating data from 161,122 households

The information is available for 161,000 households in Colombia, Peru, Dominican Republic, and Chile; Panama carried out the pilot in 2023 and will launch its assessment in 2024. Once the information is validated, and the deprivations facing the households of each client served can be measured, it will be possible to construct a minimum standard of living measurement in each country. In parallel, the business areas continue to design financial products and services to tackle the poverty gaps that have already been identified.

This information will help us to design a value proposition that enables our entrepreneurs to overcome these structural shortcomings – often linked to the absence of goods and services available – and to narrow these gaps.

Digital poverty

The expanding use of digital technology in recent decades has become increasingly essential and necessary, opening up new opportunities and social benefits. The pandemic triggered the acceleration of online goods and service offerings, both in the public and private sectors, increasing the functions using digital tools. Nevertheless, the risk of growing inequalities and exclusion also rose, whether due to problems in accessing physical resources, the lack of digital skills or scarce resources to exploit these tools properly. So, for example, administrative formalities with the public sector can increasingly be done online, communication with third parties is easier, there is more and better access to information, and sales channels for small enterprises are more efficient.

Digital poverty goes beyond the lack of technological devices and internet connections; it manifests itself in any combination of these:

- **Limited access to technology**, as in the lack of devices (computers, mobile phones) or limited internet access, particularly in marginalized rural and urban areas with insufficient infrastructure for high-speed internet.
- **Lack of digital skills** in the effective use of technology can restrict opportunities for education, employment, and civic participation. This includes basic skills such as browsing the

internet, sending emails, using data processing programs and participating on social media.

- **Economic limitations** to buying the device or the cost of internet services, which entails the purchase of a data plan and a Wi-Fi installation.
- **Digital gap that becomes a generation gap** as older people may feel overwhelmed or excluded by the rapid development of technology.

Digital poverty, which differs by country, area, and population profile, may contribute to perpetuating the cycle of poverty and in deepening gaps based on gender, the rural vs. urban environment, and age generations. That is, suboptimal experiences with digital technology may contribute to people becoming poor or experiencing further disadvantages in the future. In fact, due to the inability to make the most of cost saving opportunities that are to be found online, it may make the poor poorer.

Digital poverty in its turn is dynamic: people can fall into poverty at some point in their lives, but it can be prevented or combated by maintaining the right mechanisms and support networks. That is why digital inclusion is not just desirable – it is essential.



Digital poverty can exacerbate economic poverty or perpetuate the poverty cycle

On occasions, traditional solutions such as connecting internet by cable are not feasible in remote areas and more innovative measures, such as wireless satellite, are needed to take fast internet to areas that are more difficult to reach because of their geography.

In the five countries where the Foundation works, most adults have access to a mobile device (89%) but not everyone can access internet (68%). In terms of financial use, only 47% do online transactions, a figure that falls to 23% among the population in poverty¹⁰.

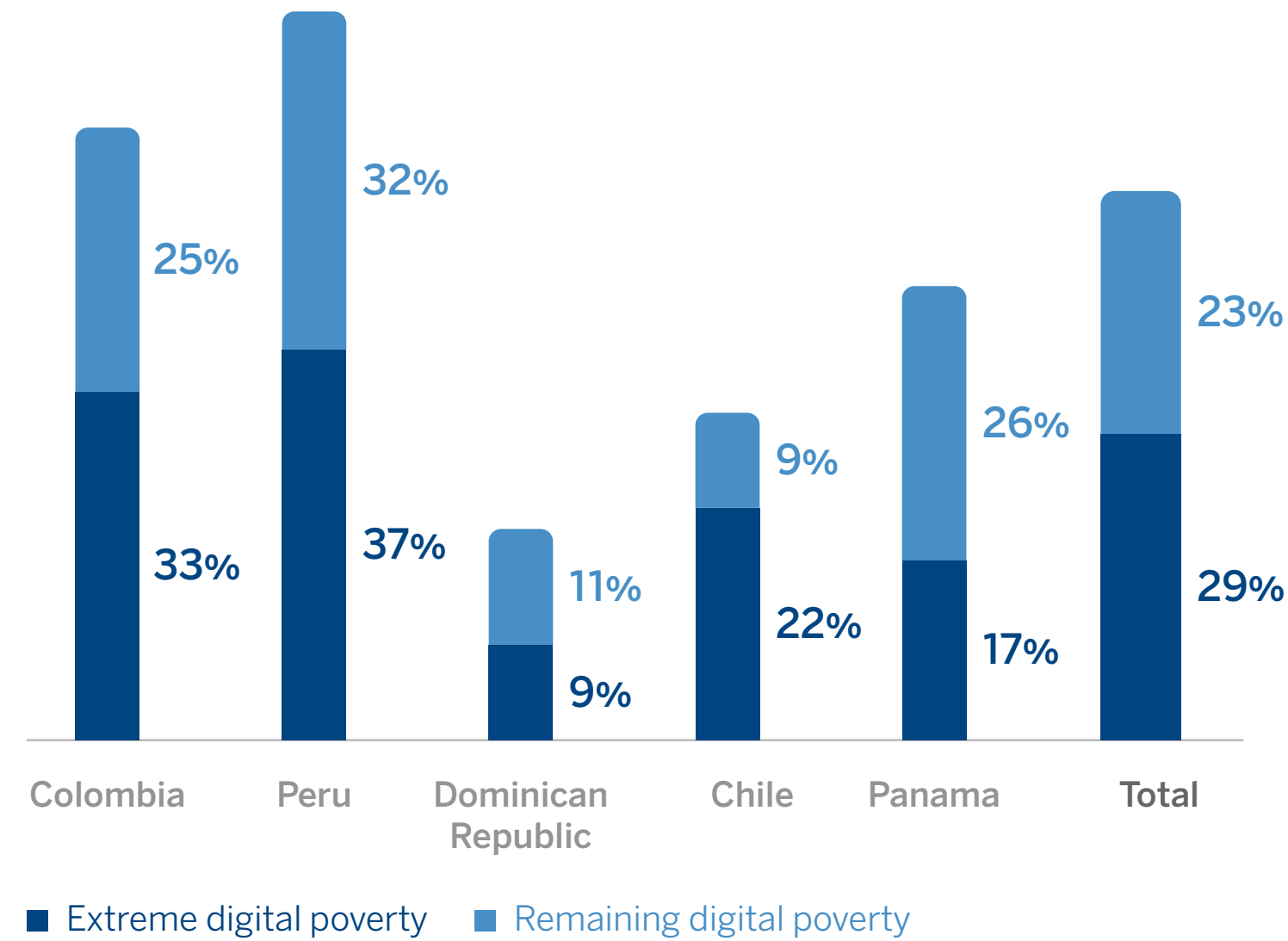
52.4% of entrepreneurs across these five countries suffer some degree of digital poverty and 29% are in extreme digital poverty (neither devices nor internet access). Colombia and Peru have the highest rates of digital poverty and Chile the least.

In fact, the cost of a very modest data plan of just 1GB accounts for 4% of a family’s income, well above the affordability threshold of 2%. In the lower-income segments, access, the cost of connectivity packages and the necessary hardware amounts to around 55% of their incomes.

16 National digital gap indices

	Colombia	Peru	Dominican Rep.	Chile	Panama
Internet access	61%	67%	71%	85%	57%
Have a mobile phone	91%	87%	83%	96%	80%
Use their mobile for economic transactions	36%	36%	21%	65%	38%
Use their mobile for financial transactions	20%	20%	11%	56%	17%

17 Digital poverty index



52% of entrepreneurs suffer some degree of digital poverty and 29% lack both devices and internet access

10. Global Findex Data 2021.

G. 16. Global Findex Data 2021.

G. 17. BBVAMF research.

DEFINITION OF DIGITAL POVERTY *METHODOLOGICAL NOTE*

"Digital gap" is the most common term, generally understood as the measurement of the inequalities of access to technologies and at household level of use.

Unlike the concept of “digital gap”, **the concept of digital poverty entails finding minimum levels of use and consumption, as well as the income levels needed for the population to be in a position to demand these products.**

Digital poverty encompasses three dimensions: affordability, quantity, and quality of connectivity. The first dimension is related to the proportionality of the income required to pay for the equipment and connectivity packages, while the second assesses the quantity and quality of their access; this dimension is another factor that distinguishes the different degrees of “digital poverty”.

By introducing the concept of digital poverty, we are stating that the concern centers on the data that can be stored, made available, used, and consumed by

digital media. As such we are introducing a specific dimension: the use of computers or digital communication technologies that extend the functionality of hardware, such as mobile phones, to facilitate information and communication.

Segments of digital poverty

- **Extremely poor:** Households with no access to or no ability to use digital media.
- **Other Poor:** very limited, partial access, and limited skills in using digital media.

The Foundation works along two dimensions to eradicate the digital gap:

On the one hand, making available to the population the means of connecting to the internet. Since 2020, 93 banking agents with connectivity¹¹ have been brought into remote areas providing connectivity to c. 4,400 people.

On the other hand, the push for digital literacy has become crucial to improve entrepreneurs’ efficiency and brings them tangible benefits in that they can use the technologies in their businesses and also for online banking, saving time on bureaucratic procedures, enabling them to obtain accurate information in real time and to improve their communication with third parties.

Insofar as digital access is massive and affordable, it makes it possible to strengthen the development and use of digital finance, an important tool for financial inclusion. The challenge is the access to and universal use of these services. For further details, see [Connectivity and digital literacy](#).

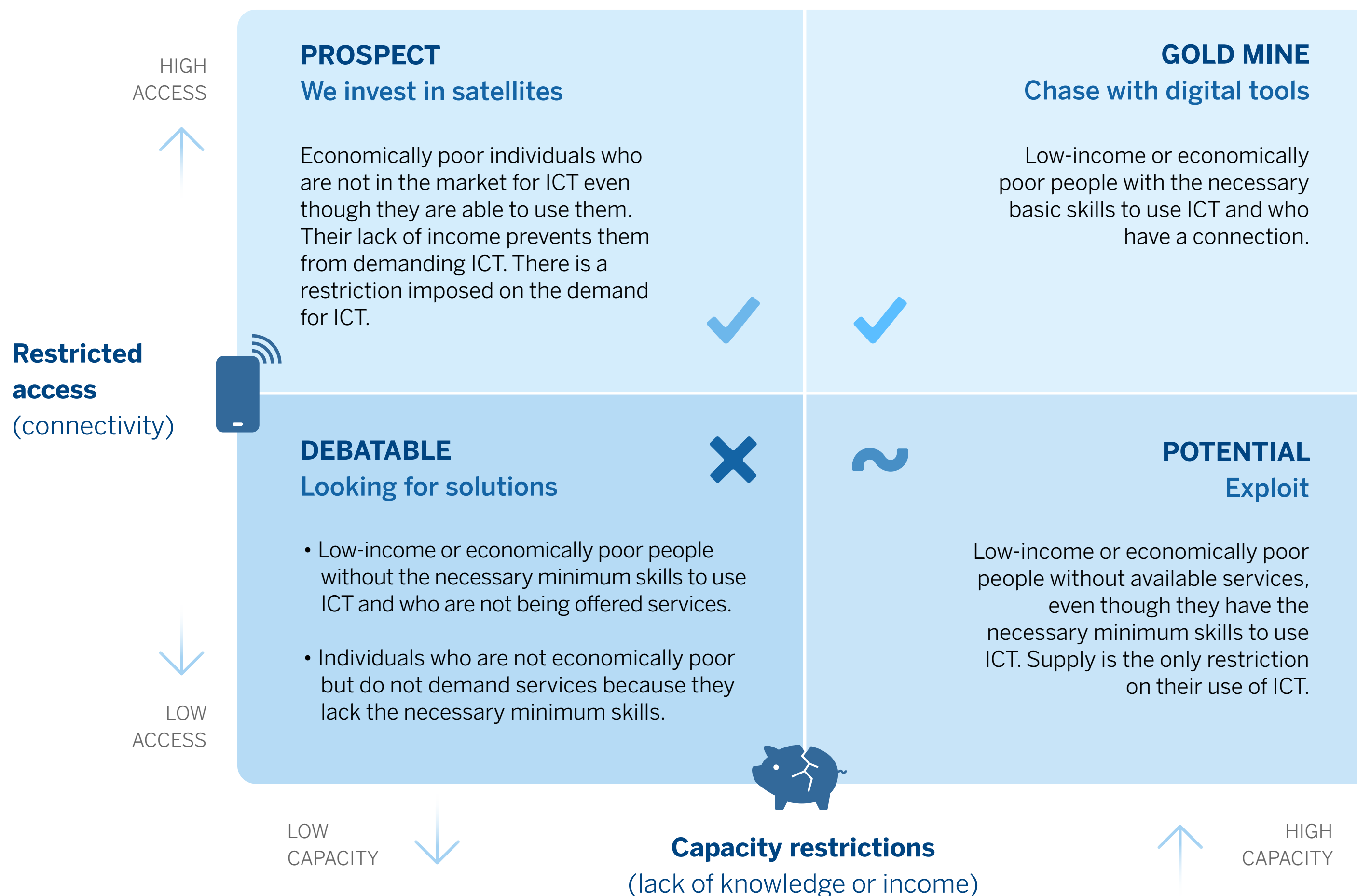
On the other hand, people in digital poverty are missing out because they do not know how to use these tools or because they cannot afford them.

11. Satellite link + local internet.

High-speed internet is becoming increasingly necessary for everyone, wherever people live or whoever they are; as such it is ever more necessary that it should be affordable. Democratizing access to the hardware and software that people need to make the most of the internet's potential must be promoted, and the minimum capabilities required for this to be possible must be created.

Insofar as digital access is massive and affordable, it becomes possible to develop and use digital finance, which then becomes a powerful tool for achieving greater financial inclusion and for expanding basic services. The challenge is immense, with a million individuals and small enterprises lacking access to credit and basic financial services.

STRATEGIES FOR REDUCING DIGITAL POVERTY



*. Source: BBVAMF Research.

Risks attendant on climate change

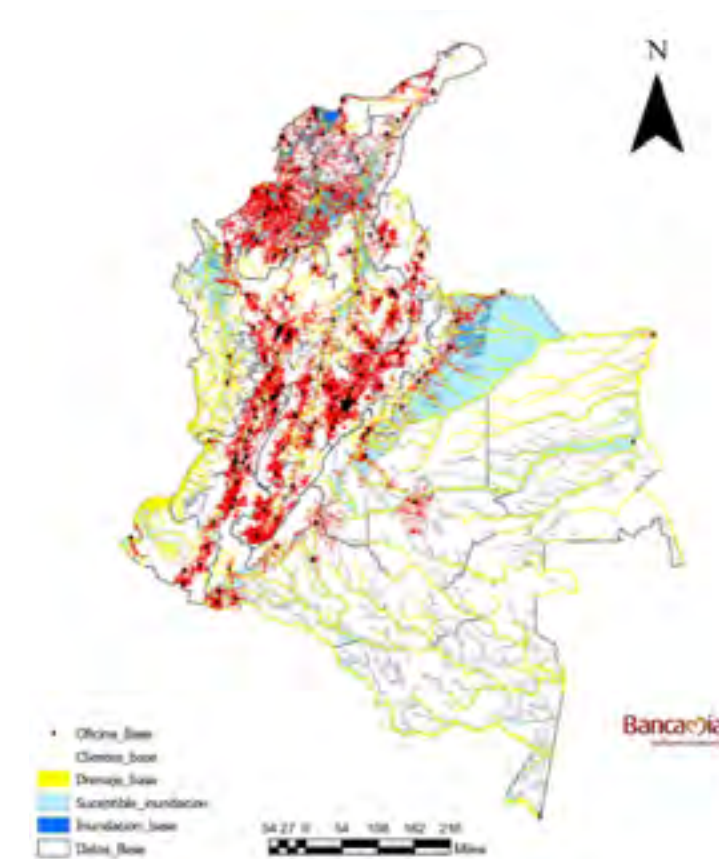
Vulnerable households are the most exposed to the adverse impacts of climate change, since the losses due to these phenomena absorb a greater proportion of their scarce assets and also mean they have fewer resources with which to recover from these events¹².

During 2023, several pilot projects were run to identify entrepreneurs' climate risks. In Peru, **Financiera Confianza** and in Colombia, **Bancamía**, have developed climate vulnerability maps, mostly for use by farming entrepreneurs. Using official data¹³ about the key climate variables such as precipitation and increases in temperature, which are crossed with the Foundation's own data base that has the geolocations of entrepreneurs' businesses, they are identifying those with the greatest exposure to these phenomena. This tool makes it possible to assess likely risks: how many people may be affected, which areas are vulnerable, and how they may be affected, to get ahead of the impact and the risk, thus minimizing it.

Support plans and a value proposition are being developed in both Peru and Colombia for these entrepreneurs.

In Dominican Republic, **Banco Adopem** has developed a climate vulnerability index for farming entrepreneurs that looks at their exposure to climate phenomena, the sensitivity of crops to changes in temperature, rainfall, and soil quality, together with their capacity to adapt according to the economic and social conditions. This index is currently operative in one office and is expected to be rolled out in a total of 5 during 2024.

By geolocating the climate risks facing our entrepreneurs, we can also better direct our sustainable finance offering.



Bancamía's climate vulnerability map (Colombia)



Financiera Confianza's climate vulnerability map (Peru)

12. IDB, 2021 <https://blogs.iadb.org/ideas-matter/en/how-climate-change-worsens-poverty-and-inequality/>

13. In Colombia, climate information is provided by the country's meteorological institute, the IDEAM.

Financial health: the challenge of accumulating capital

Financial health is the backbone for household progress. That is why it is important to understand how households handle their finances today, how they deal with unexpected events and how they prepare for future situations to be able to cope (planning and investment). This becomes particularly important in vulnerable communities, as these are more likely to benefit from access to financial products, which may be a critical source of help for their businesses and households.

We analyze entrepreneurs' household financial management below, based on the surveys conducted. We have created three categories of financial health, from lower to higher¹⁴:

- **Level 1:** the household has the capacity to cover costs.
- **Level 2:** the household has the capacity to cover costs & contingencies.
- **Level 3:** the household has the capacity to cover costs, contingencies and also to accumulate capital (savings/investments).

The analysis places special emphasis on households' financial resilience and how they manage contingency expenses, with the aim of finding opportunities to better support them with current or new mechanisms.

LEVELS OF FINANCIAL HEALTH*



FINANCIAL TOOLS



Savings



Insurance



Financial education



Loans



Asset sales



Expense reduction

If you want to know more about income deprivations, take a look at

Household economic deprivations

¹⁴. These conclusions are based on the financial health surveys. For more information, see [Methodological note](#). It is important to point out that these surveys were conducted in Peru, Dominican Republic, Chile and Panama, so when the term "All" is used in this section, it does not include Colombia and so is not a reflection of the entire BBVAMF Group.

* Financial health has been analyzed from 3,177 surveys conducted across four countries.

Digging deeper into savings and other household assets

The most direct way of meeting contingency expenses is by using an emergency fund, whether in the form of savings or assets that can be sold to get liquidity. Households want to make savings and most say that they have the capacity to save (79%) showing their intention to build up a healthy habit: 40% say that they can save for at least 4 months of the year and 39% say that they could every month or nearly every month.

79% of vulnerable households have the capacity to save, which is reflected in their effort to build up good financial health

SAVINGS CAPACITY & LEVEL



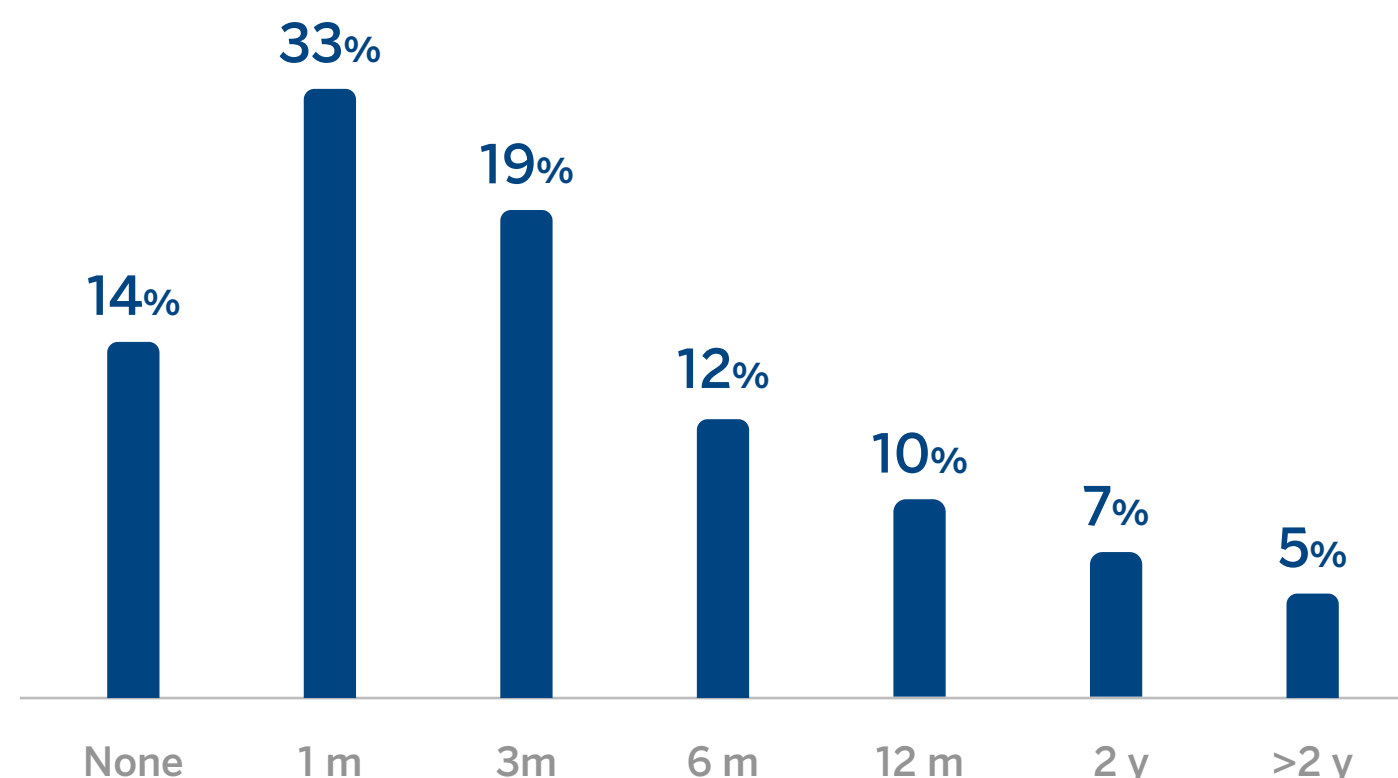
79% of clients have the capacity to save

86% of clients have savings

92% of clients have savings and/or assets

18 Level of saving

How long could you live on your savings?

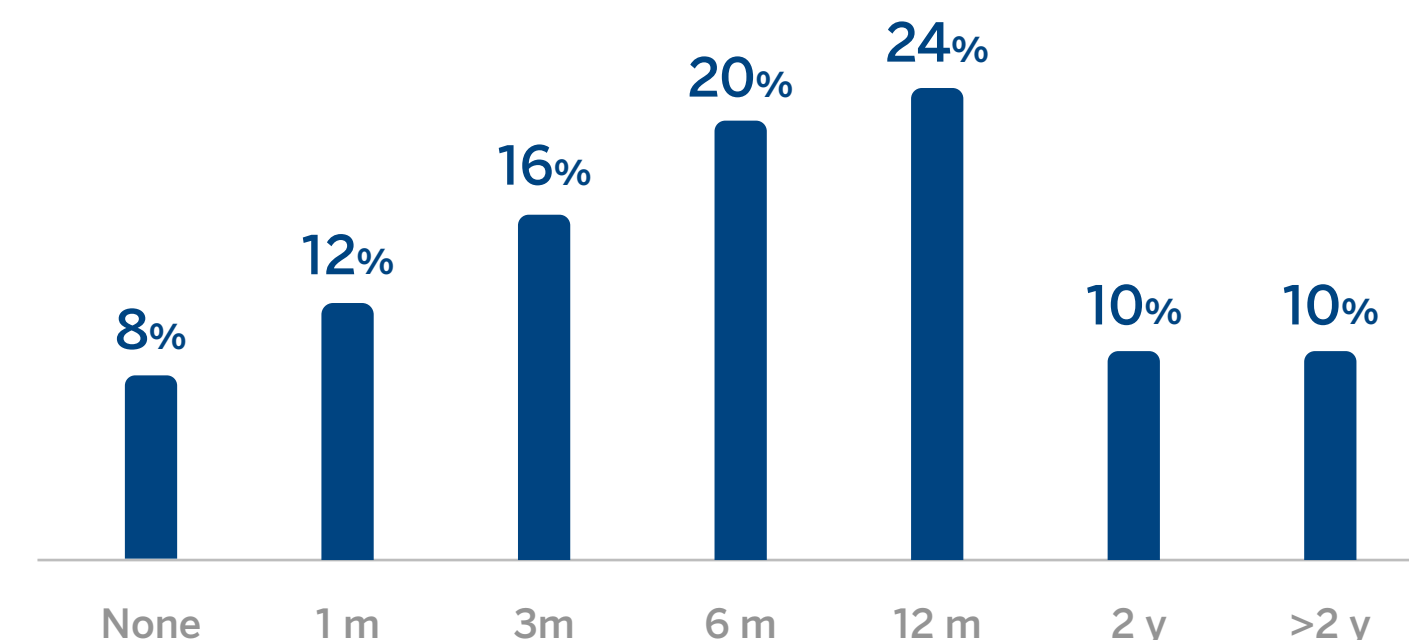


However, the fact that people have the capacity to save does not mean that they will do so, given that they often have to spend their surpluses on covering contingency expenses or frequently prefer to invest in assets. Thus, the savings level is low: only 22% can live for more than 6 months on their savings and 47% have under 3 months' worth of savings.

Only 22% of entrepreneurs have savings that would last them for more than 6 months, so they would probably have difficulties in covering contingencies or in investing for the medium term

19 Level of assets

How long could you live on all your assets?



Turning to the remaining household assets, most entrepreneurs have assets. In fact, 24 of households have not savings or virtually none, but they do have assets that could be sold for liquidity.

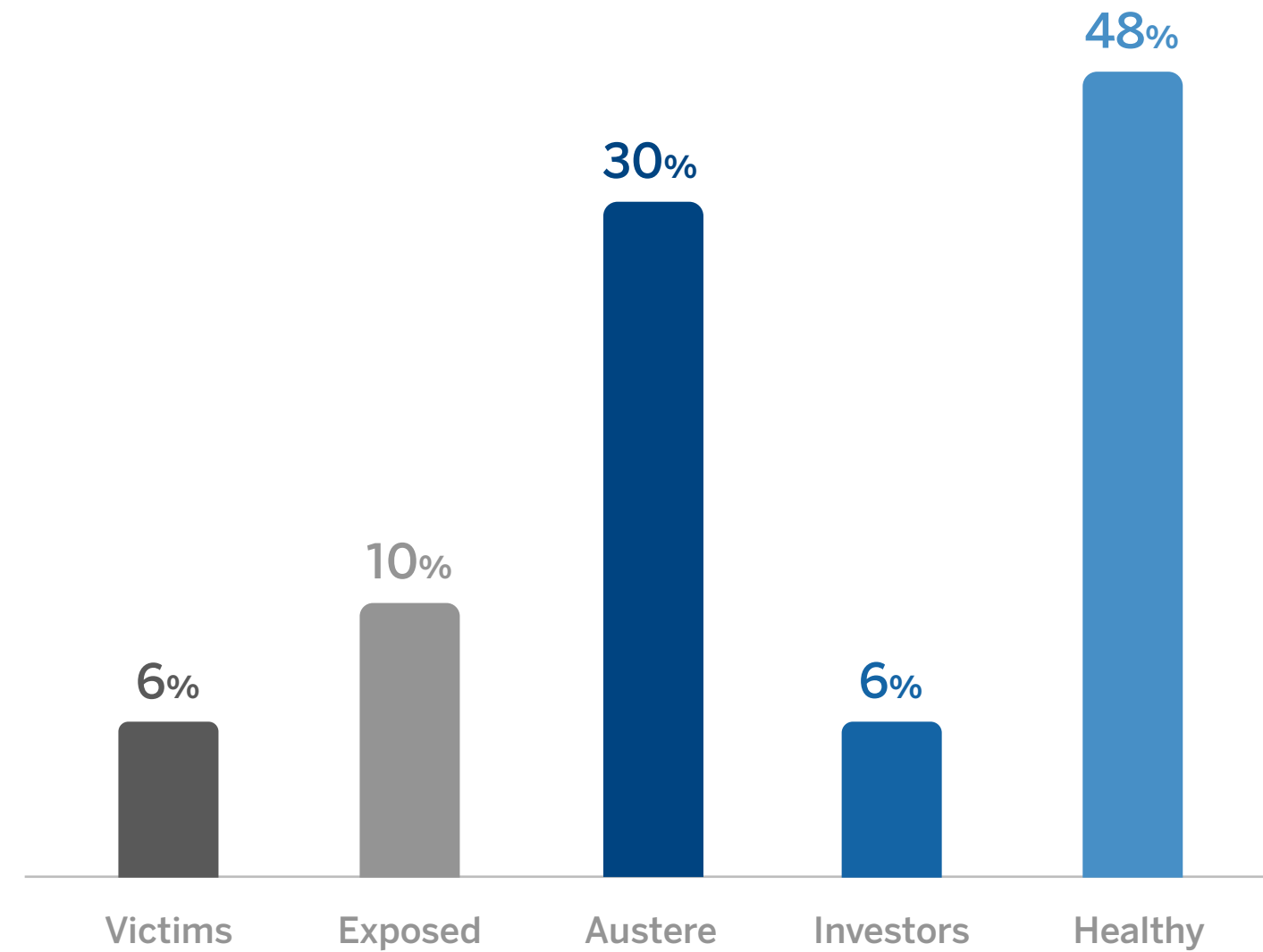
G. 18 and G. 19. Financial health survey.

When the capacity to save and the asset level are analyzed together, we divided households into five categories (graph below).

The investor segment does not have much capacity to save but does have a good level of assets (enough to live on for at least 6 months). This may be because their circumstances have changed and that in the past they had some surpluses or, despite not having a surplus, they accumulate assets through formal loans, for example. Therefore, this analysis shows the different ways households have of accumulating assets, underlining the important role played by microloans for those who want to invest but do not manage to have a surplus. 91% of entrepreneurs have made at least one investment in the last year, and 37% have made two.

20 Capacity to save and asset level

How many months of the year can you save?
For how many months could you live on your savings and your assets?



- **Victims:** no capacity and no savings
- **Exposed:** No capacity but have a few savings (< 6 months)
- **Austere:** Have capacity (can save for at least 4 months of the year) but few savings (<6 months)
- **Investors:** No savings capacity but have savings (>6 months)
- **Healthy:** Have capacity and have savings (>6 months)



91%
households
have made an
investment in
the last year



62%
households
invest in liquid
assets

By contrast, the “austere” segment represents those with few assets despite having the capacity to save (30%). It is possible that they have had to deal with contingency expenses recently, or that they are spending their surplus on investments that do not entail an increase in assets, such as upgrades in their housing or investing in their children’s education.

By client profile, those with higher incomes have a higher level of savings/assets. In the case of investments in the last year, young people are over-represented, and there is less business investment in the farming sector.

