Fundación
BBVA Microfinanzas
15 aniversario

Sustainable inclusion:
at the service of households

H. M. the Queen of Spain, Honorary President of the Events Commemorating
the 15th Anniversary of the BBVA Microfinance Foundation

Para la Fundación Microfinanzas BBVA en
su 15º aniversario, con mi felicitación entusiasta por su
labor transformadora y eficaz para lograr la inclusión
financiera de los más vulnerables y promover así el desa-
rrollo social y económico.
Letizia R.

"To the BBVA Microfinance Foundation on its 15th anniversary, with my enthusiastic appreciation for their transformative and effective work towards achieving financial inclusion for the most vulnerable, thus promoting social and economic development"

Letizia R.

Índice

BBVA Microfinance Foundation

A foundation and six microfinance institutions of reference, united by a common aim

BBVA Microfinance Foundation (BBVAMF or the Foundation) is a non-profit institution set up by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) as part of its corporate social responsibility mission. It is the majority shareholder of six microfinance entities across five countries. They all share a common purpose: the sustainable development of vulnerable entrepreneurs who are engaged in productive activities.

Leading microfinance initiative in Latin America

USD 1,149 BN Gross portfolio	2.8 million clients served
With a solid capital structure	With an impact on over 7 million people

Our purpose

The sustainable development of people under vulnerable conditions who own productive activities.

Our model

Productive Finance: financial services, training and advice for people who live in vulnerable conditions, so they can make progress with the net income derived from their productive activities.

BBVAMF entities provide a complete range of financial products and services to over two million entrepreneurs who are also offered up-skilling. In 2021 they delivered USD 1.3 million in loans to entrepreneurs.

Total clients

2,773,221

	Clients	% total
Dominican Republic Banco Adopem	408,663	15%
Panama Microserfin	17,695	1%
Colombia Bancamía	1,503,043	54%
Peru Financiera Confianza	731,496	26%
Chile Fondo Esperanza	109,268	4%
Emprende Microfinanzas	3,056	

Fundación **BBVA** Microfinanzas
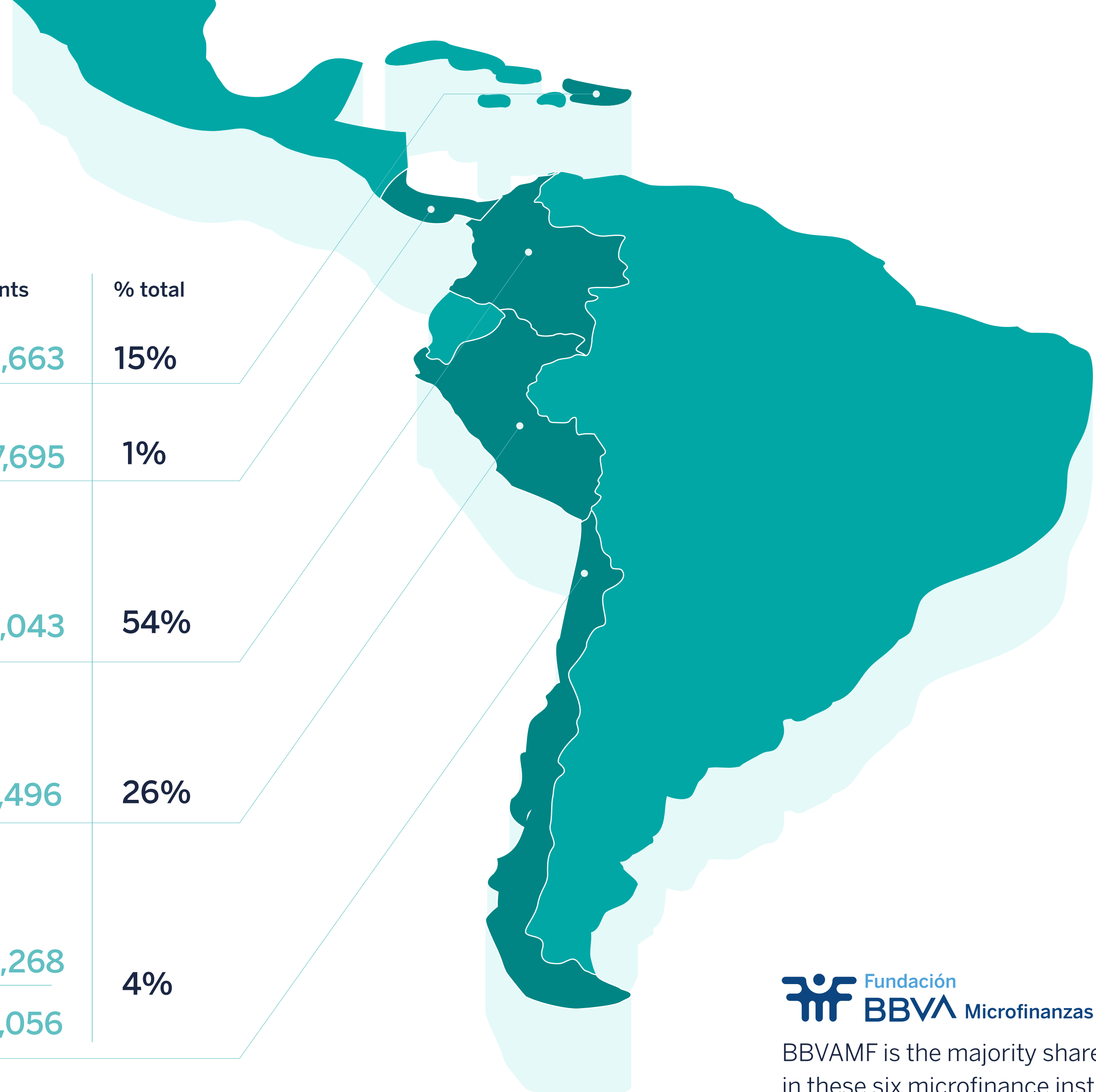
BBVAMF is the majority shareholder in these six microfinance institutions

Our values

**We create
social impact**

**The entrepreneur
at the core**

**We aim
higher**

**We are
one team**

The Foundation combines its knowledge and global banking experience with the expertise of the microfinance entities working for vulnerable people operating across several Latin American countries. This not only adds value, but also ensures compliance with the Group's purpose, together with optimal financial and economic management. In turn, the entities are experts in microfinance methodology. Their proximity to the client, extensive capillarity, and a significant innovation capability differentiates them from the other entities in their field in their respective countries.

So that the development of their activity is inclusive (scope) and can help as many vulnerable people as possible (scale), it must be underpinned by business sustainability. This means that four

factors are essential: solid financial performance, risk control, an organizational model that nurtures human talent, and transparent governance.

Proof of this reliable management is visible in the leadership position in microfinance –individual methodology– enjoyed by the BBVAMF Group in Latin America. It has become the philanthropic initiative with the greatest social impact in the region.

According to the latest OECD report on the subject, the BBVA Microfinance Foundation is recognized as an international leader in development financing, after only the Bill & Melinda Gates Foundation.

According to the OECD, BBVA Microfinance Foundation is an international leader in development financing ,,

Total clients	Disbursements in 2021	People receiving financial education
2,773,221	1,021,152	551,138
Gross portfolio (USD mill.)	**Average disbursement in 2021 (USD)**	**Branches & express offices**
1,149	1,285	559
Total disbursed in 2021 (USD mill.)	**Client assets under management (USD mill.)**	**Employees**
1,312	657	7,619

Reinforcing social performance

At the Foundation we aspire to reducing inequality. That is why we possess the interest, the will and the capacity to understand vulnerable entrepreneurs and to look for solutions –whether financial or non-financial– that enable them to make progress. We do this by applying research to our business. This entails combining research studies, experimentation (pilot projects on the ground) and continuous learning (targets and monitoring with specific indicators) that feed back into one another.

Applied research at the service of the client

The impact of microfinance on vulnerable entrepreneurs is the outcome of a complex interaction between several factors, which include our financial transactions. As such, the success or failure of the entrepreneur cannot be solely attributed to him or her. Studies and analyses will help us to find out the precise role our way of working plays in achieving these results. Achieving this requires deep understanding of the client, but also of their household and the community in which they are operating (context). We conduct research in three fields: household welfare, financial health, and the expansion of microenterprises. The knowledge acquired will enable us to generate maximum impact for the client, as well as the expansion and stabilization of their incomes, and access to greater welfare, whether tangible or intangible (empowerment, better business management, financial capabilities, etc.).

We work to maximize the social and economic impact on entrepreneurs in a situation of vulnerability by means of applied research 🙸

Only by studying the needs and reality of our clients can we enhance our impact on their lives and economies 🙸

We want to identify the client's differential factors (attributes, contexts, behaviors, etc.) and establish causal relationships (selection, channels, products and services). In other words, research studies must lead increasingly to concrete proposals that can be linked to the entrepreneur's activity. This allows us to test an idea, reducing the attendant uncertainty and risk when we apply it in the microfinance entity. It is a major source of information that helps to establish and meet our impact goals.

Over the next few years, our studies will pursue two lines of enquiry: some will help to identify success factors and attributes that these entrepreneurs share, while others will address how to create incentives and product designed to link this success to a tailored value offering.

The analysis is based on the information we manage on a daily basis and is crucial in designing targeted interventions that increase social impact "

We reinforce impact through the knowledge of the client

We aim to strengthen this impact along three dimensions that guide our current strategy

Financial Health
Managing assets and the household's financial resources

Living standards
Access to basic services and empowerment

Business Development
Growth, productivity, asset accumulation

| Robust databases	Research using new methodologies	Value creation & new proposals	Tracking & monitoring
• Socio-demographic variables and geolocation • Business and operational data • Financial system data • Etc.	• Profiling and impact surveys to evaluate • Clustering • Predictive models	• Channels • Products / services • Third-party value offering (partnerships) • Processes	• Policies • Business integration • Reporting

Sharing in order to find a solution together

Experience has shown us that there is no one-size-fits-all solution for everyone, and that we need the help of other stakeholders (corporations, NGOs, etc.) if we are to achieve inclusive and sustainable development.

In their turn, in those places where microfinance does not reach, advanced analytics helps to share conclusions with impact measuring specialists, or with the actors themselves, opening the way for mutual help and learning exchange.

The key for maximizing impact entails active incorporation of the assessment results with the aim of triggering new interventions and interdisciplinary strategies. More agile, flexible studies with faster turnaround times will enable us to self-assess, so as to improve the service we provide.

The need to combine research with pilot tests will let us use agile proposals and make gains in managing impact "
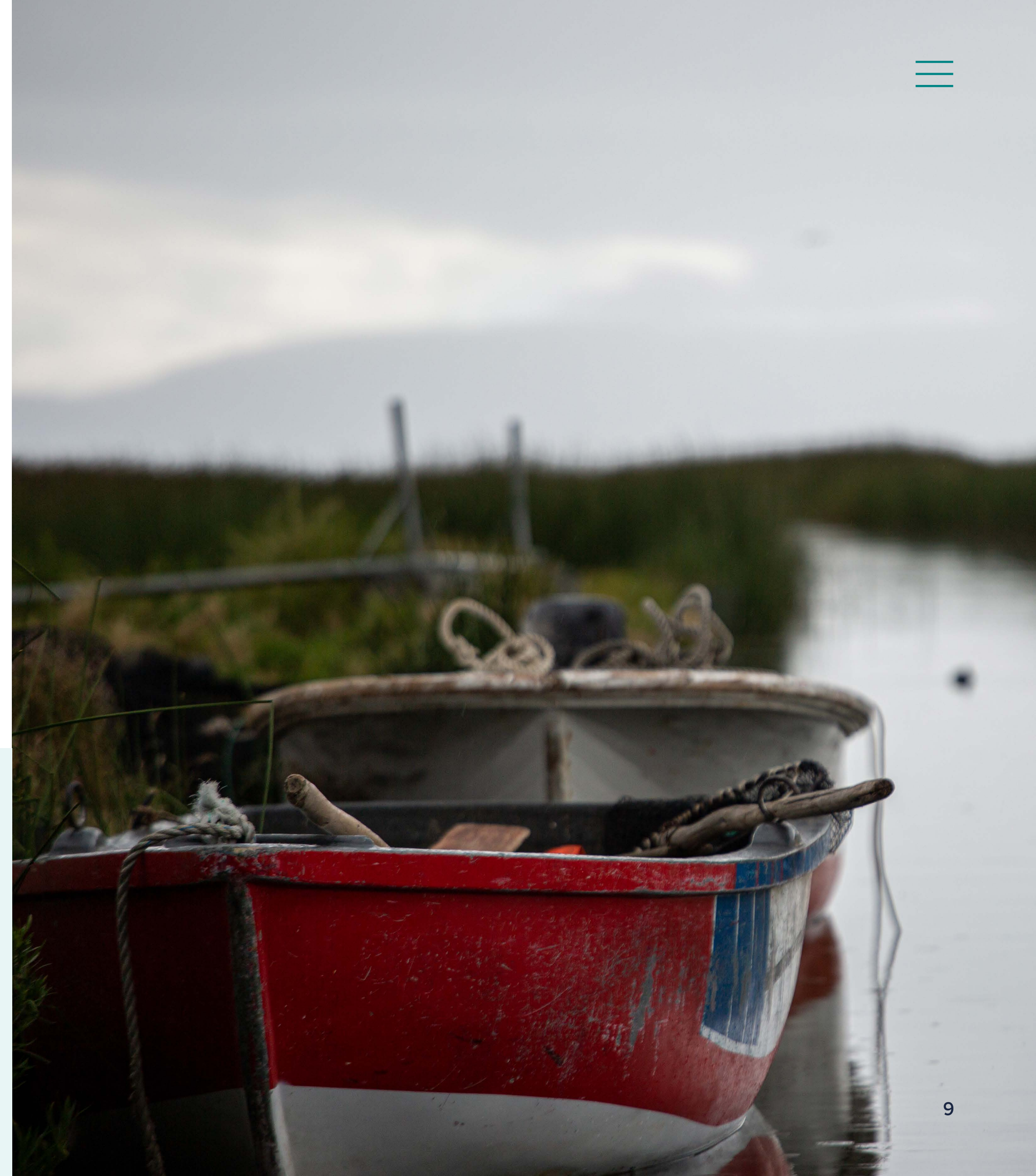
Latin American macroeconomic context

Latin America: Robust come-back across our footprint

Economy[1]

The COVID-19 crisis exacerbated a decade of sluggish expansion in the region: from 2010 to 2019, average annual growth was just 2.2%, compared to the global rate of 3.1%. Despite record levels of new infections at the end of 2021, the fatality rate across the region was the lowest it has been since the start of the pandemic, which has made it possible for mobility to return to pre-pandemic levels in most places, even though certain countries have maintained some restrictions on movement.

Globally, there has been widespread recovery, although to differing degrees, both in advanced and emerging markets. Many economies have reverted to positions held before the pandemic, whereas others have remained be-

low their 2019 figures. Developed economies grew by 5%, after a slump of 4.5% in 2020, while emerging and developing countries expanded by 6.5%, having fallen back 2% in the year the pandemic began. The world economy, which had shrunk by 3.1% in 2020, increased by 5.9% in 2021.

The return to growth of Latin America's trading partners, particularly China, the United States and Europe, together with intra-regional momentum, has supported the region's growth. By importance we should point to China, which expanded by 8.1% and was the only major economy that did not shrink during the pandemic (growth of 2.3% in 2020), and the United States, which increased by 5.6%, after

falling back by 3.4% in 2020.

This strong recovery is explained by a base effect, as it is being compared against a period when activity ceased, as well as by the monetary and fiscal stimulus programs which held economies up and acted to reduce the negative impact of the pandemic during 2020 and 2021. All of the above partially offset the supply shocks caused by the difficulties in the value chain resulting from logistics issues and high transport costs, which were a brake on growth.

Consistent with the growth momentum, the global volume of goods trade grew by 11% in 2021, following a 5.3% contraction in 2020.

The reactivation of the world's economic activity in 2021 caused trade in goods to top pre-pandemic levels.

The recovery of activity was driven both by demand and by certain restrictions in the supply of raw materials. This explains the sharp improvement in the terms of trade, which triggered the swift rise in the price of the region's key commodities, starting in the second half of 2020. In 2021 these commodities enjoyed an average boost of 43%.

The price of crude oil, such as Brent, shot up by 55% in 2021. This is the outcome of interruptions due to climate factors, higher demand for gasoline and diesel, and the increased de-

[1] National sources. Estimates to end of 2021 by BBVAMF Research.

mand for crude and gas that outpaced the growth in production. The price of oil futures expanded by 54% during 2021. Natural gas price hikes were the most moderate of the energy commodities, but still grew by 38%.

In 2021, the energy indicator increased twice as much as the industrial metals index in percentage terms. Most of the remaining commodity indexes expanded by around 20%.

In this climate of trade recovery, Latin American countries' exports surged 25% in value, while volumes exported increased by 8%. Meanwhile, imports expanded 32% in value and 20% by volume.

Bottlenecks in production chains and the increase in commodity prices drove up inflation throughout the world.

Blockages and mobility restrictions triggered

serious interruptions in several production chains, which caused a short-term supply shortage. Later there were restrictions in the supply chains resulting from the high demand overall caused by the economic recovery, the sharp increase in relative demand for durable goods, and greater demand for other goods too, in anticipation of possible scarcity in the future.

In the medium and long term, if inflationary growth persists, particularly in food prices, this could be a factor driving inequality within countries because of the greater weight of these products in the food baskets of lower-income segments.

Within this global framework, the region's economy expanded by 6.8% during the year, almost matching the fall the previous year (6.9%). All the region's economies recovered in 2021, apart from Surinam, Haiti and Venezuela,

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[1] National sources. Estimates to end of 2021 by BBVAMF Research.

countries suffering from a mix of a greater persistence of the pandemic, an adverse socio-political climate of institutional instability, growing insecurity, and social unrest, depending on the country.
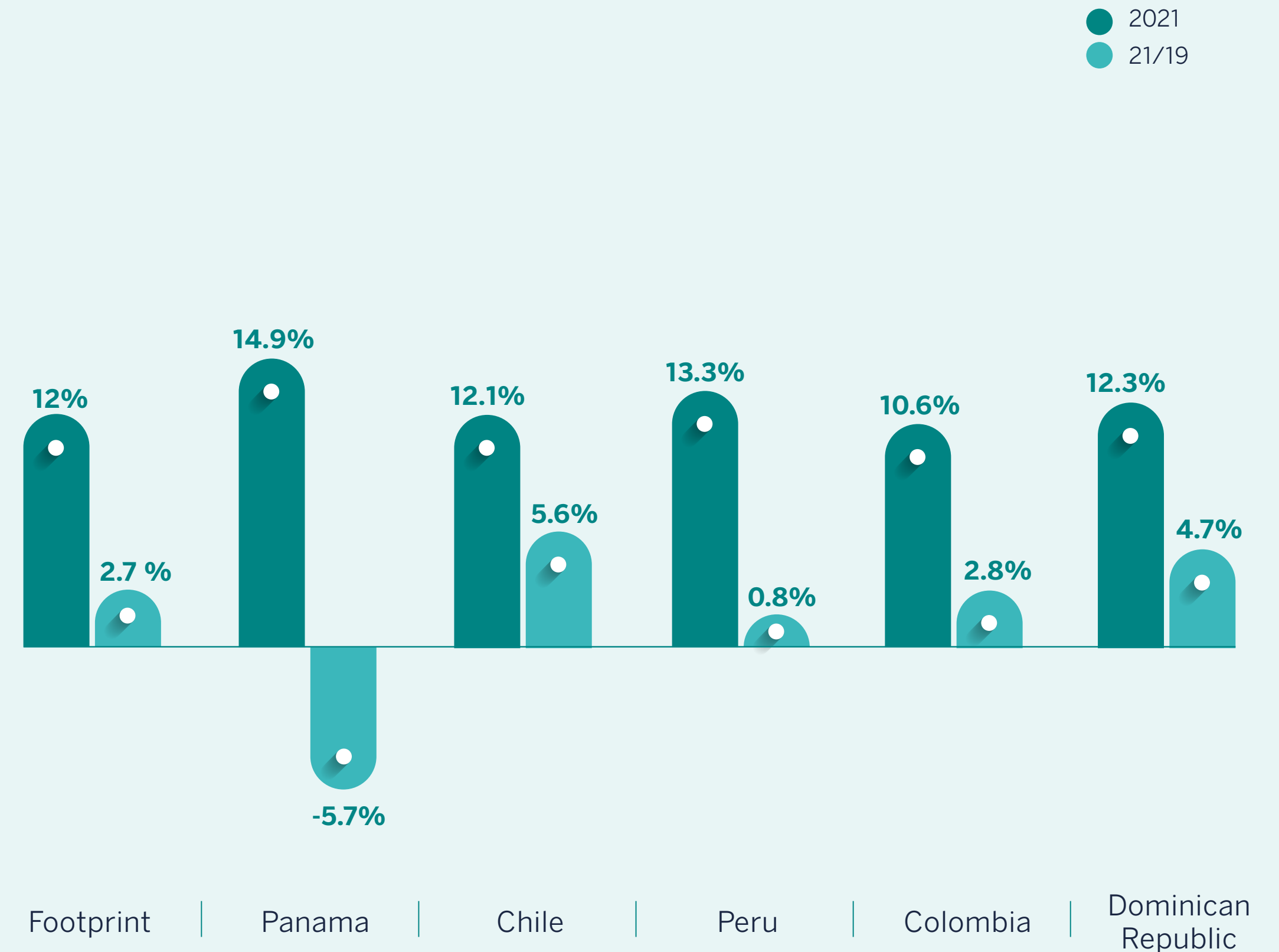
In all countries the same factors were in play as in developed markets, but support measures were less comprehensive. Fiscal efforts by the region's economies to mitigate the effects of the crisis were conditioned by the capacity of the economy in question to stimulate economic and social recovery. To put the magnitude of the measures into some context, there is a ratio of 2 to 1, depending on the size of the economies in each block.