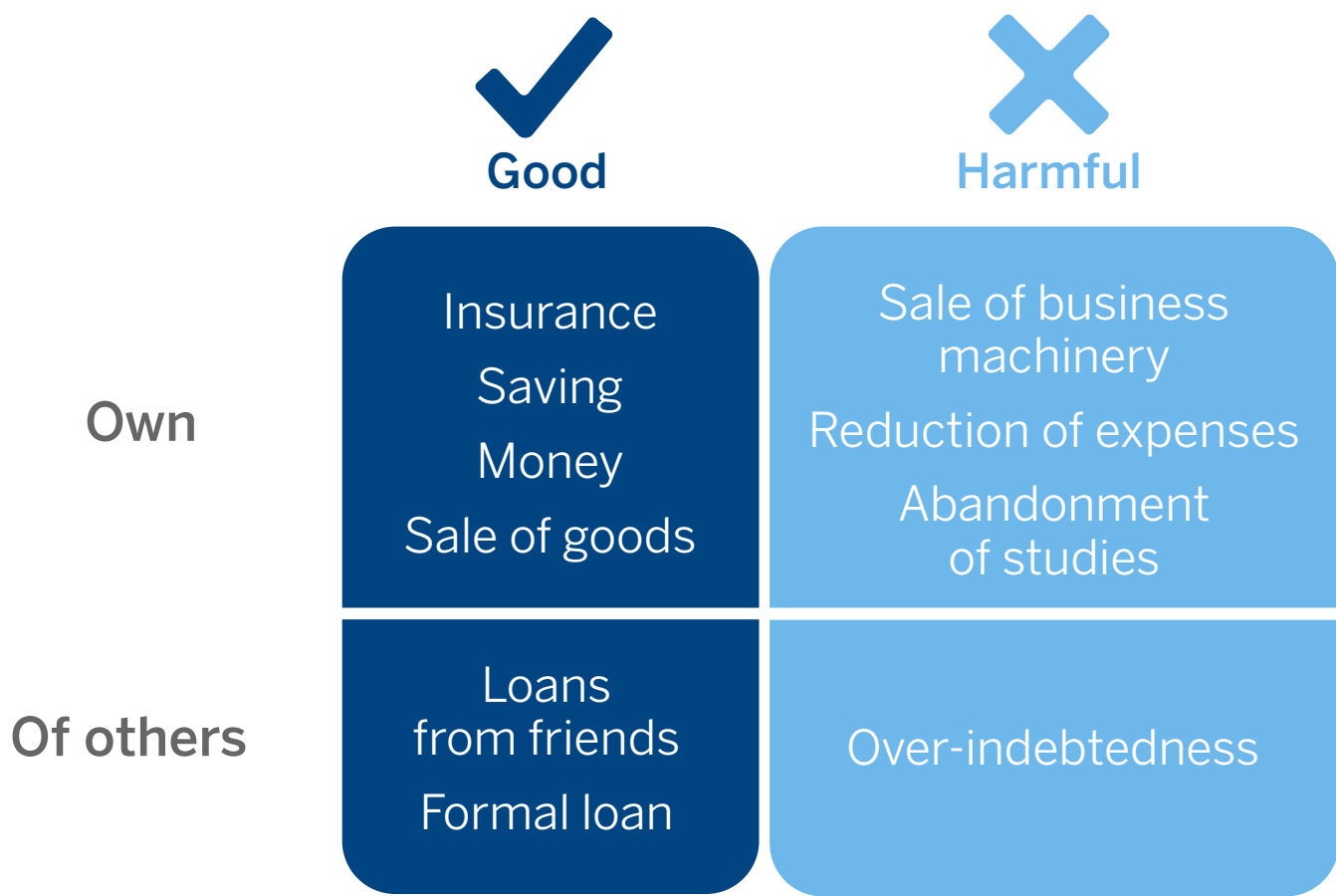
Households’ financial strategies, focused on covering contingencies

As well as savings and assets, households can use other resources to cover their contingencies, such as loans (whether formal or informal) or by reducing certain household expenses. Four types of resources have been defined, depending on their suitability from the perspective of financial health. Good resources (such as savings or the

sale of an unproductive asset), “harmful” resources (such as the reduction of a necessary or productive expense), own resources and the resources of others. The distinction between own and others’ resources is made because the latter cannot be included when determining a household’s level of financial health.

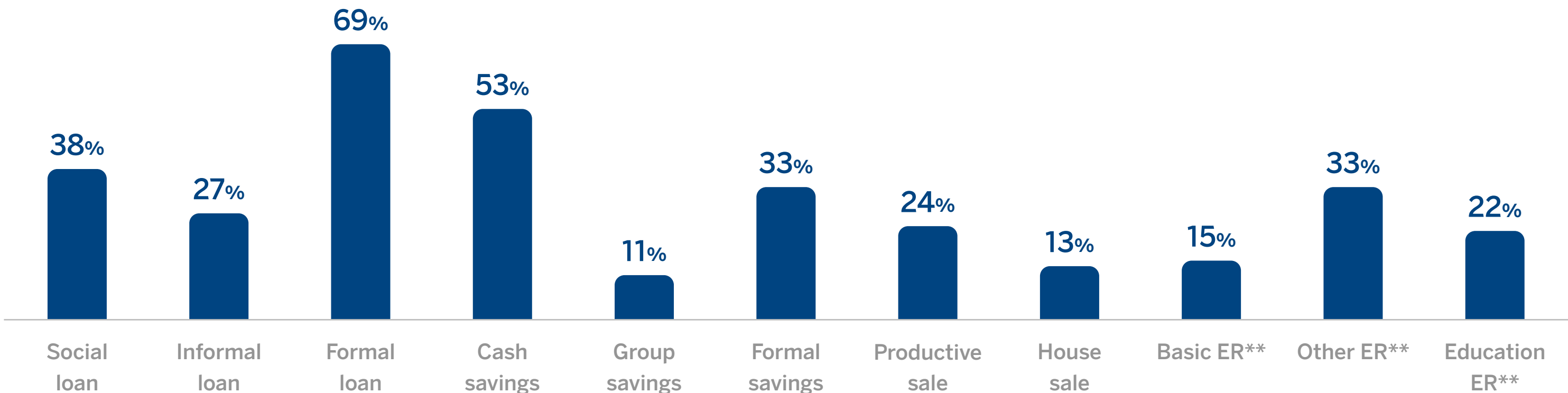
75% of households have good own resources (savings). Those with harmful resources, or resources of others, account for 14%.

CLASSIFICATION OF HOUSEHOLDS’ FINANCIAL RESOURCES*



21 Resources used

Adults using the resource, multiple answers permitted



G. 21. Financial health survey 2023.

* BBVAMF calculations.

** Expense reduction

MECHANISMS USED FOR CONTINGENCIES

1°

Formal saving

Tool most frequently used in the last year

2°

Cash savings

“Under the mattress”, typical for our entrepreneurs



The poorest make more use of harmful resources (sale of productive goods, reduction on spending), and also have more recourse to social loans



Urban households are more inclined to save in formal entities than to save cash, and also have recourse to social loans (friends, family members)

In the event of contingency expenses, the resources most often used have been formal loans and cash savings

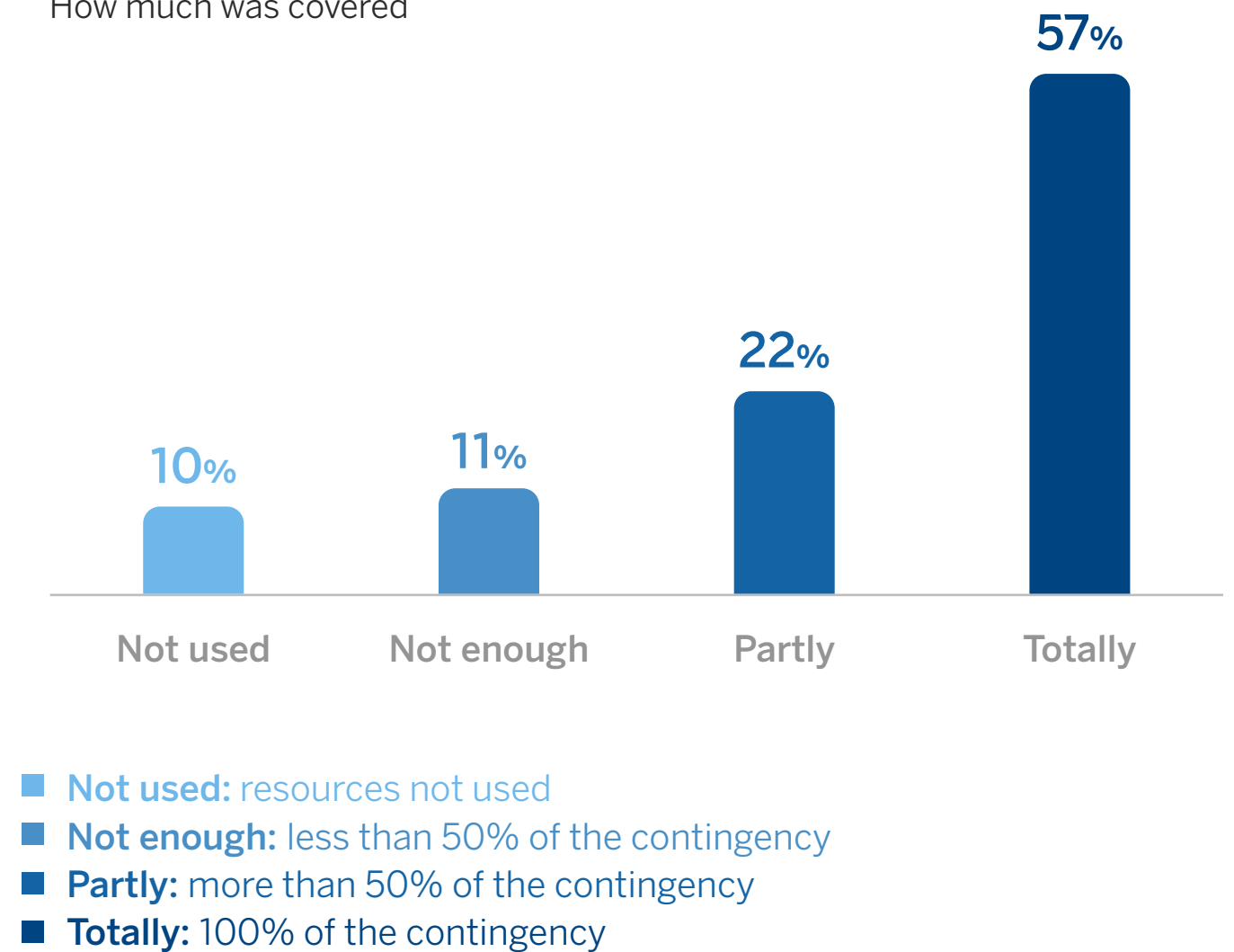
The usefulness of resources depends, on the one hand, on the amount of resources the household has, and on the other on how high the contingency expenditure is going to be, something that can only be known once it has happened. Most households have had economic contingencies in the last year, which underlines the importance of being able to manage them. For 68% of households, the resources chosen were useful because they entirely covered the contingency. 21% used resources that were partially useful (covering at least half of the unforeseen expense).

The resources used most often in the last year were formal loans and savings in the form of cash, followed by savings in a formal institution and social loans (i.e. from family, friends). Suboptimal resources such as the reduction of expenditure on education or household expenses were used less frequently but were still significant. In short, from a financial health perspective, the resources used are not ideal, given that the use of others’ resources is just as frequent or more so than the use of own resources, consistent with the low level of saving.

By client profile, there are no appreciable differences in the order of preference of resources but there are variations in the intensity with which these are used. For example, although the most used continue to be formal loans and cash, there is more intensity in the use of subsidized loans and reduction in expenditure on the part of the poor and of women, compared to men who are more inclined to use formal loans and to sell their productive assets. For their part, those with less formal education use their savings more.

22 Covering contingencies

How much was covered



Most households have good resources available to them such as savings but end up using unsuitable resources such as loans: probably because of their low level of savings.

Harmful resources (reduction in spending, sale of productive goods, abandoning education) are not the most frequent, but their use is significant.

When there is a lack of surplus to make investments and accumulate assets, or a lack of own resources to cope with contingencies, formal loans become the most common and most useful resort to cover both needs in the most effective way and to keep entrepreneurs performing at full strength.

COUNTRY BY COUNTRY DIFFERENCES

Financial health manifests itself differently along certain dimensions, depending on the country, although some factors are pre-eminent: income instability, amount of savings and the mechanisms used by households.

44% of households suffer **income instability**, i.e. they receive most of their household income over the course of 9 months of the year at the most. Microserfin (Panama) stands out as the entity whose surveyed households present the greatest income instability. At the other extreme is Banco Adopem, with “only” 35% of households suffering from unstable incomes.

Microserfin and Financiera Confianza have the highest proportion of households with unstable incomes

It is noticeable that the countries with the highest proportion of income-unstable households are also those where more entrepreneurs are the main source of household income. In other words, this reinforces the principle that their business is an unstable source of income, more unstable than wages. In addition, these

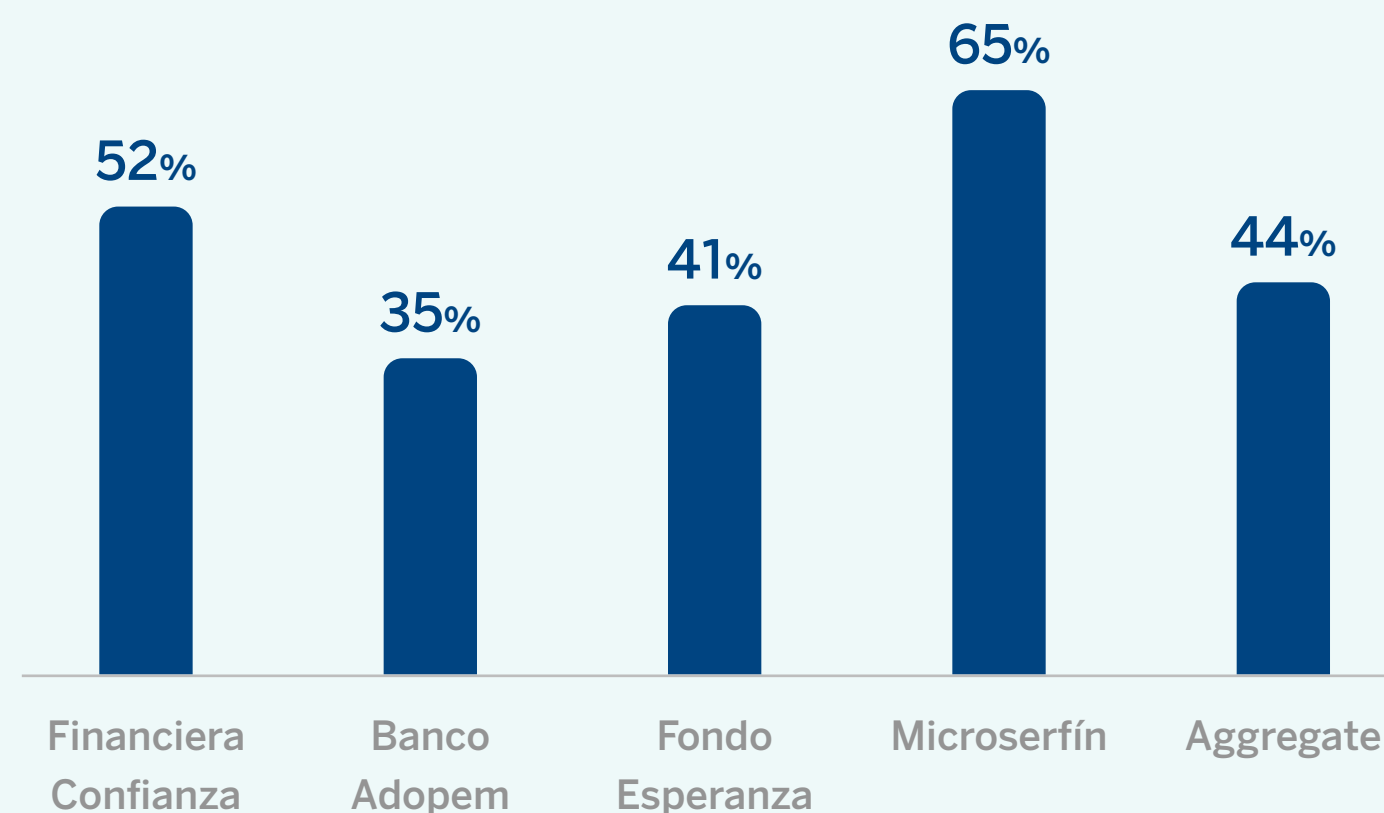
countries have the lowest representation of women (of total entrepreneurs). As we saw in 2022, this is further confirmation that women are more inclined to diversify their sources of income.

Turning to saving, in general our clients’ households have a very low level of saving. However, there is a significant group of households that could live for 6 months on their savings i.e. they have a good level of saving. As such there is potential to improve the habit of saving among these households. This

group is largest in Fondo Esperanza (Chile), to be expected because of the country’s national level of education (higher than in the other countries) as well its degree of financial inclusion (the highest among the Group’s entities. In Banco Adopem (Dominican Republic), on the other hand, the large segment of savers is probably due to the bank’s national footprint (branches throughout the country), excellent reputation and the trust people place in the financial system. In other words, although the educational level is low, other factors have fostered the habit of saving.

23 Unstable incomes

Proportion of entrepreneurs receiving most of the income over a 9-month period in the year

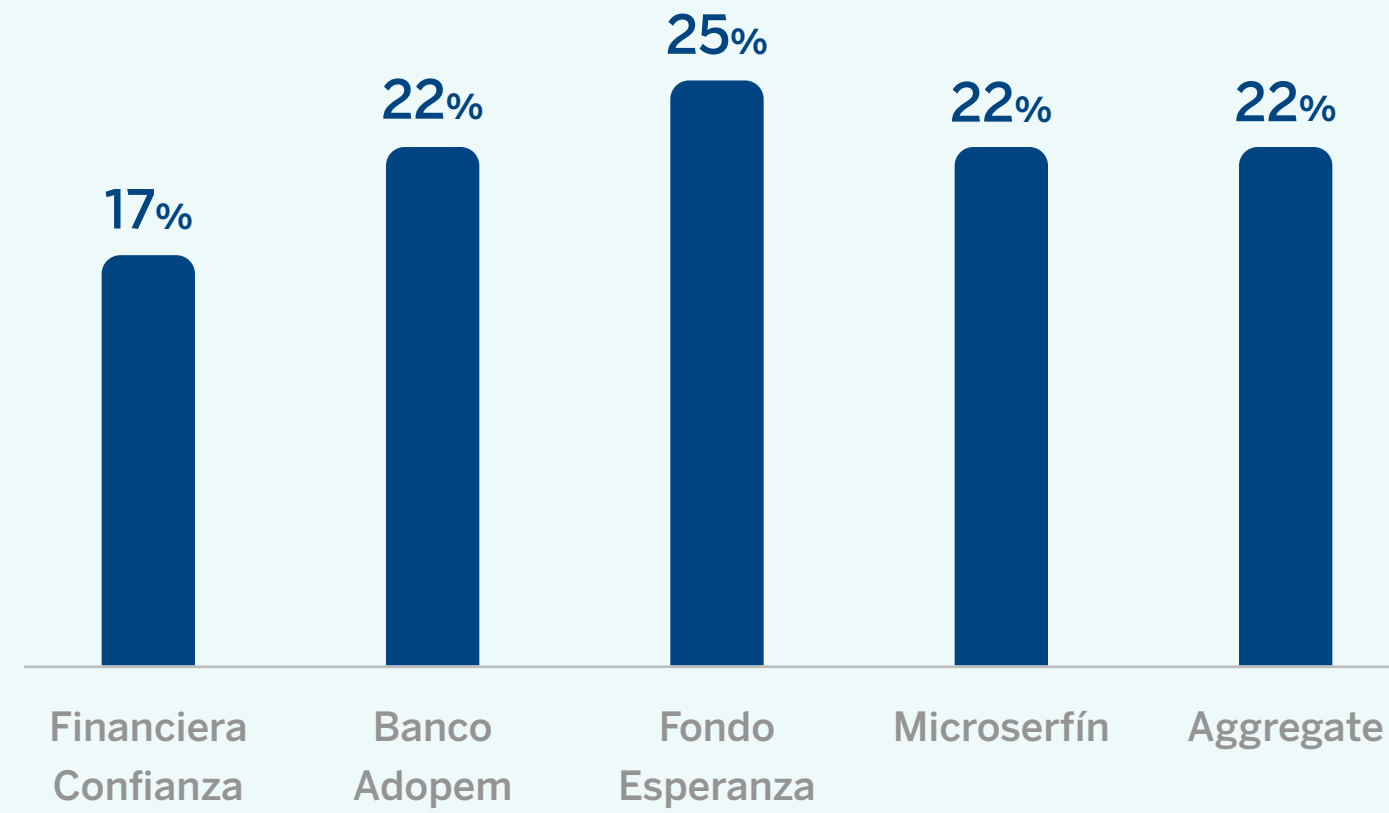


Banco Adopem and Fondo Esperanza have the highest proportion of potential savings clients

G. 23. 2023 Financial health survey. “Income in my household is...”: 0. Very unstable income: for 4 months of the year. 1. Unstable income: for 9 months a year. 2. Stable income: for over 10 months of the year

24 Entrepreneurs with more savings

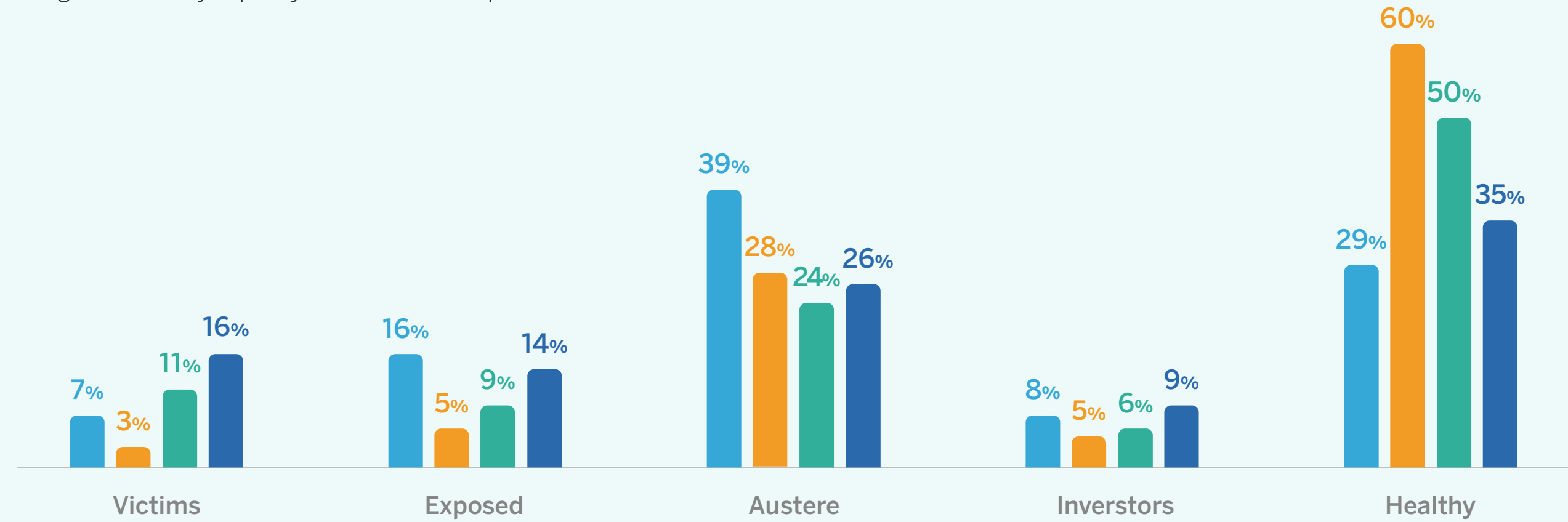
Proportion of entrepreneurs who can live on their savings for more than 6 months



To look more deeply into investment and savings habits, households were segmented according to their savings capacity and level of assets (saving + assets)¹⁵. We saw, for example, that Financiera Confianza has a larger proportion of clients in the segments with the least capacity (with a low level of assets: victims, the exposed and the austere). However, Banco Adopem and Fondo Esperanza stand out for their high proportion of clients in the healthy segment (with a good level of capacity and assets). Microserfin has a higher proportion of outlier clients (victims and healthy).

25 Savings capacity and asset level

Segmentation by capacity to accumulate capital



Victims: neither capacity to save nor savings

Exposed: no capacity but a few savings (<6 months)

Austere: capacity to save (they can save for at least 4 months a year) but have few savings (<6 months)

Investors: no capacity to save but they have savings (>6 months)

Healthy: capacity to save and savings (>6 months)

■ F. Confianza ■ B. Adopem ■ F. Esperanza ■ Microserfín

¹⁵. For more details on the segmentation, see [“Going deeper into saving”](#).

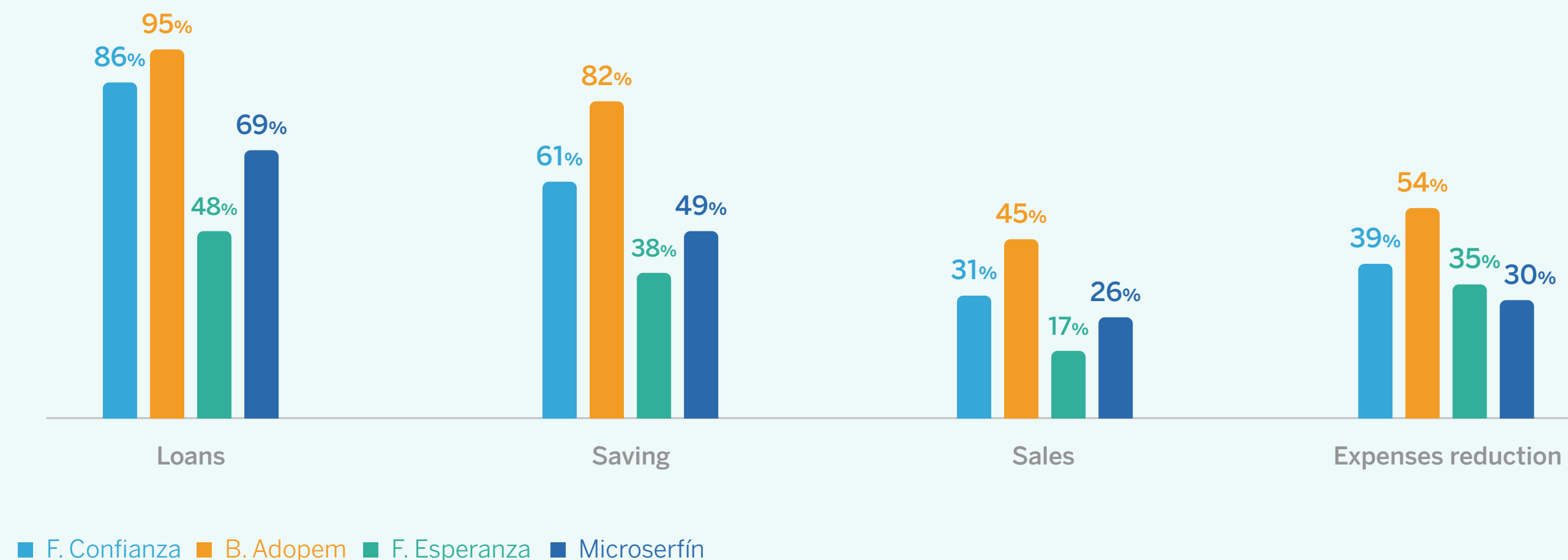
G. 25. 2023 Financial health survey.

Finally, it is important to identify the resources used by households to cover unforeseen contingencies. In general, the most commonly used are loans and savings. Nevertheless, when analyzed by country, there are some notable differences:

- **Use of savings:** Although using their savings is households' second most popular resort to cover contingency expenses (after their loan), they mainly pay with cash, that is they do not use formal financial products.
- **Expense reduction:** This is one of the least used resorts in the event of contingencies. However, in Fondo Esperanza, nearly the same proportion of Chilean households reduce their expenses or use savings, the former being much more harmful.
- **All resources:** In Banco Adopem clients spread their expenses across all types of resource (all percentages are higher than the other countries).

26 Most used resources¹⁶

Adults using the resource, multiple answers permitted



¹⁶. The highest percentage in each resource category is shown.
G. 26. 2023 Financial health survey.

Yahaira Altagracia Guerrero

Las Matas de Farfán / The King's daughter's Cakes

The perfect combination: her skills as a pastry chef and educator

Category: Prize for Production, Trade or Innovative Service

Desserts are the most delicious preparations that are always present at family gatherings and famous "get-togethers" with friends. With just one bite they take you away and make you sigh with pleasure.

Yahaira is a responsible, persevering, and enterprising woman who has never been afraid of work. She comes from a very humble family: her mother worked as a maid in a family home, and their employers had a pastry business right next to the house. So, from a young age, she would run to the kitchen to watch her mother work, and not to mention when she went to the bakery every day. For her, it was a magical moment for two reasons; to taste them and see how they were prepared.

From an early age, she worked taking care of children, as she had to help with the family income. However, she never abandoned her studies and was always able to divide her time between work and school responsibilities. At the age of 21, she got married and moved to Las Matas de Farfán where she continued her high school studies and then started her career in education while also having the opportunity to work in a school and raise her son, who is now 22 years old.

Yahaira tells us that her life took a 180-degree turn when one payday she went to withdraw money as usual and found that there was no money in her account. When she asked at the bank, she was informed that she had a credit card debt. She said that this happened due to lack of knowledge and because not everyone uses credit cards sensibly from lack of financial education; they do not stop to read the contract that is given to them when they receive the plastic.





This was the beginning of her headache, as she had to meet her household expenses, pay off her scooter loan, send money to her parents, plus the credit card debt. She remembers how that night the only thing she could think about was how she was going to find another way to generate income, on her own merits, and above all, with something that the people in the town could not get. Thousands of ideas came to her mind until she remembered the desserts of her childhood, and that just a few months earlier where she worked, she had been given a pastry course and had masses of recipes that she could implement.

She started by making a cake for a friend's son, and from that moment on, orders kept coming, and with these references, her clientele began to grow...

When she saw how well her business was being received, she decided to train in other techniques and became a pastry chef at INFOTEP, as well as attending other workshops on different types of dough, gloss, layering, among others. Today, she defines "Delicias Hija del Rey" as a successful venture that aims to make her customers happy with all her desserts.

The name "Delicias Hijas del Rey" (Delights of the King's Daughters) came about because "Delicias" means something that attracts and tempts us. "Hija del Rey" was her username on Facebook, and she decided to combine both names.

Nowadays, she makes cakes with custom-made designs, and she tells us that "glossing" is the part she enjoys the most because it requires creativity and imagination, which gives her cakes a special touch. At the same time, she offers a variety of desserts such as "deditos de novia" [bride's fingers], cupcakes, three-milk shots, among others.

Thanks to her venture, she was able to pay off her credit card debt and, above all, learn a great lesson: "I learned how to save, manage my money, and the importance of always having a budget, how to avoid credit card debt, and how to control my expenses."

Yahaira has been a customer since 2016, starting with a loan of RD\$50,000. She has taken out 4 loans and currently has one of RD\$150,000, which she invested in a professional mixer and an industrial pastry machine.

Financial solutions: we offer opportunities

Providing tailor-made financial and non-financial solutions allows households to improve their standards of living. The individuals served by BBVAMF entities live in precarious environments, and each entrepreneur has different needs: they require frequent - almost daily - financial control, specific goals, and immediate liquidity. Therefore, they need constant support and swift, straightforward service that adapts to their household as they progress.

In response to entrepreneurs' circumstances and needs, the institutions are working towards equality of opportunities in business, housing, education, health insurance, digital connectivity and literacy, climate resilience, and environmental sustainability. All this in a context of good governance, a committed team and integrated risk management.

What is more, many entrepreneurs live in peri-urban communities a long way from their city centers, or in remote rural areas. In an environment where personal relationships are paramount, the BBVA Microfinance Foundation has spent years immersed in digital transformation, making technology available to the most vulnerable so that the services it offers are easy to understand, quick, flexible and less expensive for the people it serves (for more details, see [Connectivity and digital literacy](#)).

27 Value proposition by product type



People with credit*

930,668



People with savings

2,750,965



People with insurance

624,740



People receiving training

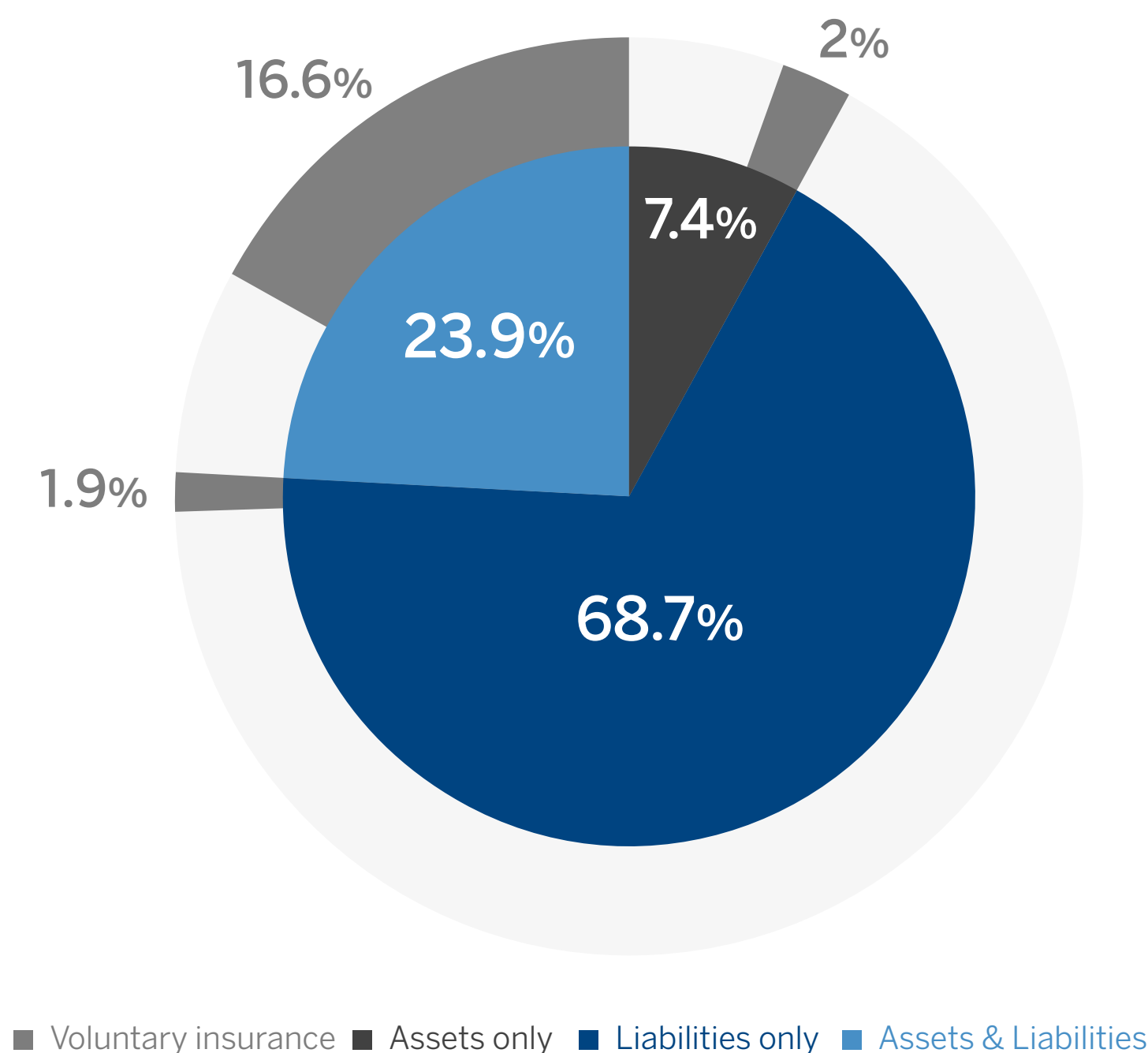
662,555

*Includes Emprande.

G. 28. Clients current at 12.31.2023.

28 Client linkage, by product type

All clients



Housing and sanitation

45% of the population in Latin America and the Caribbean does not live in decent housing¹⁷. This is a particular priority for our entrepreneurs in Chile, Peru, and Dominican Republic, due to the problems of overcrowding and housing materials.

The microfinancing available through our entities can be spent on housing where this is owned and in which the entrepreneur lives for upgrades (building interior walls, the roof, bathroom facilities, installing water tanks and solar panels) and extensions (building additional rooms to separate the business from the living area, enlarging the living room, kitchen, or terrace). An advisor supports the entrepreneur through the entire process: they visit the home, analyze the options for making improvements at the lowest cost, provide a tailored loan and carry out a follow-up afterwards.

Initiatives include Banco Adopem’s housing loan in Dominican Republic, Financiera Confianza’s Construyendo Confianza [“Building Trust”] in Peru and Microserfin’s Casafin in Panama. In total, 26,358 entrepreneurs had a housing loan in 2023.



In 2023, Banco Adopem and Habitat for Humanity signed an “Execution of M2arket Research & Product Design for the Seede Rural Housing Product” agreement for the purpose of readapting these specific loans to current needs. As a result, Banco Adopem will expand its eco-housing program in 2024 across the Central American Microfinance Network (REDCAMIF).

In order to finance access to water and sanitation which, together with housing, also impacts on public health and the environment, in 2023 Bancamía launched Crediverde Agua, while Financiera Confianza worked on its partnership with ASOMIF-Water.org and with Water for People with a product that improves household sanitation facilities (10,287 households have signed up).

Over 26,000 entrepreneurs took out a housing loan and 10,000 households signed up for a water and sanitation product¹⁸

17. IDB, September 2022 <https://www.iadb.org/en/news/governments-and-private-sector-look-for-latin-american-and-caribbean-housing-shortage>

18. Entrepreneurs current at 12.31.2023.

Education

In line with the results from the Multidimensional Poverty Index study, the main educational deprivation in all countries was the shortfall in years that entrepreneurs spent in school. We are aware of this need, and so continue to work on the value proposition that allows our entrepreneurs and their families to boost their education with educational loans from our institutions in Peru (Crédito Educativo), Colombia (Crédito de Desarrollo Educativo) and Dominican Republic (EDUCAT). This enables them to finance training programs as well as school enrollments for their children's matriculations and the purchase of equipment (computers, tablets, etc.).

In the education arena itself, in 2023 Bancamía launched its Grant Student Campaign which offers a discount of up to 500 basic points on the educational credit rate for entrepreneurs' children. Entrepreneurs from the banks' best segments, were offered lines of credit for education at a lower cost and giving access to educational sector agreements and discounts on programs. Banco Adopem, meanwhile, formalized a strategic partnership

6,050 entrepreneurs held an educational loan¹⁹

with Opportunity International to provide technical assistance to primary and secondary schools and colleges. Furthermore, as of 2023, financing for master's degrees and post-graduate studies is being provided as part of the Educa-T educational credit program, for tuition fees and teacher training, as well as for educational centers.

Grants for entrepreneurs' children in 2023

BBVA Microfinance Foundation (BBVAMF) entrepreneurs live in vulnerable economic and social environments, spending most of their incomes on their families' basic needs. Their children's education and future are a priority, but it is very hard to support them as far as university.

That is why BBVAMF has set up some grants that enable their entrepreneurs' children in Colombia and Peru to study at university. Giving them this opportunity -many live in remote rural areas or have been affected by poverty or violence- is supporting them as individuals, but also contributing to the development of their communities and countries.

BBVA Colombia and Bancamía created the Transformando Realidades grants in 2020, thanks to which 131 children of entrepreneurs are now the first generation in their families to be university-educated. The grant covers their enrollment, a sum of money and psychological support from the Solidaridad por Colombia Foundation, which helps them through a social program linked to their studies. The number of grants has increased from the original 5 to 100 in 2023.

In the same year BBVAMF set up its "Our trust in the future of your children" in Peru through its entity Financiera Confianza. The first four grants have been expanded to six.

These grants demonstrate how supporting education improves the futures of the next generations.

¹⁹. Entrepreneurs current at 12.31.2023.

Healthcare

The entrepreneurs served by the Foundation often do not have health insurance and medical emergencies represent a very high contingent expense. That is why we have designed microinsurance policies with a range of health cover: health care services that include mammograms, analyses, appointments with specialists and ambulance services (in Colombia, Chile, and Panama), cancer treatment insurance (in Colombia, Panama and Peru) and health insurance for serious illnesses (in Colombia), with monthly policies priced between USD 0.3 and USD 4.

In Peru, Financiera Confianza has teamed up with Crecer Seguros to launch its cancer indemnity microinsurance policy for the vulnerable and migrant population aged between 18 and 70 who have taken out a loan or savings plan. Coverage includes compensation in the event of a cancer diagnosis, natural death from an illness and hospitalization due to cancer. In addition, insured parties can access care services such as visits by a nurse up to 5 times a year and unlimited emotional support.

29 Health insurance

Institution	Product	N° insured		% Growth 2023
		Dec 2022	Dec 2023	
Bancamía	Cancer	74,765	76,447	2%
	Serious illnesses	121,630	139,014	14%
	Family– Women’s (Rural/Urban) care services	42,625	34,533	-19%
	Protection for my Maternity	4,809	12,657	163%
	Personal accidents/Health care services	11,384	14,358	26%
	Total Bancamía health insurance policies	198,228	211,736	7%
Financiera Confianza	Cancer Insurance	0	17,478	-
	Total Financiera Confianza healthcare insurance policies	0	17,478	-
Microserfin	Care services	12,098	11,042	-9%
	Cancer microinsurance	6,196	10,438	68%
	Total Microserfin healthcare insurance policies	13,483	14,937	11%
TOTAL	Total ALL healthcare insurance policies	211,711	244,151	15%

244,151 entrepreneurs have been protected by health insurance²⁰

G. 29. Total insured at each year end.

20. People insured at 12.31.2023.

Climate resilience

The regions most vulnerable to climate events will pay a human and economic cost that is fifteen times greater than the less vulnerable, according to the latest report published by the Intergovernmental Panel on Climate Change (IPCC). This is true of Latin America. Climate events such as hurricanes, droughts, fires, and floods have generated annual costs of 1% of regional GDP associated with interruptions to energy and transport infrastructure systems, according to a World Bank report²¹. Up to 5.8 million people could fall into extreme poverty because of climate change if appropriate measures have not been taken by 2030, according to this report.

In response to this call to action, BBVA Microfinance Foundation is measuring climate vulnerability (see the [Risks of climate change](#) section). BBVAMF Group has mobilized an insurance offering to encourage the most vulnerable entrepreneurs to further adapt to climate change. Climate change insurance covers damages and loss caused by climate events such as rain, drought, hail, wind, and frost. Some policies focus on farming activities, such as Financiera Confianza's Farming Insurance and Bancamía two policies Mi Siembra Protegida and Mi Inversión Protegida [Protection for My Crop and Protection for My Investment].

In Peru, Financiera Confianza has improved the coverage in its Farming Performance insurance for farmers with a farming loan in 2023. Thanks to 80% cofinancing from the Agrarian Development & Irrigation Ministry (MIDAGRI), more comprehensive insurance of up to 65% on performance (formerly 50%) and a lower premium of 1.2% of the sum insured (formerly 3.6%). All this with support from integrated advice bureaus to promote good farming practices and appropriate risk management.

In Colombia, Bancamía received a subsidy from FINAGRO in 2023 called Incentive for Farming Insurance for its "Protection for my Investment" policy, which shields the Farmer from natural disasters, reducing the cost by between 80% and 90% for small producers, resulting in a discount on the policy as a whole of up to 39%.

Furthermore, multi-risk insurance gives more protection to urban entrepreneurs from the impacts of climate change. This is the case of Bancamía's "Protection for my Premises" policy, Financiera Confianza's multi-risk insurance and Fondo Esperanza's "More Protection for my Business" policy.

In 2023, Fondo Esperanza launched its "More Protection for my Business" policy in Chile, which safeguards entrepreneurs against climate events such as fires, floods, and avalanches, among other disasters.

Bancamía meanwhile also launched its "Protection for my Premises" policy to cover damage to the structure and contents of the entrepreneur's business in the event of unforeseen events and losses due to the interruption of their activities. Among the events covered are climate events such as hail and strong winds.

157,093 entrepreneurs have a climate insurance policy with cover against the risks of a climate emergency²²

21. World Bank report: *Roadmap for Climate Action in Latin America and the Caribbean 2021-25*.

22. Numbers insured at 12.31.2023.

Credits for adaptation to climate change:

Although “climate” insurance helps entrepreneurs get back on their feet from losses and damage caused by climate events when these occur, we are aware of the importance of helping entrepreneurs to strengthen their capacities, adopt better productive practices and protect their assets, thus mitigating possible risks or impacts.

RESILIENCE

**Colombia, Peru,
Dominican Rep. & Chile**

160,386
entrepreneurs



Adaptation loan

3,361
entrepreneurs



Climate loan

157,093
insured people

In this area we have a portfolio of products designed for farming entrepreneurs, comprising Bancamía’s Crediverde Adaptación and Banco Adopem’s Eco Crédito, Ganadería Familiar Sostenible and Macadamia. These loans finance the implementation of around 40 MEBA (Ecosystem-based Adaptation) measures. The main goal is to finance measures that: **I)** reduce the pressure on ecosystems and the services they provide; **II)** increase the social and economic resilience of the human populations most vulnerable to climate change; **III)** reduce the risk associated with climate events in productive activities; **IV)** protect, restore and use biodiversity and ecosystems sustainably; and **V)** have a positive impact on the economy and people in the short term. Some of the practices financed through these products are, for example, the use of organic fertilizers, organic farming, and windbreaker barriers, to name just a few.

**3,361 entrepreneurs have climate
adaptation loans²³**



²³. Entrepreneurs current at 12.31.2023.

Environmental sustainability

With the aim of financing more sustainable practices that respect the environment, the value proposition also tackles areas such as climate change mitigation, access to water, and the installation and improvement of sanitation systems.

In the climate change mitigation space, Bancamía is offering Crediverde Energía in Colombia to reduce microentrepreneurs' vulnerability, by upgrading their business premises to lower energy consumption with environmentally efficient ovens and stoves, refrigeration systems and energy-efficient lighting, installation solar panels and electric vehicles.

In Dominican Republic, Banco Adopem is marketing its Ecohousing loan for investments in water and sanitation (bath, shower, WC, water filtration, biodigesters), investments in energy and lighting (solar panels) and infrastructure (extension and upgrading of the home with sustainable materials).

A distinction is made between those entrepreneurs whose economic activity is based around sustainability (e.g. water treatment and decontamination; 449 entrepreneurs in total) and the circular economy (repair, rental, recycling; 7,532 entrepreneurs in total), and those who purchase products for sustainable purposes. For the latter there are loans to mitigate climate change²⁴ (449 entrepreneurs have taken out one of these) and loans to upgrade sanitation systems (10,288 households have taken out this type of loan)²⁵.

ENVIRONMENTAL SUSTAINABILITY

Columbia, Peru & Dominican Rep.

18,647
entrepreneurs



**Water management
& pollution**

10,724
entrepreneurs



**Circular
economy**

7,532
entrepreneurs



**Mitigation
credits**

449
entrepreneurs

Close to 11,000 entrepreneurs contribute to the conservation and sustainable use of water, and another 7,500 to the circular economy

²⁴. Credits for the installation of renewable energies, biodigesters and sustainable construction.

²⁵. Credits for the installation of bathrooms, septic tanks and/or connection to mains sanitation systems.

Connectivity and digital literacy



In response to the issue of digital poverty, BBVAMF has for years been taking **internet to remote areas through its banking correspondents**²⁶, entrepreneurs' businesses that are turned into connection points for their communities, using satellite antennas or other linkage systems.

In Peru, in 2023, Financiera Confianza activated 11 new zones with internet access. The entity also hired 17 Confianza "Satellite Agents", and as of today has 62 satellite solution points. Furthermore, it subsidizes the agent to the cost for a year of their local internet service, so that they can handle client transactions using the Corresponsal app²⁷. Thanks to this strategy, over 3,600 people now have internet connectivity and as of December 2023 over 39,000 transactions (installment payments, cash deposits and withdrawals and transfers) had been recorded.

In Colombia, Bancamía migrated all its satellite correspondents to the local internet connection. Over the course of the year, the 22 correspondents completed over 9,000 transactions.

In Panama, Microserfin joined the pilot project in 2023 using the Satellite Correspondent model in the remote areas of Cucunatí and Darién to service 75 entrepreneurs. The entity is bearing the costs of the Starlink satellite link for a year.

Another way of getting connectivity is with free WiFi in branch offices to encourage people to download the app and support them in the process of learning how to browse it. Microserfin has been offering this free service since 2023 in all its branches in Panama and Bancamía does the same in Colombia. In Chile, Fondo Esperanza's pilot program Nuevo Modelo de Oficina [New Office Model] provides a QR code for entrepreneurs to connect.

Launched in 2022, Financiera Confianza's **Digital Corners** is now to be found in all its offices in Peru: a space inside branch offices where entrepreneurs can get support to learn how to use the app (mobile banking, virtual office) and learning platform. Pilots are being run in Panama and Chile to roll out this initiative, which Colombia and Dominican Republic will join in 2024.

²⁶. Banking correspondents are small stores, pharmacies, and other kinds of businesses that act as a transaction point for the microfinance institution (to handle cash-in / cash-out operations). They also promote financial services (e.g. microcredits).

²⁷. Microfinance entity app used by banking correspondents for transactions.

Over the course of 2023, the entities have been reinforcing their digital literacy contents and courses. During the year over 80,000 people have used digital skills contents such as digital marketing – how to set up online stores, digital strategies imparted through virtual workshops and e-learning platforms.

In addition, each MFI has its own digital training platform where all the contents are housed (whether digital literacy or other subjects), with each entity boasting the following new offerings:

- In Chile, **Fondo Esperanza** has launched its new learning model through its Digital School for Entrepreneurs, a hybrid education model with group and individual learning environments. In 2023 more than 51,000 entrepreneurs were signed up on the platform.
- **Bancamía**’s “*Facilitamos su Progreso*” platform now has over 2,000 users in Colombia. In 2023, Bancamía took part in the national government’s people’s economics roadshows, training over 1,200 people in financial education subjects across 6 areas of the country. A specialized module was developed for this with lessons on how to use credit, escape from extortionate payday loans and meet financial obligations, among other subjects.

- By 2023, **Microserfin** already had over 800 people on its “*Impulsamos Tu Negocio*” [We boost your business”] platform. New subject streams were added, among which is a new course in cybersecurity with advice on how to safeguard your business from possible attacks.
- In Peru, **Financiera Confianza** has adapted its educational model on its platform “*Academia de Confianza*” after identifying areas for improvement, and now has 900 registered users.
- **Banco Adopem** has partnered with The Trust for the Americas to design a learning model for its “*Crece Con Adopem*” [Grow with Adopem] platform. In 2023 it already had 976 users and around 1,000 women entrepreneurs were trained in digital skills as part of the Digital Women Entrepreneurs Community project.

Furthermore, in 2023 a new partnership with Mastercard’s Center for Inclusive Growth and Caribou Digital meant that “*Hora de Crecer*” content (e-commerce) could be licensed across all BBVAMF entities’ platforms.

More than 56,000 people have registered on our e-learning platforms





Nélida Buendía Gutiérrez

The story of Nélida Buendía Gutiérrez stands out not only thanks to her business and financial successes, but also her personal resilience and dedication to her family and community. During a difficult period in her life, when she was facing problems with the father of her children, she received invaluable advice from her mother that would resonate with her journey to progress.

In the midst of personal challenges, Nélida's mother, with wisdom and compassion, gave her invaluable advice: 'He has not taken away your hands nor your feet, so go ahead.' These words, loaded with empowerment, reminded Nélida that, despite the difficulties, she had control over her own destiny and had to move forward. In the community of Cahuapanas, the story of Nélida Buendía Gutiérrez is a story of perseverance and growth.

In 2000, Nélida decided to venture into the business world, starting with grocery sales, which she had done for the past 10 years. However, her path became challenging in 2012, when she faced health problems that led her to redirect her focus towards lighter products such as clothing, since she did not need to carry weight. She currently sells clothing, sandals, slippers and trimmings.

Nélida deeply appreciates the constant support of Financiera Confianza, a relationship that has remained strong over the years and that has even allowed her to invest in her children's education, seeing one of them complete university and embark on her own career. Furthermore, thanks to the fruits of her work, she has managed to build her own house, the one she designed herself.

Between 2015 and 2016, as she sought to continue growing, Nélida studied accounting for 3 years, which has allowed her to better manage her businesses. Currently, Nélida is also a Satellite Trust Agent. This new chapter not only gives her financial benefits, but also connects her with technology and high-speed Internet access, a resource that she hopes will transform the lives of her community, especially in the educational field.

Training

Our productive finance model also entails training as a non-financial value proposition. Financial literacy is an important component, but it also includes modules in business management, enterprise strengthening, personal competencies, women’s empowerment, and digital skills.

These are imparted in both in-person and virtual workshops and on learning platforms. There is also a range of awareness-raising activities, with lectures, workshops, webinars and Instagram Lives with the purpose of informing and fostering social inclusion.

[Destacado] Over 662,000 people received financial advice or training in 2023. 68.6% of all these people were trained in person, 21.1% had a hybrid format and the remaining 10.3% were online.

By subjects, 80.6% of training actions include financial education contents and 19.4% offer subjects such as business management, welfare and the family, leadership, digital marketing and social capital.

In Colombia, **Bancamía** advised more than 316,000 people on its Echemos Números, [Let’s Do the Numbers] program, which has on three occasions been awarded the Colombian Financial Authority’s stamp of quality, a distinction the financial regulator sometimes bestows on the institutions it oversees.



In Peru, more than 68,000 women took part in **Financiera Confianza’s** Aprendiendo en Confianza [Learning with Confidence] program for participants in the group lending scheme Palabra de Mujer [Woman’s Word], in 2023. The courses covered how to handle revenues, budgets, and digital literacy to improve their business.

In Chile, **Fondo Esperanza** launched Ruta Emprendedora, comprising educational sessions during in-person group lending meetings, and digital learning contents from the Digital School for Entrepreneurs. 103,388 entrepreneurs received training during 2023.

In Panama, **Microserfin** trained 27% more micro-entrepreneurs than in 2022, imparting 24,982 training sessions via its in-person modules with titles like Managing Debt; Yes, you can save; Financial budgeting; and Risks & Insurance, using its relationship banking methodology.

In Dominican Republic, 10,161 people attended **Banco Adopem’s** lectures on how to better manage their resources and how to better understand financial risks and opportunities. Furthermore, 7,715 students took part in the “Financial Education for Children & Young People” program in educational centers to encourage the culture of saving.

Insurance for protection

BBVAMF entities provide a broad range of microinsurance products to protect entrepreneurs, their businesses, and their homes. These products are carefully adapted to entrepreneurs’ needs, both in terms of the risks covered and the prices, purchasing processes and payout of claims. They help households to improve their resilience and reduce their vulnerability to the negative effects of events that are beyond their control. Furthermore, they enable them to access medical and farming advice anytime and anywhere.

There are currently 25 insurance policy types available, in 5 categories: healthcare, life, funeral expenses, damages (climate and non-climate), and (only in Peru, for the loan repayment) installment protection. In recent years major efforts have been made to encourage more placements of these products. The voluntary insurance offering involves many complexities (in designing the product, adapting the cost, and its tangible features) but we can point to healthcare insurance policies as a stand-out product among the most vulnerable population.

In 2023, **Microserfin** launched its life microinsurance policy covering death for any cause, total or permanent disability, accidental death, dismemberment, medical expenses for accidents, maternity, and basic food basket.

Banco Adopem, meanwhile, signed a partnership with a local insurance Fintech to back the development of non-financial products. This collaboration creates a new digital channel through the AppDOPEM app enabling clients to acquire insurance products quickly and easily without requiring assistance from a sales executive. The voluntary policies available include a life insurance policy covering accidental death, total disability and/or dismemberment and end-of-life expenses.

Total voluntary insurance policies



624,740
people insured

+2% Dec23/Dec22

Health & care services



244,151
insured people

+15% Dec23/Dec22

30 Voluntary insurance

Family - Type	All insured December 2023					
	Bancamía	Financiera Confianza	Banco Adopem	Fondo Esperanza	Microserfin	BBVAMF
Health	211,736	17,478	0	-	14,937	244,151
Climate	20,641	136,048	-	404	-	157,093
Non-climate damage	69,489	-	-	-	-	69,489
Life	182,966	113,615	55,420	692	5,006	357,699
Funeral	170,003	-	-	-	11,210	181,213
Installment/ card protection	-	73,919	-	-	-	73,919
Total BBVAMF-insured people	331,797	219,240	55,420	1,023	17,260	624,740

G. 30. Total nº insured at 12.31.2023.

Corporate governance

Good corporate governance contributes to delivering the Group's mission, vision and goals, helping to generate value, allowing risks to be identified, managed, controlled and reported. It enables appropriate policies to be set for complying with the regulatory framework and working together on creating synergies and greater sustainability in the long term. All this goes towards reinforcing trust among stakeholders and promoting a culture of accountability and ethical, transparent behavior.

BBVA Microfinance Foundation Group's governance structure operates under the highest global standards, synthesized in a corporate governance code that has been underwritten by the entities since 2015. All the Boards of Directors are composed of professionals qualified in their areas of responsibility: the microfinance sector (98%), administration and senior management (98%), finance & risk (73%), talent management (47%) and cooperation & development (50%).

The proportion of women in the organs of governance is higher than that required under European regulation (33%), as 41% of members in the regulated entities (Colombia, Peru and Dominican Republic) are female, with 21% in the unregulated ones (Chile and Panama).

Diversity in governance bodies



41%
women



68%
independent
board members

Impartiality in decision-taking is also guaranteed by having independent board members: 68% in regulated, and 41% in the unregulated institutions. The majority of the committees supporting the board are also chaired by independent members.

Lastly, in 2023 ESG Committees (Environment, Social and Governance) were created in all the group's entities to guide, supervise and monitor issues around sustainability, the environment, human rights, and diversity & inclusion.

We meet the highest standards in the composition of our organs of governance

31 Broad diversity of skills and experience

All board members

Cooperation & development

51%

Tecnología y procesos

25%

Talent management

46%

Microfinance sector

93%

Finance & risk

72%

Administration and senior management

97%

G. 31. Data at 12.31.2023.

Compliance

The function of Compliance is a global one in the Group, and it carries out the job of promoting and ensuring that the Group acts with integrity, above all in the activities that could entail Compliance & Conduct risks.

For this reason, there are internal norms such as the BBVAMF Group's Code of Conduct, that is mandatory and instructs collaborators about the four key areas relating to the client, coworkers, the institution, and wider society.



BBVA Microfinance Foundation Group Code of Conduct

NOVEMBER 2023

We drive the sustainable development of people in vulnerability who are working in productive activities



The updates to the Code of Conduct approved in 2023 by the Trustees of the BBVA Microfinance Foundation indicate the degree of commitment to adapt and remain connected to our mission.

To apply the Code of Conduct, we have a channel of communication called the Responsible Attitude Channel, for scenarios that are ethically questionable.

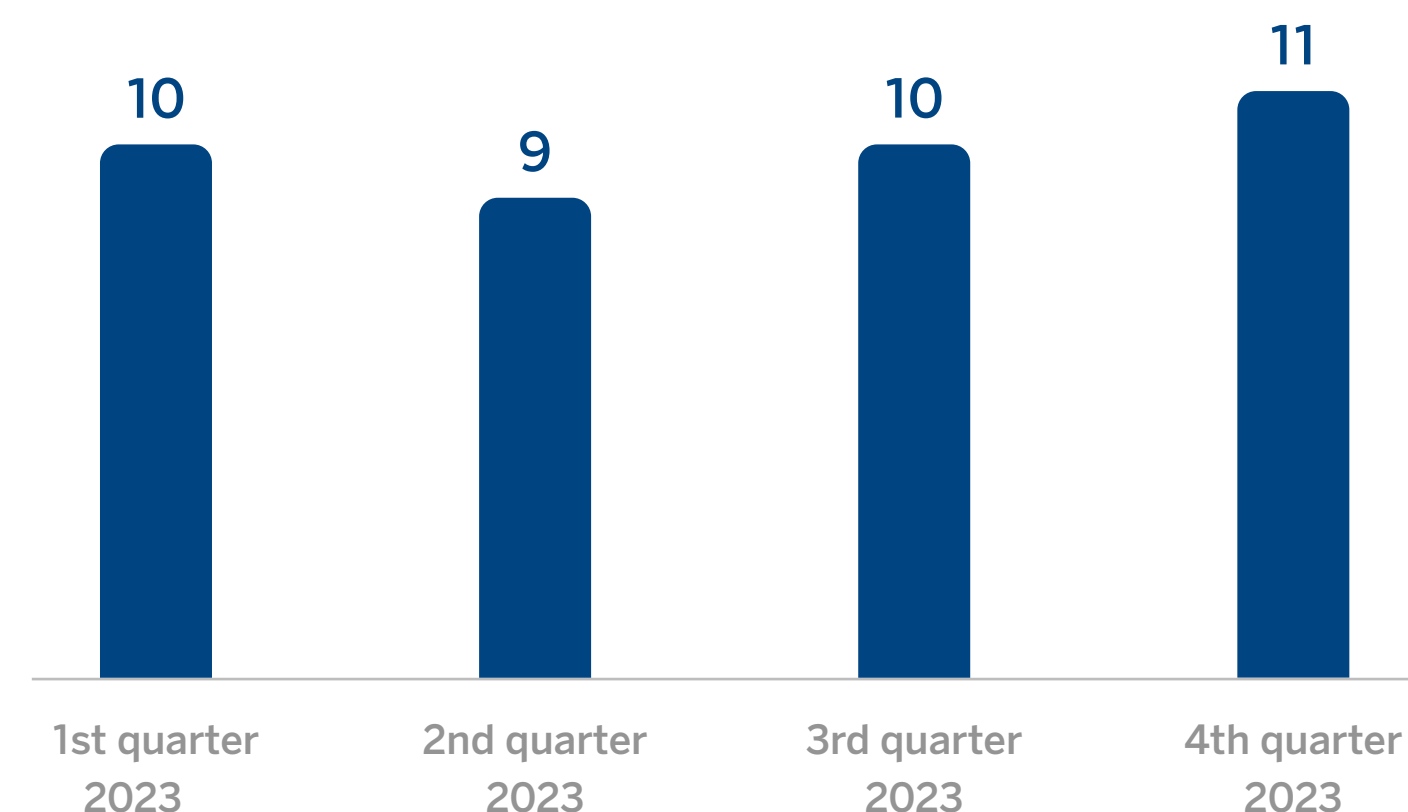
This channel protects the whistleblower from these kinds of attitudes, respecting their confidentiality and safety from possible reprisals against them.

As far as the clients are concerned, to protect them and ensure high quality service there are several lines of communication with the institution available for submitting complaints and claims. The response time to clients' complaints and claims complies with the limits set by each country's legislation in this area. In 2023 the rate of complaints and claims (understood as the number of complaints and claims/number of clients) was 0.3%.

An updated Code of Conduct that reflects the value of our mission

32 Managing complaints and claims

Average n° of days to resolve



A complaints channel that protects the whistleblower

G. 32. Quarterly stagnant data, for all BBVAMF Group institutions.

Integrated risk management

BBVAMF Group entities have an integrated risk management and control framework that has been adapted to its organization and the countries in which each operates, characterized by its drive for a dynamic, holistic management style that anticipates all risks, ensuring that our mission is carried out without endangering operational sustainability.

This integrated risk management means that our institutions give an appropriate response to a changing economic, social, and regulatory landscape, to the new risks – essentially non-financial ones – we are facing and to the greater complexity of financial risks.

The basic elements comprising this framework are as follows:

ELEMENTS FRAMING RISK MANAGEMENT



Organizational & governance structure
Roles, responsibilities, and management framework



Risk Appetite Framework
Level of acceptable risk



Evaluation, monitoring & reporting
Dynamic, forward-looking control of the risk function



Infrastructure
Resources for effective risk management & control



Organizational & governance structure
Roles, responsibilities, and management framework

The governance and risk management of the Foundation's entities is closely monitored by its risks departments and governance bodies. In particular, when deciding on the risk strategy, on tracking, control and continuous supervision of how it is being implemented, and when ensuring that the means, systems, structures, organization, and resources that enable said strategy to be implemented are all in place.

Responsibility for the day-to-day management of risks is held by the entities' business areas, which must operate according to the policies, standards, infrastructure, and controls set by their governance bodies.

On the other hand, risk has been designed as a single function that is separate from the sales areas, with the independence necessary to take decisions and sufficient resources to carry out its duties fully.

Governance and organizational structure are fundamental cornerstones for ensuring effective management and control of risks.



Risk Appetite Framework

Level of acceptable risk

The risk appetite framework establishes the level of risk that the entities are prepared to take on, to guarantee they meet their targets, in line with their growth strategy and safeguarding their sustainability.

This methodology has been introduced as a planning tool that enables all risks to be managed more efficiently, taken in aggregate, to ensure alignment with the agreed strategy.

When the Risk Appetite Framework is integrated into daily operational management it relies on policies, standards and procedures that are aligned with the risk strategy. It also requires comprehensive management of these risks throughout their lifecycle, with tailored approaches to each type, as needed.



Evaluation, monitoring & reporting

Dynamic, forward-looking control of the risk function

The assessment, follow-up and reporting of entities' risks uses a dynamic, forward-looking vision that helps to take the decisions necessary to comply with the risk management strategy as defined by the governance bodies.

Assessing the financial and non-financial risks facing the entities, defining and constantly reviewing the risk policies and processes that leverage integrated risk management, tracking the risk profile of each institution and the risk factors that have been identified using internal indicators and metrics: all these actions enable us to anticipate how they will develop and to take the measures needed to optimize the management of risk.