Averaging out the region's recovery conceals significant variations between countries. Colombia and Chile, for example, had more than recouped the losses suffered in 2020, growing faster than prior to the pandemic. However, larger economies such as Mexico and Brazil have still not recovered, or only just, their previous levels, affecting the region's aggregate performance.

In the countries where BBVA Microfinance

Foundation's institutions operate, our footprint[2], activity increased by an average of 12%[3], double the average for the region. All countries posted strong recovery. Panama grew by 14.9% despite being the country with the sharpest reverse in activity in 2020; Peru bounced up by 13.3%; Dominican Republic by 12.3%, Chile by 12.1% and Colombia by 10.6%.

01 GDP growth

● 2021
● 21/19

| Footprint | Panama | Chile | Peru | Colombia | Dominican Republic |

Footprint: 12% / 2.7 %
Panama: 14.9% / -5.7%
Chile: 12.1% / 5.6%
Peru: 13.3% / 0.8%
Colombia: 10.6% / 2.8%
Dominican Republic: 12.3% / 4.7%

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[2] Chile, Colombia, Panama, Peru, and Dominican Republic.
[3] Growth weighted by the size of each of the economies where BBVA Microfinance Foundation institutions operate.

The robust recovery of growth in 2021 has enabled the fall in activity caused by the pandemic to revert in BBVAMF's footprint, with a rise of 2.7% since 2019 "

Since activity in 2020 was extremely atypical, the base effect of comparison is one of the factors accounting for this robust growth, together with the fiscal, monetary, and other support measures adopted in each of the countries.

These hearty rates of expansion have enabled our footprint to return to 2019 levels on the whole, with the average actually 2.7% higher than that year. All countries, except for Panama, which is carrying an accumulated drop of 5.7%, have recovered the activity lost during the pandemic.

Chile and Dominican Republic have grown the most, jumping by 5.6% and 4.7% respectively, whereas Colombia and Peru's gains are low-er, 2.8% and 0.8% respectively since 2019, but thus still beating their pre-pandemic results.

Turning to domestic demand, private spending has been the strongest driver, explaining a major part of the growth in all our footprint countries. Spending was up by 14.3%, after dipping 6.1% in 2020, while investment grew by 20%, after slumping by 17% the year before.

Household spending in Colombia shot up by 14.6% in 2021, as excess saving accumulated during the pandemic's strict lockdown period was used. Higher remittances from workers and the availability of credit at historically low real interest rates also contributed to this momentum.

In Peru, household spending grew by 11.7%, driven by recovery in disposable income resulting from drawdowns on contingency savings, as well as the better labor market and greater flexibility in health measures thanks to progress in the vaccination campaign.

Private-sector spending in Dominican Republic rose by 6.6 %, reflecting the impact of remittances from the rest of the world, which reached record levels, at USD 10.4 billion. Monetary flexibility measures also helped to push up spending.

In Chile, private spending soared by 20.3% in response to greater mobility, the partial draw-down of contingency savings and fiscal transfers. Spending in services and non-durable goods was noticeably higher, while sales of automotives, white goods and technology products rose too.

02   Consumption growth

● 2020
● 2021

	Dominican Republic	Colombia	Peru	Chile	Panama	Footprint
2021	5.7%	14.1%	11.6%	20.1%	12.1%	14.3%
2020	-2.4%	-4.2%	-7.3%	-6.8%	-15.7%	-6.1%
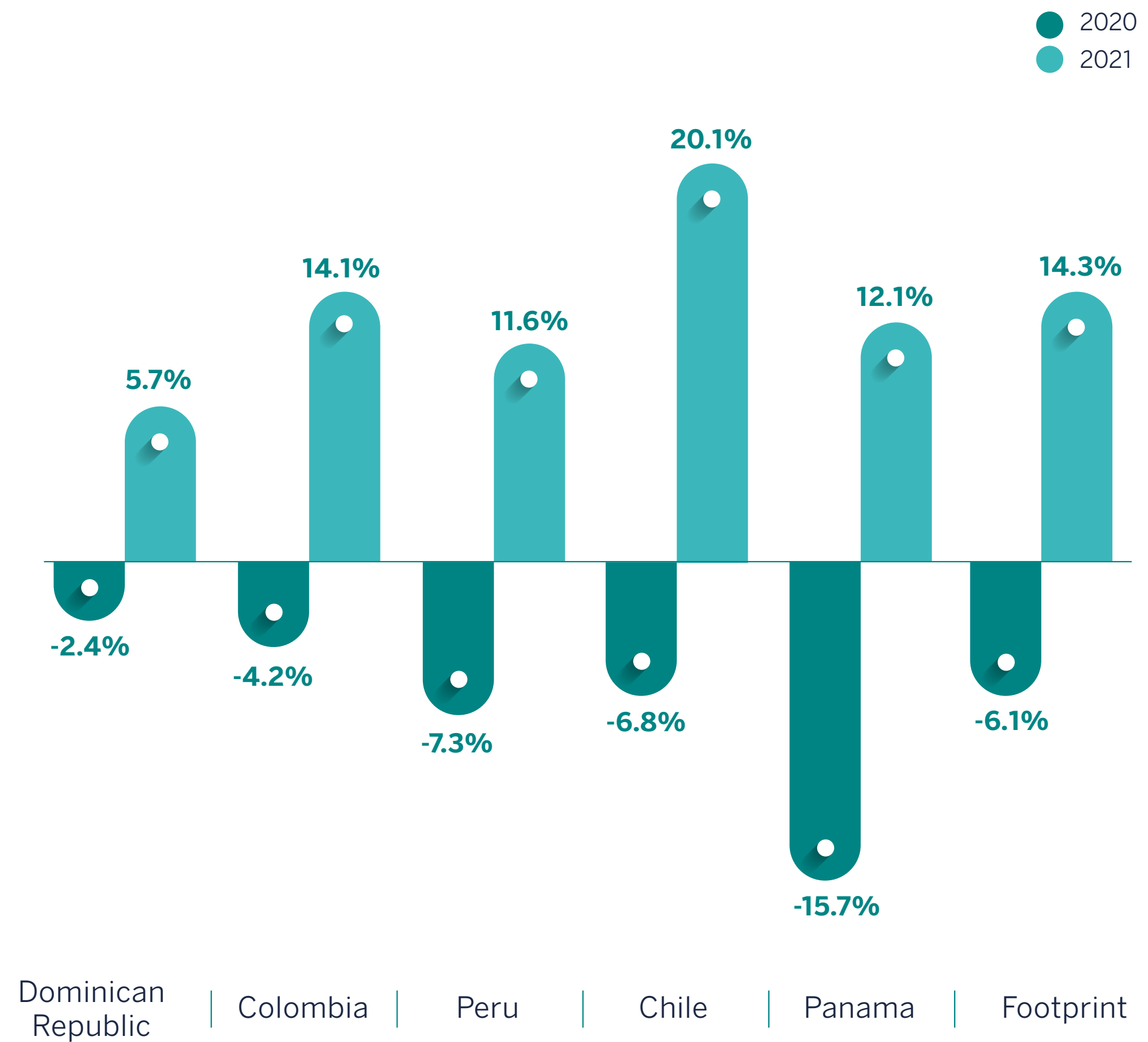
Source: National sources and BBVAMF.

In a context of demand recovery, all countries in our footprint saw a considerable uptick in investment, together with a return to normal in construction activity. Nevertheless, although exports expanded significantly, the net external sector[4] made a negative contribution to growth as a result of the sharp increase in imports associated with this improvement in activity.

After the shutdown in 2020, private investment returned to growth. However, despite expanding by 11.2% in 2021, in Colombia investments did not manage to get back to their pre-pandemic levels, while progress in construction remained low.
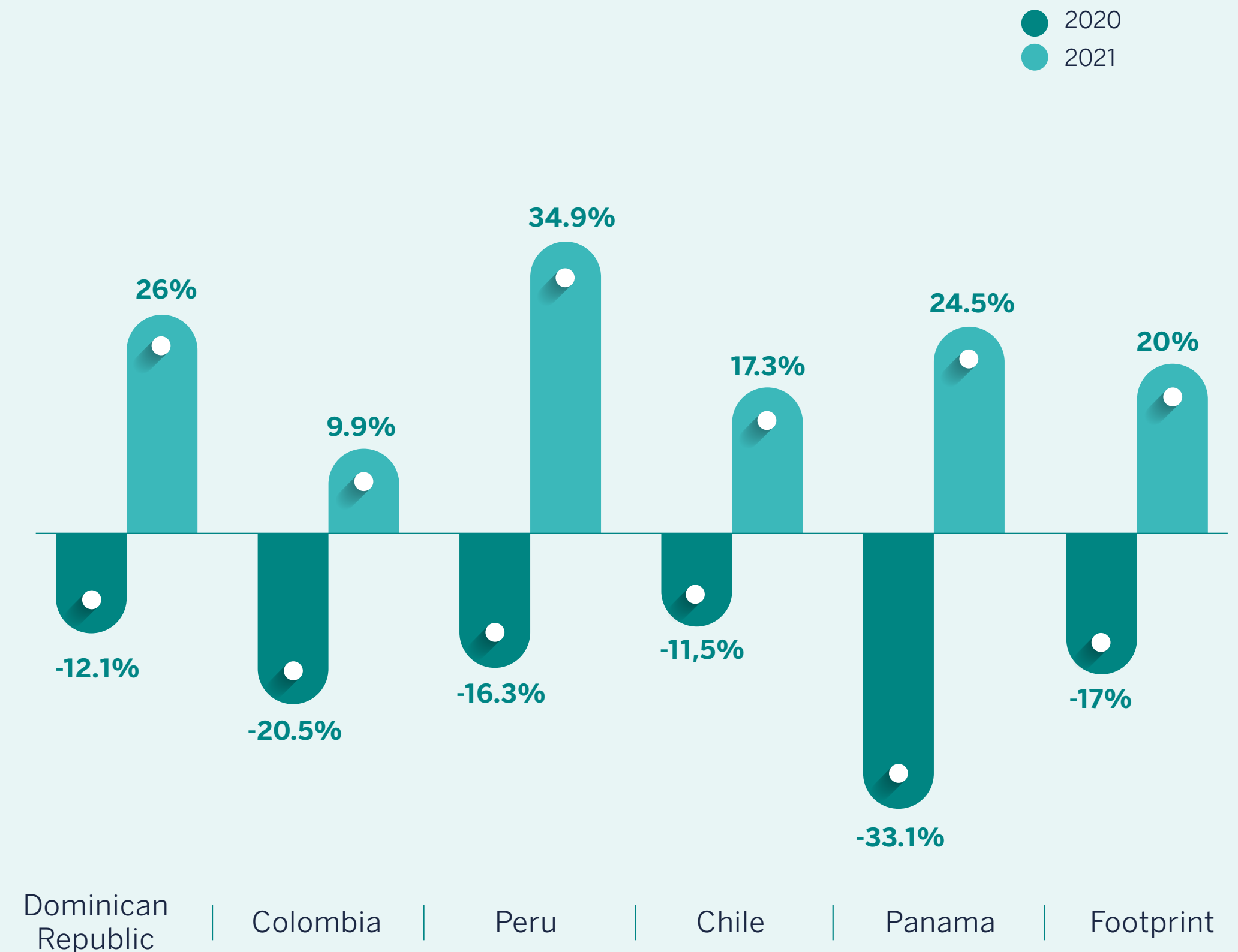
In Peru, investment in the private sector increased by 37.6% in 2021, mainly thanks to momentum in construction and the execution of major infrastructure projects. Public-sector investment rose by 23.7% in the same year, boosted by the execution of reconstruction projects and the *Arranca*

Perú [Get Going, Peru] program. The development of major transport infrastructure, such as line 2 of the metro networks in Lima and Callao, and the international airport at Chinchero, helped too.

Dominican Republic's private-sector investment expanded by 22.1%, thanks to the impetus from the construction sector, where important tourism, trade and residential projects got going again.

In Chile, investment grew by 17.6%, spearheaded by an expansion in the purchase of industrial plant and freight vehicles, as well as construction and other works, because of an increase in building and reactivation of engineering projects.

[4] Exports minus imports.

03 Investment growth

Legend: 2020, 2021

	2020	2021
Dominican Republic	-12.1%	26%
Colombia	-20.5%	9.9%
Peru	-16.3%	34.9%
Chile	-11,5%	17.3%
Panama	-33.1%	24.5%
Footprint	-17%	20%

Source: National sources and BBVAMF.

Average inflation across the footprint went from 2.3% in 2020 to 6.3% in 2021, particularly impacting lower-income sectors, as they are more exposed to the brunt of price rises 🙲

At the end of 2021, average inflation in Latin America and the Caribbean[5] stood at 7.2%. As well as the recovery of domestic demand, the underlying reasons were the increase in energy and food prices, depreciating exchange rates, which impacted the price of imported products, and the pent-up demand caused by the pandemic for the supply of goods.

This increase in inflation comes on top of the region's pre-existing structural issues prior to the pandemic. Both headline and core inflation have exceeded the targets of central banks throughout the region, tightening family budgets and raising poverty.

The same factors impacting global and regional inflation were at work in our footprint, with the price rises jumping from 2.3% in 2020 to 6.3% in 2021. In this more inflationary environment, the behavior of the real sector and market uncertainty meant that central banks' monetary policy was less expansive, with adjustments to the monetary policy in all countries, but still with strongly negative real interest rates.

[5] Not counting countries with chronic inflation, such as Argentina, Haiti, Surinam, and Venezuela.

04 Inflation

● 2020
● 2021

2.3% **6.3%** **-1.6%** **2.6%** **3%** **7.2%** **2%** **6.4%** **1.6%** **5.6 %** **5.6%** **8.5%**

Footprint | Panama | Chile | Peru | Colombia | Dominican Republic
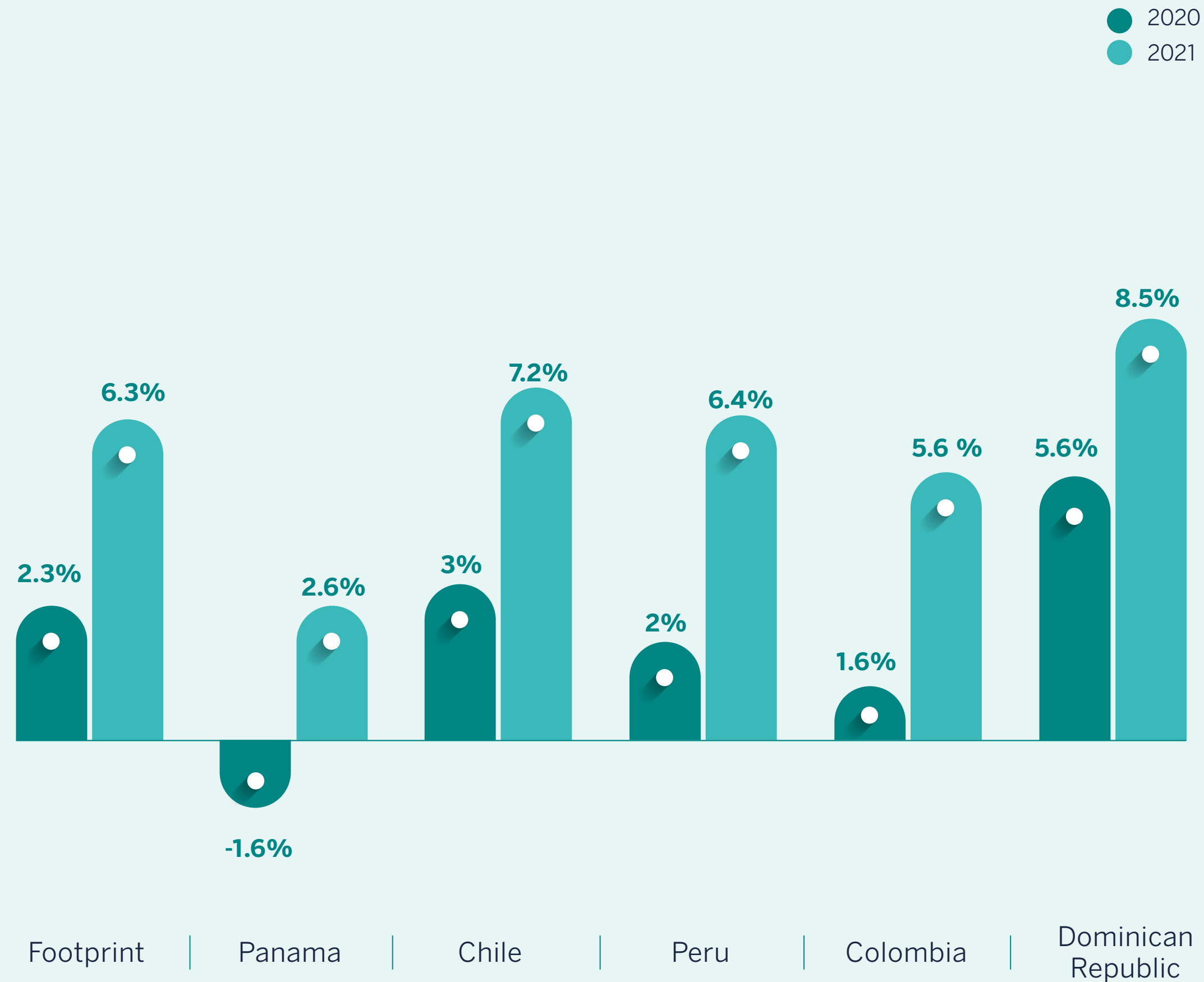
In Colombia, inflation fell to 1.6% in 2020 as a result of weak demand because of the pandemic. From May 2021 onwards, however, the trend changed direction, and by the end of the year the rate stood at 5.6%. This is explained by supply problems and the swift recovery of the economy once lockdowns were lifted. As part of the return to normal, interest rates stayed at 1.7% until September, rising to 3% by year end.

In Peru, as well as the factors inherent to the post-pandemic recovery, the rise in the exchange rate put even more pressure on the prices of products containing imported components in 2021. Inflation jumped from 1.97% in 2020 to 6.43% in 2021, with food and beverages rising by 7.97%, while fuel and electricity leapt up by 24.41%, prices of these having risen by merely 2.24% and 2.13% respectively in 2020.

In Dominican Republic, headline inflation went from 5.5% in 2020 to 8.5% in 2021, with core inflation reaching 6.87% by the end of December 2021. Against this backdrop of inflationary pressures, the central bank took the decision to raise the monetary policy rate, which it had left at 3% since September 2020, by 150 base points from November, thus closing December 2021 at 4.5%.

Inflation ended 2021 at 7.2% in Chile, the highest rate for 14 years. This is mainly accounted

Source: National sources and BBVAMF.

for by the expansion in internal demand and the depreciation of the peso caused by idiosyncratic reasons. On top of this were the other global factors, such as demand growth, disruptions caused by the pandemic to international value chains of goods, and the rise in commodity prices.

In Panama, 2021 closed with inflation having posted a year-on-year variation of 2.6% and an accumulated rate between January and December of 1.6%. These rates contrast with the variation in 2020 of -1.6% in 2020, a year of almost total economic paralysis due to the pandemic, the accumulated -0.4 % between January and December 2019, and the accumulated 0.8% posted for 2018.

The 10.6% expansion in transport sector prices, a consequence of the increase in the cost of oil in the last quarter of 2021, has impacted the other categories.

In general terms, across all the countries in our footprint, inflation has risen fast and more strongly than in recent years. It has had considerable impact on all families' budgets, especially the most vulnerable, since they are more exposed and have fewer mechanisms to protect them from the onslaught of inflation.
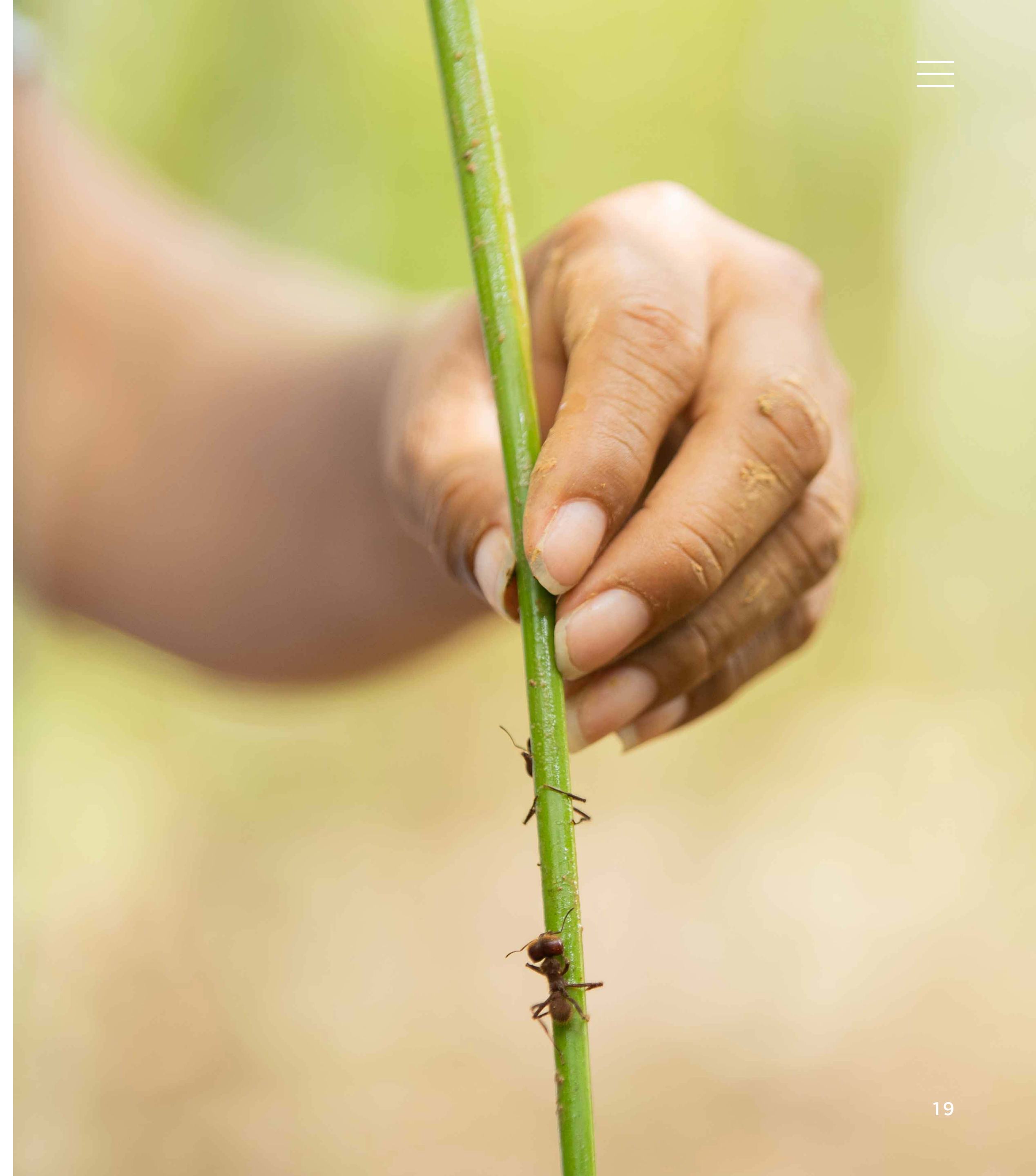
Employment, poverty and welfare[6]

The pandemic was an unprecedented attack on the world economy, with a widespread stoppage of activity, as such causing massive disruption to employment. Measures and policies to try to soften the impact on jobs and protect incomes, which were essential to mitigate the crisis, helped but were not enough.