Equally, having reliable, sufficient reporting systems, with information about how risks are evolving, with the frequency and depth commensurate with the nature, importance and complexity of the risks reported, and sharing this information with the institutions' governing bodies ensures that the decisions taken are properly supported.



Infrastructure

Resources for effective risk management & control

All the institutions have the structure and human resources needed to achieve their strategic management and risk control goals and to develop the methodologies and models appropriate for measuring and managing the various risk factors. They also have the technology systems that make the assessment, tracking and reporting processes feasible; it is the entities that provide the data needed to manage risk and to report to the governance bodies. The entities promote data governance to ensure robust quality standards in the risk management processes.

Human talent

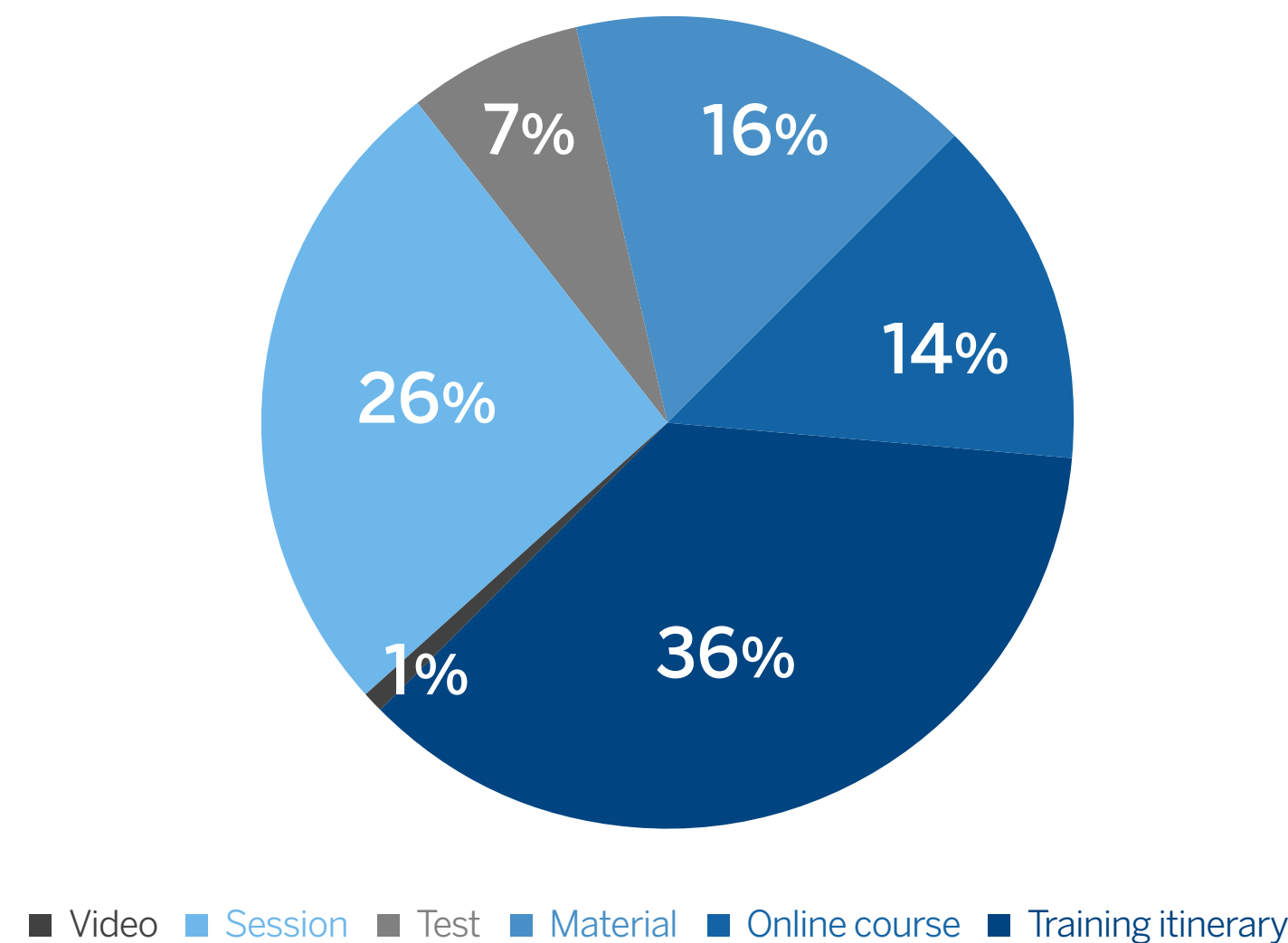
Professional development and training

It is very important that the Foundation's nearly 8,000 employees receive professional development as this in turn ensures that our entrepreneurs develop. To this end, training sessions are available for staff and a work schedule is set where constant challenge and improvement enable employee growth.

The virtual training platform Campus has courses on data science, leadership, innovation and technologies, customer relations, finance, risks, team management, standards and regulations. 181,369 hours of training were given in 2023. Furthermore, employees have access to the online platform Coursera, with content from 275 leading universities and companies, from practical courses to certificates and degree programs. The tailored learning app Drillster also enables them to access personalized training. Finally, so that they can develop their knowledge and share practical learning and experiences, the Community of Practice has been relaunched, with training teams drawn from all the institutions.

33 Training for employees

Hours by training format



The Foundation's employees have access to continuous training in different virtual format that are adapted to their needs

With an approach based on innovation and technology, we have added the contents of the Coursera platform, which has content from over 275 universities and leading firms to our training offering, to provide online, flexible, affordable and up-to-date learning. Coursera provides a broad range of learning opportunities, from projects and practical courses to certificates and degree programs.

Similarly, responding to the changes in training methods themselves, we have made the tailored learning app Drillster available. This app personalizes the training syllabus and schedule, meaning that each person can learn in their own way, according to their needs.

In order to establish the mechanisms that enable us to develop knowledge, sharing learnings and practical experiences, we have relaunched our Community of Practice with the training teams from all the institutions.

All the institutions in BBVAMFG have career paths for our collaborators' professional development. This means that our co-workers can gradually develop their skills and knowledge, as well as their responsibilities.

G. 33. Data for all Group entities, including the Foundation. Type of training: Session (in-person), Test (level test), (Reading) Material, Online course, Training itinerary (includes session, online, material &/or video).

Diversity

The principles of respect for **Diversity**, which all the entities in the group have endorsed, are grounded in the need to reflect the society for which the group is working to generate a positive impact on that society. In Dominican Republic, Banco Adopem received the gender equality DR Equating Certificate in 2023 for its diversity protocols and its fight against inequality and discrimination. Furthermore, the exchange of ideas and communication between the entities across the five countries enriches the work of all of them.

Obtaining the gender equality DR Equating Certificate in Adopem is the best demonstration that the principles of respect for diversity are being adopted

Benefit programs for workers include economic help and favorable loans for their professional development, such as specialist degree studies. Meanwhile, loans for mortgages or to upgrade their homes, insurance policies and medical care all make a direct contribution to their family's health and welfare.



Social benefit programs contribute to personal growth and to the health and welfare of our employees' families



Rosa Ovalle Martinez

The chance to upgrade your home

<https://microserfin.com/tengo-muchos-suenos-que-cumplir-en-mi-vivienda-rosa-ovalle-una-de-las-beneficiarias-de-casafin/>

More than 40 years had to pass for Rosa Ovalle Martínez to get the opportunity to have a modern piped bathroom in her home for the first time. Circumstances like these are repeated in the households of billions of people around the world who still lack access to clean water, sanitation, and hygiene.

That's why for low-income microentrepreneurs like Rosa, who dream of progress and a better quality of life for their families, having access to credit that provides resources to invest in improvements in their home and/or business is a dream come true.

Rosa, a countrywoman who, through her agriculture business, managed to support her six children alongside her husband, is one of the beneficiaries of the CasaFin product.

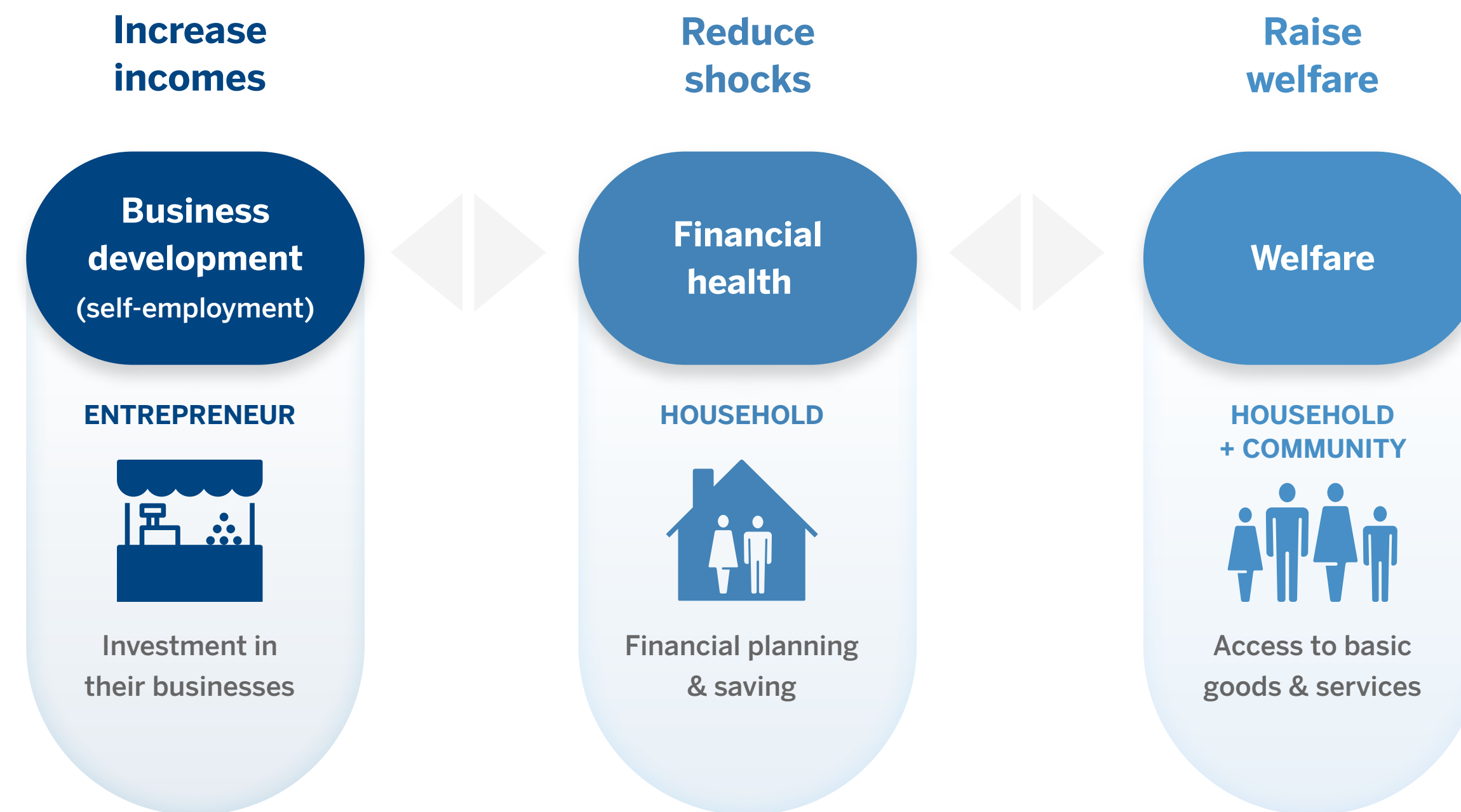
"In this house, we always had an outdoor bathroom. We've been here for about 55 years, and for almost all of that time, we had that bathroom, but now as one gets older and seeing that sometimes the family come to visit, we decided that we wanted a proper bathroom... I think it's better, I like it this way," comments this micro-entrepreneur.

Impact on their households

Entrepreneurship is an opportunity to improve spending patterns in their homes, to increase investment and manage risks. Access to financing, together with the entrepreneur's own skills and competences and their personal abilities and characteristics (perseverance, capacity for hard work and willpower, creativity, passion, etc.), are key factors in achieving success. This likelihood of success rises if the multiple dimensions affecting this performance are taken into account, if there is support for upskilling, financial education and digital training and if, in addition, it is possible to create the surroundings that are conducive to its materialization.

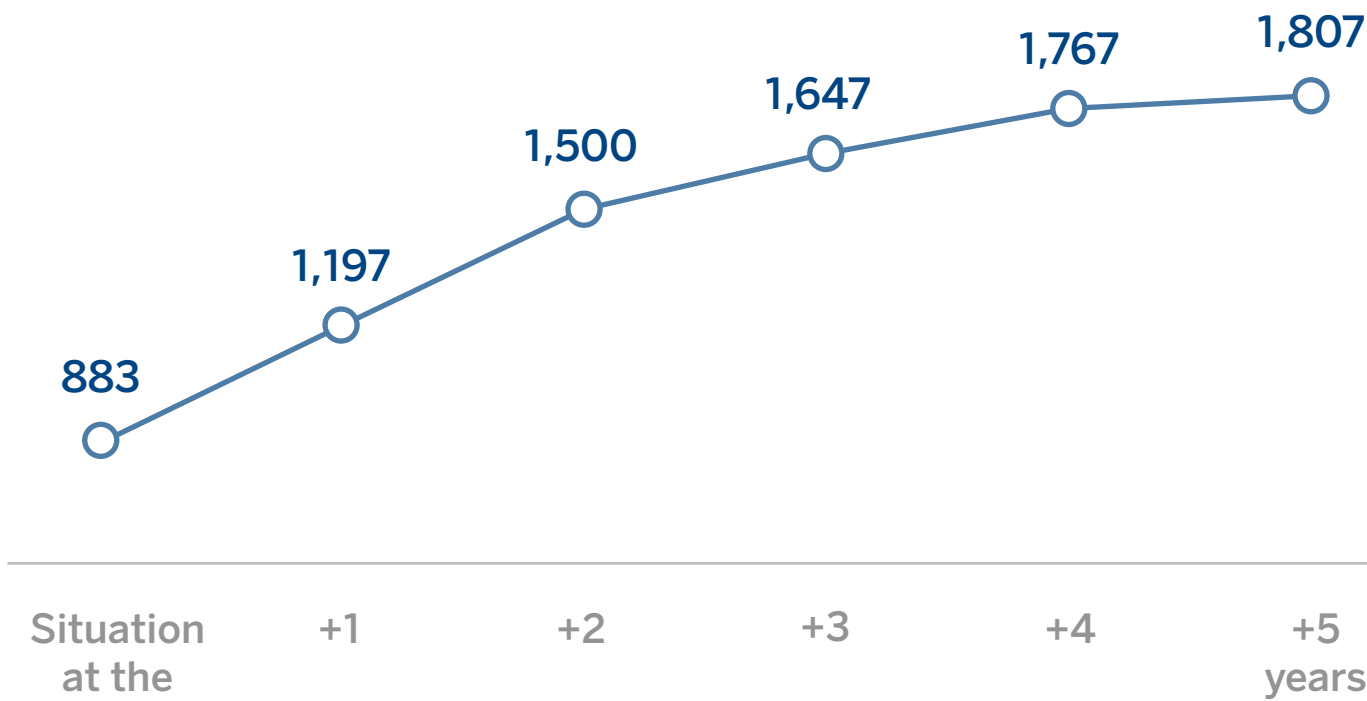
The year 2023 is increasingly being defined by the striking capacity of people to adapt, particularly in the case of the informal micro-entrepreneurs who are facing multiple and complex disruptions, originating from different sources and with long-term consequences. However, they are often not ready to cope with them. Digitalization has crept into businesses, especially in sales channels, as was the case in 2022, but it is not a tool that is used continuously. On top of this is the financial stress that these entrepreneurs suffer on a daily basis, especially inflationary pressure that reduces household margins, where business and family needs are intimately linked.

IMPACT GOALS



34 Average amount disbursed, change

Entrepreneurs served. Average amount in USD



Microentrepreneurs believe that if the size of their loan were increased, the management of their business would improve

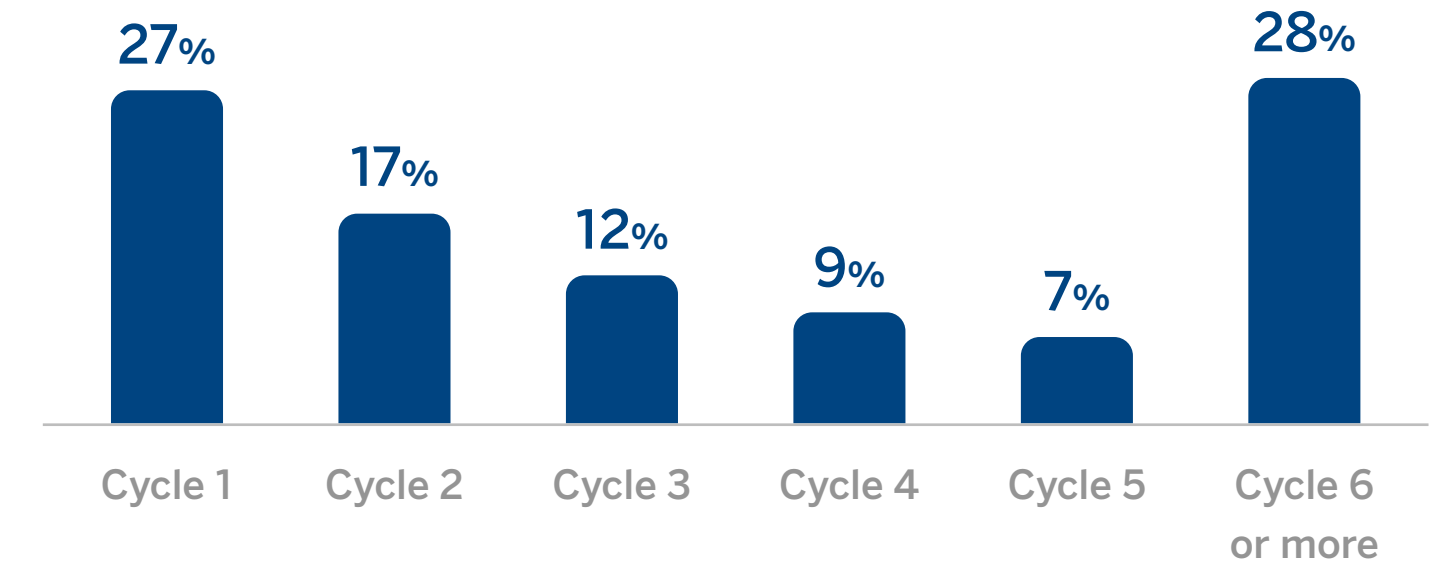
The results from 2023 show that business development has been good, but that there are lags in welfare²⁸ and financial health.

Credit is a key tool for supporting the progress of entrepreneurs. 42% think that an increased loan and refinancing would help them to improve their business management (2022 survey). Receiving financial advice is the second most popular choice, especially in Chile, Peru, and Dominican Republic. A quarter of clients don't think they need any help from the institution. Despite the variety of products that entrepreneurs know about, loans are still the most requested and useful (see Financial Health Resources).

The average sum disbursed for new clients has grown in recent years, standing now at USD 1,343. As clients roll over their loans the amount they receive increases. So, in the last six years the average disbursement for new clients has been USD 883, but after they have been banking with us for five years, on average they are receiving USD 1,807.

35 Entrepreneurs' time banking with us

All entrepreneurs



The sums received by our clients rise as they renew their loans with our institutions

²⁸. Given that the method of measuring welfare has been changed this year in order to include a minimum standard of living (multidimensional poverty), there is no information about households yet. However, interim outcomes from the first half of 2023 indicated slow household investment.

G. 34. Clients by cohort (year of entry). The initial value is the average initial value (first disbursement in the year of entry). The average growth recorded in the disbursements to the cohort after one year, 2 years, etc. is added to this value.

G. 35. Entrepreneurs current at 12.31.2013.

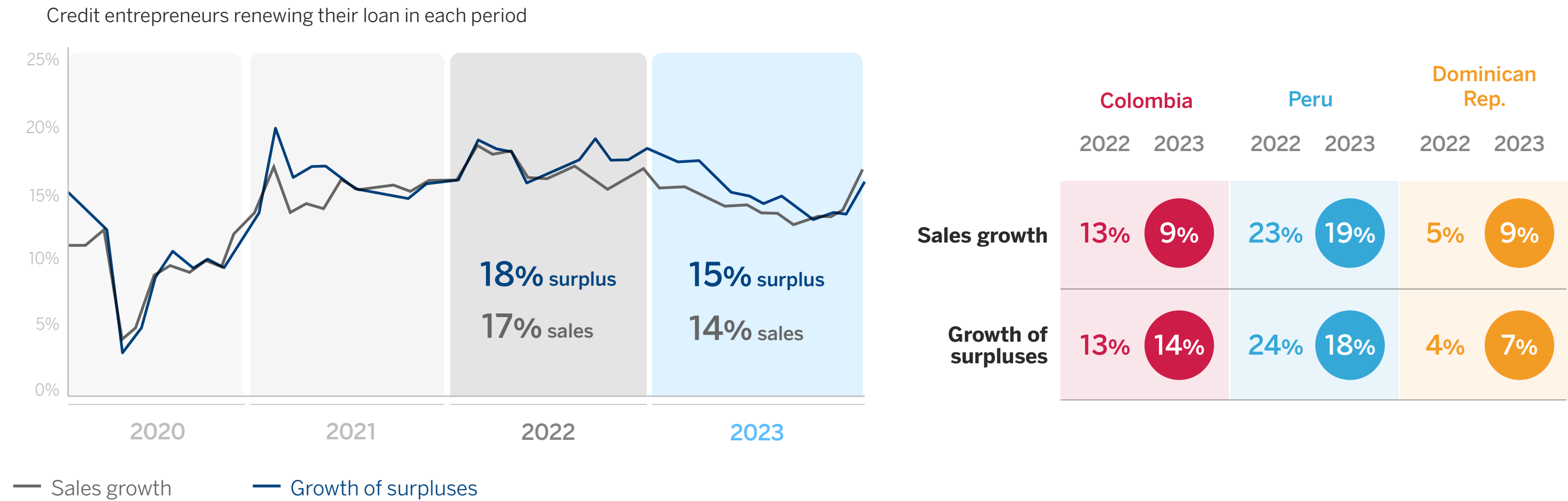
How their businesses are progressing

Business performance depends in many ways on the macroeconomic environment. The resilience of microentrepreneurs is translating into solid growth, both in sales and surpluses, reaching annual rates of 14% and 15% respectively. This expansion, once deflated, is lower than last year, a sign of the difficulties in some countries.

Growth has passed over into an income improvement in one in every two households: 54% of homes improved their income in 2023, compared to 51% in 2022. Nevertheless, these averages hide differences, both by country and by activity.

In terms of performance there have also been two dynamics; on the one hand we see that entrepreneurs who have been with our institutions for about a year performed better than in 2021-2022. This is due above all to shopkeepers (neighborhood grocery stores), beauty parlors and mixed farming, that have performed well over this period (post-pandemic) and shown a great capacity to adapt. Many entrepreneurs in poverty are concentrated in these segments (trade), with short-term credits (one year), so we can see more escape from poverty for these more recent entrepreneurs. However, we also see a slight increase in the volatility of entrepreneurs with 3 cycles of seniority (where volatility has gone from 23% in April 2022 to 25% in April 2023); this is due to entrepreneurs with older loans,

36 Business growth



particularly in more unstable segments such as farming (livestock, crops).

When we turn to clients who have been with us for more than 5 years (a good reflection of a more structural behavior) there are no significant changes. The first few months of 2023, that were tricky because of local instabilities (macro, politics, inflation) suggest that a degree of uncertainty over

the entrepreneurs' performance will remain. In other words, local instability may slow down future performance.

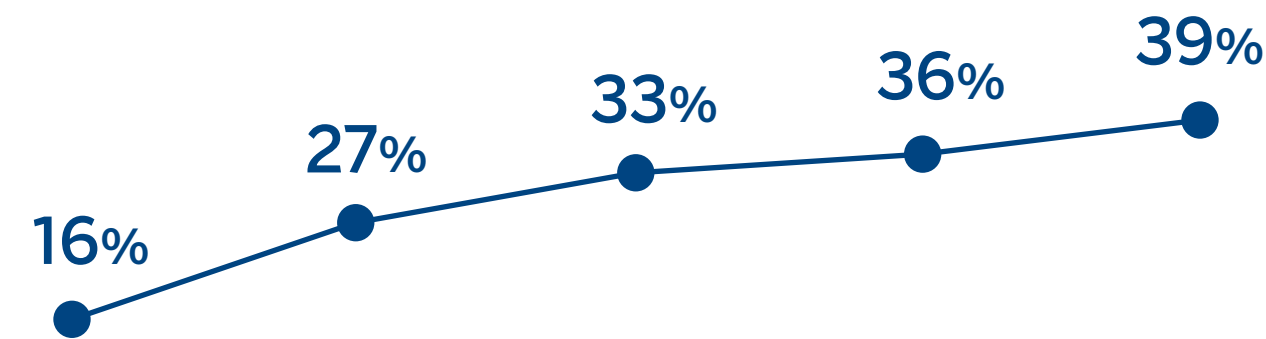
Financiera Confianza shows the greatest variation (with falls of more than 10% in the growth rate of sales and surpluses), whereas Bancamía and Banco Adopem have maintained their growth rate.

G. 36. Clients that have rolled over a loan every month. Average annual growth in sales and surpluses in these businesses. Does not include Chile or the data between March-20 and December-20 for Colombia.

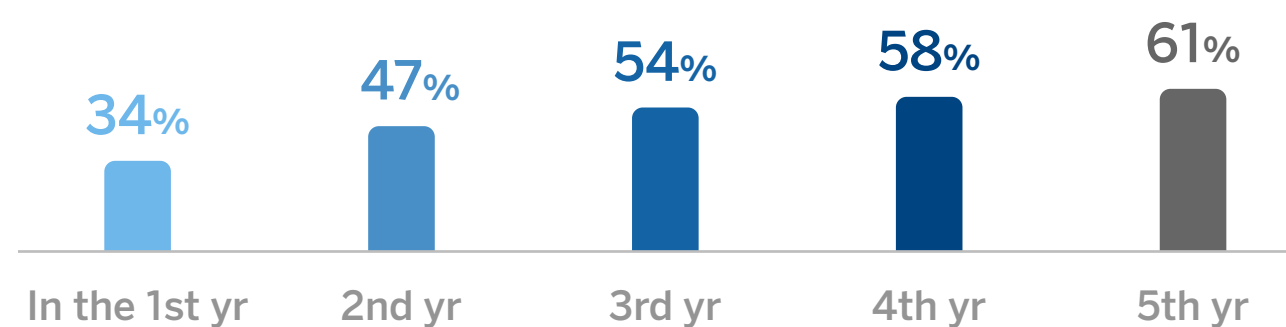
37 Reduction in the poverty segment

Credit entrepreneurs renewing a loan in each period

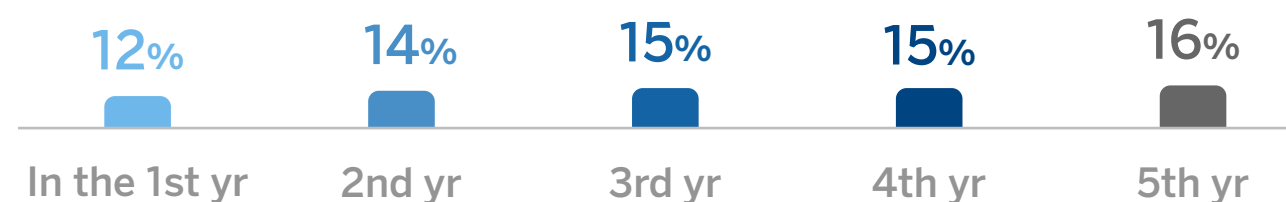
Net reduction



Escape poverty



Fall into poverty



After two years of business development, with the increase in their incomes, one in three entrepreneurs manages to climb out of poverty. What is more, the longer they bank with us, the better their performance. There are two interesting trends:

- Entrepreneurs in poverty continue looking for minimum incomes and the rate of escape from poverty has held fast, a sign of good performance by the most vulnerable. It also makes sense that the performance of the poor would be non-cyclical – a more structural poverty that receives more state aid does not follow the economic cycle.
- Nevertheless, many micro-businesses are shrinking at a faster rate, especially in the non-poor segment. It is not so acute that they cross the poverty line (although in Peru there is a fall, there is not in the aggregate). As this segment is steadily more represented (69% of the portfolio), it indicates a future risk and lower likelihood of success.

There was an improvement in the rates of escape from poverty in 2023, compared to the year before. After two credit cycles, entrepreneurs classified as poor have overcome poverty. Escape from poverty comes one credit cycle earlier for clients in extreme poverty and improves for clients in their second cycle who are in poverty.

Given that long-term relationships foster positive performance, it is crucial that we continue supporting entrepreneurs over time so that they achieve sustained progress, especially when for many of them their business represents the main source of household income. The first improvement is immediate as they are in poverty at the outset, but the challenge does not stop there, and it is a long road to travel.

G 37. Entrepreneurs current at year-end who renewed a loan during 2023. **Escape from poverty:** Clients in poverty at the outset of their relationship with the entity (classified as extremely poor or poor) who have generated income above the Poverty Line. **Fall into poverty:** Non-poor clients at the outset of their relationship with the entity (classified as vulnerable or others), who have generated income below the Poverty Line. **Net reduction:** Escape from poverty minus Fall into poverty.

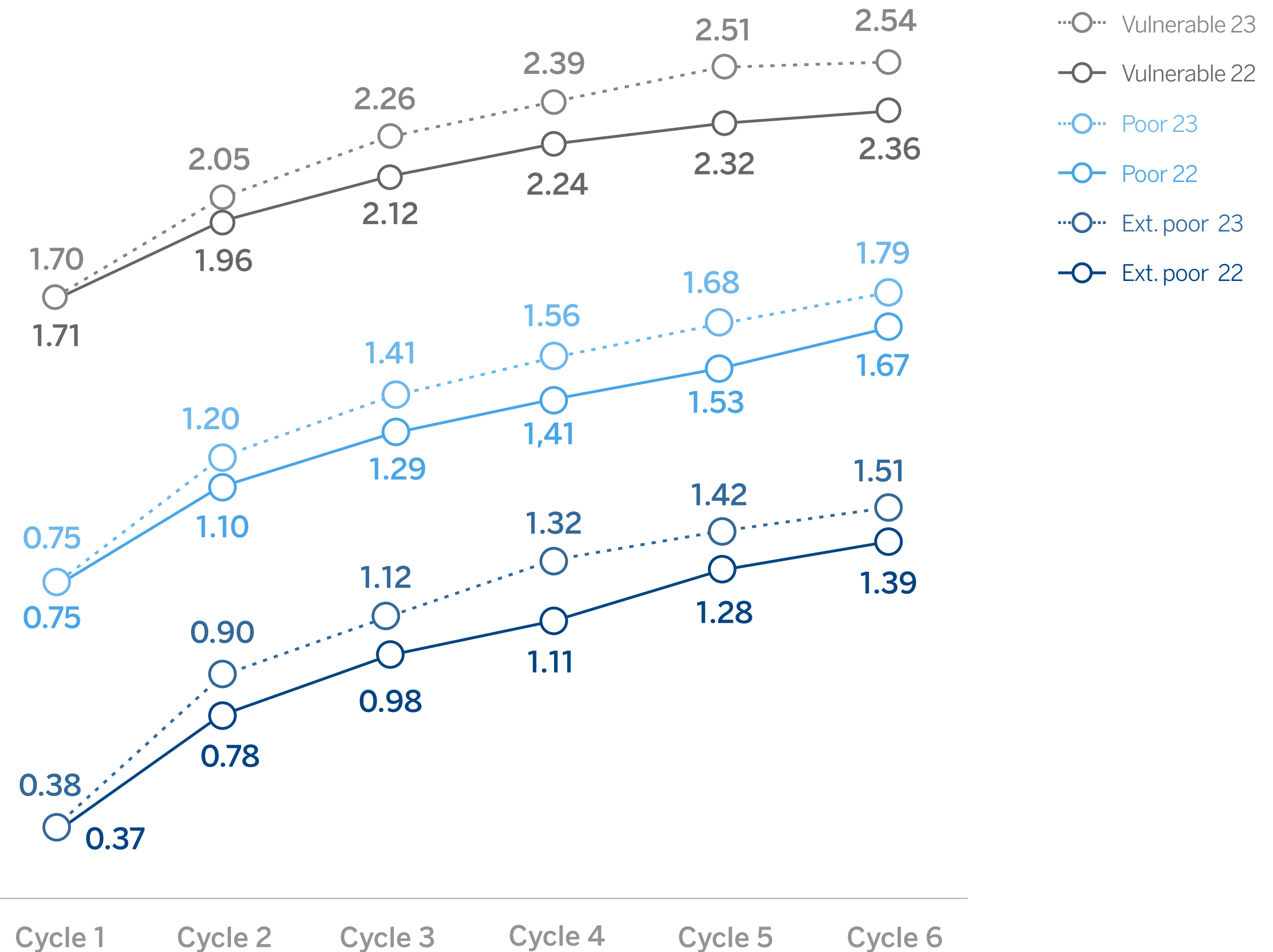
Some entrepreneurs fail to stabilize their income because of their vulnerability profile. 35% of those with more than five credits have fallen below the poverty line at least twice during their relationship with the entity.