In 2020 the equivalent of 255 million fulltime workers were lost worldwide, whether due to the loss of jobs or to the lower number of hours worked. The latter reason explains why approximately half of those losses were as a consequence of reducing working days for those who kept their jobs, resulting from job protection policies that entailed furloughs.

The remaining half was due to job destruction, whether of those who lost their jobs or left the workforce, or of those jobs that would have been created were it not for the pandemic. According to the ILO's estimates[7], 100 million net jobs were restored in 2021, meaning that employment levels were still below their 2019 levels.

In Latin America, all these factors were in play. The participation rate dropped from 62.7% to 53.2%, while the employment-to-population rate fell from 57.4% in 2019 to 51.7% in 2020, which implies that about 25.8 million people stopped being occupied over the course of that year. The average unemployment rate surged from 7.9% in 2019 to 11.6% in 2020.

The departure from the labor force of many potential workers who stopped looking for work, which was simply non-existent during the crisis, attenuated the unemployment figures, because of the fall in both the participation and the employment-to-population rates. The furlough policies adopted, temporarily suspending work contracts while offsetting this with some kind of monetary provision or subsidy, allowed many to keep their jobs and softened the impacts on unemployment rates.

In 2021, the participation rate increased by 6.8 percentage points to 60%, still 2.7 percentage points below its 2019 levels. The employment-to-population rate rose to 54%, up by 2.3 percentage points from 2020, but still 3.4 percentage points below 2019.

[6] National sources. Estimates to end of 2021 by BBVAMF Research.
[7] ILO. World Employment and Social Outlook: Trends 2021.

As a result, the unemployment rate fell by 0.9% from 2020 although, posting at an average 10.1%, it was still 1.7 percentage points above the figure in 2019.

Labor figures showed that recovery was shared unevenly between men and women. During 2021, women's participation rate was 49.1%, i.e. 3 percentage points below 2019, whereas the rate for men was 71.8%, 2.4 percentage points less than the year before, widening the gender gap.

The return of women to the labor force in 2021 was slower than usual because of circumstances in which remote school learning has become more generalized. The increased need to look after family members had still not totally abated and women's participation in this area was over-represented

Men's unemployment rate improved in 2021, falling from 10.7% in 2020 to 8.7%, while women's unemployment rate was virtually the same (12%).

In the footprint, the economy's performance meant that the unemployment rate fell by 3.6%, in line with the trend across the region, posting at 9.6% in 2021, the outcome of a stronger labor market in all countries.

Labor indicators showed that recovery between men and women was uneven, with a widening gender gap in terms of participation and a slower improvement in female employment ""

In the footprint, economic performance brought the unemployment rate down by 3.6%, in line with outcomes across the region, posting at 9.6% in 2021 ""

05 Unemployment rate

● 2020
● 2021

7.4% **7.1%**
Dominican Republic

14.6% **11.2%**
Colombia

13.7% **7.8%**
Peru

10.3% **7.2%**
Chile

18.5% **11.3%**
Panama

13.2% **9.6%**
Footprint
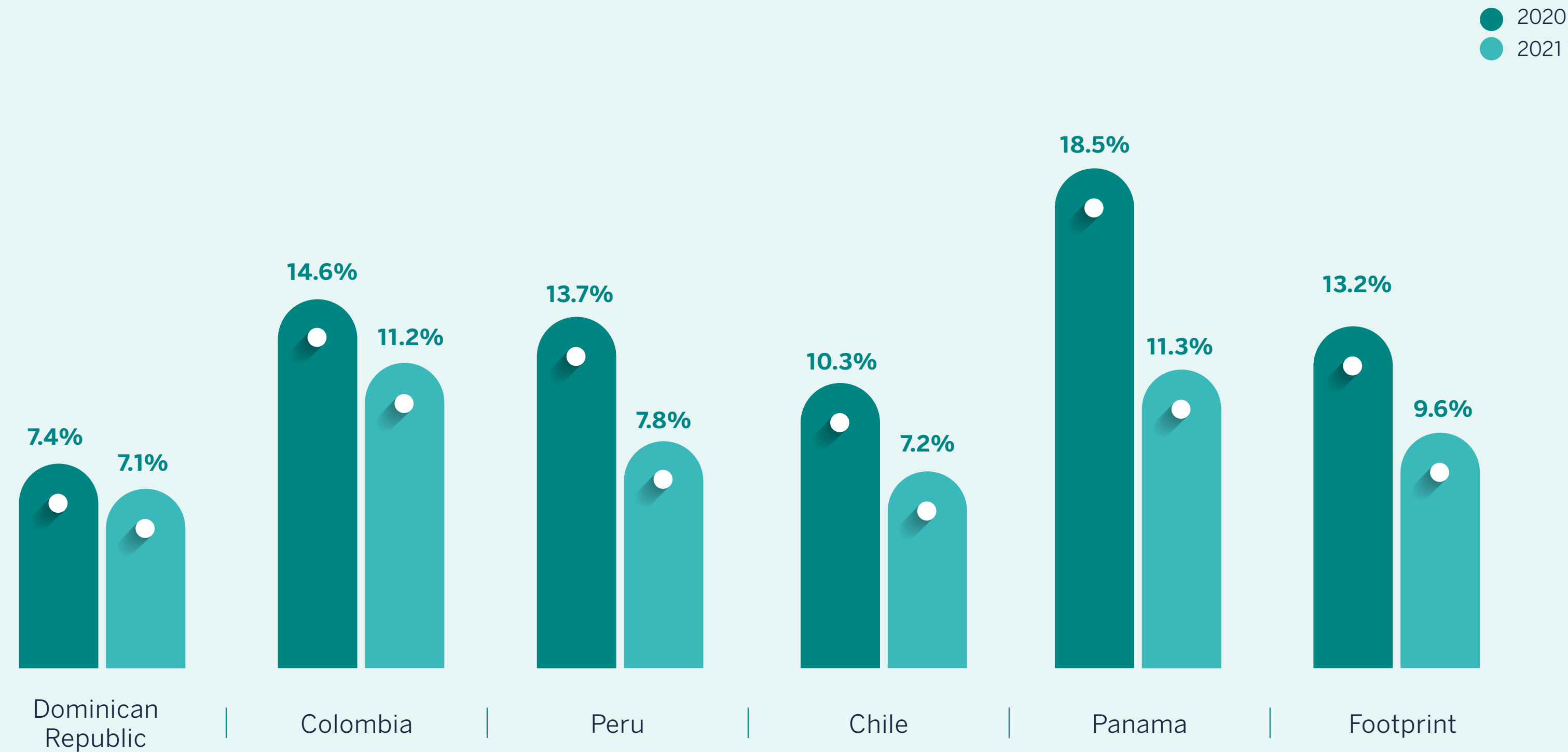
In 2021, female unemployment stood at 12%, 4.2% worse than for men, which came to 8.7%.

The overall participation rate inched up by 1.1%, from 61.3% to 62.4%, with a participation gap between men and women of 21.7%. The participation of the former was 73.4% and that of women 51.8%.

Source: National sources and BBVAMF.

06 Labor market participation rate

- 2019
- 2020
- 2021

Dominican Republic
65.4% · 61.1% · 63.1%

Colombia
63.1% · 61.2% · 59.3%

Peru
72.7% · 64.7% · 69.9%

Chile
63% · 56.6% · 58.5%

Panama
66.5% · 59.2% · 60.4%

Footprint
66% · 61.3% · 62.4%
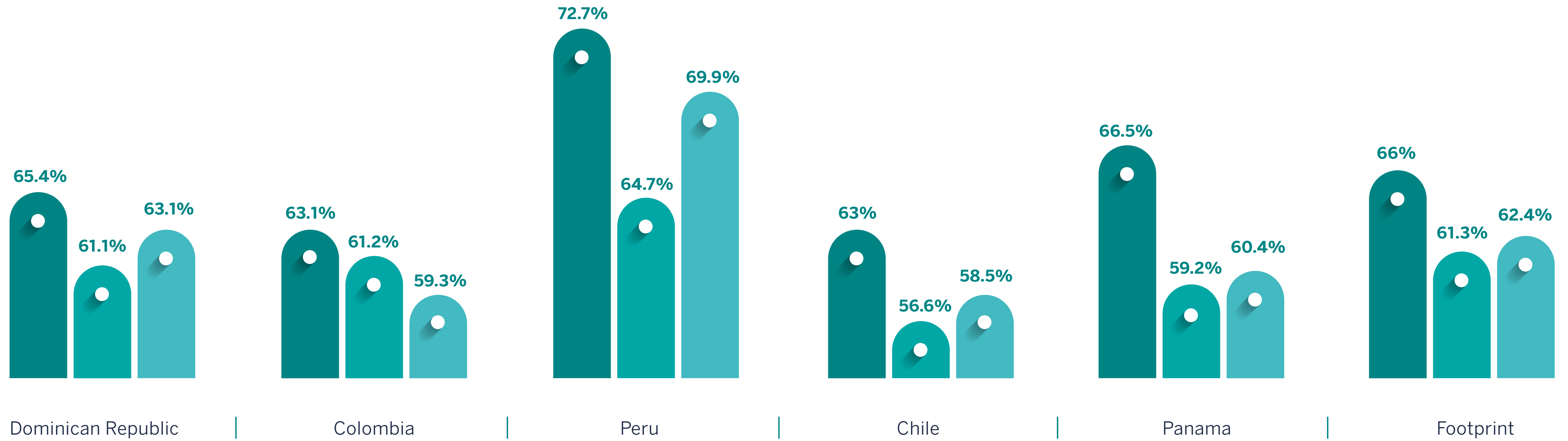
Source: National sources and BBVAMF.

The pandemic exposed the fact that the number of women working in jobs that require more personal interaction, such as retail trade, hospitality, caring for people, and tourism, is much higher than the number of men. Since these activities cannot be carried out remotely, they were more likely to stop working.

A second factor that put a stop to women's progress in the labor force was unpaid work in the home, together with looking after children and other dependents. Many minors were still not going to school and required greater dedication in overseeing their schoolwork. This was a brake on the full incorporation of many women into the labor market, since the bulk of these activities fell on their shoulders.
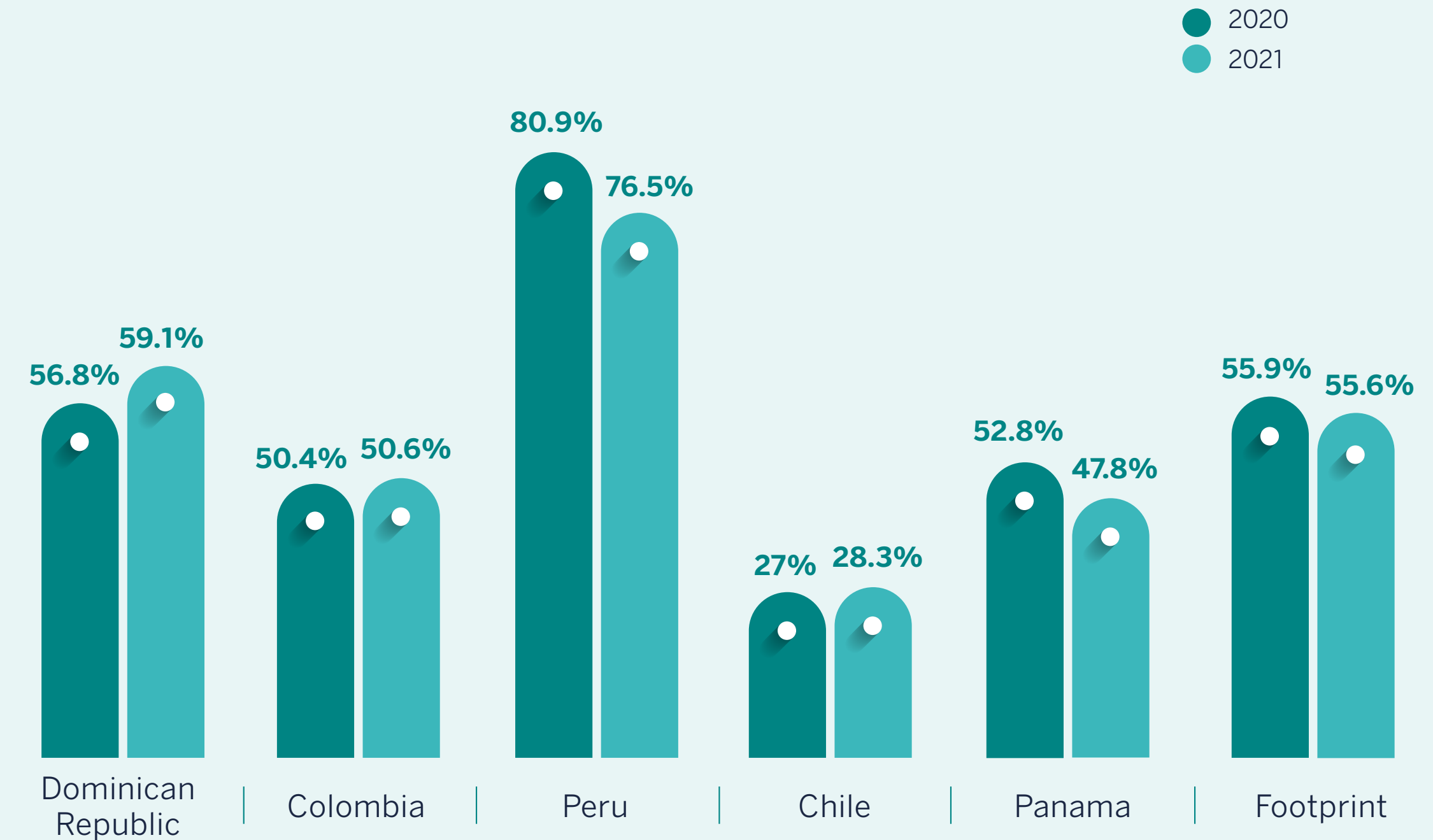
The crisis brought on by the pandemic has changed the traditional dynamics that, together, shaped the composition of employment in previous crises. When formal employment fell, typically it was the informal sector that picked up the slack, partly offsetting that reduction.

However, during this crisis, both formal and informal employment fell, with the informal sector shrinking more because of its nature and its greater sensitivity to lockdown measures

In 2021, informality in the footprint accounted for 56% of employment, with the partial recovery of jobs spearheaded by the growth in informal employment. This amounts to around 60% of all jobs generated during the reactivation after the pandemic.

During the pandemic, the pre-existing gaps in participation, employment-to-population, and unemployment rates narrowed between rural and urban areas. Even though in 2021 the improvement in labor indicators was visible in both types of environment, neither rural nor urban areas returned to their 2019 levels.

07 **Informality rate**

● 2020
● 2021

	2020	2021
Dominican Republic	56.8%	59.1%
Colombia	50.4%	50.6%
Peru	80.9%	76.5%
Chile	27%	28.3%
Panama	52.8%	47.8%
Footprint	55.9%	55.6%

Source: National sources and BBVAMF.

The labor dynamics during the crisis caused by the pandemic and the subsequent recovery have been heterogenous across the footprint, varying significantly between countries and sectors. From the beginning of the recovery, employment growth trends have depended on vaccination rates and the different fiscal capabilities of each country to put support policies in place.

In Colombia, the unemployment rate was 13.7%, that is, a 2.2% reduction from 2020. The participation rate came in at 60.6%, an increase of 1.4% from the year before. Finally, the employment-to-population rate was 52.3%, 2.5% up from 2020.

Men's unemployment rate was 8.4%, while for women it was 15.1%, i.e. 6.7% lower for men than for women. In 2020 this difference worked out at 8.5%.

In Dominican Republic, the official unemployment rate – defined as the proportion of the economically active population that is unemployed but actively looking for work[8], posted at 7.1% at the end of 2021, 0.3% down on the 2020 proportion of 7.4%.

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[8] Active unemployed.
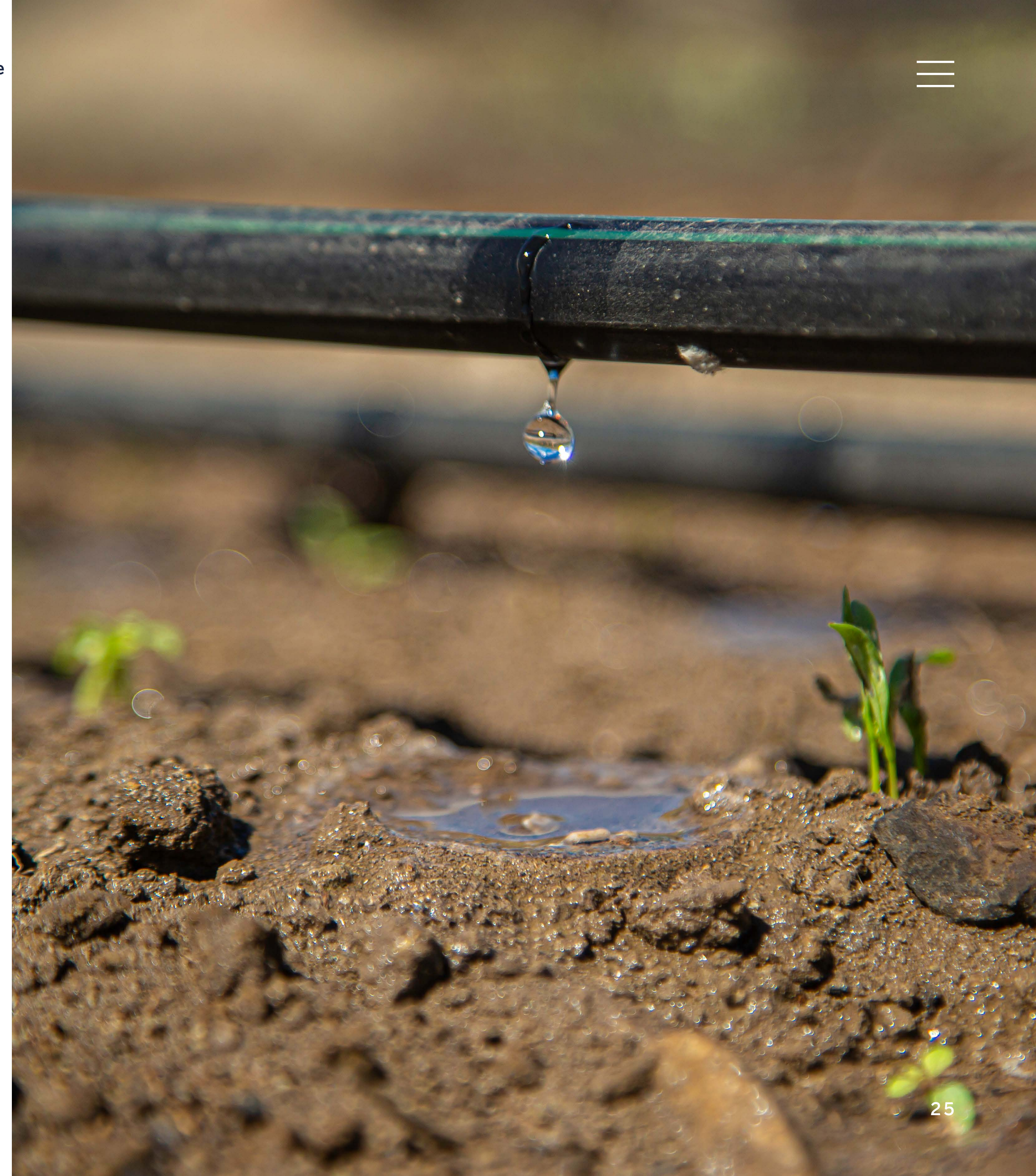
If we turn to extended unemployment rate, counting both the active unemployed, those who are looking for a job, and the people who have a high likelihood of putting pressure on the job market or of joining the labor force as soon as conditions improve, this stood at 13.2%, shrinking by 1.7% from the end of 2020.

As far as the time spent unemployed goes, only 17% of the unemployed recorded in 2021 had been without an occupation for a long time.

58.1% of all jobs were worked under informal, low-quality conditions with low productivity, while the majority of workers were self-employed.

The official unemployment rate for men was 4.1%, and 11.2% for women. Thus, whereas women's unemployment was 7.1% higher than that of men, the previous year the gap had been 5.8 percentage points.

In Peru, in metropolitan Lima, the unemployed accounted for 10.7% of the entire economically active population, a drop of 0.7% from 2020. Female unemployment came to 12.8%, 3.8% more than for men. The participation rate was 63.8%.

In Chile, at the close of 2021, the unemployment rate was 7.2%, marking a fall of 3.1% since the end of 2020. This was the outcome of a 4.5% rise in the labor force, lower than the

uptick in employed people, which was 8.1%. The numbers of the unemployed, meanwhile, shrank by 9% over the same twelve-month period, because of the reduction in the number of those who were laid off (27.8% fewer) and a 18.3% reduction among those looking for work for the first time.

The rate of women's unemployment was 7.4%, and that of men 7.1%, a drop of 3.5% and 2.7% respectively from 2020. On the other hand, since the peak of the pandemic, 1,436,000 jobs have been restored, equivalent to 77.5% of those destroyed. This recovery has been skewed 81.8% towards men, and 73.1% towards women.

The employment-to-population rate ended 2021 at 54.3%, while participation in the labor force posted 58.5%. In 12 months, the number of people in work increased by 8.1%, with the proportion of women up by 11.7%, and that of men higher by 5.7%.

Informal employment-to-population was 28.3%, 1.3 percentage points higher than in 2020. The number of people working in the informal sector also rose, by 13.3%; of these, working women rose by 21.9%, while the figures for men went up by 7.4%.

The unemployment rate in Panama was 11.3%, representing a reduction of 7.2% from 2020. The rate for men was 11%; for women it was 11.8%, meaning that men's unemployment was

The pandemic caused 8.6 million people to fall into poverty in 2020. In 2021, only 33% had escaped, leaving 5.7 million people still in poverty „

lower than women's by just 0.8%. In 2020, the difference was much wider: 6.4%.

The informal sector accounted for 47.6% of the whole in 2021, a reduction of 5.2% since 2020 (when it was 52.8%), although slightly up, by 2.7%, from 2019.

The fact that not all jobs destroyed during the pandemic were restored, and the major increases across the footprint countries of inflation, led to a fall in real household incomes, with the corresponding impact on poverty levels. The loss of jobs and the reduction of labor incomes that took place during the pandemic affected lower-income segments especially hard.

In 2021, monetary poverty stood at 29.1%, meaning that nearly 34.6 million people found themselves in these circumstances. Last year around 2.9 million people escaped poverty, a 2.87% reduction in the poverty levels from 2020.

The pandemic caused 8.6 million people to fall into poverty in 2020. Of these, only 33% managed to escape it in 2021, with 5.7 million more people in this situation than in 2019.

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08 Monetary poverty

Legend:
- 2019
- 2020
- 2021

Footprint
- 25.1%
- 32.1%
- 29.1%

Panama
- 21.5%
- 26.4%
- 26.1%

Chile
- 9%
- 14.2%
- 11.7%

Peru
- 20.2%
- 30.1%
- 26.4%

Colombia
- 35.7%
- 42.5%
- 39.3%

Dominican Republic
- 20.9%
- 23.4%
- 23.9%

Source: National sources and BBVAMF.

09

Footprint
People moving in and out of poverty

8,668,271

5,730,135

-2,938,136

| 21/19 | 20/19 | 21/20 |
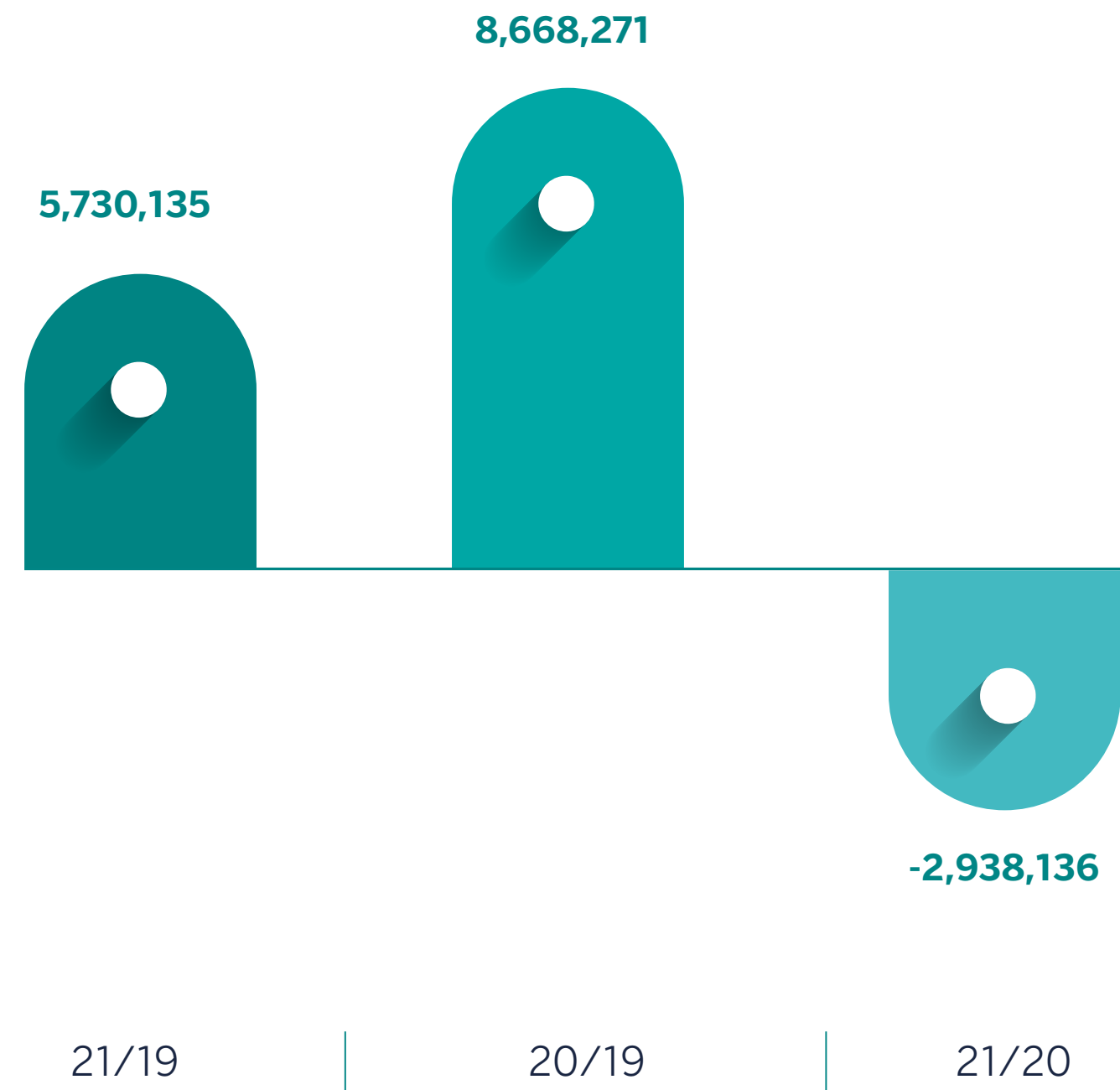
Source: National sources and BBVAMF

All of the above means that a faster recovery of household incomes will be needed to return to 2019 levels. Creating jobs will play a central role in achieving this, together with a gradual moderation in the rise of inflation.

In Colombia, in 2021, 39.3% of Colombians suffered monetary poverty, a reduction of 3.2% from 2020. Around 1.3 million people had escaped poverty, but another 2.4 million who fell into it because of the pandemic are still in this situation.

In 2020, the percentage of people in multidimensional[9] poverty in Colombia[10] was 18.1%; this ratio breaks down into 12.5% in urban areas, and 37.1% in rural ones, three times the proportion of those in cities.

[9] The six dimensions making up the Multidimensional Poverty Index (MPI) are: educational conditions in the home, conditions of children and young adults, healthcare, work, access to public utilities in the home; and housing conditions. Between them, they are measured by 15 indicators. Households are considered multidimensionally poor when they suffer privations in at least 33.3% of these indicators. Someone is considered vulnerable if they are deprived along 20-33.33% of the weighted indicators. Someone is categorized as living in severe poverty if they are deprived along 50-100% of the weighted indicators.

[10] Dane: Multidimensional poverty in Colombia.

10 Multidimensional poverty
Based on latest information available

18.5%

18.1%

41.7%

20.7%

19%

25.2%

Republic Dominican | Colombia | Peru* | Chile | Panama | Footprint
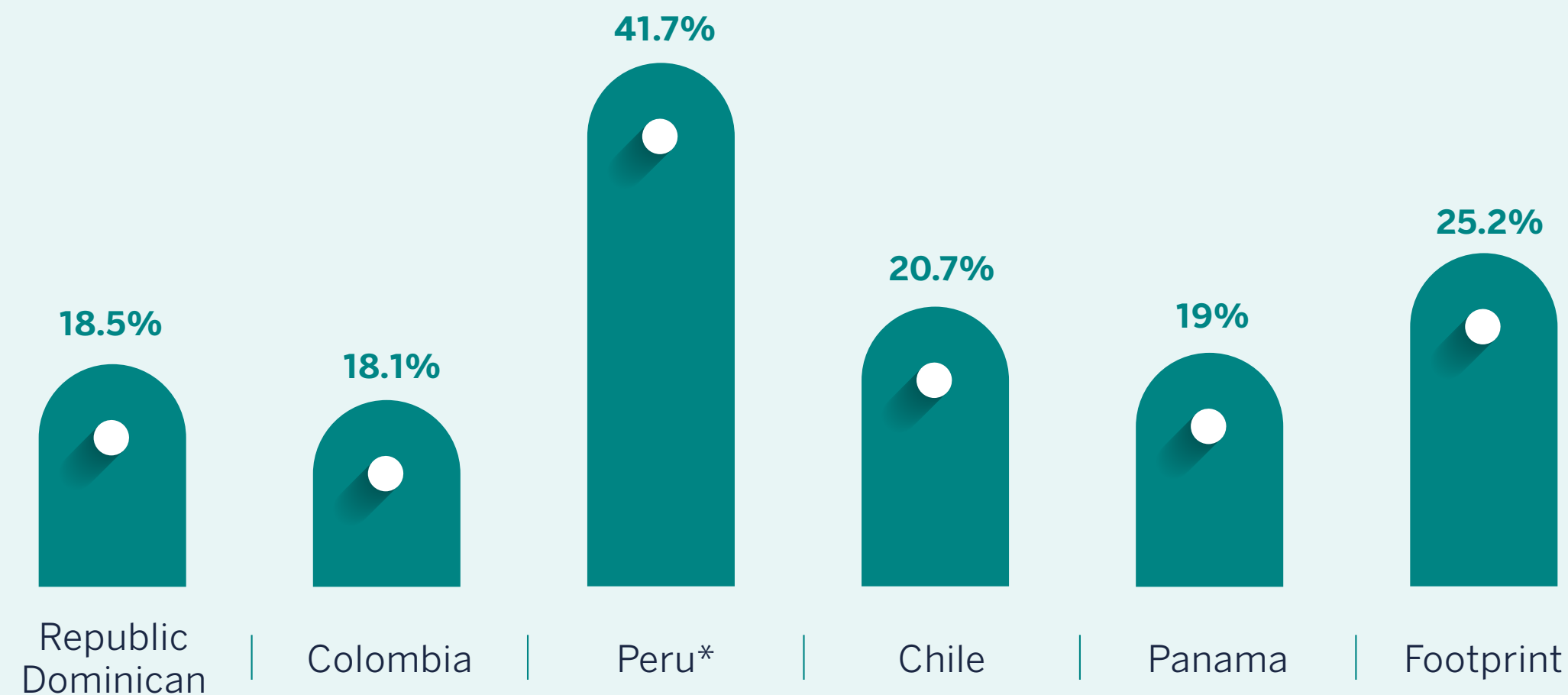
Analysis conducted by COMEXPerú since 2020. COMEXPerú is a private association of the largest companies involved in Peruvian foreign trade. It estimates multidimensional poverty with its own measurements using data from the National Household Survey (ENAHO). COMEXPerú's measurement is an MPI based on Alkire-Foster methodology, but it is not an official poverty measurement in Peru.

In 2020, monetary poverty[11] affected 30.1% of Peru's population, a rise of 9.9% from 2019. This increase was due to the pandemic and the impact of most economic activities shutting down in response to the national emergency, together with the mandatory social isolation. All this resulted in around 3.3 million people falling into poverty.

In 2021, according to our own estimates[12], monetary poverty affected 26.4% of the population, a 3.7% drop from 2020. This means that approximately 1.1 million people had escaped poverty, but 2.2 million who had fallen into it because of the pandemic were still in this situation.

Despite the economic recovery in 2021, poverty levels have remained higher than in 2019, reflecting the vulnerability in which a large part of lower-income segments live; when there is any kind of shock, they fall back into poverty.

In 2020, 41.7% of Peruvians suffered from multidimensional poverty[13] .Unlike the sharp increase in monetary poverty that occurred in 2020, and which represented a return to the figures of 10 years previously, multidimensional poverty went down by 0.7%, showing a certain stagnation, especially if we bear in mind that in the last decade the reduction had been, on average, posting at 2.2% a year.

In Dominican Republic, the monetary poverty rate went from 23.4% in 2020 to 23.8% in 2021. So, from the beginning of the pandemic, around 276,000 people, in absolute terms, fell into poverty. The rural monetary poverty rate increased by 0.78% between 2020 and 2021, reaching 24.7%. In urban areas the overall poverty rate ticked up by 0.43%, to 23.7%.

The general monetary poverty rate would have been higher in 2021 were it not for governmental transfers. In that year, the general poverty rate would have risen to 26.72%, if monetary transfers had not contained the increase, keeping the increase to 2.87%[14]. Transfers used during the pandemic have all had similar impacts, but to differing degrees in each of the footprint countries.

In 2019, 18.5% of homes in Dominican Republic were multidimensionally poor.

Even though Chile continues to have the second lowest rate of poverty in the region, after Uruguay, it rose 3.5% to 14.2% in 2020. If the year 2017 is taken as a benchmark (with poverty affecting 10.7%), the increase amounts to 1.18 million people, around 89% of whom fell into poverty because of the pandemic.

In 2021, according to our own estimates[15], monetary poverty stood at 11.7%, a decrease of 2.5% compared to 2020. In numbers of people, around 470,000 had escaped poverty, but 580,000 of those who fell into it during the pandemic were still in that situation.

According to the results of the last Casen survey

[14] Bulletin with Official Statistics on Monetary Poverty in Dominican Republic 2021 (N° 9/Year 7).
[15] BBVAMF Research.

from 2017, 20.7% of Chilean households were multidimensionally poor. In rural areas that indicator rose to 37.4%, while for urban areas it was 18.3%.

The pandemic has had impacts that have been only partially measured to date, making it impossible to compare the movements of poverty with previous years. On the other hand, when we analyze the different dimensions, we see that as well as the fall in household incomes, the crisis caused by coronavirus has affected other components of people's welfare, such as education and healthcare. The rise in these deprivations, which go to make up multidimensional poverty, sharpened considerably during the pandemic.

In 2019[16], monetary poverty in Panama affected 21.5% of the population. Between 2008 and 2019, Gross Domestic Product grew at an annual rate of 6.1%, and poverty fell by 12.3%. The average annual rate of people in poverty was 4.2%. The pandemic, according to our estimates[17], pushed around 230,000 people into poverty, meaning that 26.4% of the population found itself in this situation. Although poverty expanded by 4.9%, the set of support measures adopted by the government prevented many more people from falling into poverty in the short term.

Improved economic performance and of employment in 2021[18] brought monetary poverty down by 0.3% from 2020, to 26.1%.

According to the latest official figures, from 2018, 19% of the population was in multidimensional poverty. Average deprivations were 42.4%. As has been the case in other countries, the pandemic is very likely to have caused significant impairments and increased the intensity of the shortfalls in certain dimensions that are particularly impacted by the pandemic, such as education and healthcare.

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[16] Latest year for which official information is available.
[17/18] BBVAMF Research.

Fundación
BBVA Microfinanzas *15*
aniversario

Our sustainability focus
Going beyond ESG and aligned with the SDG

Introduction

Over two years after the start of a pandemic that has led to prolonged restrictions on movement and economic uncertainty, while laying bare the limitations of every country's healthcare system, the pressing question now is: how can we build back more, better, inclusively and together respond to global challenges?

Societies and economies are having to deal with the increasingly unpredictable, complex, and serious consequences of biodiversity loss and the exhaustion of resources, climate change, income inequality, migration and other environmental and social worries. All this is exacerbated by weak institutional and corporate governance, which has a major impact at a number of levels.

Against this backdrop, legislators throughout the world are taking measures to change those economic activities that have significantly adverse effects and thus alleviate the worst consequences. Although these policies will be introduced gradually and will take full effect on participants in financial markets in the long term, it is critically important to develop strategies to cope with these changes in a shorter timeframe.

To do so, we need to provide real support for a vision of sustainable development, which means combining economic growth, social inclusion, and environmental sustainability. This way of thinking may mean the route towards equality and prosperity in the world, ensuring respect for the environment. Therefore, taking on this holistic vision and putting it front and center of strategies is essential if our goals are to be reached. Given the financing needs entailed, finance must also stand at the heart of strategies in order to make sustainable development successful.

The means of offering sustainable financing have increased rapidly in the last few years, as a growing number of investors and institutional funds have already integrated environmental, social and governance (ESG) factors into their investment approaches. This growth has been driven by demand changes throughout the financial ecosystem, encouraged both by the search for more enlightened long-term financial values and by the desire to better align these values. ESG investment means that investors take into account both traditional financial factors together with environmental, social and governance criteria. It also represents a more holistic investment approach, since it factors in the impact on the natural world and society, as well as any potential financial gain. The idea behind this approach is that finance should support society's broader goals in the long term instead of simply trying to obtain short-term returns.

This sharper focus on the standards and assessment of ESG criteria is a way of synthesizing how we can act to protect the natural world, ensure social progress, and improve global governance standards. Each area covers an extensive range of ESG factors on which the non-financial impact of a company or an investment project can be measured.

According to the World Economic Forum, the greatest global risks in terms of their impact and likelihood are linked to ESG: failure on climate action, human-made environmental damage, livelihood crises and biodiversity loss. These risks must be considered when designing sustainability strategies. Companies that plan ahead can react more effectively to these challenges.

Nevertheless, risk mitigation is not enough. It is imperative that the volume and effectiveness of resources are raised so that they have a real social and environmental impact. Support for ESG goals made a great stride

forward in 2015, when the 193 countries in the UN's General Assembly adopted the Sustainable Development Goals (SDGs). These set 17 interlinked global goals aimed at directing the world towards a more sustainable and inclusive future.

The SDGs encompass a broad range of ESG factors. The challenges facing the world – from climate change to inequality – are important and there are now fewer than eight years left to achieve the 17 SDGs proposed by United Nations.

These private-sector goals apply in each of the dimensions comprising ESG, where supervising corporate governance is as important as the role of governance itself in driving social and environmental progress.

[1] World Economic Forum, "The Global Risks Report 2021" (Junio 2021).

01 How we have integrated the SDGs into ESG

Environment

Social

Governance

The BBVA Microfinance Foundation is thus wholly aligned with the SDGs, impacting 13 of these 17 goals. Of these, it is fully active in those which reflects its core mission: reducing poverty (SDG 1) and inequality (SDG 10). And it creates decent jobs and economic growth (SDG 8), thanks to its impact on generating self-employment and/or employment of third parties. It achieves this by providing access to financing for entrepreneurs who lack it, given that greater financial inclusion is linked to higher growth in the economies which provide it.

The Foundation's purpose is therefore to generate an impact on the standard of living of the vulnerable entrepreneurs it serves, protecting environmental sustainability, both in terms of its direct actions, and the impact of the activities financed. Likewise, it strives to formulate solutions to mitigate the impacts facing both the Foundation itself and its clients. In consequence, it is necessary to align development targets with the organization's capabilities and adapt these to the various frames of action. This will allow a route map to be defined that can be achieved in all areas. ESG criteria are a framework for this route map that synthesizes the value created for a broad panoply of stakeholders.

Sustainability is embedded in our purpose: we aspire to sustainable development for people (long-term, across all dimensions) "

How ESG and the SDGs complement one another

The SDGs put the key dimensions of a sustainable and prosperous future for all into categories. The SDGs are highly ambitious, long-term targets, and the framework may appear too theoretical (or overwhelming) at the micro level for organizations whose goal is to generate impact. Given their complexity and ambition, a more thorough action plan is required.

Thus, ESG and the SDGs work together to discover how a company can achieve sustainable development. ESG factors are guidelines that help to determine whether a product or project is making a positive contribution to the environment, to society, and to the governance of an organization. It is a classification system used to measure their environmental and social credentials. This means that companies can classify themselves using criteria such as:

/ Environment
Eg: greenhouse gas emissions, waste disposal, etc.

/ Social
Eg: working standards, diversity in the labor force, etc.

/ Governance
Eg: governance at arm's length, diversity, etc.

ESG is used to measure environmental, social and governance practices within an organization that, incorporated into daily commercial operations, will be integrated with the SDG targets in the longer term.