There is still a long way to go: 17% of the people who found themselves in poverty had not managed to escape, and 12% have fallen into poverty. That is why it is crucial to continue supporting them with loans and medium-term savings, as well as with insurance and education, helping them to swerve the obstacles around them.

The longer the relationship, the better the performance, and there has been an improvement since 2022

38 Income relative to the poverty line

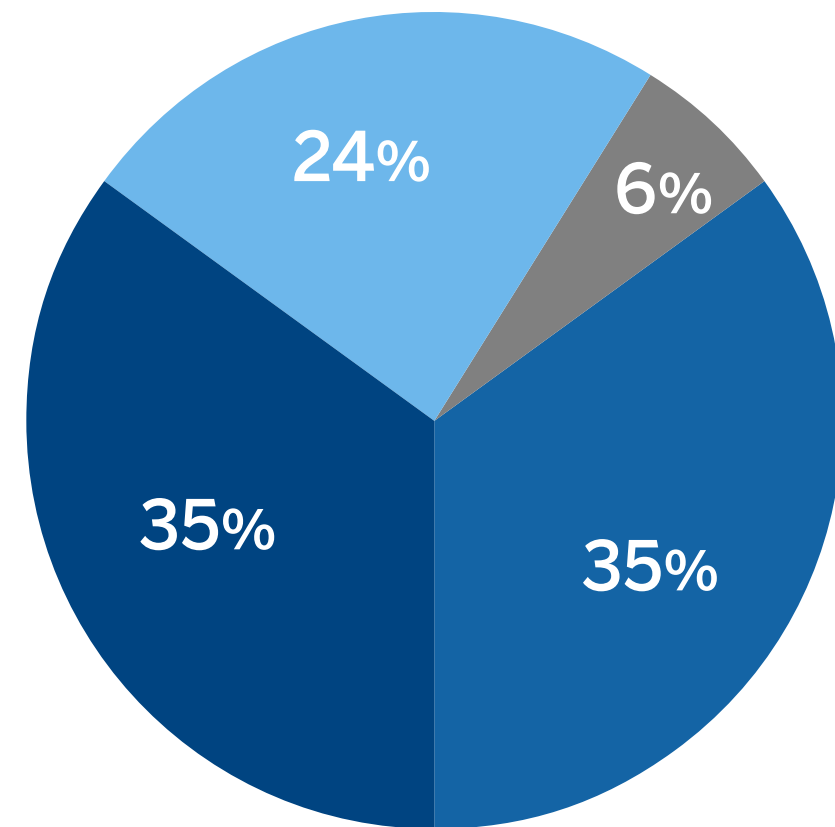
Credit entrepreneurs renewing a loan in 2022 and 2023



G 38. Clients served during 2023 with individual loans, classified by their situation at the outset of their first loan. Surplus per capita at each credit cycle and relative to the country's official Poverty Line the year of the disbursement. Relative income is 1 when it is the same as the Poverty Line.

39 Income volatility

Entrepreneurs banking with us for more than five years

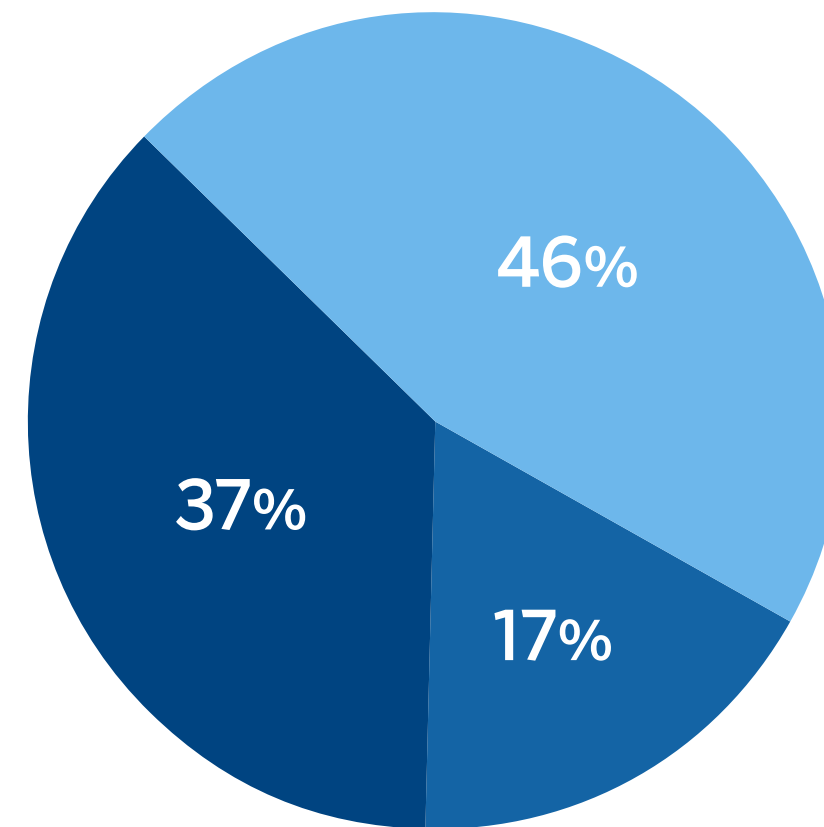


■ Volatile ■ Escape poverty ■ Fall into poverty ■ Stable

40 Income volatility. Clients below and on the Poverty Line

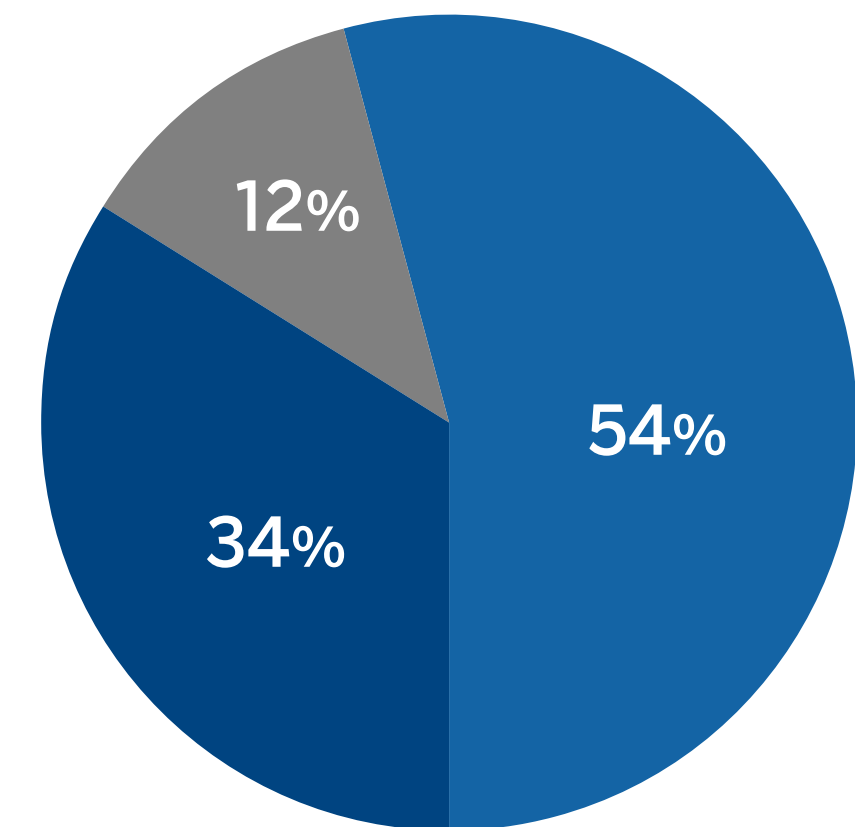
Entrepreneurs banking with us for more than five years

Segmented by entrepreneurs who were generating surpluses per capita household member below/above the poverty line when they started banking with us



Volatility of entrepreneurs **in poverty**

■ Volatile ■ Escape poverty ■ Stable



Volatility of **non-poor** entrepreneurs

■ Volatile ■ Fall into poverty ■ Stable

Vulnerable entrepreneurs are exposed to variations in their income, which causes them to enter and exit poverty on more than one occasion

G 39. Clients served since 2011 up to 12.31.2023 who have received at least five disbursements. Number of times that a client crosses the Poverty Line (PL). A client whose surpluses for each household member cross the PL more than once is “**volatile**”. **Escapes from poverty**: Client poor at the outset whose surpluses grow over the PL (and are not recorded as having shrunk afterwards). **Falls into poverty**: Non-poor client at the outset whose surpluses fall below the PL (and are not recorded as having grown afterwards). **Stable**: Clients who remain poor (or non-poor) throughout their five disbursements.

G 40. Volatility of 2 population segments: poor vs. non-poor at the outset.

Welfare

The economic progress of people has an impact not only on areas such as the welfare of their home, the quality of their housing or their education, but also on the societies in which they operate, by generating employment, or the people they insure to protect them against unexpected events.

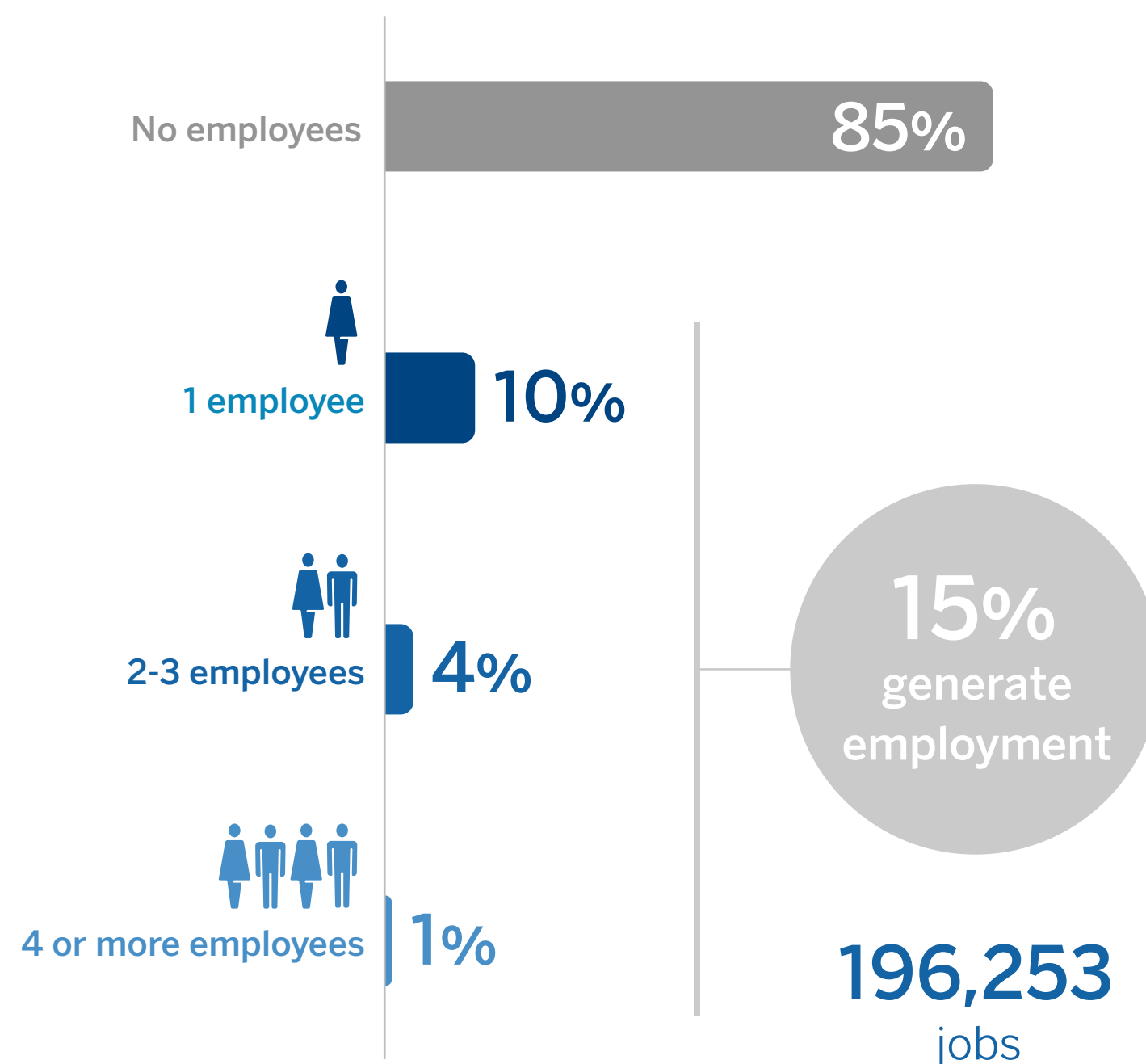
Community, generating jobs

The main reason why someone sets up an activity is that they want to earn their living in the absence of available jobs or when the labor market is precarious. This explains why the vast majority are self-employed (85%) and how, as they grow, they have the capacity to hire others.

Entrepreneurs with current loans hire a total of 196,253 people for their businesses. Whereas only 5% of people in poverty can hire people, and these tend to be family members, around 20% of less vulnerable entrepreneurs can take on staff.

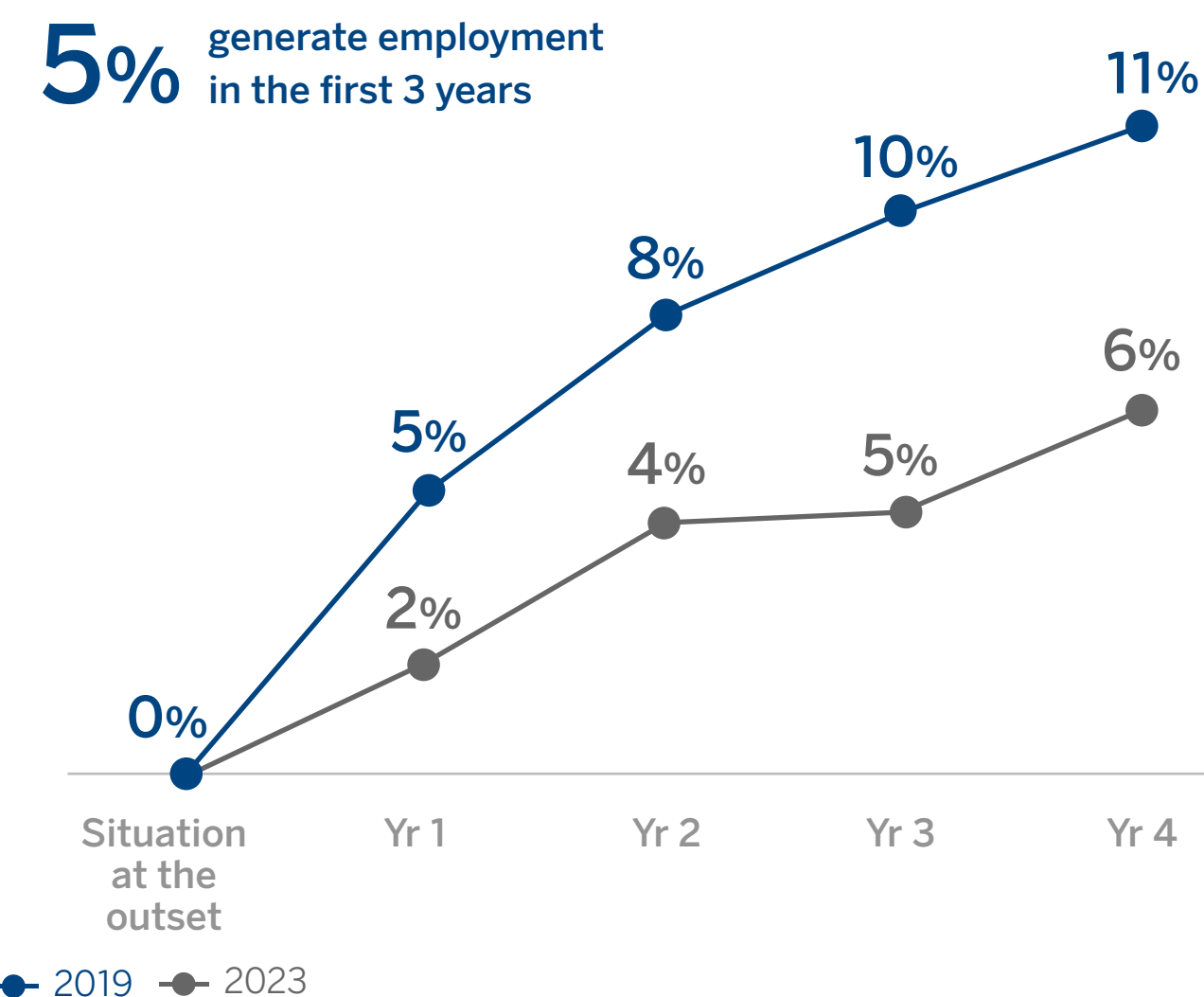
41 Source of employment

All credit entrepreneurs



42 Job creation

All credit entrepreneurs



Employment generation grows as the relationship with the institution consolidates. So, after two years of banking with their institution, 4% of entrepreneurs generate at least one new job position. That figure was twice as high before the pandemic. Hiring people or having to let them go has been the strategy adopted by entrepreneurs in the face of the difficulties they encounter. The slow recovery of this indicator is a sign of this deeper impact on the financial management of their businesses.

G 41. N° of employees in our clients' businesses at 12.31.2023. Information for all institutions. The final data point classifies clients by economic vulnerability segment.

G 42. Increase in the n° of employees in the business compared to the outset. Averages by cohort (year of entry) from 2016 to 2023. Information from Banco Adopem, Fondo Esperanza & Microserfin.

Insurance and healthcare cover

Voluntary insurance provides protection to households against unforeseen events. Healthcare is one of the most important development gaps that BBVAMF is focused on. Working towards quality healthcare, a series of healthcare policies have been put together with the purpose of guaranteeing households' medical care in order to fight this gap, especially for those in the most vulnerable segments, who in most cases are not sufficiently protected.

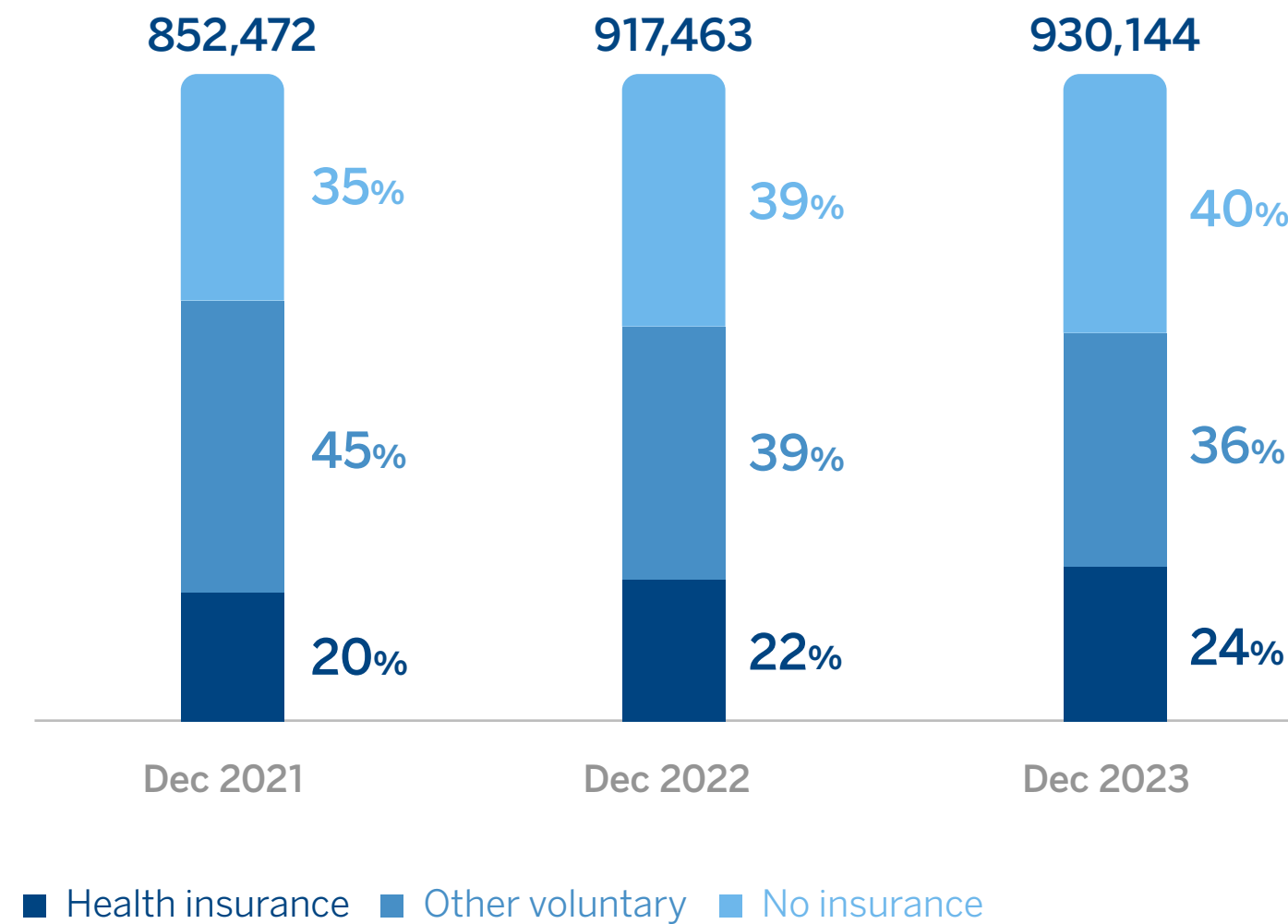
BBVAMF Group closed 2023 with a total of 624,740 people insured across 5 branches: life, funeral expenses, damages (climate and non-climate), health and installment payment protection. Of these, over 244,000 have health insurance (an expansion of 15% from 2022).

The most vulnerable clients are more inclined to take out health insurance: 40% of clients in poverty take out this kind of policy, compared to 23% of clients whose situations are more secure (non-vulnerable). In contrast, damages and life insurance policies show the opposite trend: households that are more consolidated take out these policies (particularly damage insurance). 6% of homes in extreme poverty take out damage insurance policies, compared to 35% of our more consolidated clients.

It seems that health-related shocks are viewed as a necessity that is harder to pay for and as such the priority for households in vulnerability compared to damage, that can be absorbed.

43 Voluntary insurance

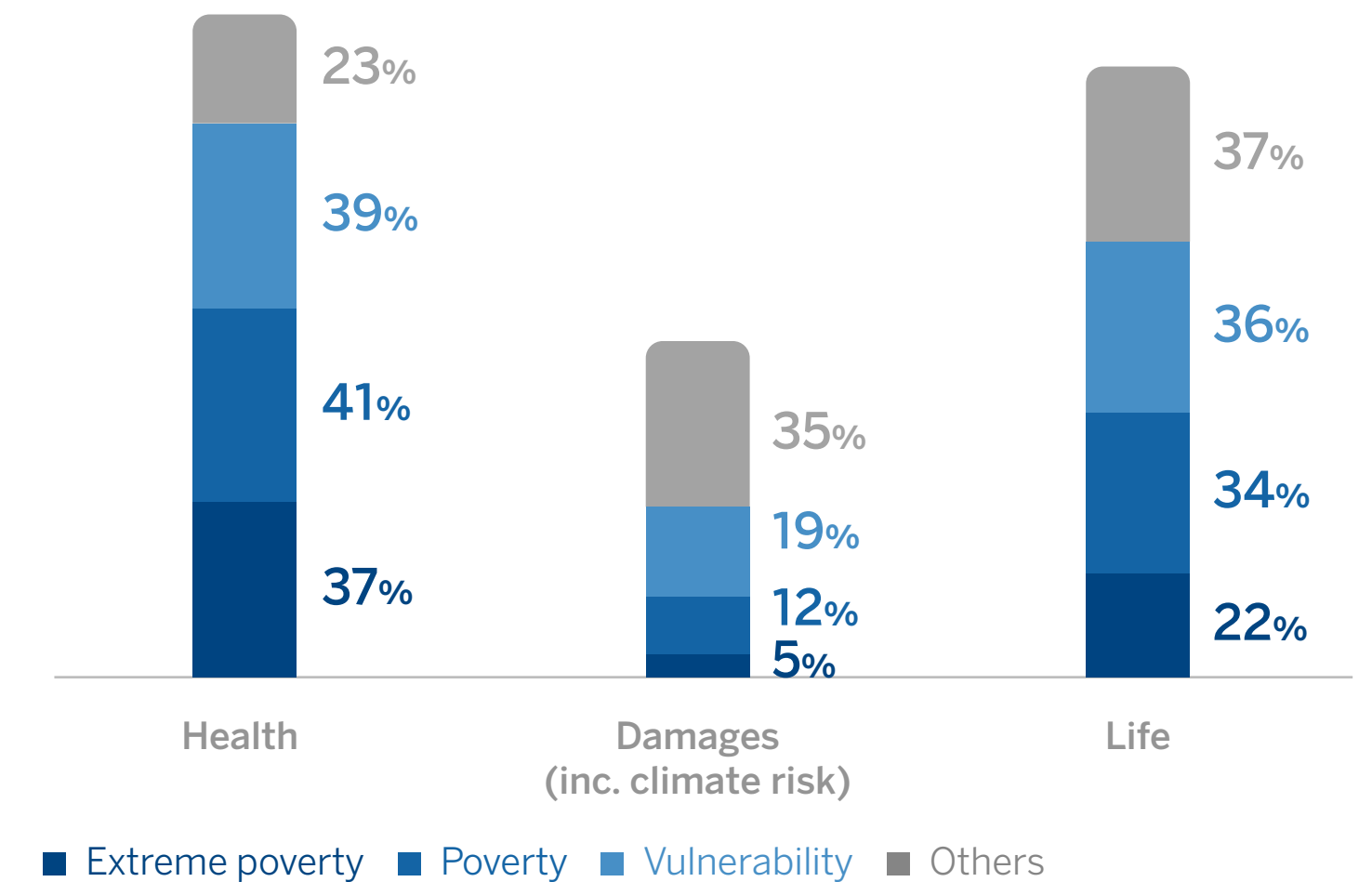
All those insured; % entrepreneurs with a loan



More easily or is seen as a less likely event. Studies are being conducted to understand which are the most serious risks (in terms of severity and frequency) in order to continue providing tailored products.

44 Insurance type, by economic vulnerability segment

All entrepreneurs



Health insurance is the biggest growth area and is taken out by the more vulnerable households

G 43. Includes voluntary policies marketed by institutions to all their clients to end of 2023.

G 44. Includes voluntary insurance marketed by the entities to all their clients to end of 2023. Degree of vulnerability calculated at 12.31.2023, using the latest information available from the entrepreneur.

PROFILE BY COUNTRY

	All clients with insurance	(borrower clients who take out insurance) % Penetration	Comments
Colombia BANCAMÍA	331,797	87%	Health insurance is the most popular, with penetration of 57%, followed by Life with 49%.
Peru FINANCIERA CONFIANZA	219,240	70%	Damage insurance is the most popular, with penetration of 48%, followed by Life with 35%.
Dominican Rep. BANCO ADOPEM	55,420	29%	Life insurance is the only product marketed by the institution.
Chile FONDO ESPERANZA	1,023	1%	Only come onto the market recently.
Panama MICROSERFIN	17,620	89%	Health insurance is the most popular, with penetration of 77%, followed by Funeral expenses, with 58%.
TOTAL (Aggregate)	624,740	60%	

In **Bancamía**, the institution that markets the most voluntary insurance, by branches Health is the only product that is more popular among vulnerable segments, especially among the poor, where it is taken out by 59% of the bank’s clients compared to 53% for the remaining segments. The propensity to take out Life, Damages and Theft policies grows proportionally as the degree of vulnerability falls. The fact that Health and Life are the most sought-after products among the entity’s clients accounts for the fact that their popularity increases as the client´s age decreases. Funeral expenses products are the only ones to be taken out by more people in the +60 age brackets.

In **Financiera Confianza**, the vulnerability segment clearly determines clients’ propensity to take out a policy, rising from penetration of 44% and 54% in the segments of extreme poverty and poverty respectively, to 78% among the non-vulnerable. All branches show this trend, with the exception of Installment Payment Protection. Gender is a decisive factor in taking out voluntary insurance, and this institution presents the greatest gap among BBVAMF entities. 8 out of 10 men, compared to 6 out of 10 women, have taken out a voluntary policy. The branches with the widest gender gap are Damages and Life, which are nevertheless the most popular ones among the institution’s clients.

Our analysis of propensity by age reveals that the segment with the lowest inclination to purchase voluntary insurance among credit clients is young people, with a penetration of 68% compared to 71% in middle-aged and older individuals. This pattern is not uniformly replicated across all sectors, with the following peculiarities: demand for damage insurance fluctuates between 46% in young people and 51% in older individuals, life insurance peaks at 37% in middle-aged individuals compared to 32% among the young and older individuals, and lastly, Installment Payment Protection insurance shows the greatest difference, being notably more popular among young people with 29% penetration compared to the 21% average among the rest.

By surroundings, rural clients are the most avid buyers of voluntary insurance. 78% of borrower clients living in the rural environment take out voluntary insurance compared to 67% of their urban opposite numbers. By branch, Life insurance has the biggest gap, with 42% among those in the rural environment compared to 33% of those in towns.

In Dominican Republic **Banco Adopem** has gone into partnership with a local insurance Fintech to create a new digital channel on the AppDOPEM app, where you can take out insurance without having to go to a physical office.

The profile for whom this voluntary life insurance is most popular is young people in the rural environment, with no distinction by gender. 32% of rural borrower clients take out a voluntary life insurance policy, compared to 27% in urban settings. Analyzed by age young people, with penetration of 32%, followed by middle-aged clients, with 30%, stand out, compared to penetration of 21% among the over 60s.

Microserfin in Panama markets a relatively wide range of insurance. Health and Funeral Expenses are the most popular among less vulnerable segments. There is no distinction by vulnerability segment in the penetration ratio for Life insurance, on the other hand.

Age is a determining factor when assessing the propensity to take out voluntary insurance, and the pattern is highly consistent across different sectors. In overall terms, compared to the 93% penetration of young clients with voluntary insurance, we find 88% among middle-aged clients and 86% among those over 60.

By surroundings, following the trend of most BBVAMF institutions, the highest penetration is in the countryside, at 91%, against 87% in urban settings.

Saving

Financial health is the backbone of household progress. That is why it is important to understand how households handle their finances today (management), how they deal with unexpected events (shocks) and how they prepare for future situations to be able to cope (planning and investment). This becomes particularly important in vulnerable communities, as these are more likely to be affected by access to and appropriate use of financial products, which may cause a drop in their business and household capacity to push on through.

We have defined financial health as the capacity to plan over time so that:

1. Income covers expenses
2. Possible contingencies are dealt with
3. Assets accumulate so that they can be used in future phases of the life cycle.

Saving and insurance are products that are specially adapted to mitigate risks and encourage good financial health. These products are an essential part of our value proposition, as they help entrepreneurs to improve their resilience and reduce their vulnerability to adverse events.

The goal is to find ways of improving how the family assets are managed with the right products and channels. For this reason, we look more deeply into what the entrepreneur who saves in financial institutions is like, and then go on to find out about their financial management of the household, based on the surveys we run.



The entrepreneur who saves

Saving, understood as a monetary reserve to cover unexpected future expenses, or to make new investments, is something our entrepreneurs want to do. Saving is another survival mechanism used by clients, one that financial institutions endeavor to reinforce as clients scale up their financial capacity. Nevertheless, it continues to be hard and, what is more, the capacity to save and how those savings are used are not homogeneous across the Group entities.

In 2023 the number of BBVAMF Group clients who saved went up (by 5%) as did their balances, to USD 640 million, above pre-COVID 19 levels.

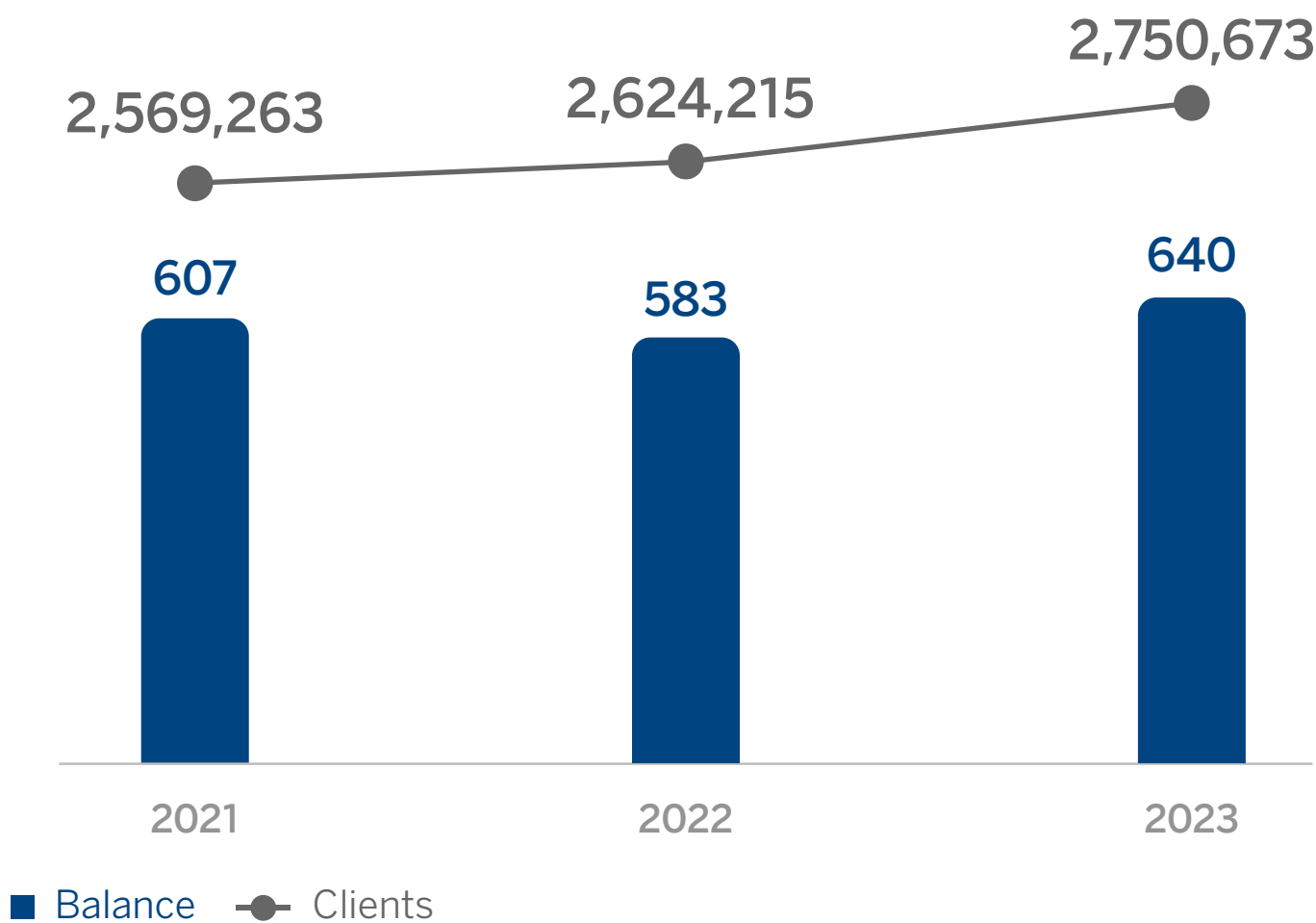
In entities where the savings habit is more entrenched, such as Bancamía and Banco Adopem, both the number of clients and their balances have increased since 2022. In Peru, however, this continues to be a challenge.

Despite the efforts being made by households, there are still obstacles to saving for most of them. That is why, for some years now, we have segmented clients by different factors in order to offer them a product that is adapted to each of the phases they find themselves in:

- **Savers:** those who sign up for an active savings product (deposit, programmed savings/ with targets, or similar);

45 Clients with savings and deposit accounts

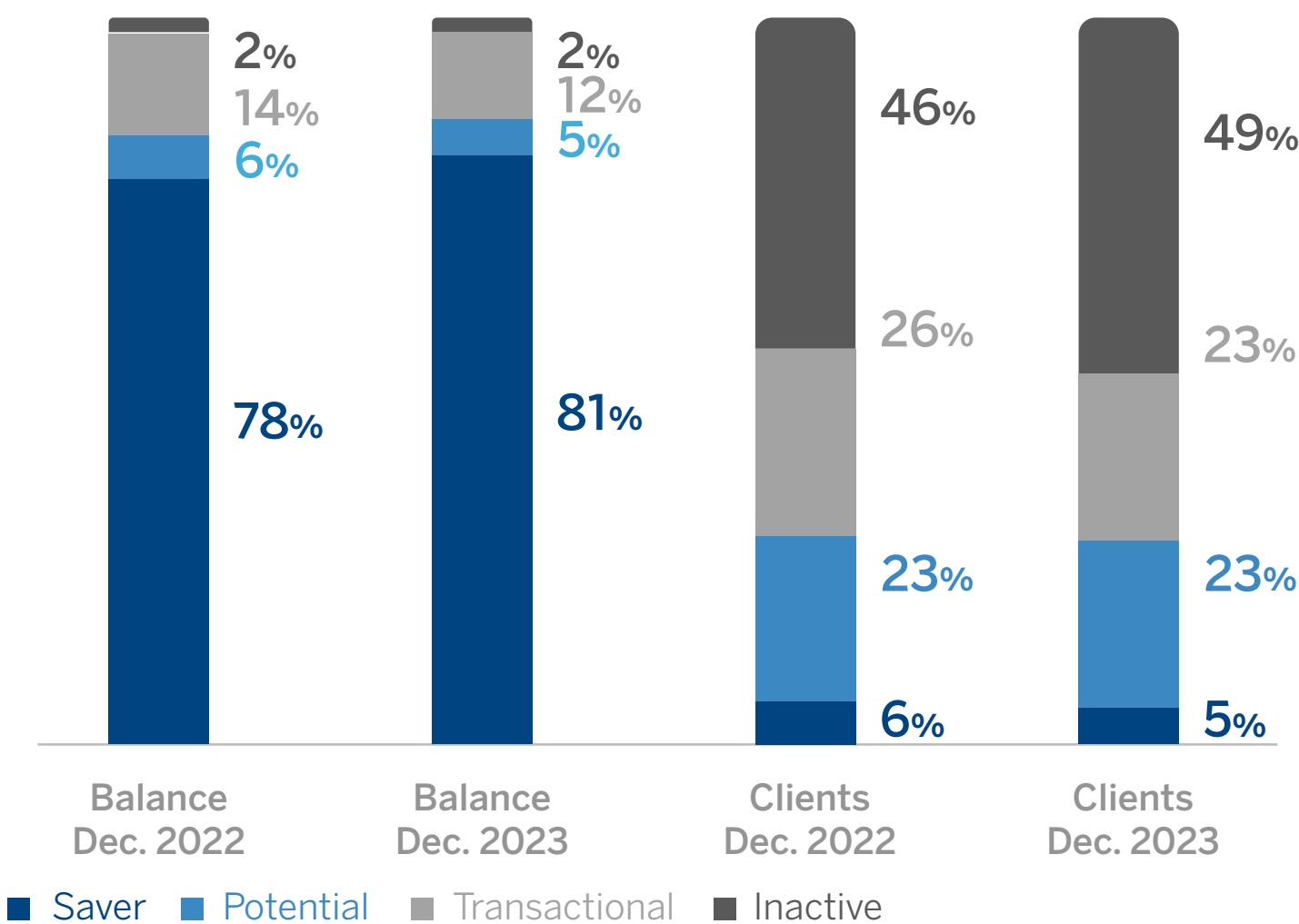
All clients and balances (USD million)



- **Potential:** Clients who already have savings accounts so that they can carry out transactions and an outstanding loan.
- **Transactional:** Clients who only have an active savings account (but no outstanding loan).
- **Dormant:** Clients with dormant accounts (the period of inactivity on average is 2 years and the likelihood of reactivating the account very low).

46 Segments of saver clients

Segmentation of savings clients by their balances



Although it is true that we are seeing a greater presence of saver clients, now accounting for 81% of the portfolio’s total balance (where before it was 78%), we also note an increase in dormant clients at 49% (formerly 46%), which suggests that our clients are in worse financial health and that they interact less and less with our institutions’ savings products.

G 45. All the analysis in this section excludes institutional clients. Balance at each year end.

G 46. Client with savings balance at each date. **Saver:** client with specialized savings products (not including transactional accounts). **Potential:** client with transactional savings products and greater linkage with the institution. **Transactional:** client with transactional savings product & low linkage with the institution. **Dormant:** remaining clients.

FOR GOOD FINANCIAL HEALTH

1

Income

Having sufficiently high surpluses to cover each person's basic needs

2

Facilities

Having the various mechanisms available that enable them to keep savings safe: savings accounts, term deposits or any other savings product

3

Information

Having a plan with enough knowledge, or a short-, medium- or long-term plan

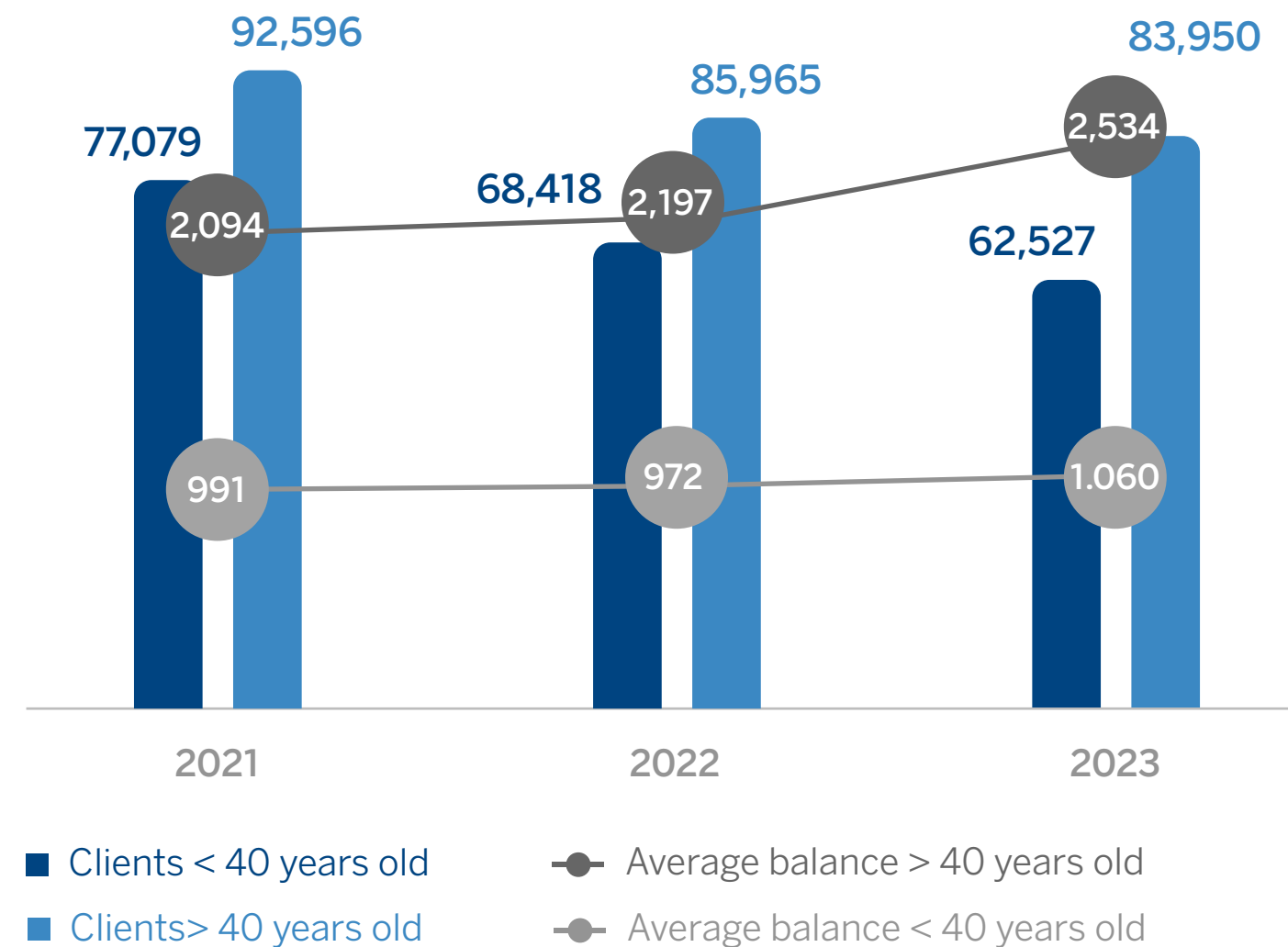


Part of the Foundation's mission consists of balancing or matching the ratios between balances and clients. In this way the most vulnerable, as well as increasing their surpluses, can also boost their savings. This means that they should invest both in the facilities we offer and in broadening their financial knowledge.

In the saver segment, as age increases so does the likelihood of having balances with sums higher than USD 500. Clients

47 Savers, by age bracket

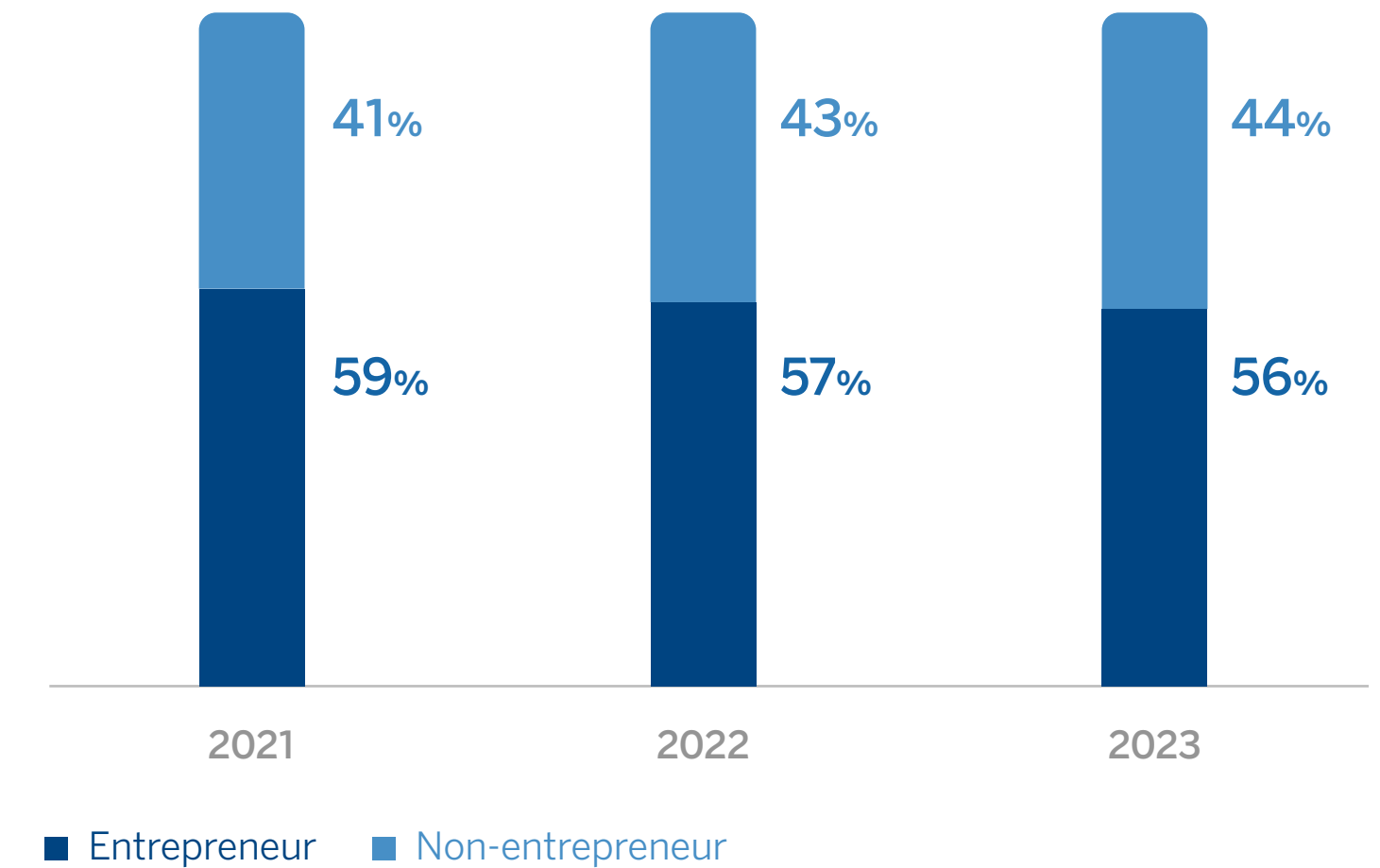
Average balance during the year in USD and number of clients



with significant balances are 40 years old and older. 57% of all clients are in this tranche and they account for 83% of the entire balance in the segment. 56% of clients in this segment are entrepreneurs (they have taken out a loan) and the sum of their balances accounts for just 16% of the total balance in this segment. Thus, it is extremely difficult to save in a formal bank and most of these entrepreneurs (85%) had balances under USD 25 at December 2023.

48 Saver, by type of financial relationship

All current saver clients



It is worth noting that those saver-entrepreneurs tend to be in urban areas, possibly because it is easier to access their savings (the bank is closer) and/or because they have completed more formal education and have greater trust in the financial system. The average savings balance of an urban client is 1.6 times that of a rural entrepreneur and has risen since 2022 by 20%.

G 47. Client & savings balance at each date.

G 48. Client with savings balance at each date.

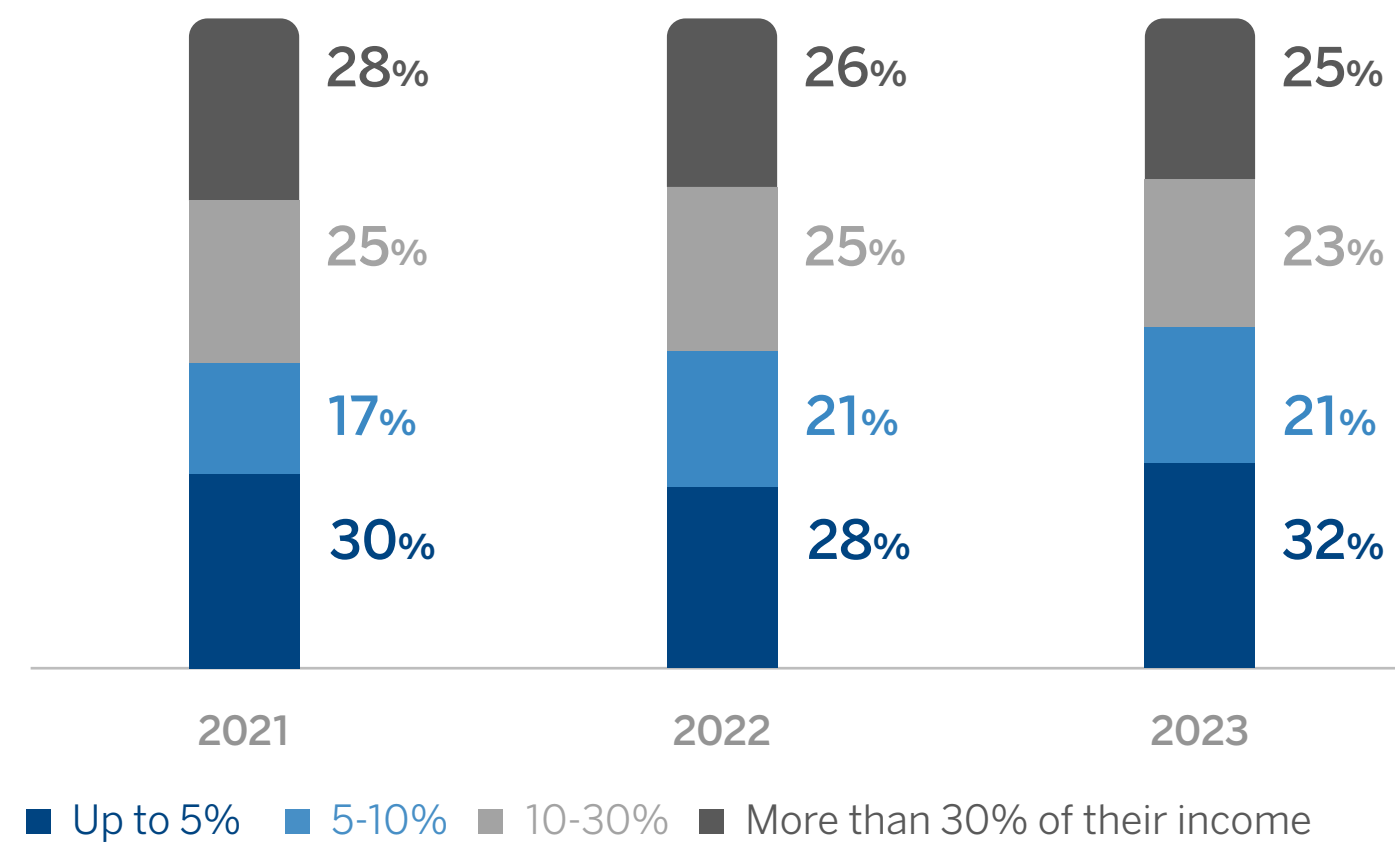
Indeed, most (75%) of these saver-entrepreneurs spend less than 30% of their per capita income on formal saving. In fact, when we look at the balance breakdown, most of them have balances of under USD 25.

This lack of savings has exacerbated over time, with the proportion of those who cannot set aside part of their income for formal saving increasing, which shows the deterioration of our entrepreneurs' financial health. This is linked to the degree of entrepreneurs' vulnerability. Thus, the average balance of non-vulnerable clients was USD 109 in 2023, well above the average for the vulnerable of 30 USD.

The behavior of the effort indicator depends both on the degree of economic vulnerability and on the sector. Thus, there is a greater effort on the part of the most vulnerable, mainly due to the lack of income. It also varies according to the entrepreneur's activity: the average balance in services is much higher (USD 949) than in farming (the lowest, at USD 363); this may be due to the closeness of the bank branch (in the rural environment it is, obviously, more difficult to get to the office to deposit cash), to educational levels (lower in rural settings) and to income levels (higher in services than in farming). Back in 2022 we discovered that among the key difficulties that entrepreneurs say they face to make savings is the lack of income (44% of respondents), followed by three factors in near-equal measure: lack of confidence in banks

49 Effort made by saver-entrepreneurs

All current saver clients

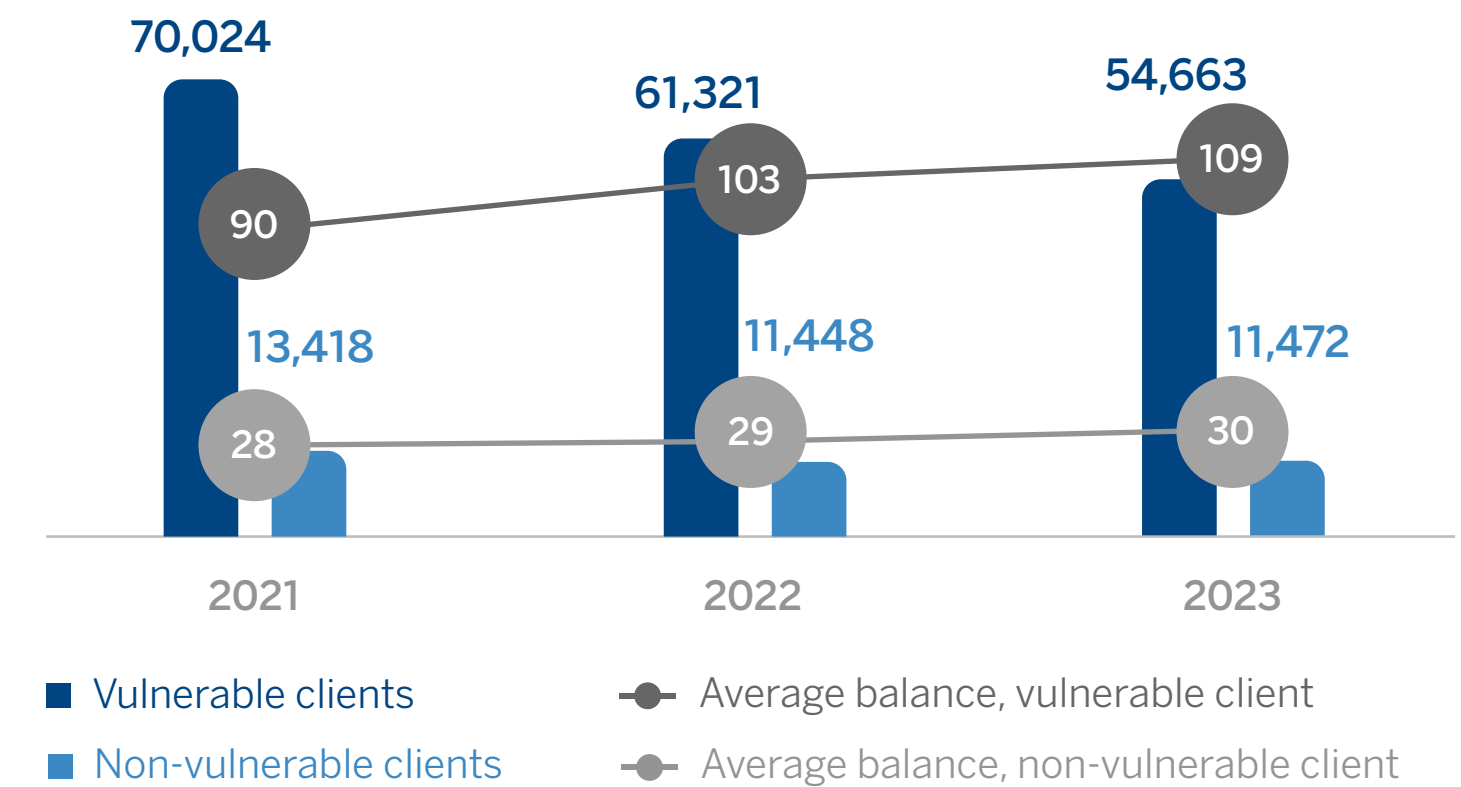


(11%), the lengthy onboarding process and the long distance away from the institutions (these latter two with 10% each).

For these reasons, our push to continue offering educational services, convenient channels and products that help people to improve their financial capacities, remains fundamental, and represents an enormous opportunity

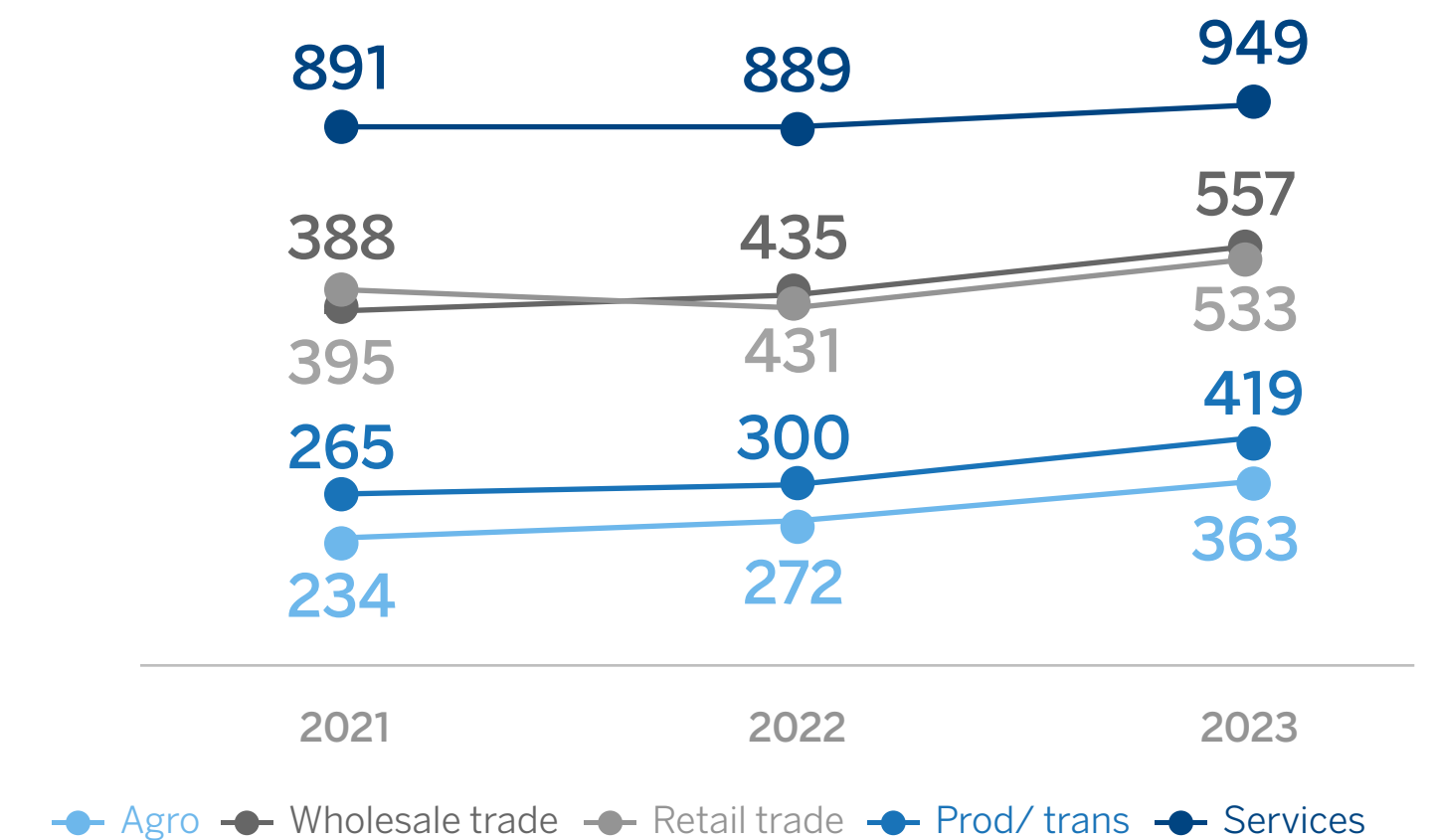
50 Average savings balance held by entrepreneurs

All current saver clients and USD balance



51 Average saving balance held by entrepreneurs

Average balance in USD of all saver clients



G 49. Saver clients with balance at each date. The effort made by clients to save is calculated by dividing their income by the balance in their savings account.

G 50. Client with savings balance at each date. Economic vulnerability calculated using the latest data point for the entrepreneur.

G 51. Clients with savings balance at each date.