02 Maximizing impact
To what extent is the company making a positive contribution to society?

Indirect influence

Direct influence

Direct impact
(entrepreneurs)

Indirect impact
(community, households)
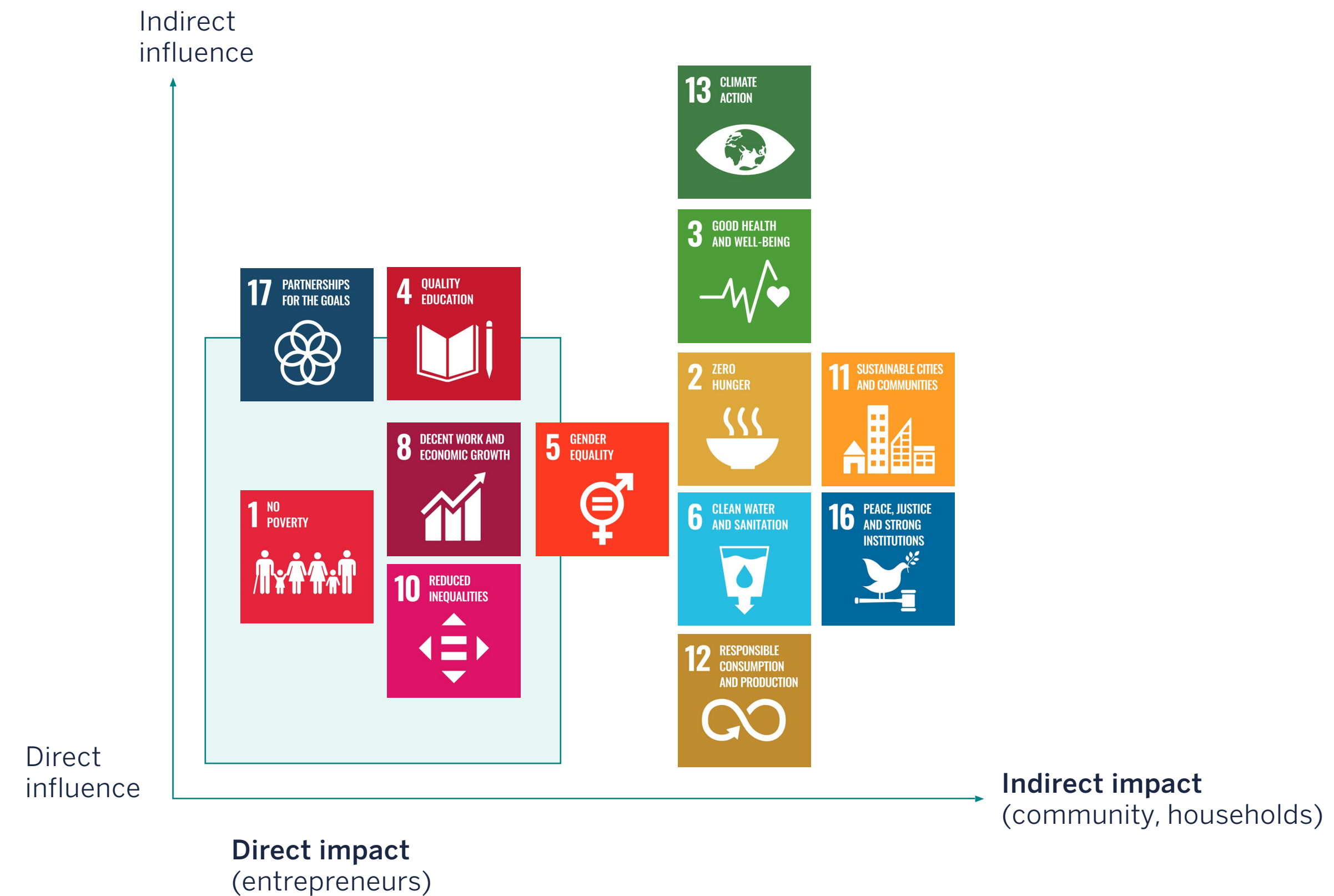
Our sustainability focus, framed within ESG

The ESG framework and making the most of new opportunities

S
Client

/ Vulnerability   / Business development   / Financial health   / Wellbeing

E

/ Carbon footprint   / Environmental management   / Climate resilience

S
Employee

/ Diversity   / Satisfaction

G

/ Risks
Good governance   / Diversity   / Compliance
Good governance

Maximize opportunities

Minimize risks

In the case of the BBVA Microfinance Foundation and its institutions, the social dimension lies at the heart of its raison d'être and its actions. Our entrepreneurs and target audience have low incomes and limited or no access to the financial system. Furthermore, they are more exposed to the impacts of climate change that threatens to wreak devastating consequences on their lives.

To this end, our work is designed to mitigate the factors of financial and social exclusion, as well as providing this population group with a

set of products that enable them to increase their resilience to climate change, improve their interaction with the environment and their standard of living. We develop all this within a governance framework that safeguards the fulfilment of our mission and our ethical principles, establishing appropriate behaviors, encouraging diversity, equality and better working practices, while leaving the smallest possible carbon footprint in the course of our work, footprint that we will reduce substantially in the next few years.

ESG has thus moved from being a framework to becoming a strategic guide that enables us to align our actions with the SDGs' ultimate impact goals. By its very nature, as a social impact generator, the social dimension is over-represented.

By 2025
4.5 million clients
€ 7,000 millons disbursed

Environment

Carbon footprint

- Scope 1
- Scope 2
- Scope 3

Environmental management
- Energy per employee
- Water per employee

Climate resilience

- % Green products
- % Environmental insurance

Social (Clients)

Vulnerability
- % Migrants & displaced
- % Women/Rural/Education
- % Economic vulnerability
- % Banked
- % Households +5 people

Business development

- % With more than 3 credit cycles
- % Who raise their incomes
- % Who escape poverty

Financial health

- % Savers
- Nº people trained
- % with 3 or more products

Social welfare

- Nº clients with upgrade products (housing, health, education and connectivity)
- % Creating employment

Social (Employees)

Diversity
- Age, nationality, etc.
- % Women (employee / board member or trustee)

Satisfaction
- Seniority
- % Turnover
- % Received training
- Labor lawsuits

Governance

Diversity
- % Independent
- % Women (on board)
- Average tenure
- Nº nationalities

Compliance
- % Regulatory recommendations adopted
- % Compliance with the action plan (Self-assessment)

Risks

- % Lawsuits (non-labor)

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ESG indicators
Environment

	Measures	BBVAMF Group		BBVA Microfinance Foundation (FUN)		Aggregate		BA		FC		AD		MS		FE		EM	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Carbon Footprint																			
CO_2 emissions (Scope 1)	TnCO2e	191	140	4	6	186	134	2	1	70	11	110	119	3	0	1	2	0	0
CO_2 emissions (Scope 2 - location-based)		2,479	2,624	17	14	2,462	2,610	681	787	431	385	1,225	1,267	73	119	52	53	0	0
CO_2 emissions (Scope 2 - market-based)	TnCO2e	2,462	2,610	0	0	2,462	2,610	681	787	431	385	1,225	1,267	73	119	52	53	0	0
CO_2 emissions (Scope 3)	TnCO2e	96	120	32	8	64	112	13	82	19	28	5	2	7	0	20	0	0	0
Total footprint	**TnCO2e**	**2,748**	**2,870**	**36**	**13**	**2,712**	**2,857**	**696**	**870**	**521**	**424**	**1,340**	**1,388**	**83**	**119**	**73**	**56**	**0**	**0**
Employees (Environment)		8,082	8,047	48	46	8,034	8,001	3,195	3,119	2,649	2,666	1,362	1,365	225.00	247.00	603	604	0	0
CO_2 emissions per employee	**Tn CO_2e/FTE**	**0.34**	**0.36**	**0.75**	**0.29**	**0.34**	**0.36**	**0.22**	**0.28**	**0.20**	**0.16**	**0.98**	**1.02**	**0.37**	**0.48**	**0.12**	**0.09**		
Environmental Management																			
Energy	Kwh	9,153,898	8,611,044	66,269	69,234	9,087,629	8,541,810	4,226,437	4,081,637	2,147,289	1,904,460	2,168,522	2,149,579	416,169	286,111	129,211	120,023	0	0
Energy / employee	Kwh/FTE	1,133	1,070	1,381	1,505	1,131	1,068	1,323	1,309	811	714	1,592	1,575	1,850	1,158	214	199		
Water	m3	116,450	104,414	173	82	116,277	104,331	23,390	20,512	31,526	30,130	53,483	48,029	0	12	7,878	5,648	0	0
Water / employee	m3/FTE	14	13	4	2	14	13	7	7	12	11	39	35	0	0	13	9		
Paper	Kg	203,075	212,380	0	0	203,075	212,380	87,039	64,362	76,726	66,841	25,201	68,668	5,875	6,066	8,234	6,444	0	0
Paper / employee	Kg/FTE	25	26	0	0	25	27	27	21	29	25	19	50	26	25	14	11		
Green Offering																			
Clients with green loans	% o/ total	N/A	N/A	N/A	N/A	12,065		814	1,221	4,750	4,419	861		-		-		-	
Clients with climate insurance	#	4,428	10,817	N/A	N/A	4,428	10,817	4,428	10,817	-		-		-		-		-	

The Aggregate represents the sum of all the countries, FUN are the indicators exclusively of the Foundation, BBVAMF Group is the sum of both.
For the per capita carbon footprint, the number of people includes external suppliers or collaborators, thus it differs from the total employee data.

ESG indicators
Governance

	Measures	BBVAMF Group 2020	2021	FUN 2020	2021	Aggregate 2020	2021	BA 2020	2021	FC 2020	2021	AD 2020	2021	MS 2020	2021	FE 2020	2021	EM 2020	2021
Governance																			
Corporate governance code	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Regulations applying to Trustees/Board and committee members	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Annual training	-	-	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Activity report and annual assessment	-	-	-	-	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Diversity																			
Nº of members		8	8	8	8			7	7	7	7	8	8	5	5	7	7	4	4
Nationalities		3	3	3	3			3	3	4	4	2	2	3	3	2	2	2	2
Women		63%	63%	63%	63%			43%	43%	43%	43%	38%	38%	20%	20%	0%	0%	0%	0%
Chairwoman		100%	100%	100%	100%	33%	33%												
CEO						20%	20%												
CFO						67%	67%												
Age																			
<50		-	-	-	-			-	-	-	-	13%	13%	20%	20%	14%	14%	-	-
51-60 years old		25%	25%	25%	25%			29%	29%	29%	29%	38%	38%	60%	60%	43%	43%	50%	25%
61-70 years old		50%	50%	50%	50%			71%	71%	57%	57%	38%	38%	20%	20%	43%	43%	50%	75%
>70 years old		25%	25%	25%	25%			-	-	14%	14%	13%	13%	-	-	-	-	-	-
Profile																			
Directors & senior management		88%	88%	88%	88%			100%	100%	100%	100%	100%	100%	100%	100%	86%	86%	100%	100%
Finance & risk		88%	88%	88%	88%			86%	86%	71%	71%	75%	75%	80%	80%	57%	57%	75%	75%
Microfinance sector		63%	63%	63%	63%			100%	100%	86%	86%	88%	88%	100%	100%	100%	100%	100%	100%
Talent management		75%	75%	75%	75%			43%	43%	71%	71%	38%	38%	40%	40%	43%	43%	50%	50%
Technology & Processes		38%	38%	38%	38%			29%	29%	43%	43%	13%	13%	40%	40%	14%	14%	50%	50%
Development		75%	75%	75%	75%			29%	29%	57%	57%	25%	25%	60%	60%	57%	57%	50%	50%

	Measures	BBVAMF Group		FUN		Aggregate		BA		FC		AD		MS		FE		EM	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Independence																			
Separate President & CEO	√	√	√	√	√			√	√	√	√	√	√	√	√	√	√	√	√
Independent status		50%	50%	50%	50%			86%	86%	86%	86%	63%	63%	60%	60%	29%	29%	0%	0%
Committees chaired by independents		-	-	-	-			100%	100%	100%	100%	100%	100%	75%	75%	33%	33%	0%	0%
Years of tenure																			
<5 years		37%	37%	37%	37%			57%	57%	14%	14%	25%	25%	80%	80%	0%	0%	25%	25%
6-10 years		13%	13%	13%	13%			29%	29%	57%	57%	75%	75%	20%	20%	100%	100%	25%	25%
>10 years		50%	50%	50%	50%			14%	14%	29%	29%	0%	0%	0%	0%	0%	0%	50%	50%
Duties of the post																			
Attendance		100%	100%	100%	100%			99%	96%	99%	100%	100%	99%	88%	95%	93%	88%	95%	92%
Remuneration for attendance at board/trust meetings	USD	-	-	-	-			600	600	600	600	1.500	1.500	400	400	350	350	350	350
Remuneration for attendance on committees	USD	-	-	-	-			300	300	300	300	750	750	200	200	200	200	200	200
Compliance																			
Regulatory recommendations adopted									96%		100%		95%		100%		100%		No evaluate
Compliance with action plan (self-assessment)								√	√	√	√	√	√	√	√	√	√	√	√
Risks																			
Risk mitigation level (environmental, operational, reputational, etc.)								√	√	√	√	√	√	√	√	√	√	√	√
Non-labor litigation									27		92		3		0		0		0
Non-labor litigation									59%		69%		43%		0%		0%		0%

ESG indicators
Social employees

	Measures	BBVAMF Group 2020	BBVAMF Group 2021	FUN 2020	FUN 2021	Aggregate 2020	Aggregate 2021	BA 2020	BA 2021	FC 2020	FC 2021	AD 2020	AD 2021	MS 2020	MS 2021	FE 2020	FE 2021	EM 2020	EM 2021
Scale																			
N° employees	FTE	7,657	7,664	48	45	7,609	7,619	3,195	3,119	2,302	2,402	1,280	1,287	216	236	544	511	72	64
Code of conduct		√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Whistleblowing channel		√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Diversity																			
Women	%			58%	58%	51%	50%	52%	49%	46%	45%	43%	43%	57%	58%	83%	83%	68%	72%
Average age	Years			43	45	34	34	33	34	33	34	36	32	33	32	34	35	39	41
Nationalities	#			12	12	17	19	6	5	3	4	3	2	5	5	6	4	2	2
Ethnic minorities	%																		
Differently abled																			
Satisfaction																			
Average seniority	Years			7	8	6	6	6	7	5	5	7	6	5	2	5	6	8	9
Labor mobility																			
Management / Total employees				21%	24%	1%	1%	0%	0%	0%	0%	0%	2%	5%	4%	0%	1%	0%	6%
Women managers	%			30%	36%	48%	44%	44%	40%	40%	40%	52%	52%	40%	30%	57%	43%	50%	50%
% employees having received training	%			67%		72%		97%			92%		2%	96%			5%	1%	
Employee turnover				-4%	-6%	-9.1%	0.1%	-8.7%	-2.4%	-5.1%	4.3%	-13.7%	0.5%	-18.7%	8.8%	-12.5%	-6.3%	-26%	-11.8%
Labor lawsuits	#				1				19		42		4						
Labor lawsuits	%				100%				41%		31%		57%						

ESG indicators
Social clients

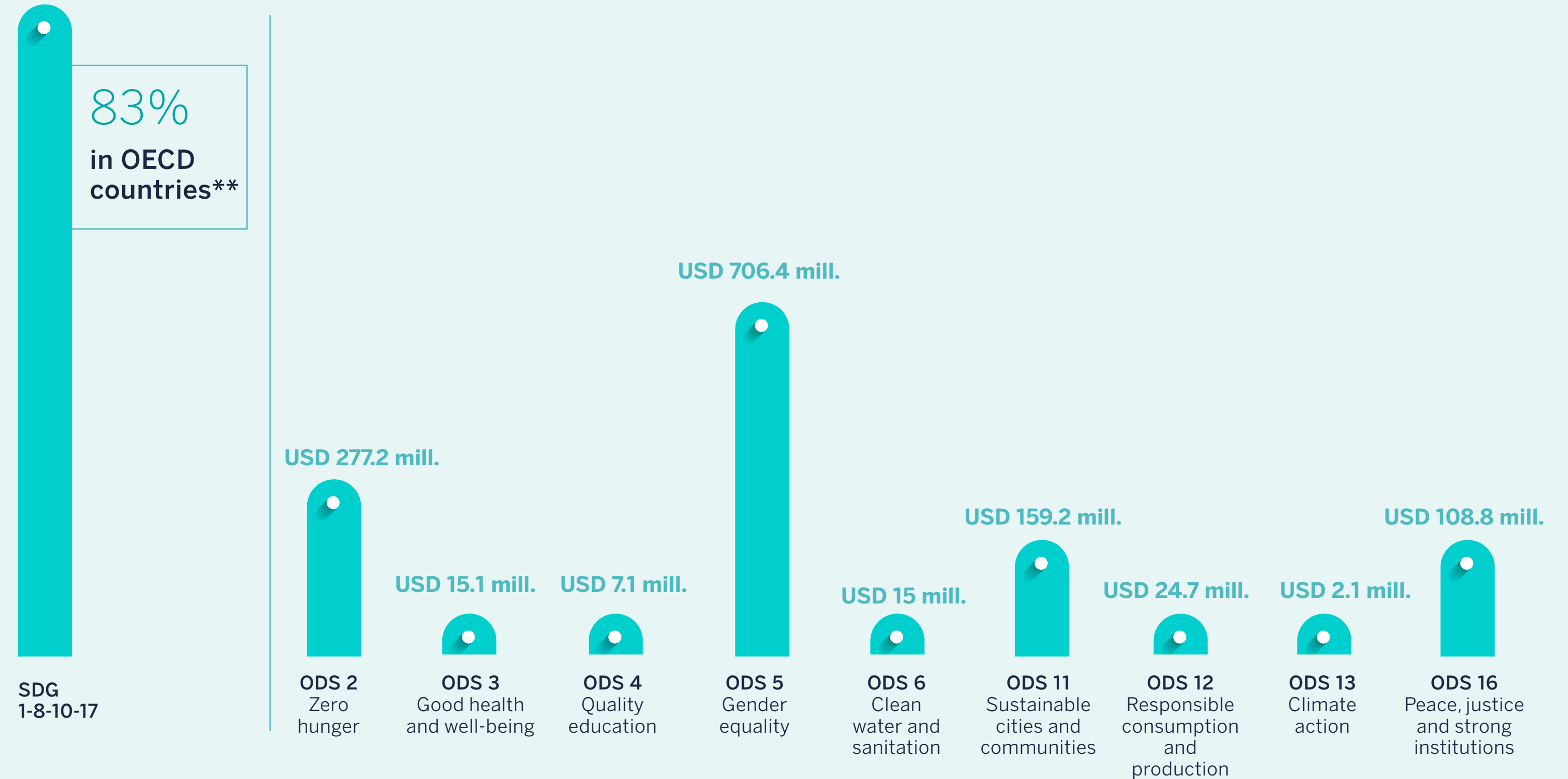| Measures	BBVAMF Group 2020	2021	FUN 2020	2021	Aggregate 2020	2021	BA 2020	2021	FC 2020	2021	AD 2020	2021	MS 2020	2021	FE 2020	2021	EM 2020	2021
Scale (total clients)																		
Net clients					2,612,144	2,773,221	1,422,185	1,503,043	683,166	731,496	381,746	408,663	14,468	17,695	106,583	109,268	3,996	3,056
Lending clients					837,947	855,528	295,908	329,183	253,489	244,751	163,503	151,575	14,468	17,695	106,583	109,268	3,996	3,056
(New) lending clients					139,504	261,011	32,557	99,279	78,270	99,303	10,264	25,610	1,513	5,862	16,900	30,957		
Vulnerability																		
% (newly) banked clients					33%	29%	29%	12%	29%	35%	72%	72%	19%	56%	-	-	-	-
% economically poor entrepreneurs					32%	33%	32%	34%	33%	30%	22%	24%	19%	20%	46%	35%	-	-
% economically vulnerable entrepreneurs					82%	82%	84%	86%	74%	72%	83%	86%	82%	85%	83%	83%	-	-
% women					60%	59%	54%	54%	55%	53%	67%	67%	43%	44%	80%	79%	-	-
% rural					34%	35%	44%	44%	30 %	30%	41%	42%	44%	45%	11%	12%	-	-
% primary education at best					38%	35%	47%	42%	16%	14%	48%	46%	32%	29%	31%	29%	-	-
% migrants & displaced					44,144	79,531	44,116	79,503	-	-	-	-	28	28	-	-	-	-
% households + 5 people ("large")					14%	14%	13%	13%	13%	12%	11%	10%	17%	16%	26%	24%	-	-
Financial health																		
Clients with savings products					2,399,909	2,569,816	1,409,287	1,480,043	616,448	682,195	374,174	407,578	-	-	-	-	-	-
People having received financial education					401,648	594,614	248,809	378,758	49,808	80,135	56,708	21,823	5,988	15,437	40,335	98,461	-	-
Clients with 3 or more products						18%		17 %		23%		11%						
Business development																		
% entrepreneurs who raise their income					52%	51%	61%	55%	42%	48%	51%	49%	-	44%	-	69%	-	-
% clients with +3 credit cycles					64%	73%	59%	68%	55%	71%	74%	86%	54%	62%	86%	71%	-	-
Multidimensionality																		
Clients with housing upgrade products					40,443	38,002	2,449	1,284	26,486	26,676	10,631	9,675	877	367	-	-	-	-
Clients with loans for education					2,993	2,910	8	3	2,543	355	442	2,552	-	-	-	-	-	-
Clients taking out health insurance					82,268	179,575	26,479	115,628	45,279	50,578	-	-	4,112	10,538	6,199	-	-	-
% of people who generate employment					15%	15%	16%	17%	15%	15%	20%	20%	30%	25%	6%	5%	-	-

Our contribution to the Sustainable Development Goals (SDGs)

03 Contribution in 2021 to the Sustainable Development Goals
Amount disbursed in 2021 (USD M)*

83%

in OECD countries

	SDG 1-8-10-17	ODS 2 Zero hunger	ODS 3 Good health and well-being	ODS 4 Quality education	ODS 5 Gender equality	ODS 6 Clean water and sanitation	ODS 11 Sustainable cities and communities	ODS 12 Responsible consumption and production	ODS 13 Climate action	ODS 16 Peace, justice and strong institutions
Amount		USD 277.2 mill.	USD 15.1 mill.	USD 7.1 mill.	USD 706.4 mill.	USD 15 mill.	USD 159.2 mill.	USD 24.7 mill.	USD 2.1 mill.	USD 108.8 mill.

* Loans disbursed in 2021 by each goal.
** Weight of the credit volumes disbursed in countries on the list published by the OECD's DAC (Development Assistance Committee), with partners eligible for Official Development Assistance (Colombia, Peru, Dominican Republic and Panama).