Institutional activities

INCLUSION & SOCIAL IMPACT

Online, 1 March

IFC-International Labor Organization

BBVAMF selected as member of the Women's Insurance Community of Practice

Prague, 16 & 17 March

Global Microfinance Forum

"Financial health and wellbeing for vulnerable entrepreneurs - BBVAMF's experience"

Antigua, 20 to 22 March

REDCAMIF Conference

Keynote speech II: *"The outlook for Inclusive Finance: challenges and opportunities"*

Paris, 23 & 24 March

OECD

- OECD netFWD annual meeting
Addressing the Climate Emergency - *What Role for Philanthropy Ahead of COP28*
- Education Working Group meeting



Madrid, 20 April

Ethosfera

Better companies, better democracy



Madrid, 18 May

BBVAMF, SERES Foundation & Boston Consulting Group event

ESG: a lever for financial inclusion and entrepreneurship

INCLUSION & SOCIAL IMPACT



Colombia, 6 to 9 June
BBVAMFG ,
VII BBVAMFG Leadership Meeting
The power of purpose: innovating to get ahead



Cali, 14 June
Visit by H.M. the Queen of Spain to women entrepreneurs
during her International Cooperation trip to Colombia

Washington, 20 to 22 June
IDB, LSE, Novaster, Pinbox, AIOS
Pensions, solutions for longer-living societies
"Global experiencies for building more inclusive pensions"

San José, 22 June
TED talk
Financial inclusion: myth and reality

Madrid, 22 June
Transformative Communication
VII OCARE Awards Ceremony



Madrid, 27 June
BBVAMF event
DIME Scholarships Award ceremony with the 10 winners

INCLUSION & SOCIAL IMPACT



Online, 27 & 28 June
PwC. ESG Summit LatAm 2023
 ESG purpose & strategy



Santo Domingo, 5 July
BBVAMF, Banco Adopem & OECD Development Centre event
 Presentation of the Social Performance Report & Social Institutions and Gender Index (SIGI 2023)



Panama City, 6 July
BBVAMF, Microserfin & OECD Development Centre event
 Presentation of the Social Performance Report & Social Institutions and Gender Index (SIGI 2023)



Madrid, 10 July
BBVAMF event
 with entrepreneurs' children receiving university grants

INCLUSION & SOCIAL IMPACT



Madrid, 10 July

Reception for Colombian and Peruvian scholarship awardees

BBVAMF, at the audience held in the Zarzuela Palace



Bogotá, 18 July

BBVAMF, Bancamía & OECD Development Centre event

Presentation of the Social Performance Report & Social Institutions and Gender Index (SIGI 2023)



Lima, 19 July

BBVAMF, Financiera Confianza & OECD Development Centre event

Presentation of the Social Performance Report & Social Institutions and Gender Index (SIGI 2023)

New York, 18 & 19 September

SDG Summit, High Level Political Forum 2023

United Nations

INCLUSION & SOCIAL IMPACT

Lima, 18 September

SBS

Challenges & Opportunities for a more Inclusive Pensions System. *“How to implement a more inclusive individual saving ecosystem?”*

New York, 18 to 20 September

2023 Concordia Annual Summit

P3 Impact: Empropaz



Santiago de Chile, 26 September

BBVAMF, Fondo Esperanza & OECD event

Presentation of the BBVAMF Social Performance Report & the OECD's *“Gender Equality in Chile”* report



Colombia, 26 October

Bancamía's 15th Anniversary

I Best Microentrepreneur of the Year award

Madrid, 15 & 16 November

AECID & SpainNAB

During the Spanish presidency of the European Union Council, Impact Investment in the context of a global Europe: Mobilizing the European private sector
“The role of the private sector in impact investment”



Peru, 27 November

Financiera Confianza & BBVAMF

Scholarship Awards Ceremony for entrepreneurs' children to study at university

INCLUSION & SOCIAL IMPACT



Colombia, 29 November

Bancamía, BBVAMF & BBVA ‘Transforming Realities’ Scholarship Awards ceremony for entrepreneurs' children to study at university



Geneva, 12 to 15 December

UNHCR

Global Refugee Forum

WOMEN'S EMPOWERMENT

Madrid, 7 February

Debates in Casa de América

Broadcast of the program on TVE (Spanish Television)

Online, 8 & 9 February

ECLAC & UN Women

64th General Committee meeting of the Regional Conference on Women in Latin America and the Caribbean

California, 21 February

APEC

Policy Dialogue on Gender and Structural Reform:
Achieving Economic Growth through Inclusive Policies
Session *"Diving Deeper: Leveraging Structural Reform to Expand Access to Credit"*

Madrid, 2 March

VI Working Women Observatory

The emotional wellbeing of working women
"Technological Wellbeing"

Madrid, 2 March

OECD-IE

Presentation of the report: *"Gender, Education and Skills: The persistence of gender gaps in education and skills"*

New York, 6 March

CSW67: Generation Equality

Realizing Women's Economic Rights in the Digital Economy through Inclusive Financial Access and Use

Antigua, 22 March

LAC FinEquity

Annual meeting
"Co-creating solutions for Women's Financial Inclusion"
"Gender data and analysis"

Santo Domingo, 23 & 24 March

XXVIII Ibero-American Summit of Heads of State & Government

XIV Ibero-American Business leaders meeting
"Gender equality as a transformative driver of new transitions"



Madrid, 27 April

BBVAMF & OECD Development Centre event

Presentation in Spain of the Social Institutions and Gender Index (SIGI 2023)

WOMEN'S EMPOWERMENT

Bilbao, 22 June

WITH Gala

Women leaders



Online, 13 July

World Bank

Private Roundtable to Shape New Gender Strategy

New York, 17 September

UN Women, Iceland & Tanzania

Generation Equality, an SDG Accelerator: The Midpoint

Online, 20 September

IFC-ILO

Women's Insurance Community of Practice

"BBVAMF experience with women's microinsurance"



Online, 26 September

Visionarias

Women's Economic Empowerment & Financial Inclusion Forum

Madrid, 8 November

La Vanguardia (journal)

"The impact of cooperation: social changes to reduce inequality"

Online, 5 & 6 December

REDCAMIF, FinEquity ALC/CGAP, Andares Mujeres & the FinDev Gateway

Regional forum to strengthen the Financial Inclusion value proposition for women

DIGITALIZATION



New York, 9 March
BBVAMF, OECD & Dominican Rep.
*CSW67: Connecting Women in Latin America:
The Roadmap Ahead*

New York, 10 March
GSMA, ITC, ITU
*CSW67: Empowering women micro-entrepreneurs in the
digital economy*

Antigua, 20 to 22 March
REDCAMIF Conference
*Digitalization & cybersecurity:
two sides of the same coin*

Bogotá, 28 & 29 March
Ministry of Finance & Banca de las Oportunidades
*Popular Economy Forum for Innovation & Credit Inclusion:
“Microfinance's digital transformation challenges in
financing microbusinesses”*

Online, 3 April
World Economic Forum
EDISON Alliance
Executive Network Meeting

Madrid, 26 April
Oracle
Technology Summit
“Data at the service of people”
*“Business strategy and technology: Data, the Cloud,
Security and Sustainability”*

Madrid, 27 April
HRC
Digital transformation
“How digital transformation is changing priorities”

Santo Domingo, 22 June
National Partner2Connect meeting
ITU & Government of the Dominican Republic

Madrid, 23 June
Prensa Iberica & Acciona
*Social Innovation models to guarantee long-term
development*

Online, 5 July
Edison Alliance WEF
Kick-off Meeting Handset Affordability Coalition

DIGITALIZATION



Online, 6 & 7 July

UCACSUR

#Coopartiendo internacional: “The future of digital transformation, innovation & financial inclusion”

“Digital innovation towards financial inclusion: an approach to creating value models & new services”

Panama, 13 & 14 July

Do business with those who understand you

“Digital Gap. A new side to inequality in Latin America”

Online, 1 August

Edison Alliance WEF

Meeting Handset Affordability Coalition

San Salvador, 16 to 18 August

ITU Regional Development Forum for the Americas

Accelerating digital development in the Americas

“Effective mechanisms for transforming commitments in the wider impact of the digital age for sustainable development in the Americas”

New York, 16 September

ITU/Unesco

Broadband Commission 2023 Fall Meeting

New York, 16 September

ITU & UNDP, with the support of GSMA

Pre-SDG Digital reception

New York, 17 September

ITU & UNDP

SDG Digital

New York, 18 September

MIT Solve. Solve Challenge Finals 2023

New York, 20 September

Edison Alliance Executive Network meeting

Edison Alliance, World Economic Forum

New York, 20 September

Edison Alliance, World Economic Forum, hosted by Verizon

Reception Edison Alliance

Bogota, 2 November

DigiLab

Closing event

Geneva, 12 December

ITU

Partner2Connect Annual Meeting

“Implementation of P2C Pledges at the Regional and Country Level through Matchmaking”

Geneva, 13 December

Equals Global Partnership for Gender Equality

in the Digital Age

Access Coalition Annual Meeting &

Annual Partners Meeting

ENVIRONMENT

Antigua, 20 to 22 March

REDCAMIF Conference

Reunion

“How does green finance impact climate resilience?”

Paris, 22 to 23 June

Summit for a New Global Financing Pact

Online, 13 July

United Nations

Coalitions and existing financing mechanisms in the Latin American and Caribbean region for food systems



San José de Costa Rica, 22 August

IICA

IV Forum of Women Ministers, Deputy Ministers & Senior Civil Servants in the Americas.

“Care financing for economic growth and human development in the agri-food industry systems in the Americas”

Madrid, 7 November

UN World Food Program

Sustainable Food Systems through Resilient Supply Chains

Luxembourg, 14 November

CGAP

Practitioner roundtable on climate change at European Microfinance Week

Luxembourg, 15 November

European Microfinance Week 2023

E-MFP Green Inclusive & Climate Smart Finance Action Group

Madrid, 30 November

IICA, Ministry of Agriculture, Fisheries & Food, ECLAC & FAO

Presentation in Spain of the report

“Outlook for Agriculture and Rural Development in the Americas: A Perspective on Latin America and the Caribbean 2023-2024”

PARTNERSHIPS

<div>Davos, 17 January</div> <div>World Economic Forum</div> <div>EDISON Alliance Champion Meeting</div>
<div>Madrid, 16 February</div> <div>Signing of MOU with CABI</div>
<div>New York, 9 March</div> <div>Signing of MOU with UNDP</div>
<div>Madrid, 13 April</div> <div>OAS</div> <div>Visit by the CEO of Trust for the Americas to the BBVAMF Headquarters</div>
<div>Paris, 23 April</div> <div>OECD</div> <div>Network of Foundations Working for Development Membership</div>

<div>Brasil, 31 May to 2 June</div> <div>CGAP</div> <div>Council of Governors Annual Meeting 2023</div>
<div>Madrid, 22 June</div> <div>Meeting with the Dominican Republic's Minister of Women</div> <div>at the Foundation's Headquarters</div>
<div>Madrid, 4 July</div> <div>IDB, OECD & Spain's Foreign Ministry</div> <div>Dialogue: Intersection between the European Union and Latin America & the Caribbean: the inclusion agenda for fair transitions.</div>

<div>Washington, 31 October</div> <div>CGAP</div> <div>Champions Group for the Financial Inclusion 2.0 initiative</div>
<div><div><div>Dubai, 30 November to 12 December</div><div>COP28</div><div>United Nations Conference on Climate Change</div><div>BBVAMF designated Observer Organization</div></div></div>
<div>Dubai, 5 December</div> <div>IFC & IDB</div> <div>Launch of the Financial Network for the Amazon during COP28, with BBVAMF, Bancamía and Financiera Confianza among its founding members</div>

MILESTONES WITH H.M. THE QUEEN

Cali, 14 June

Visit to women entrepreneurs in Colombia,
during her international Cooperation trip



Madrid, 10 July

**Audience with Colombian and Peruvian
scholarship awardees**
in the Zarzuela Palace



MILESTONES WITH H.M. THE QUEEN

Madrid, 15 November
BBVAMF event with H.M. the Queen
Technology for closing gaps
Creating without limits



AWARDS

BBVAMF



Go! SDG Awards. United Nations Global Compact & the Rafael del Pino Foundation. Winner of the overall prize and in the SDG1 category:
End poverty

OCARE Awards. Winner in *Best Audiovisual Work* category and finalist in the *Best Integrated Campaign*

Pila Audiovisual Festival,
Best Documentary

Corresponsables Award
in the “*Best AV Corporate Video*” category

Film festival nominations for the documentary
“*After the rain*”

- Il Rural & Nature Film & Short Film Festival, Spain
- Urban Mediamakers Festival, USA
- Kelibia (FIFAK) International Amateur Film Festival, Tunisia
- CineSol Film Festival, Texas

BANCAMÍA · COLOMBIA

Bancóldex Recognition as a Strategic Ally in the “*Largest Microfinance Resources Placement*” category

Finalist in the **P3 Impact Award** for its *Empropaz* program, awarded by Concordia, University of Virginia Darden School of Business, Office of Global Partnerships, U.S. Department of State

Global SME Finance Awards. Best Financier for Women Entrepreneurs, Silver category

AWARDS

FINANCIERA CONFIANZA · PERU

Financial Innovators of the Americas Awards 2023.
Country Price, Gold. Category: Innovation in Channels

HIAS Recognition for Good Practice in the Inclusion of Refugees and Migrants in private companies in Peru

WomenCEU Peru awards the 30% certificate towards the 2030 Path to Equality

Global Money Week. Banking, Insurance & Pension Fund Management supervisory board (SBS).

Nominated for the categories: *"Integrated Financial Education & Inclusive Proposal"* and *"Companies Transforming Peru 2023"*. Its agri-business loan was also recognized.

ADOPEM · DOMINICAN REPUBLIC



Fintech Americas Awards for Financial Innovators, Platinum Prize, Social Impact (ESG)

FONDO ESPERANZA · CHILE



Fintech Americas Awards for Financial Innovators in the *"Medium and Large Companies"* category.

Corresponsables Award. Finalist in the: *"Large non-profit institutions"* and *"Best Corporate & AV video"* categories.

AWARDS

MICROSERFIN · PANAMA

Green Awards: Recognition as one of the 500 Best Sustainable projects

Fintech Americas Awards for "*Financial Innovators*". Silver Award, "*Customer Experience (CX) and Innovation on How to Reach Clients*".

Whole Planet Award for Field Officers



SDG Stamp of Good Practice Award.

In the "*Digital Transformation*" and "*Women´s Empowerment*" categories. Honorable mention in the "*Employment & Entrepreneurship*" category.

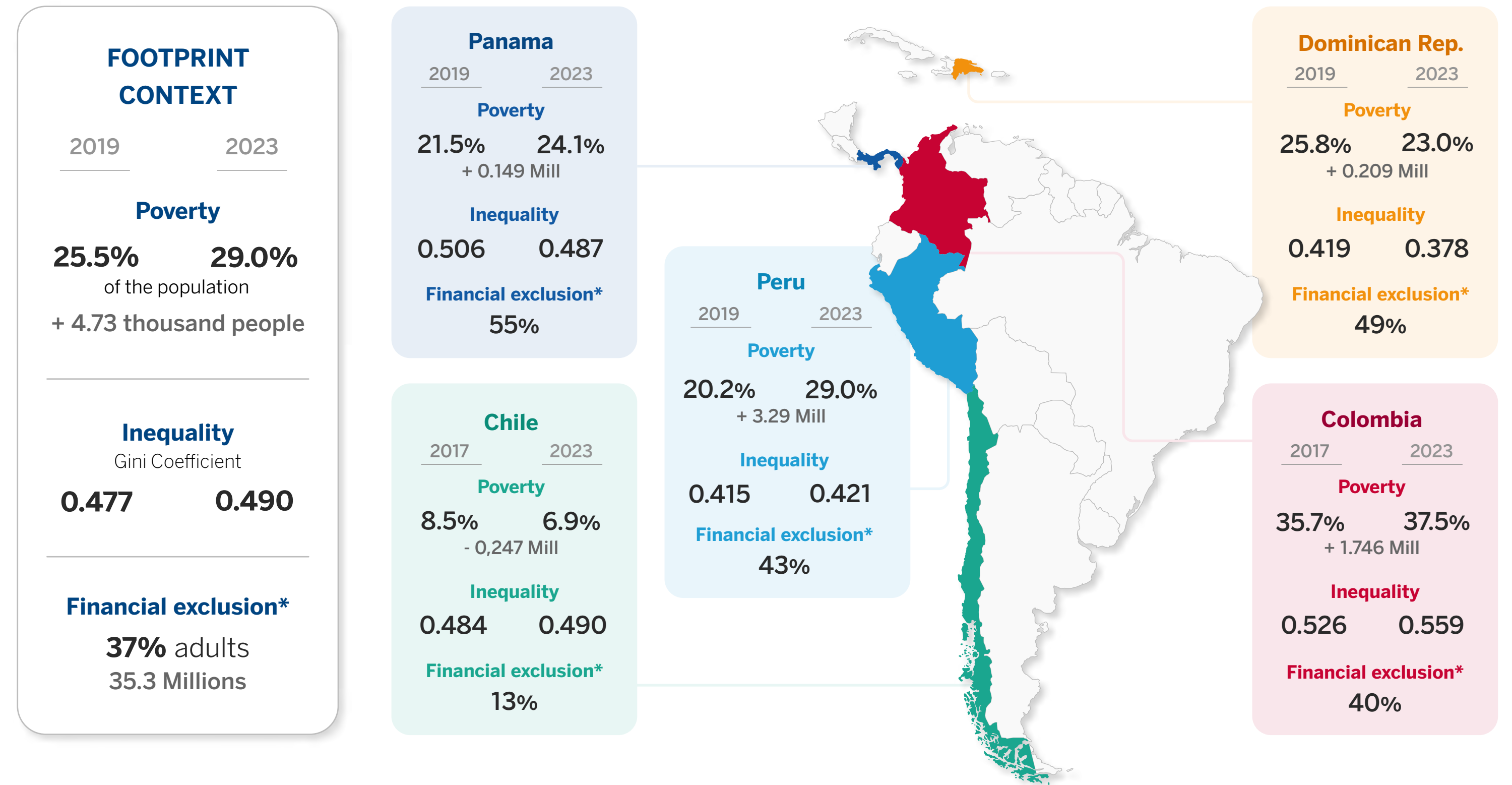
Executive summary

The environment in Latin America is increasingly turbulent, with unstable economic markets and political turmoil, where some segments of the population continue to struggle for decent employment opportunities and income flows, especially as poverty and inequality increases. For many vulnerable households, managing a small business is often a necessary and key tool to achieve sustainable progress. In fact, in developing countries MSMEs account for around 60% of total employment.

The BBVA Microfinance Foundation harnesses the potential of MSMEs to boost employment and incomes while also securing enough capital to manage the risks they face and accumulate assets to pull them out of poverty. For sustainable progress, it is necessary to understand their conditions, continue supporting them in the long run, and put all that knowledge back into play by testing and designing financial solutions.

The ultimate purpose is to scale impact by improving the welfare of vulnerable households through investing in small businesses

POVERTY, EXCLUSION AND INEQUALITY




Focus: Commitment with under-served and under-represented clients

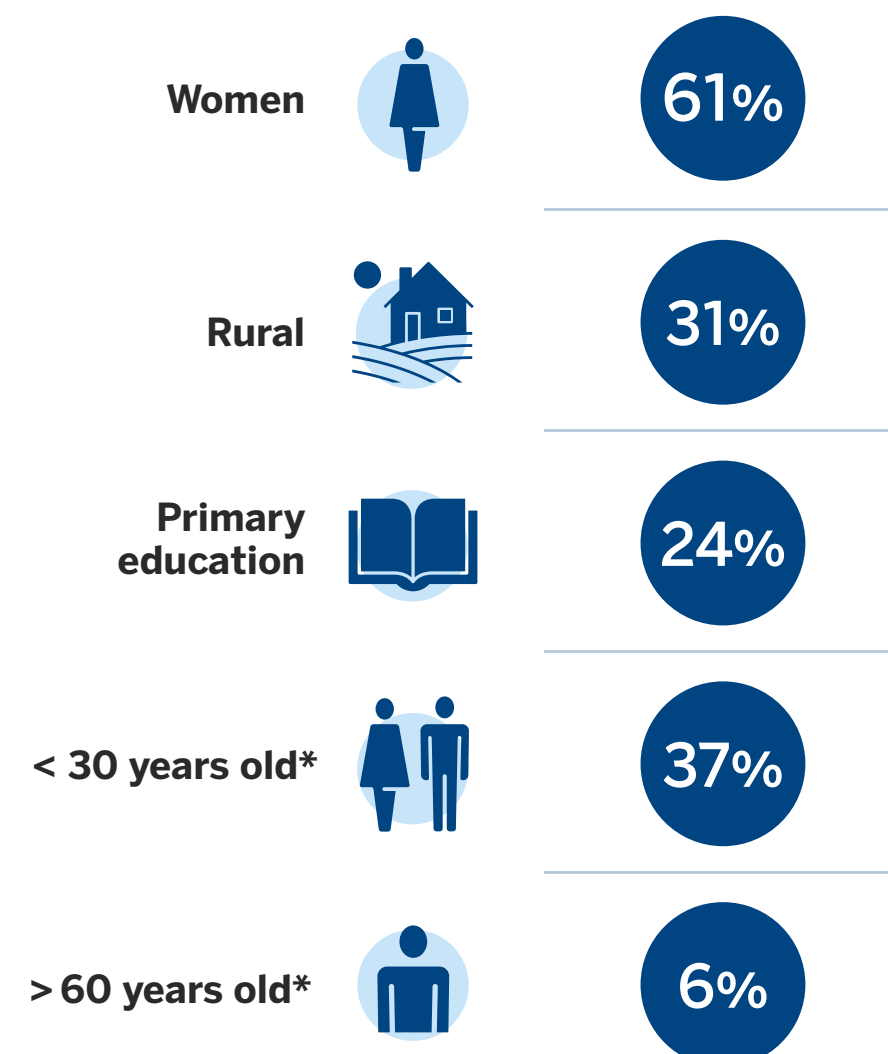
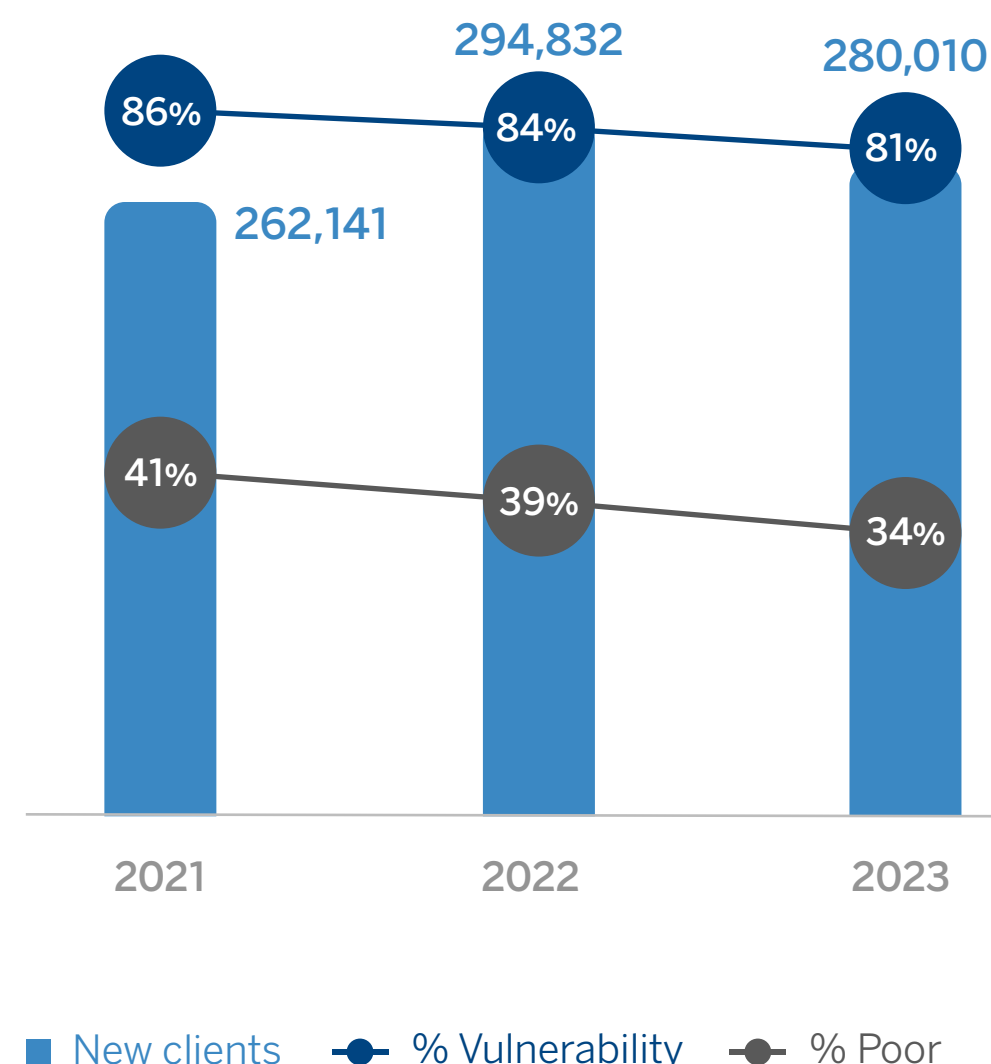
BBVA Microfinance Foundation serves, through its five microfinance institutions (MFI), around 2.9 million entrepreneurs, mostly through loans. In 2023, 517,000 entrepreneurs renewed their loans and 280,000 received a new loan. Mostly, these loans are used to invest in assets, whether to jump-start their incomes or increase them.

- Despite the bleak economic situation, and one that varies hugely from country to country, the Foundation's institutions continue to serve the most vulnerable entrepreneurs: women, people with low educational levels and young people.
- Many of those who belong to these segments are precisely those excluded from the formal financial system or who do not make full use of it: 38% of new entrepreneurs come into the financial system for the first time through the FMBBVA's MFIs
- Most importantly, 81% of the entrepreneurs that applied for a new loan were in economic vulnerability, that is, there is a high probability of them falling back into poverty. This is particularly important, since business income is the main source of household income for 61% of clients.

NEW ENTREPRENEURS 2023


280,010
Of which **81%** are
poor and vulnerable


38% banked
Joined the formal financial
system for the first time



By focusing on vulnerable segments, financial inclusion works towards economic empowerment, which enables people to realize more of their potential

Financial health: the intermediate step for sustained growth

The entrepreneurs running these businesses navigate a complex web of systemic and non-systemic obstacles, ranging from climate risks, to lack of specialization of the business they operate, or macroeconomic challenges, such as inflation, among others. To further complicate matters, microentrepreneurs must also juggle their home finances, which are intertwined with their business income.

Indeed it appears that our entrepreneurs are good at day-to-day management, and so they satisfy a basic financial health threshold; but if unforeseen contingencies occur frequently, and are sufficiently onerous, their household finances will be very compromised.

- Instability of income is one the main issues our entrepreneurs face: 44% of them earn most of their income over a maximum period of 9 months a year
- Risks are the key elements facing our clients progress, in particular, health and business income shocks are those that clients face with most difficulty

INCIDENCE OF CONTINGENCIES

The percentage of customers suffering from contingencies in each country in...

	Health-Chronic	Health-Timely	Events	Arrangement of assets	Climate	Inflation	Less salary	Business income
Fondo Esperanza	31%	48%	42%	30%	16%	48%	42%	56%
Bancamía	18%	34%	24%	23%	23%	49%	22%	50%
Financiera Confianza	23%	59%	51%	37%	41%	52%	41%	53%
Banco Adopem	14%	71%	53%	48%	31%	45%	36%	50%

- The most direct way of meeting contingency expenses is by using an emergency fund, whether in the form of savings or assets that can be sold to get liquidity. Households want to make savings and most say that they have the capacity to save (79%) showing their intention to build up a healthy habit. However, only 22% of entrepreneurs have savings that would last them for more than 6 months.
- Many of those who belong to these segments are precisely those excluded from the formal financial system or who do not make full use of it: 38% of new entrepreneurs come into the financial system for the first time through the FMBBVA's MFIs.

Vulnerable households navigate these challenges with the goal of investing in assets in order to create resilient businesses. In other words, they aim to be financially healthy. There is an opportunity to find new, more effective ways to help households plan their finances better.

FINANCIAL HEALTH

Savings



2,750,965

clients with savings products

Insurance



624,740

Insured with protection for business damages, life, funerals, health and/or climate risks

Training



662,555

People trained receive financial education and/or other support

In-person
69%

Virtual
10%

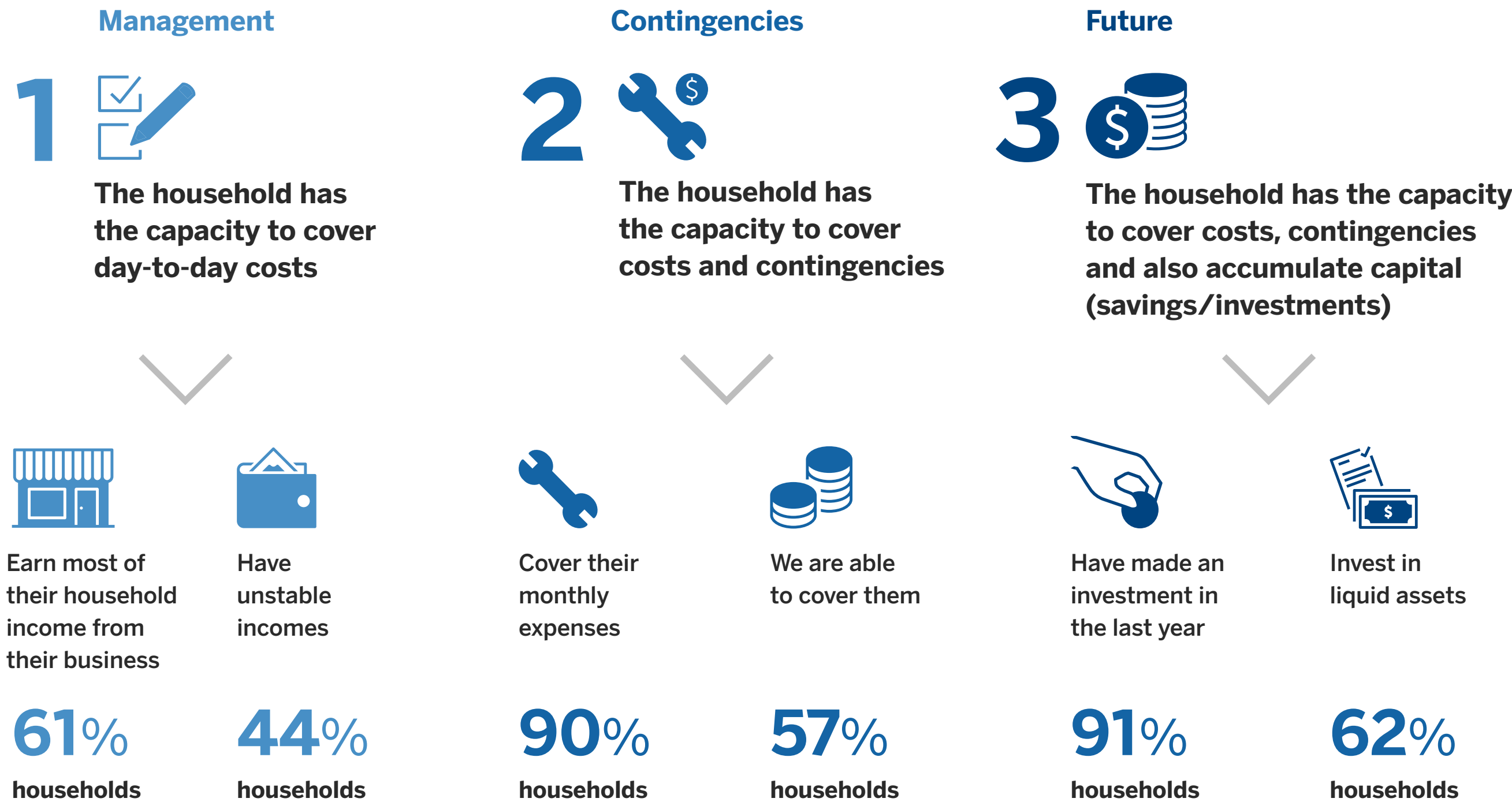
Hybrid
21%

Financial education

80% of training

56,153 Use our e-learning platform

LEVELS OF FINANCIAL HEALTH*



Financial health is the backbone for household progress

Business growth: key to raise income levels

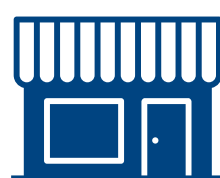
Business performance depends in many ways on the macroeconomic environment. The results from 2023 show that business development has been good, translating into solid growth both in sales and surpluses, reaching annual rates of 14% and 15% respectively. This expansion, once deflated, is lower than last year, a sign of the difficulties in some countries. Growth has passed over into an income improvement in one in every two households: 54% of homes improved their income in 2023, compared to 51% in 2022. Nevertheless, these averages hide differences, both by country and by activity. On average, after two years of business development, with the increase in their incomes, one in three entrepreneurs manages to climb out of poverty. What is more, the longer they bank with us, the better their performance. There are two interesting trends:

- Entrepreneurs in poverty continue looking for minimum incomes and the rate of escape from poverty has held fast, a sign of good performance by the most vulnerable. It also makes sense that the performance of the poor would be non-cyclical.
- Nevertheless, many micro-businesses are shrinking at a faster rate, especially in the non-poor segment, indicating a future risk and lower likelihood of success.