1 NO POVERTY

We provide the vulnerable population with access to financial services

713,451 entrepreneurs benefited* in 2021   **USD 1,312 M** amount disbursed in 2021

Total credit clients served
Credit clients served since 2015, expressed cumulatively.

2,824,537
credit clients served since 2015
of which **86%** are vulnerable

● **New credit clients**

1,255,882

2015   2016   2017   2018   2019   2020   2021
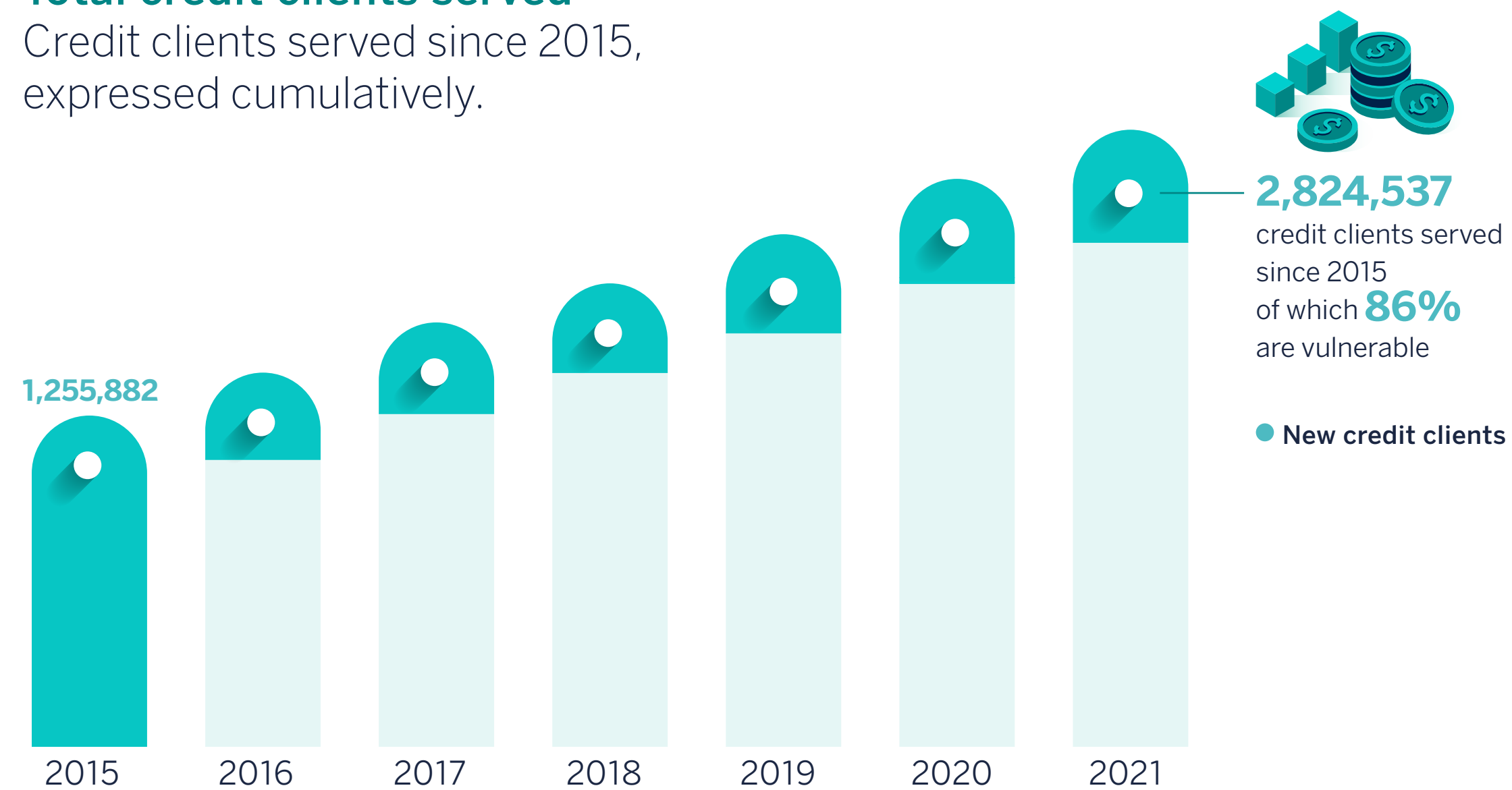
* Clients to whom a loan was disbursed during 2021.

2 ZERO HUNGER

Financial resources are targeted towards small-scale food producers in rural areas to boost their growth

155,519 entrepreneurs benefited* in 2021   **USD 277 M** amount disbursed in 2021

Total rural clients served
Credit clients served since 2015, expressed cumulatively.

888,841
rural credit clients served since 2015
of which **35%** rural clients

398,482

2015   2016   2017   2018   2019   2020   2021

46

3 GOOD HEALTH AND WELL-BEING
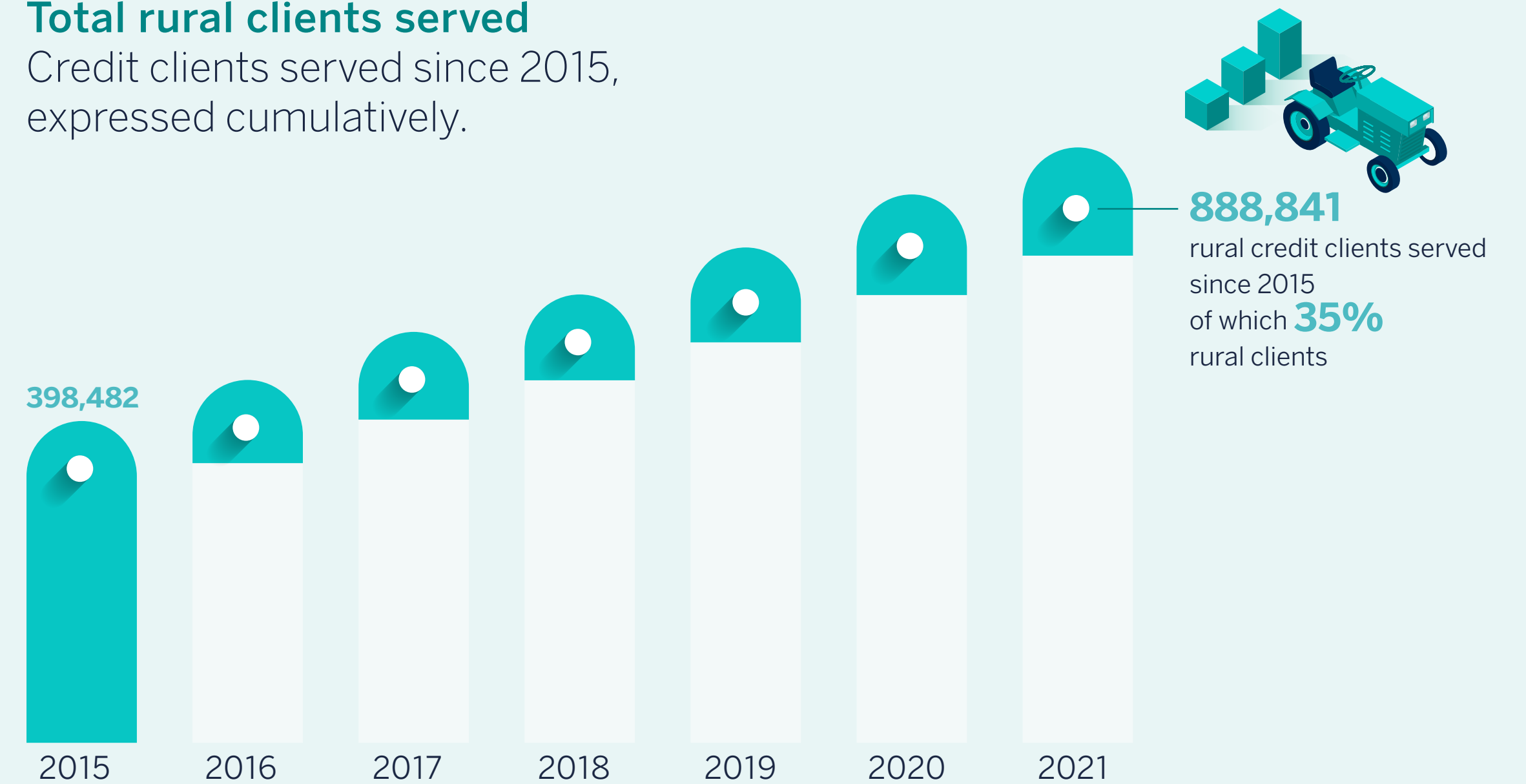
Households are offered healthcare insurance

8,408 entrepreneurs benefited* in 2021   **USD 15 M** amount disbursed in 2021

Activity	% Clients
Pharmacies	51%
Healthcare activities	21%
Wholesale trading of pharmacy products	14%
Doctors & dentists	7%
Residential medical care	7%
Others	0%

4 QUALITY EDUCATION

Empowerment through financial education

7,022 entrepreneurs benefited* in 2021   **USD 7 M** amount disbursed in 2021

People who have received financial training
Clients and non-clients

378,562 — 2015
359,450 — 2016
426,907 — 2017
557,680 — 2018
665,944 — 2019
401,648 — 2020
594,614 — 2021

35%
Clients with primary education at best
Credit clients active as of 12.31.2021
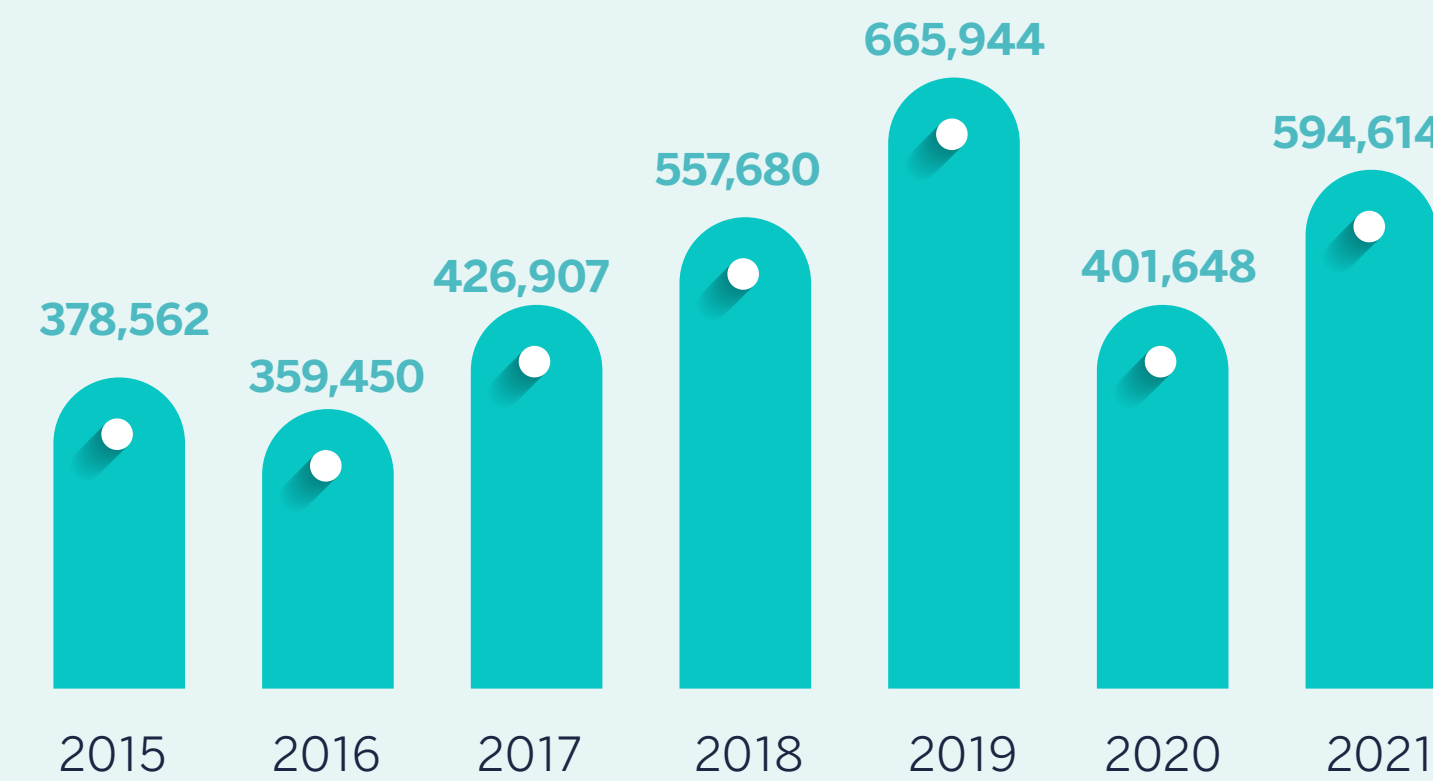
3,384,805
Training actions since 2015

47

5 GENDER EQUALITY

Equality between the sexes is promoted

435,929 entrepreneurs benefited* in 2021   **USD 706 M** amount disbursed in 2021
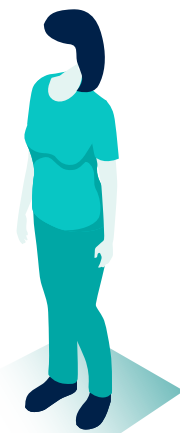
65%
of clients served since
2015 are women

7 out of 10 clients
overcoming poverty are
women

Poverty by gender
Credit clients in poverty, by year of entry

● Poor men
● Poor women

66%   **34%**   2021

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6 CLEAN WATER AND SANITATION
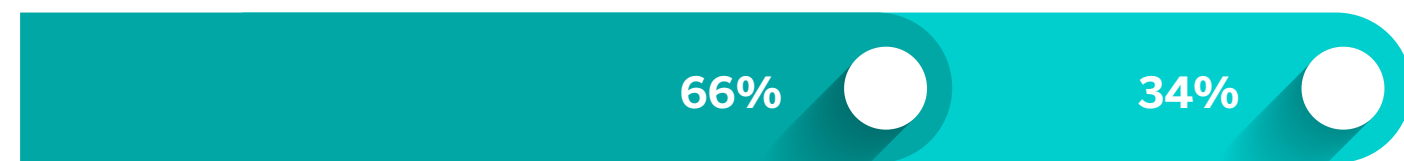
Improving the sanitary conditions in entrepreneurs' homes

4,719 entrepreneurs benefited* in 2021   **USD 15 M** amount disbursed in 2021

Sanitation improvements
Clients financed so that they can upgrade
their domestic hygiene and sanitation

14,716

10,338

4,750

4,409

2018   2019   2020   2021
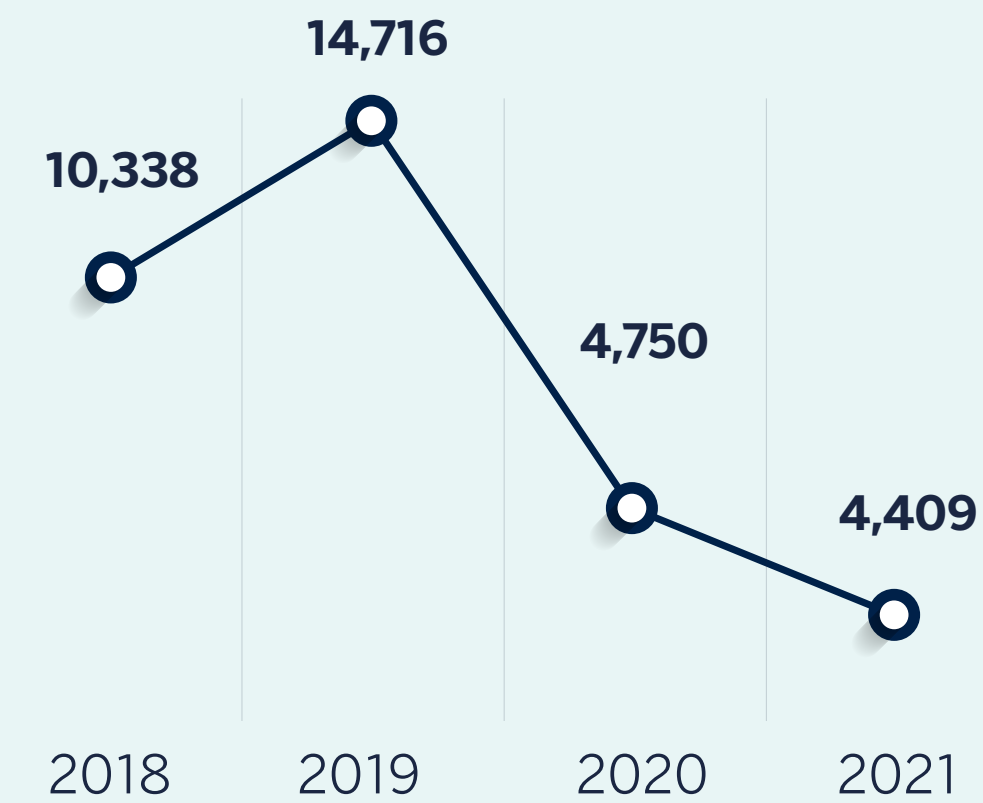
*4,409 clients were granted a loan in 2021 to finance upgrades to their domestic hygiene and sanitation arrangements. The remainder are clients financed to develop an activity linked to water treatment, purification or distribution, or otherwise to the elimination of waste water.

8 DECENT WORK AND ECONOMIC GROWTH
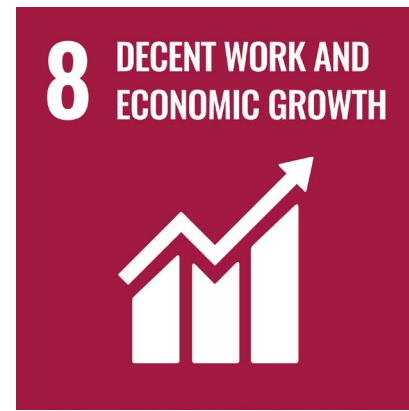
Services that promote their economic growth

713,451 entrepreneurs benefited* in 2021   **USD 1.312 BN** amount disbursed in 2021

Source of employment
Clients by nº of employees in their business

- 4 or more employees
- 2-3 employees
- 1 employee
- No employees

1%
4%
10%
85%

Total 2021

162,834
people
employed

10 REDUCED INEQUALITIES
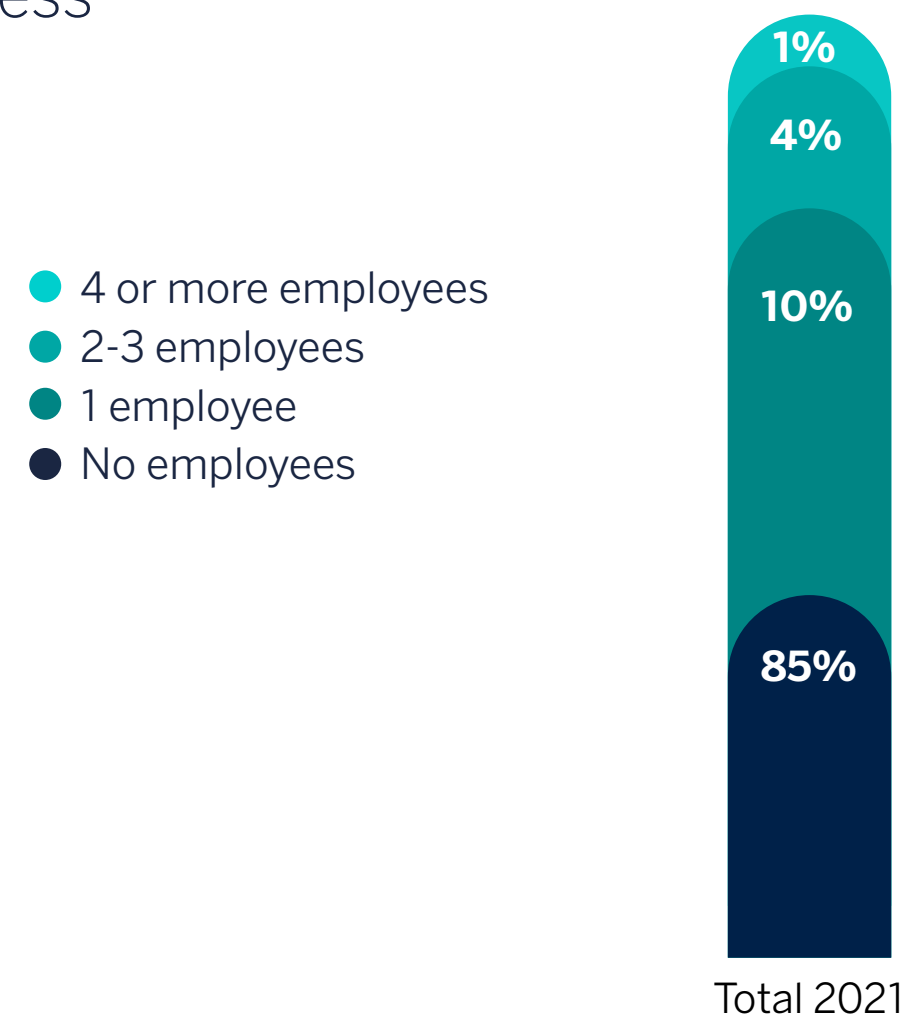
We help our entrepreneurs to continue their economic growth

713,451 entrepreneurs benefited* in 2021   **USD 1.312 BN** amount disbursed in 2021

Reduction in inequality
% clients above the poverty line by seniority

58%
65%
68%
71%
73%
74%

At the outset | 1st year | 2nd year | 3rd year | 4rd year | 5th year

11 SUSTAINABLE CITIES AND COMMUNITIES

Succeed in making cities and human settlements inclusive, safe, resilient, and sustainable

50,010 entrepreneurs benefited* in 2021   **USD 159 M** amount disbursed in 2021

Housing solutions
Clients with credits disbursed, by year
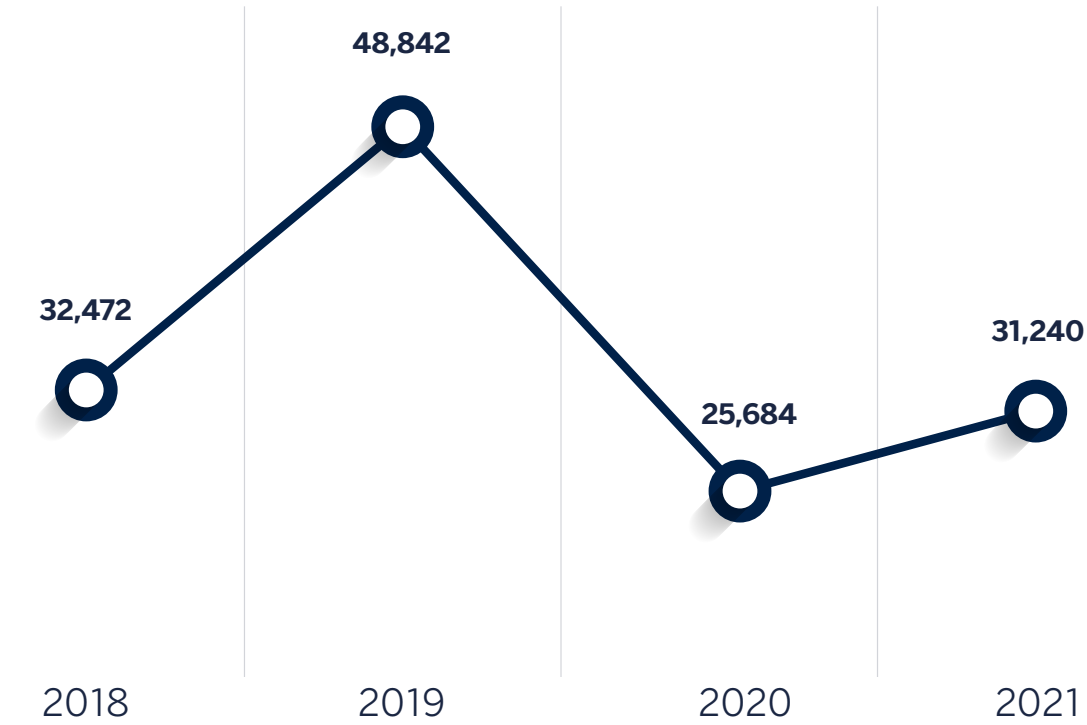
Activity	% Clients
Construction	60%
Transport & deliveries	18%
Social services & medical care	9%
Water, energy & sanitation utilities	8%
Others	5%

* Clients granted a loan in 2021 to finance upgrades in their household conditions. Clients with activities relating to access to public transport, green spaces, safe public spaces, etc. are also included.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We guarantee sustainable modes of production and consumption

14,938 entrepreneurs benefited* in 2021   **USD 25 M** amount disbursed in 2021

Carbon footprint. Detailed breakdown				
	Unit	**2020**	**2021**	**Diff. 2020-2021**
Consumption	Water (m^3)	116,450	104,331	-10%
	Paper (kg)	203,074	212,380	-5%
Emissions tCO$_2$eq	Scope 1	201	134	-33%
	Scope 2 *Market based*	2,461	2,610	6%
	Scope 3	95	112	18%

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

2,207 entrepreneurs benefited* in 2021   **USD 2 M** amount disbursed in 2021

Green clients
Clients with loans disbursed each year

1,108 — 2018
2,011 — 2019
1,447 — 2020
2,207 — 2021

1,221
MEbA clients
(Colombia)

986
FRA clients
(Dominican Republic)

Clients receiving loans, by year.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We support the displaced and refugees with programs designed specifically for them

64,409 entrepreneurs served in 2021   **USD 108 M** amount disbursed in 2021

COLOMBIA

Empropaz's mission is to contribute to peace in Colombia in partnership with USAID, CMM (*) Colombia and CMM Medellín.

Since it was set up in 2018, significant progress has been made in the inclusion model and all the targets set are being met.

Progreso sin Fronteras

Since the end of 2019 an alliance has been operating with The Tent Partnership for Refugees (Tent), a well-known international organization that mobilizes the private sector to improve the lives of migrants. It will be supported by financial services and training for Venezuelans so that they can start again from zero through entrepreneurship.

PANAMA

UNHCR, Red Cross and Microserfin have renewed their cooperation agreement for integrating refugees.

CHILE

In support of integrated inclusion for migrants, and as part of its group lending model, Fondo Esperanza has been working on several projects with the Chilean Jesuit Service for Migrants (SJM Chile). In January 2020 it set up the group lending bank Grandes Emprendedores Migrantes de Linares [Great Entrepreneurial Migrants in Linares], consisting entirely of migrants.

17 PARTNERSHIPS FOR THE GOALS
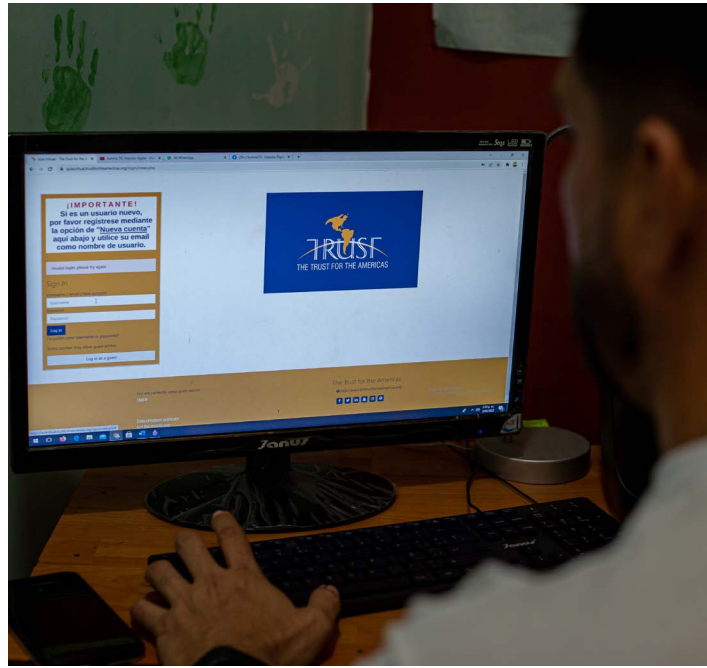
We build strategic alliances to achieve our goals

713,451 entrepreneurs benefited* in 2021   **USD 1.312 BN** amount disbursed in 2021

We are working with key players to improve the inclusion of entrepreneurs, as well as the efficiency and scope of our activity.

Over the course of these 15 years, BBVAMF has made agreements with other organizations that drive and multiply the impact of their activities, such as InterAmerican Development Bank, IFC (World Bank Group), the United Nations Environment Programme, Cooperación Española, UN Women, Habitat for Humanity, Latin American Development Bank (CAF), Water.org, Microsoft, United States International Development Agency (USAID), ICEX, Tent Partnership for Refugees, Inter-American Institute for Cooperation on Agriculture (IICA), Mastercard Center for Inclusive Growth and Trust for the Americas (affiliated to the Organization of American States), among others. The Foundation is also an active member of EQUALS Global Partnership, FinEquity (CGAP) and EDISON Alliance (World Economic Forum).

Entrepreneurs' social performance

Introduction

In 2021, the six BBVAMF Group entities have made their financial products and services available to 2.8 million low-income people **,,**

The pandemic dealt a harsh blow to activity in Latin America's largest countries, with major job destruction, particularly among lower income segments. In consequence, poverty levels and inequality rose, despite the policies rolled out by each country, policies that prevented a much worse impact, but could not entirely offset the onslaughts of the pandemic.

In 2021, a good proportion of these impacts were offset, with many economies operating above pre-pandemic levels; nevertheless, the job market recovered more slowly than activity, with the informal sector improving faster. Impacts on households have increased the need for entrepreneurship as a mechanism for bringing in income and a way of diversifying income streams.

This report covers entrepreneurship and incomes, telling the stories of people who can create a source of income for themselves and their families thanks to their individual initiative and to the capital provided by institutions in the BBVA Microfinance Foundation.

Throughout 2021, the six institutions that make up the BBVA Microfinance Foundation Group (the BBVAMF Group or BBVAMFG) have been at the side of 2.8 million low-income people, making financial products and services (loans, savings products, insurance, remittance services, etc.) available to them, together with training, to foster their progress.

54

The numbers show that:

/The clients we serve – the majority of whom (59%) are women – have succeeded in getting back on their feet, despite the extent of the shock caused by the pandemic. They have done so working mainly in retail trade (40% are general trading or convenience stores) at the expense of the service segment (18%, e.g. hairdressers), which have lagged behind somewhat in this reactivation. We are back to serving over 700,000 entrepreneurs.

/Trade adapts swiftly because it is relatively easy to change and diversify products and the initial outlay (in terms of assets) is smaller than for other activities.

/We must not lose sight of the farming sector. The activities least affected by mobility restrictions were agriculture and stockbreeding (19% of our total client base). Their businesses have continued to grow, with larger disbursements despite the seasonality of their incomes. It is important to carry on serving them, particularly in view of their high importance for the food security of their respective countries.

/A predominant profile in reactivation is that of the young entrepreneur (under 30) who already accounts for over 20% of all entrepreneurs with a performing loan. This profile had to deal with a reduction in opportunities, plus a lack of social protection (i.e. unemployment insurance) despite their better level of education (the level of educational attainment of this client profile has risen). The kind of activity (55% trading) and environment (65% urban) in which they move represents a challenge for their advancement, given that the competition is fierce. However, their ability to adapt to a digital environment will open up new opportunities for them.

/Of those entrepreneurs who are active again, a significant number have managed to get back to similar levels of growth to 2019 (pre-pandemic), while 44% of those renewing a loan have returned to growth. We are thus seeing growth rates comparable to 2019 (20% in sales, 18% in surpluses)[1], which has enabled one in every two households to raise their income. Even so, incomes for the other half have worsened, making it absolutely crucial that we continue to remain by their side.

/The shock reflects the fact that vulnerability is inherent to this profile, given that the consolidated entrepreneurs, who might appear more stable because of their size, have higher costs and less flexibility to adapt. Furthermore, many are in urban areas where mobility restrictions tended to be stricter, thus increasing the vulnerability of this profile disproportionately. The adverse conditions they faced forced them to remake their business model, adapting it to the new reality, with an indirect impact that was not always apparent in terms of their status: the postponement of education/housing improvements; having to lay off (informal) workers, or closing down their business. This has resulted in a fall of 9,049 people in the number of people employed (from 171 thousand in 2020 to 162 thousand in 2021).

> Despite the shock of the pandemic, many of our clients have got back on their feet, and we have served over 700,000 entrepreneurs ""

[1] Average growth rates for all clients renewing a loan in 2021.
Latest situation measured against former.

Access to financial products and services has a positive impact on client development **"**

/As such, this clear reactivation, reflecting seemingly normalized performance, hides an enormous effort of adaptation on the part of households. Financial stress, attendant on having to deal with higher volatility, several sources of income that have varied and generated a lot of uncertainty (as we highlighted in our 2020 report) is partly shown in the performance of longer-term entrepreneurs (those who have been banking with us for at least 5 years). In this segment, the increased instability of their business incomes is evident: in 2019, only 25% of the long-term entrepreneurs suffered from instability, but it afflicted 35% of these entrepreneurs in 2021.

/For these reasons, savings, the main resort to which households turned in 2020 to mitigate the shock (as reflected in the 2020 report) have been eroded. Government transfers notwithstanding, the average balance and number of savers has fallen. In fact, the effective use of financial products to reduce risk and accumulate assets remains a challenge. Currently 5 out of 10 (52%) hold savings accounts in order to make transactions, not to save. The few clients who took out specific savings products managed to save between USD 20 and USD 2,500 over the course of a year.

Access to financial products and services has a positive impact on client development. Nurturing this progress is an opportunity to provide a helping hand over time.
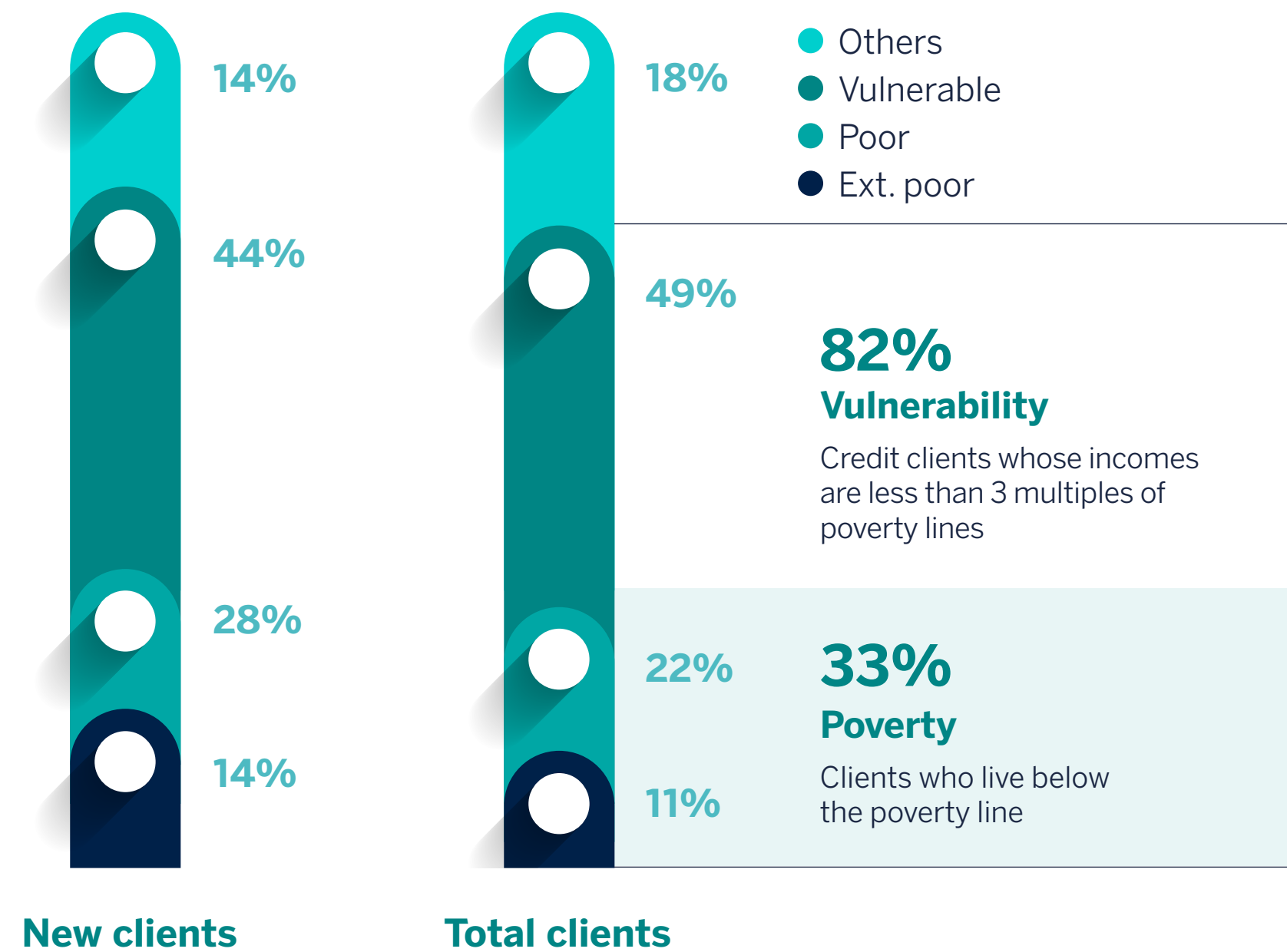
Sustainable inclusion:
finance at the service of households

Vulnerability

Economic vulnerability
New and total credit clients

14%

44%

28%

14%

New clients

18%

49%

- Others
- Vulnerable
- Poor
- Ext. poor

82%
Vulnerability
Credit clients whose incomes
are less than 3 multiples of
poverty lines

22%   **33%**
Poverty
Clients who live below
the poverty line

11%

Total clients

Social vulnerability
Total credit clients to 31.12.21

59%
women

12%
>60 years old

35%
Primary education

35%
Rural environment
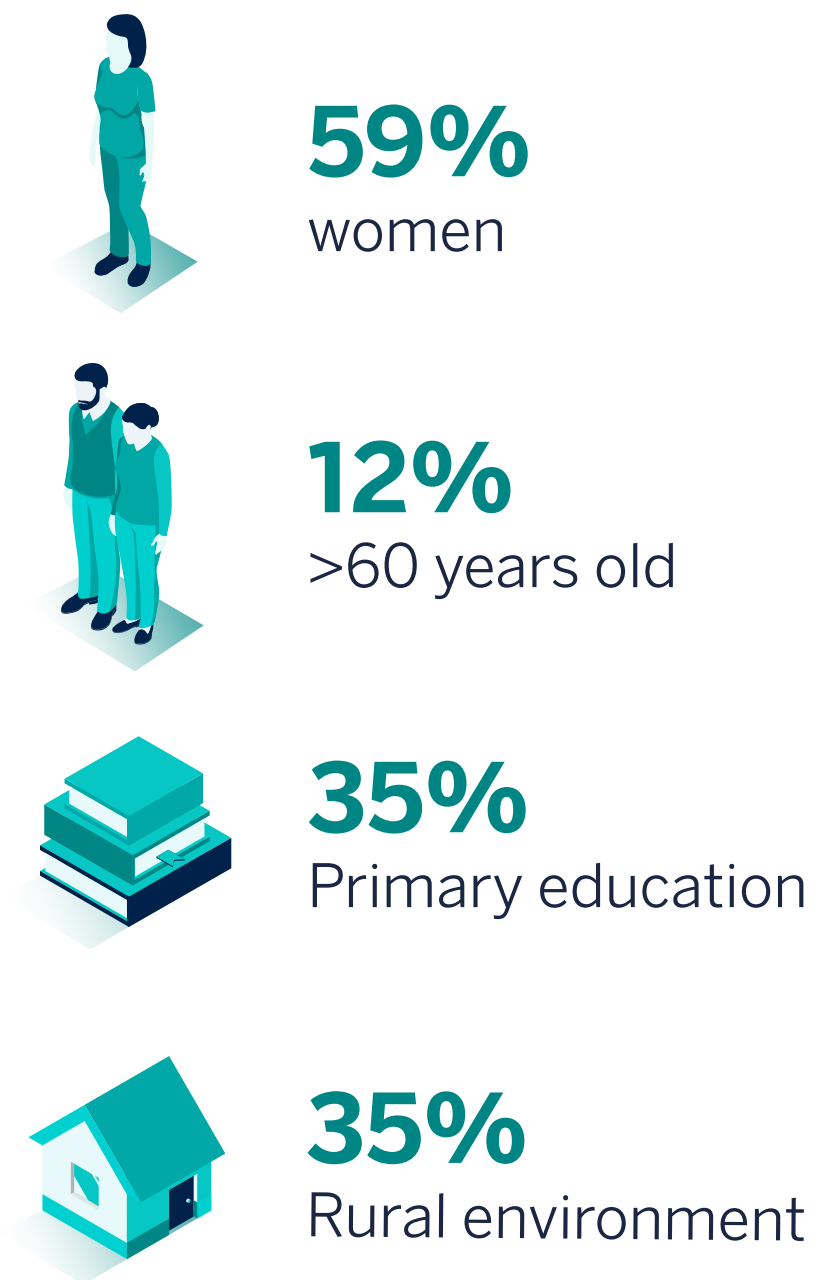
Business development

Annual growth rate

18%
Sales

21%
Net income

27%

Net poverty reduction
after two years of banking
with the institutions

Total credit clients.

Clients with at least two disbursements during 2021 and reported financial data.

Financial health

Savings
2,569,816
Clients with savings products

Training
594,614
Traning and advisory sessions

Wellbeing

Loans that improve wellbeing

Housing
Colombia, Peru, Dominican Rep. and Panama
38,002 clients
USD 111 M

Green loans
Colombia and Dominican Rep.
2,694 clients
USD 2.1 M

Water & sanitation
Peru
5,336 clients
USD 15 M

Health insurance & assistance
Colombia, Peru, Chile and Panama
179,575 clients
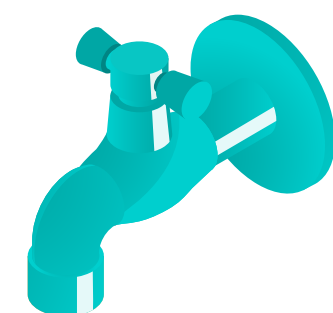
Education
For their children
Colombia, Peru and Dominican Rep.
2,910 clients
USD 1.5 M

What our entrepreneurs are like

BBVAMF Group has been working alongside a specific group of entrepreneurs for more than a decade by means of its financial products and services. Its mission is to stay for good, remaining with the target segment embodying the reason the Foundation was set up: entrepreneurs excluded from the traditional financial system or not served by it who are in a situation of economic, social and/or geographic vulnerability.

In 2021, the BBVAMF Group[2] institutions reached net client numbers of two million, nearly a million of whom are lending clients. Furthermore, savings accounts were opened during the pandemic to channel government transfer payments. Nevertheless, credit continues to be the most important instrument for the support of entrepreneurs. For that reason, most of the analyses included in this report were conducted using the information collected during the loan application procedure.