Given that long-term relationships foster positive performance, it is crucial that we continue supporting entrepreneurs

BUSINESS GROWTH

Their businesses



Grow allowing an improvement in household income (business earnings for each household member)

Earnings



14%
Sales

15%
Earnings

Deflated rates

54%

Improve their income

with regards to their previous loan

Employment



196.253

Jobs

15% hire at least one person in their business

5% generate jobs in the first 3 years of banking with our FSPs

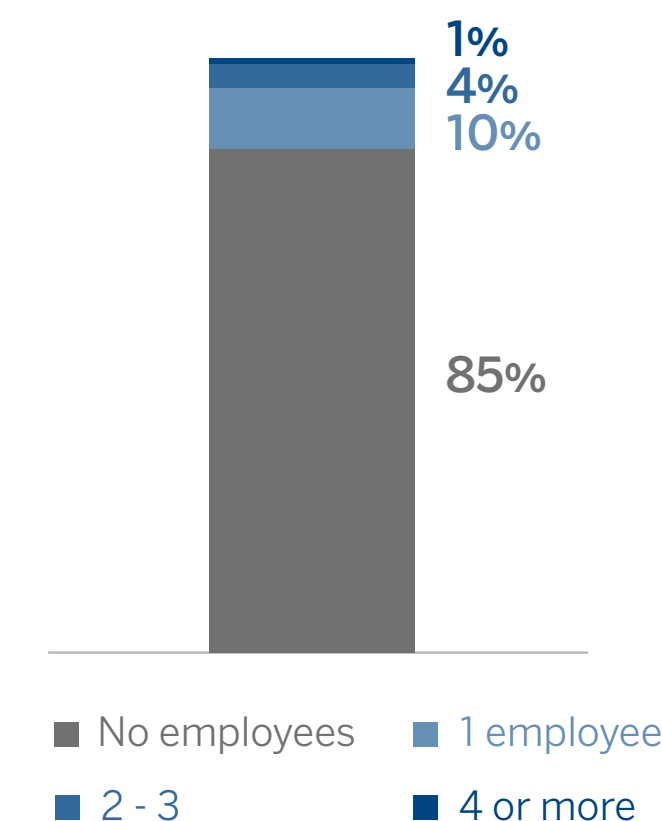
over time so that they achieve sustainable progress. Our aspiration is to drive measurable progress on sustainability, inclusion, and growth—all at the same time. When these businesses thrive, not only households but also other people within the community flourish, as 15% of these entrepreneurs create employment opportunities.

Lower growth in sales and earnings

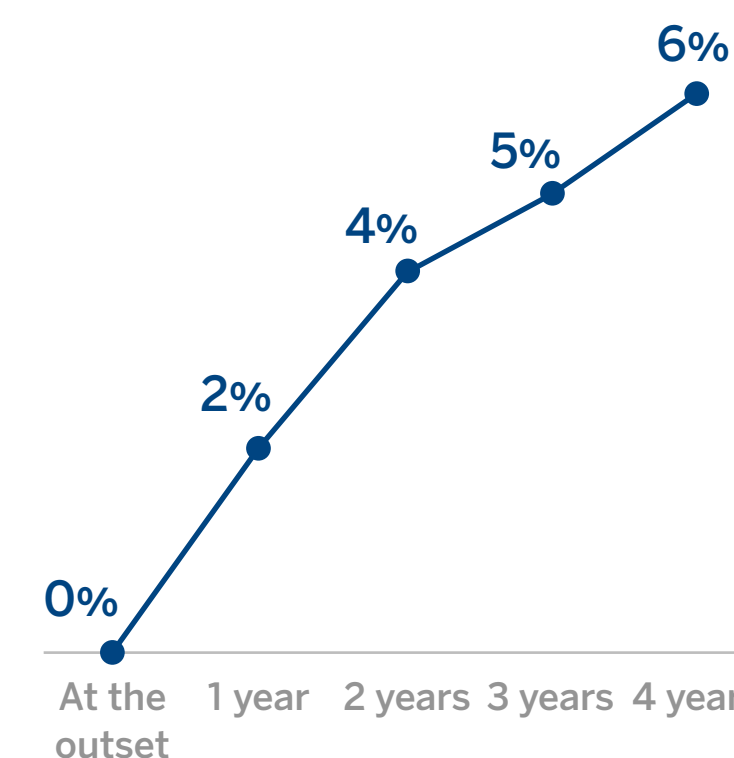
Deflated rates according to the monthly CPI in each country



Source of employment



Job creation



Welfare: the urge to change structural poverty

The pursuit of economic empowerment must be viewed in conjunction with essential needs such as housing, healthcare, and education. Only if minimum living standards are met, can they gain a modest sense of security and a reduced risk of slipping back into poverty. BBVAMF is addressing this through two lines of work:

- A recurring assessment of deprivations is being implemented in 2023 in order to create a corporate multidimensional poverty index. The information is available for 161,000 households in Colombia, Peru, Dominican Republic, and Chile; Panama carried out the pilot in 2023 and will launch its assessment in 2024. Once the information is validated, the data will be used to direct financial solutions to those most in need.
- In parallel, the MFIs continue to design financial products and services to tackle the poverty gaps that have already been identified. In particular, many institutions have been working hard towards a series of insurance policies with the purpose of protecting households against unforeseen events. BBVAMF Group manages insurance policies for 624,740 people, where health insurance is the biggest growth area and is taken out by the more vulnerable households.

WELL-BEING

Housing



Housing improvements

Colombia, Peru, Dominican Rep. and Panama

26,358 households

Sanitation

Peru

10,287 hogares

Education



Educational loans

Colombia, Peru and Dominican Rep.

6,050 households

Grants for entrepreneurs' children

Peru and Colombia (cumulative grants)

131

Health



Health insurance

Colombia, Peru, Chile and Panama

244,151 households

Climate



Resilience

Colombia, Perú, Rep. Dominicana y Chile

160,386 households

Adaptation loan

3,361

insured

Climate insurance

157,093

insured

Environmental sustainability

Colombia, Peru and Dominican Rep.

18,647 households

Water management & pollution

10,724

entrepreneurs

Circular Economy

7,532

entrepreneurs

Mitigation loans

449

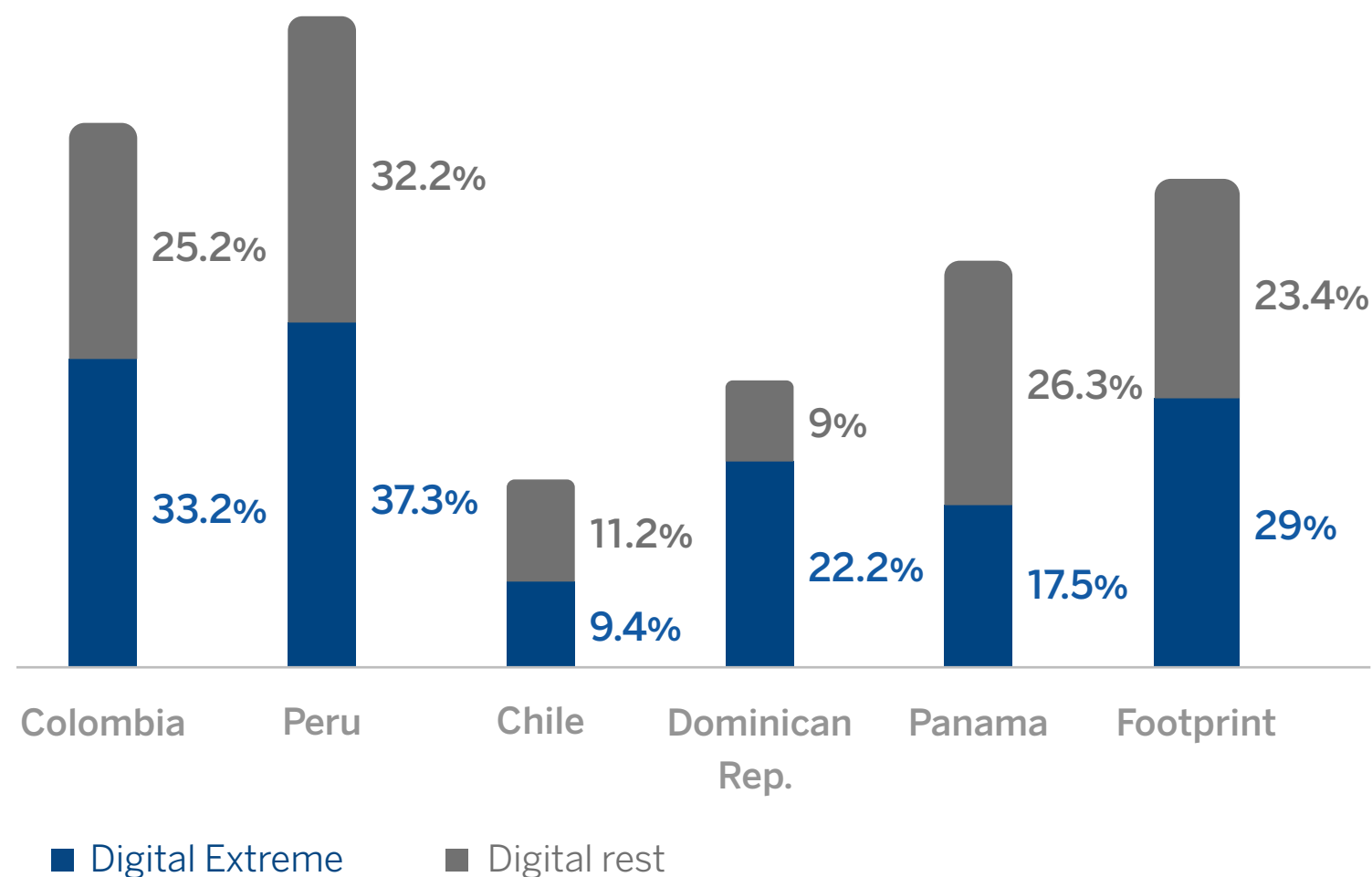
entrepreneurs

Beyond internet access: digital poverty

The expanding use of digital technology in recent decades has become increasingly essential and necessary, opening up new opportunities and social benefits. While access of a household to the internet is currently being measured, digital poverty goes beyond the lack of technological devices and internet connections; it manifests itself in any combination of limited access to technology, lack of digital skills; economic limitations to buying the device or the cost of internet services, and the digital gap that becomes a generation gap as older people may feel overwhelmed or excluded by the rapid development of technology.

52.4% of entrepreneurs across these five countries suffer some degree of digital poverty and 29% are in extreme digital poverty (neither devices nor internet access). Colombia and Peru have the highest rates of digital poverty and Chile the least.

Digital poverty



Digital poverty can exacerbate economic poverty or perpetuate the poverty cycle, hence the need to address it



The Foundation works along two dimensions to improve this gap:

- On the one hand, making available to the population the means of connecting to the internet. Since 2020, 93 banking agents with connectivity have been brought into remote areas providing connectivity to c. 4,400 people.
- On the other hand, the push for digital literacy has become crucial to improve entrepreneurs’ efficiency and brings them tangible benefits in that they can use the technologies in their businesses and also for online banking, saving time on bureaucratic procedures, enabling them to obtain accurate information in real time and to improve their communication with third parties.

Insofar as digital access is massive and affordable, it becomes possible to develop and use digital finance, which then becomes a powerful tool for achieving greater financial inclusion and for expanding basic services.

DIGITAL GAP



81,664
People trained
in digital literacy

10% virtual
21% hybrid (virtual and in-person)



56,153
People have registered on
our e-learning platforms

Connectivity



93 Banking correspondents offer internet to remote areas in Colombia, Peru and Panama

2022

206,221

2023



Active digital users*

291,872



Face and voice biometric verification **

18,913

29,437



Web and mobile transactions

112.95 MM €

166.12 MM €



Digital monetary transactions

7.6%

8.5%

*Nº users registered under the App(web cumulative data).
**Voice biometric in 2022: 3,919 and in 2023: 11,464.

Notes on methodology

Information limitations

Information limitations

- Lack of information on certain variables.** There are certain variables for which client information is not available.
- Positive bias.** Clients’ tendency to present their microenterprise’s performance in a more favorable light than reality.
- 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 microfinance institution (MFI’s) core banking system).
- Heterogeneous databases and different criteria.** Indicators are based on the faithful interpretation of each MFI’s 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 gaps in a given client’s data, or it is felt to be unreliable, this client’s data is removed; expert or interpolated values were not used.
- 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 considered credible.
- There are limitations in the data capture process, such as the difficulty of valuing the business, input errors, incorrectly interpreting the variable, lack of time, etc. For group lending 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 (e.g. housing conditions, educational level, capacity to access other income for the household, etc) are not collated in all the institutions or collated differently. BBVAMF has adapted to the information available from each institution and each country’s requirements.

Methodological explanations of some of the indicators and variables

Choosing the variables for consideration

Variable	Comments
New credit clients	
Urban / rural environment	<p>The “environment” variable is defined by each institution as follows:</p> <div><div><div>Bancamía</div><div>The client’s business address (street, highway, etc).</div></div><div><div>Financiera Confianza</div><div>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). If the rural proportion of the district is over 50%, according to the INEI, the entire district is classified as rural.</div></div><div><div>Banco Adopem</div><div>Assigned according to the % of rural/urban land in the province where the bank office is located, according to the National Statistics Organization. All clients in the branch office are classified in the same category as the branch.</div></div><div><div>Fondo Esperanza</div><div>Assigned according to the % of rural/urban land in the commune where the client lives, according to the Chilean Statistics Organization (2017 census). All clients in the branch office are classified in the same category as the branch.</div></div><div><div>Microserfin</div><div>The client’s address determines the environment, according to the parameters of the province and the district.</div></div></div>



Variable	Comments
Economic sectors	<p>Based on the United Nations International Standard Industrial Classification of all economic activities (version 4).</p> <ul style="list-style-type: none">• Agriculture: agriculture, forestry, fishing, mining, and quarrying.• Production/Transformation: manufacturing; electricity, gas, steam, air conditioning supply; water supply, sewerage; waste management, remediation activities; and construction.• Trade: 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; teaching; human healthcare and social work; other services.
Data from financial statements (balance sheets and P&L)	<p>Financial variables shown are those reported by clients:</p> <ul style="list-style-type: none">• At the first disbursement.• At their latest disbursement.• Depending on the methodology interim information can be presented, i.e. whenever data is obtained because there has been a disbursement or an information update (except in the case of Fondo Esperanza. See Financial data performance and variation in the poverty segment).



Variable	Comments
Payment installment	The installment has been calculated as a monthly figure (where the frequency had been different) and, where the client has more than one loan, all their installments to the institution are added together.
Household size	Household members are defined as the number of people living in the same home, whether they are family members or not, who have a shared food budget or share food costs.

Selected indicators	
Indicator	Comments
Credit clients	<p>When calculating the indicators for credit clients, we looked at those with a productive unit (microenterprise), thus excluding loans to employees.</p> <p>New clients are defined as those who have taken out a loan during the year and have had no previous loans with BBVAMF Group institutions.</p> <p>Returning clients are those who have received a disbursement in the last 12 months.</p> <p>Total clients are all clients with an outstanding loan as of 12.31.2023.</p>
Savings clients	<p>Clients with savings products and deposits have been analyzed in order to classify them according to their goals. For the indicators on savings clients, institutional clients and employees were excluded. Four categories were identified:</p> <ul style="list-style-type: none">• Savers. Those who have taken out products designed specifically to encourage saving.• Potencial: Clients who have taken out transactional savings products and have an outstanding loan.• Transactional. Clients who have taken out transactional savings products, but do not have an outstanding loan.• Inactive. Remaining clients.

Indicator	Comments
Clients with voluntary insurance	<p>The research presented here has been conducted on insurance policies taken out voluntarily by clients and shows, depending on the study, either the perimeter of clients who take out a policy (policy holders), or the type of parties insured under the policies taken out by clients.</p>
Financial variables	<p>Financial variables are those reported by clients at:</p> <ul style="list-style-type: none">• The first disbursement, in the case of graphs about new clients.• The last disbursement or update available, when the graphs refer to renewing clients or the existing portfolio.• In the various client disbursement processes, when the graphs refer to clients’ progress over time.
Monthly per capita surplus or “income”	<p>The monthly per capita earnings figure is used by the BBVA Group as the measure of a client’s disposable revenues. The surplus (business revenues, less direct and indirect business costs) is divided by the number of people in the household. If necessary, it is calculated by month. Other household income or costs are not included in the calculation for two main reasons:</p> <ul style="list-style-type: none">• The aim is to show the impact of the enterprise on clients and their families, rather than 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 any other income unrelated to the microenterprise. Obtaining full documentary proof would be difficult to achieve. <p>Monthly net income is divided by the number of household members to understand its impact on the household as a whole. The household size is the number of people living in one place who share the food budget. It is a more stable figure than the number of dependents, which can vary over time.</p> <p>Monthly net income is calculated from the situation immediately before granting the loan, so does not include the payment installment on the loan that is about to be approved.</p>

Indicator

Income relative to the poverty line

Economic vulnerability

Comments

This measures the monthly per capita surplus (income) as a percentage of the poverty line. Relative income is calculated over the poverty line at disbursement (poverty line for the year in question). As the measurement is relative, it enables us to make comparisons over time (similar to the financial updating of currency units), as well as comparing different geographical areas or segments.

Relative income takes the value of one when it is the same as the poverty line. Values under one indicate that the client is in poverty.

Categories have been set using the monthly incomes generated by the micro-enterprise to determine clients’ economic situations. These are compared with the poverty and extreme poverty lines for each country, as defined by that country.

Clients with monthly income below the extreme poverty line will be classified as extremely poor. Those between the extreme poverty and poverty lines will be classified as poor.

A third category is made up of vulnerable clients, those with monthly per capita (p.c.) net incomes less than three times the national poverty line. The businesses of these clients generate monthly p.c. 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 poverty groups together the *extremely poor* and the *poor*. The term “*vulnerability*” covers all three segments: *extremely poor*, *poor* and *vulnerable*.

Remaining clients are classified as *others*.

Indicator

Vulnerability line
(three times the poverty line)

Financial data performance
and variation in the poverty segment

Comments

The threshold of three multiples of the poverty line has been defined thus because clients with revenues over this limit are unlikely to fall into poverty. In other words, 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%. This definition is in line with studies by the World Bank.

Relative income distribution of clients who fall into poverty

	100% Max.	99%	95%	90%	75%	50%	25%	10%	5%
Initial relative income	56.89	7.43	3.97	2.92	2.04	1.44	1.16	1.05	1.02

There are two ways of measuring performance indicators such as progress made in terms of financial variables (monthly sales and surpluses):

- Data from those clients who were current in the last 12 months, and who have updated their information is used to compare their growth with their situation at the outset. Similarly, there are the monthly renewals, where the calculations are made against the disbursement made to the client directly beforehand.
- In the case of Fondo Esperanza, the criteria differ slightly, due to the peculiarity of their processes, in which the client's financial information is only updated during the fifth credit cycle. A timespan in which the update has been made is not a requirement. Thus, the client universe considered in the calculation is made up of those who have had two disbursements and an update of their financial data, and this may not have occurred in the previous 12 months.

Indicator	Comments
Social improvement indicators	<ul style="list-style-type: none">Housing upgrade Clients who have changed to having their own home, or who have upgraded their home, whether with sanitation improvements (bathroom, septic tank), in the construction material, in the fuel they use, or who have increased the number of bedrooms since the initial registration.Education improvement: Clients who have improved their level of educational attainment compared to their situation at the outset.Improvement in employment: An increase in the number of the enterprise’s employees compared with at the outset. <p>All clients who have improved their circumstances were analyzed, independently of when the improvement occurred.</p>
Employment creation indicator	<p>To assess microenterprises’ capacity to generate employment, the change in the number of workers hired by clients over time was analyzed.</p> <p>Although there is no historical series for this data, the number of reported employees hired has been presented for clients current as of 12.31.2023</p> <p>The criterion used to collate information was changed in Financiera Confianza: family members are now excluded from worker numbers. For this reason, the evolution of employment creation has not been presented.</p>
CAGR & AAR	<p>Compound annual growth rate (CAGR) is calculated as the average growth of clients’ financial values since their previous disbursement. Outlying values of less than 1% or more than 5% are excluded. To calculate the average annual rate, and in those cases where the client has received two loans in the same year, only the growth of the latest credit disbursed during the year is included, in order to have the most recent data point.</p> <p>AAR: average annual rate comparing growth (generally of client segments) over time.</p>

National poverty lines

The official extreme poverty and poverty lines are taken for each country, depending on whether it is urban or rural, as published by each country’s official bodies. Where these lines

have not been updated from the previous year, the latest available are taken and updated using the annual CPI (Consumer Price Index) to December of the year in question.

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Colombia	2022 lines updated by CPI (9.28%)	2023	Extreme poverty	162,853	233,448
			Poverty	276,642	480,883
	2021 lines updated by CPI (13.1%)	2022	Extreme poverty	138,419	194,807
			Poverty	256,239	441,864
	2020 lines updated by CPI (5.6%)	2021	Extreme poverty	118,688	163,064
			Poverty	211,018	390,454
	National Statistics Department DANE¹	2020	Extreme poverty	112,394	154,417
			Poverty	199,828	369,748
	DANE	2019	Extreme poverty	106,924	146,189
			Poverty	210,969	361,574
	DANE	2018	Extreme poverty	100,041	122,742
			Poverty	169,185	283,239
	DANE	2017	Extreme poverty	99,082	121,409
			Poverty	165,062	275,818
	DANE	2016	Extreme poverty	97,867	119,685
			Poverty	159,543	266,043
	DANE	2015	Extreme poverty	86,918	106,653
			Poverty	157,752	246,336
	DANE	2014	Extreme poverty	79,837	98,407
			Poverty	139,792	233,530
	DANE	2013	Extreme poverty	77,947	95,884
			Poverty	136,192	227,367

1. <http://www.dane.gov.co>



National poverty lines (continued)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Peru	2022 lines updated by CPI (3.2%)	2023	Extreme poverty	199	242
			Poverty	320	455
	2021 lines updated by CPI (8.5%)	2022	Extreme poverty	183	227
			Poverty	303	438
	2020 lines updated by CPI (6.4%)	2021	Extreme poverty	170	212
			Poverty	281	410
	National Statistics & Informatics Institute (INEI) ²	2020	Extreme poverty	161	199
			Poverty	265	384
	INEI	2019	Extreme poverty	158	195
			Poverty	260	377
	INEI	2018	Extreme poverty	154	191
			Poverty	253	369
	INEI	2017	Extreme poverty	153	191
			Poverty	250	364
	INEI	2016	Extreme poverty	150	184
			Poverty	244	353
	INEI	2015	Extreme poverty	137	169
			Poverty	226	328
	INEI	2014	Extreme poverty	137	169
			Poverty	226	328
	INEI	2013	Extreme poverty	132	163
			Poverty	218	316

2. <https://www.inei.gob.pe>

National poverty lines (continued)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Dominican Republic	2022 lines updated by CPI (3.6%)	2023	Extreme poverty	2,913	3,040
			Poverty	6,012	6,752
	2021 lines updated by CPI (7.8%)	2022	Extreme poverty	2,790	2,910
			Poverty	5,756	6,464
	2020 lines updated by CPI (7.7%)	2021	Extreme poverty	2,602	2,715
			Poverty	5,370	6,031
	Ministry for the Economy, Planning & Development MEPyD ³	2020	Extreme poverty	2,380	2,484
			Poverty	4,911	5,516
	MEPyD	2019	Extreme poverty	2,295	2,395
			Poverty	4,736	5,320
	MEPyD	2018	Extreme poverty	2,223	2,320
			Poverty	4,588	5,153
	MEPyD	2017	Extreme poverty	2,172	2,267
			Poverty	4,482	5,034
	MEPyD	2016	Extreme poverty	2,076	2,167
			Poverty	4,285	4,813
	MEPyD	2015	Extreme poverty	2,048	2,138
			Poverty	4,228	4,749
	MEPyD	2014	Extreme poverty	2,041	2,130
			Poverty	4,212	4,730
	MEPyD	2013	Extreme poverty	1,985	2,071
			Poverty	218	316

3. <http://economia.gob.do>

National poverty lines (continued)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Panama	2022 lines updated by CPI to Dec. (2.2%)	2023	Extreme poverty	64	76
			Poverty	115	155
	2021 lines updated by CPI to Dec. (2.1%)	2022	Extreme poverty	63	74
			Poverty	113	152
	2020 lines updated by CPI to Dec. (2.6%)	2021	Extreme poverty	61	73
			Poverty	110	149
	2019 lines updated by CPI to Dec. (0%)	2020	Extreme poverty	60	71
			Poverty	108	145
	2018 lines updated by CPI to Dec (0%)	2019	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry	2018	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry	2017	Extreme poverty	59	70
			Poverty	107	144
	Finance & Economy Ministry	2016	Extreme poverty	59	70
			Poverty	106	144
	Finance & Economy Ministry	2015	Extreme poverty	59	69
			Poverty	105	141
	Finance & Economy Ministry	2014	Extreme poverty	59	69
			Poverty	105	142
	Finance & Economy Ministry	2013	Extreme poverty	56	66
			Poverty	102	137

National poverty lines (continued)

Poverty lines in Chile

We should draw attention to the case of Chile, where in 2015 the Social Development Ministry (SD Ministry) published a new methodology (NM) in consensus with a broad selection of experts⁴, because “the traditional measurement was no longer reflecting the situation of poverty in which many families were living”⁵. 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).

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

Updated poverty line. The basic food basket has been updated (4) and the proportion 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.
- **Relationship between extreme poverty and poverty:**
Extreme poverty line for an average household: $EPL = \frac{2}{3} PL$
Where: PL: Poverty line; - EPL: Extreme poverty line
- **Extreme poverty line:** This value is set so that EPL covers food, clothing and housing (6). The NM includes in its income a charge for renting the home for those who own or have the use of one. The previous methodology, 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 (p.c.) 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 falls proportionately). Note that the NM does not consider the environment (rural vs. urban).

4. Ministry of Social Development, A Modern and Transparent Poverty Measurement for Chile. CASEN 2013 and 2015.
5. Minimum income established to cover a person's basic nutritional requirements.
6. New Methodology for Measuring Income and Mudimentional Poverty (CASEN Social Observatory 2013), p.11.
7. <http://www.mef.gob.pa/es/informes/paginas/pobreza-e-indigencia.aspx> Value of the national poverty lines using the traditional Methodology, published in 2013 by the Ministry of Social Development , updated with the CPI.

National poverty lines (continued)

Poverty lines in Chile

The poverty lines in use since 2015 are, as such, significantly higher than those applied using the previous methodology, where the extreme poverty line was equivalent to the basic basket of goods and the poverty line mirrored the cost of food, goods, and basic services.

Given that the NM poverty lines are defined based on household revenue, business income is taken (instead of per capita surplus) to calculate the metrics and the corresponding poverty line is set depending on the size of the household. The poverty line series used are as follows:

Household size		2015	2016	2017	2018	2019	2020	2021	2022	2023
Extreme poverty (LOC)	1	100,944	103,139	105,653	108,696	111,982	116,629	123,274	138,611	153,452
	2	163,985	167,550	171,633	176,577	181,915	189,464	200,259	225,175	249,283
	3	217,805	222,541	227,963	234,530	241,620	251,646	265,984	229,077	331,098
	4	266,394	272,187	278,819	286,850	295,522	307,785	325,321	365,797	404,962
	5	311,431	318,203	325,956	335,345	345,483	359,819	380,320	427,639	473,425
	6	353,825	361,519	370,327	380,995	392,512	408,800	432,092	485,852	537,871
	7	394,140	402,711	412,523	424,406	437,236	455,380	481,326	541,212	599,157
	8	432,758	442,168	452,942	465,989	480,076	499,998	528,486	594,239	657,863
	9	469,950	480,169	491,869	506,038	521,335	542,969	573,905	645,310	714,401
	10	505,920	516,922	529,517	544,770	561,238	584,528	617,832	694,702	769,081
Poverty (LOC)	1	151,417	154,709	158,479	163,044	167,973	174,943	184,911	207,917	230,178
	2	245,977	251,326	257,450	264,865	272,872	284,196	300,388	337,762	373,925
	3	326,707	333,811	341,945	351,795	362,429	377,469	398,976	448,616	496,648
	4	399,591	408,280	418,228	430,275	443,282	461,677	487,982	548,696	607,443
	5	467,146	477,304	488,934	503,018	518,224	539,729	570,480	641,459	710,138
	6	530,737	542,278	555,491	571,492	588,768	613,200	648,138	728,779	806,806
	7	591,210	604,066	618,785	636,609	655,854	683,070	721,988	811,817	898,736
	8	649,137	663,253	679,414	698,984	720,114	749,997	792,729	891,359	986,794
	9	704,925	720,254	737,804	759,056	782,003	814,454	860,858	967,965	1,071,601
	10	758,881	775,382	794,276	817,155	841,857	876,792	926,748	1,042,053	1,153,622

Currency exchange rates

All the (historical) data from MFIs is input in local currency and the exchange rate applicable on December 31, 2022 is applied so that exchange rate fluctuations do not impact the conclusions.

Country	Exchange rate		Source
Colombia	COP / USD	0.0002616	BBVA Bank, mid-market rate on December 31 2023.
Peru	PEN / USD	0.2692370	BBVA Bank, mid-market rate on December 31 2023.
Dominican Republic	DOP / USD	0.0172606	BBVA Bank, mid-market rate on December 31 2023.
Chile	CLP / USD	0.0011305	BBVA Bank, mid-market rate on December 31 2023.
Panama	PAB / USD	1.0000000	BBVA Bank, mid-market rate on December 31 2023.

Multidimensional poverty surveys

Between 2020 – 2022 several rounds of client surveys were carried out via the branch network, to find out:

- **The impact of the pandemic from the perspective of economic vulnerability**, financial health, and household welfare.
- **Their resilience, once they had weathered the pandemic.** How they adapted, the sustainability of the adaptations to their business and how interested they are in financial and non-financial solutions, among others; the surveys also tackled the degree of entrepreneurs’ connectivity and how affordable it is, with a view to measuring digital poverty at a later stage.
- **Their deprivations in dimensions relating to education, healthcare and housing**, as well as information about the client’s business and their household income; this will make it possible to roll out measuring in our systems, so as to link it to the value offering.

Financial health surveys

A financial health survey⁸ was carried out in 2023, to expand and dig deeper into the results from the 2018⁹. The earlier survey provided an initial assessment of the financial health of our entrepreneurs' households, giving us an overview of how households in each of the 3 levels (vulnerable, poor and extremely poor) manage their finances. Specifically, it was shown that the main problem facing households is instability and contingencies, whether of expenditure or income. This is consistent with evidence in the literature, which concludes that managing unexpected events is as big a problem as poverty itself. For this reason, the survey this year focuses particularly on households' financial resilience and how they deal with contingencies, with a view to better understanding their needs, enabling us to seek out opportunities to serve them more with our current mechanisms or with new ones.

The research has a dual purpose: (I) to assess the level of households' financial health, and (II) understand the economic resources they have or need in order to improve their financial health. This information will be used, on the one hand to help to put together offerings that suit their interests and needs; and on the other to identify which clients would potentially want to sign up to the offering.

Project details:

- 3,177 surveys completed in total
- Conducted through the network (advisors /loan officers) between September and October 2023. In Chile clients filled in the survey themselves.
- Representative sample of the client portfolio, with a 3% margin of error/95% confidence level
- Representative in terms of profile and national coverage (geographically representative). Clients more than 3 months in default were excluded, as were those who only have insurance and/or savings products, together with employees and institutional clients.

Sample filters

The initial sample of 5,199 surveys was filtered for quality control. Surveys with the following errors of coherence were set aside:

- **Coherence between the different survey responses:** numerous coherence controls between responses with interrelated information were put in place..
- **Coherence with the remaining information available about the client:** information collected in our data bases.
- **Internal coherence of the results themselves:** ssurveys whose results were not credible or did not correspond with the tendency in the rest of the sample were set aside.
- **The data was subjected to standard cleaning:** outliers, duplicates, etc were set aside.

These filters produced a final sample for analysis of 3,177 surveys.

8. Financial health is defined as the ability to manage one's finances so that: I) income covers expenses, II) possible contingencies can be met; III) assets are accumulated for use at later stages of life.

9. Financial health survey carried out in conjunction with IPA.

Financial health surveys (continued)

Survey questions

The approximation chosen for the analysis is based on state-of-the-art of the literature¹⁰, where a classification of the most common risks faced by this type of households, as well as the economic mechanisms available for tackling those risks, can be found.

In accordance with this criterion, the survey was structured as follows:

- The first part asks about the **type of risks** they have faced recently (in accordance with the classification mentioned above), together with the frequency and importance of these¹¹.
- The second part asks about **the mechanisms they have used and that are available**, their order of preference of these, and the usefulness of each.
- The third part asks about **other habits and factors in their financial management** that might condition both their ability to respond to contingencies and their capacity to have healthy finances in the future.

This information will enable us to understand the main difficulties and mechanisms of each individual household, as well as their habits and potential areas of improvement in the management of their finances.

¹⁰. See for example... the CGAP paper.

¹¹. The information on risks is being reviewed and recompiled for quality purposes, so is not described in this analysis.