[2] Aggregate data from five BBVAMF Group entities are presented throughout the report; Emprende Microfinanzas (Chile) data has not been aggregated.
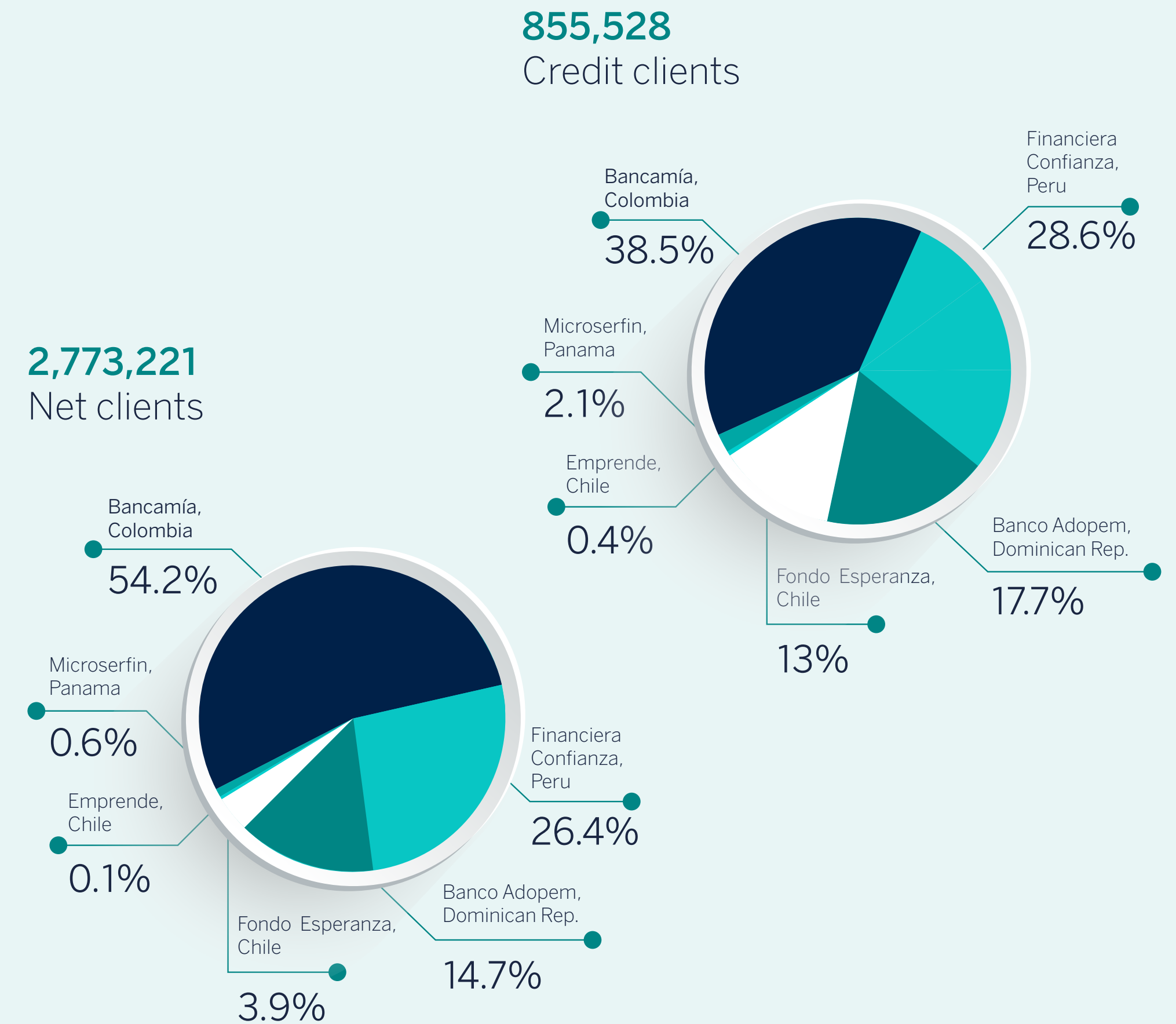
01 BBVAMF Group clients
Current clients as of December 31 each year.

- Total clients
- Credit clients
- Credit and savings clients
- Savings clients

2,085,945
2,234,413
2,612,144
2,773,221

2018 2019 2020 2021
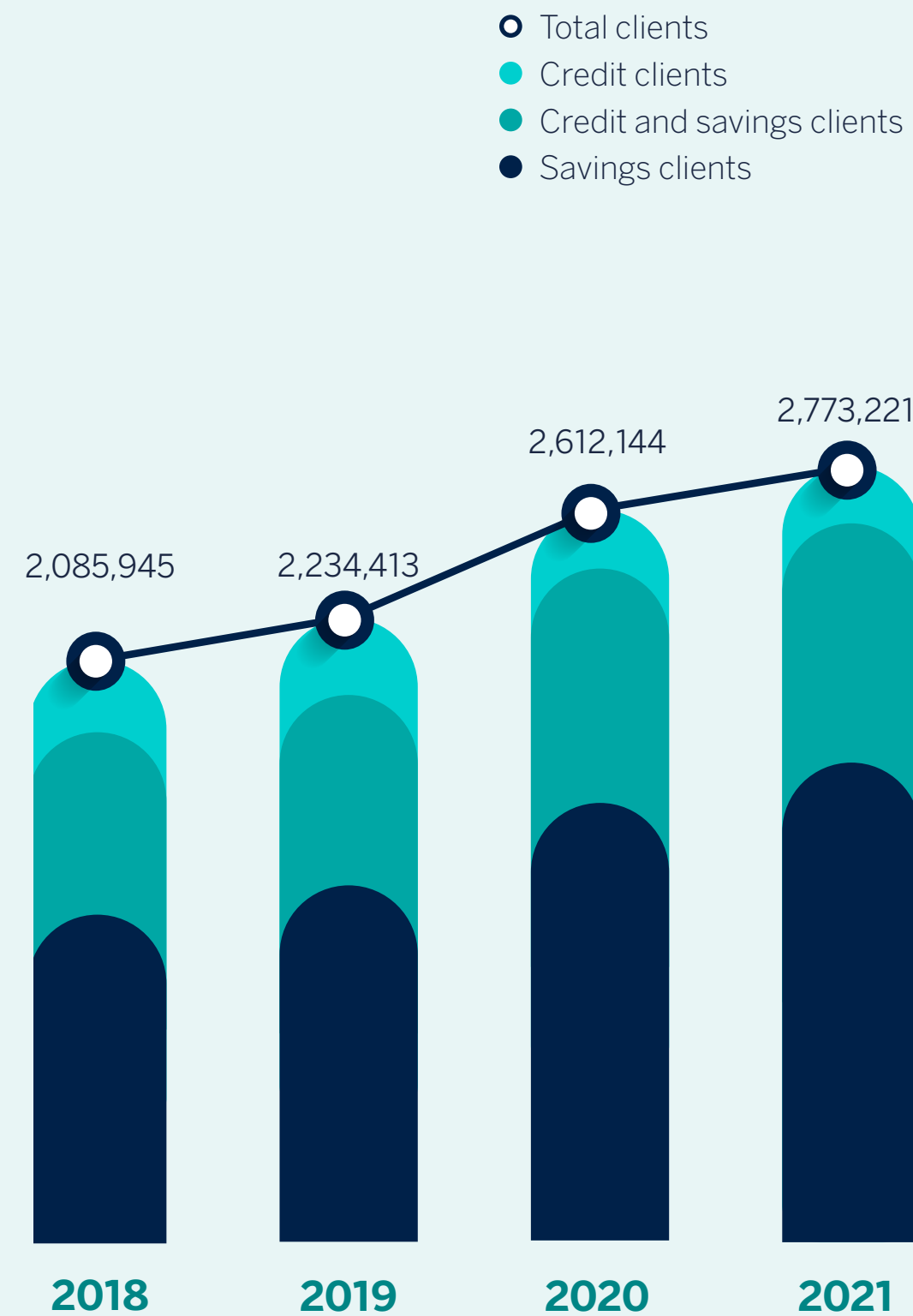
02 Total and credit clients
Current clients as of December 31 each year

855,528
Credit clients

2,773,221
Net clients

Bancamía, Colombia
54.2%

Microserfin, Panama
0.6%

Emprende, Chile
0.1%

Fondo Esperanza, Chile
3.9%

Banco Adopem, Dominican Rep.
14.7%

Financiera Confianza, Peru
26.4%

Bancamía, Colombia
38.5%

Microserfin, Panama
2.1%

Emprende, Chile
0.4%

Fondo Esperanza, Chile
13%

Banco Adopem, Dominican Rep.
17.7%

Financiera Confianza, Peru
28.6%

Becoming an entrepreneur in Latin America is one solution to the obstacles faced by a high percentage of the population when they look for waged jobs. In fact, it is one of the world's most active regions in terms of entrepreneurship, with micro, small and medium-sized enterprises (MSMEs) generating 25% of GDP. Of these, microenterprises account for 88% of the total[3].

Access to the labor market and the formal financial system is more difficult for the economically and/or socially vulnerable population. Young people or those with little formal education and women are examples of both. The latter, despite having the same educational level as men, encounter greater barriers when looking for opportunities, whether because of their family responsibilities or (unpaid) work in the home or of other kinds.

Vulnerability, therefore, is a central factor when measuring the Group's activity. In line with in-ternational guidelines, the Foundation's analyses look at three criteria:

Economic vulnerability. Focuses on studying entrepreneurs' business surpluses and the resulting financial resources available for their households.

Social vulnerability. Analyzes the characteristics that might determine a person's fragility, such as their education level, gender, legal status in the country (e.g. refugee) etc.

The environment. Considers the area where people live and carry out their activities, given that infrastructure and access to specific resources are not always of the same quality.

The Foundation monitors these characteristics among the new entrepreneurs it serves, in line with its mission and the impact that its proprietary management model has on the societies in which it operates.

MSMEs represent 25% of GDP in Latin America, and of these, microenterprises account for 88% "

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[3] MSMEs in Latin America: fragile performance and new challenges (ECLAC 2020). Only available in Spanish https://repositorio.cepal.org/bitstream/handle/11362/44148/1/S1900361_es.pdf
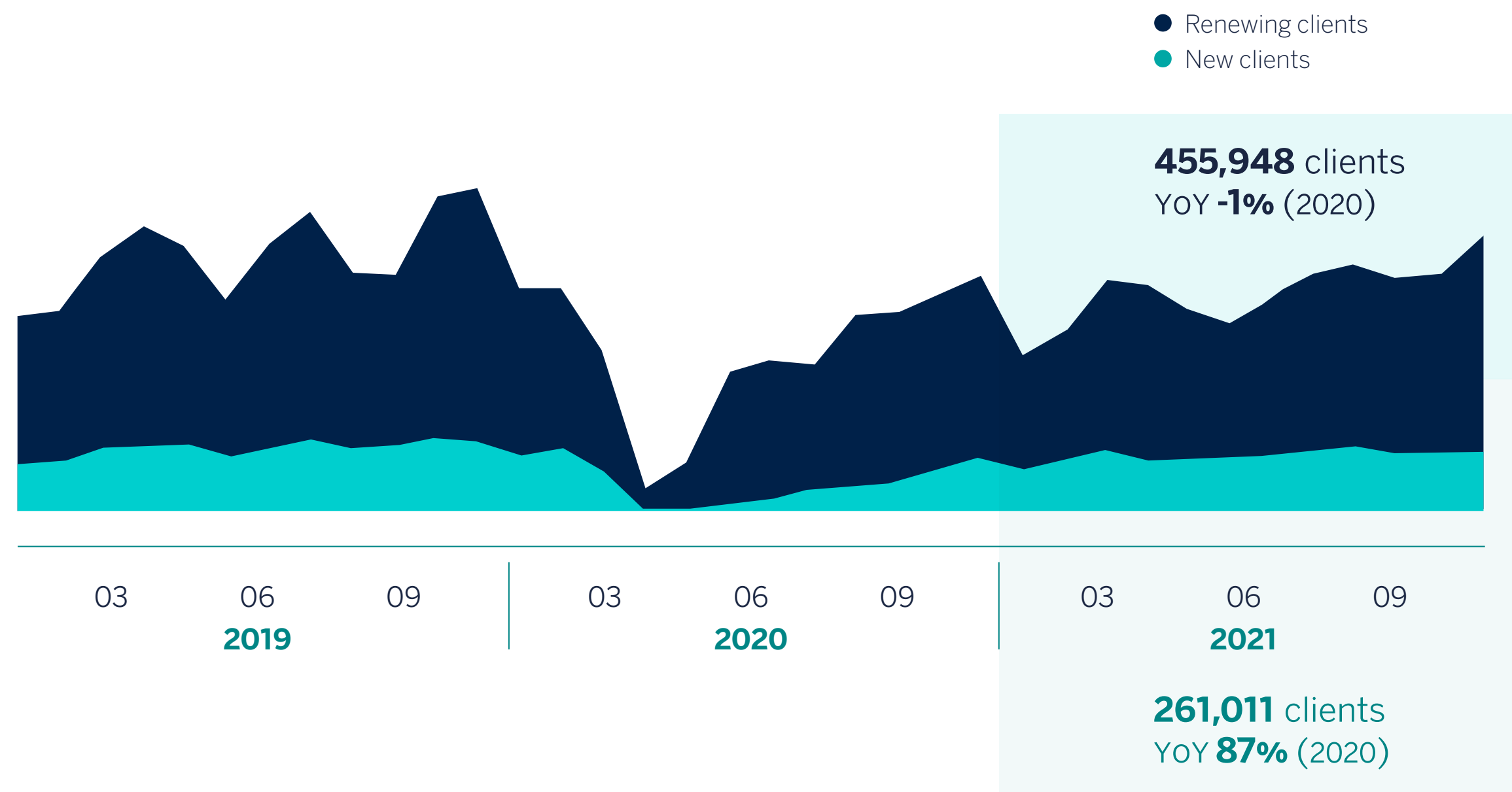
In 2021 over 450,000 entrepreneurs renewed their loan (18% fewer than in 2019) and 260,000 were new clients. Without a total recovery, and still 16% below the level achieved in 2019, the Foundation's institutions nevertheless began to show signs of reactivation in response to a more favorable scenario. In Colombia (where the recovery came sooner) the majority have recovered, followed by Peru (with a higher proportion of farming entrepreneurs) and Chile, which also rallied quickly. Dominican Republic, due to the concentration of retail trade activities, was the hardest hit.

03 Entrepreneurial reactivation
Current clients as of 12.31.2021

- ● Renewing clients
- ● New clients

455,948 clients
YOY **-1%** (2020)

03	06	09		03	06	09		03	06	09
	2019				**2020**				**2021**	

261,011 clients
YOY **87%** (2020)

In 2021 over 450,000 entrepreneurs renewed their loan (18% fewer than in 2019) and 260,000 were new clients "

Keeping the focus on economically vulnerable clients

We have defined four client segments according to the capacity of their microenterprises to generate surpluses for every member of the household. These per capita surpluses are analyzed by the cost of a basic food basket (extreme poverty line) and another, more complete, basket that includes the cost of basic services as well (poverty line)[4].

With the exception of Chile, we have analyzed the monetary level based on each country's basic food basket. This is the baseline that allows us to put the information into context and compare performance over time, given that the calculation methodology in each country is based on shared principles. This basic basket represents the extreme poverty line.

[4] These poverty lines differ depending on whether the surroundings are rural or urban in Colombia, Peru, Dominican Republic, and Panama. In Chile they vary according to the size of the household.

04 Basic food basket
In the countries where BBVAMF Group operates

- Rural
- Urban

USD 32 — Colombia (Rural)
USD 43 — Colombia (Urban)
USD 43 — Peru (Rural)
USD 53 — Peru (Urban)
USD 45 — Dominican Rep. (Rural)
USD 47 — Dominican Rep. (Urban)
USD 153 — Chile (Rural)
USD 153 — Chile (Urban)
USD 62 — Panama (Rural)
USD 74 — Panama (Urban)

Official 2021 basic food basket in each country, updated by the CPI at the close of 2021. In all countries apart from Chile, this basic basket is segmented by surrounding (rural/urban) and represents the extreme poverty line. A basic basket is also calculated for Chile, but the poverty lines are determined by a new methodology depending on household size (between one and ten members). See Methodological Note for more information.

BBVAMF Group's classification of economic vulnerability is as follows:

Extremely poor: when the surplus (or income) for each household member is under the extreme poverty line of their country.

Poor: when their income is higher than the extreme poverty line, but below their country's poverty line (PL), as represented by the cost of the basic basket of food, goods, and services).

Vulnerable: when their income is over the poverty line, but less than three multiples of that poverty line (see Methodological Note) for more information.

Others: when their income is more than three multiples of their country's poverty line. Although this classification is the Group's own, it is comparable with the guidelines used by international bodies such as United Nations and the World Bank.
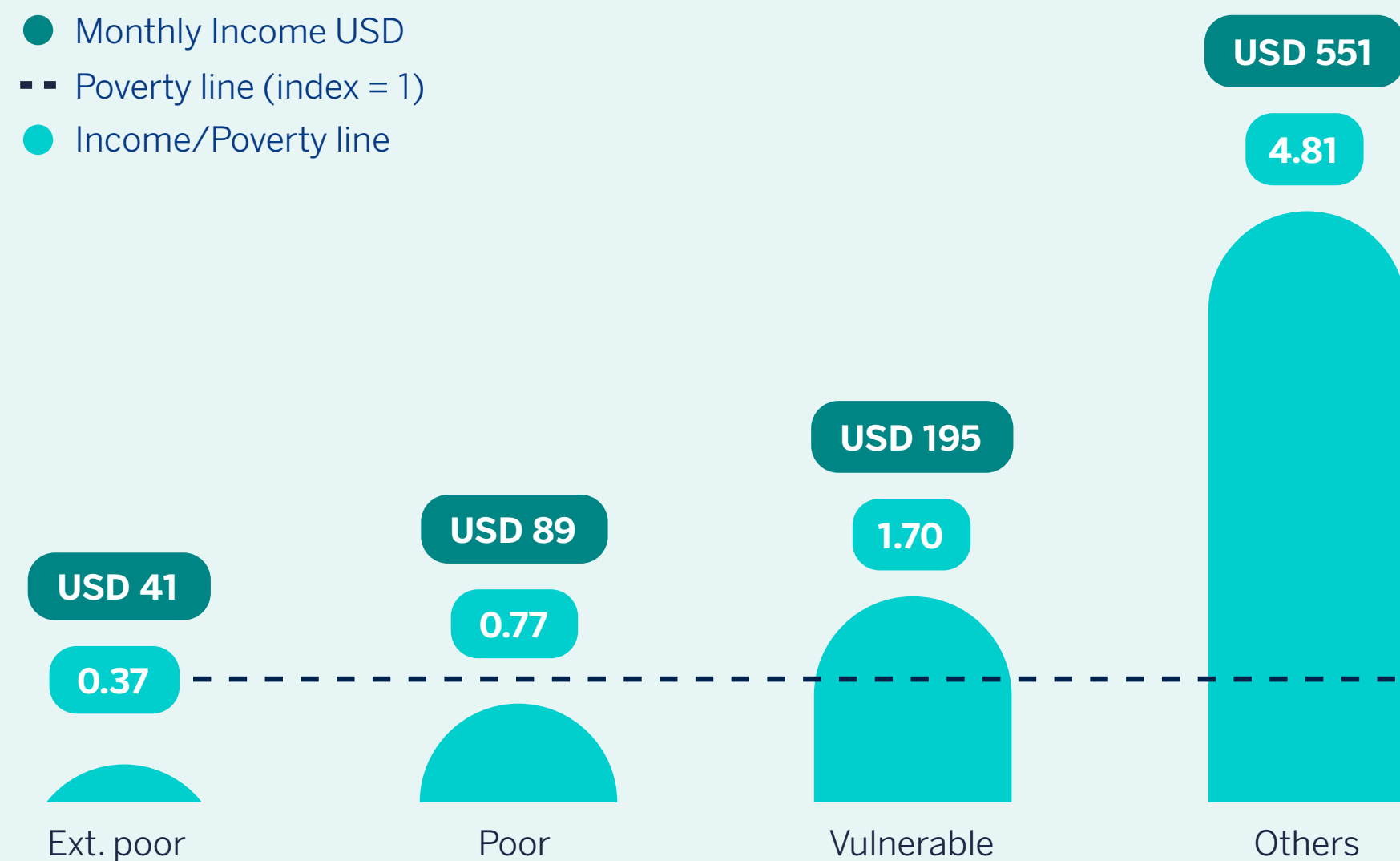
On the other hand, the relative income is the business surplus divided by each member of the household and relative to the poverty line (PL). This income measures the distance from the PL and, as such, enables us to observe how poor a set of clients are, how much their businesses have to grow to get over the PL and whether they will be more or less at risk of falling below it. This indicator is also an approximation of the concentration of poverty in the portfolio.

The relative income of vulnerable clients served in 2021 was 1.7 multiples of the PL, very different from that of clients in the "Others" category, whose incomes are a long way from the poverty line (4.8 times the PL), meaning that the probability of the first group falling into poverty was much greater.

05 Entrepreneurs' incomes
Income of each new client segment, relative
to the poverty line.

Monthly Income USD
- - Poverty line (index = 1)
Income/Poverty line

USD 551

4.81

USD 195

1.70

USD 89

0.77

USD 41

0.37

Ext. poor   Poor   Vulnerable   Others

According to each country's official poverty lines. New clients during the year (without previous loans).

The economic vulnerability measurement enables us to discover the scope, i.e. the number, of people on whom BBVAMF Group has an impact and the extent of this impact. In 2021, over 260,000 new credit clients signed up with the group, of whom 86% were in a situation of vulnerability (vulnerable, poor and extremely poor), while 42% had incomes below the poverty line.

In addition, we measured relative income, that is, relative to that country's poverty line (the latter taking the value of 1). The greater the number of poor clients served by an institution, the lower the average relative income. Another way of looking at it is that it enables us to find out the number of poor people and how poor they are. If we were to draw a line showing the positive correlation between relative income and the number of vulnerable clients served, the microfinance entities with lower concentrations of poverty would fall under that line and the institutions with a greater concentration of poverty would be above that line.

The concentration of poverty in a portfolio is useful to discover the institution's impact on its clients' performance. But the work of financially including vulnerable people in the formal financial system should also be highlighted here: over 67,000 entrepreneurs were incorporated. Of these, a large proportion (41%) live in rural environments, with more grinding poverty.

06

Scope and extent, by country
Scope: New clients in economic vulnerability (%)
Extent: Average income relative to the poverty line
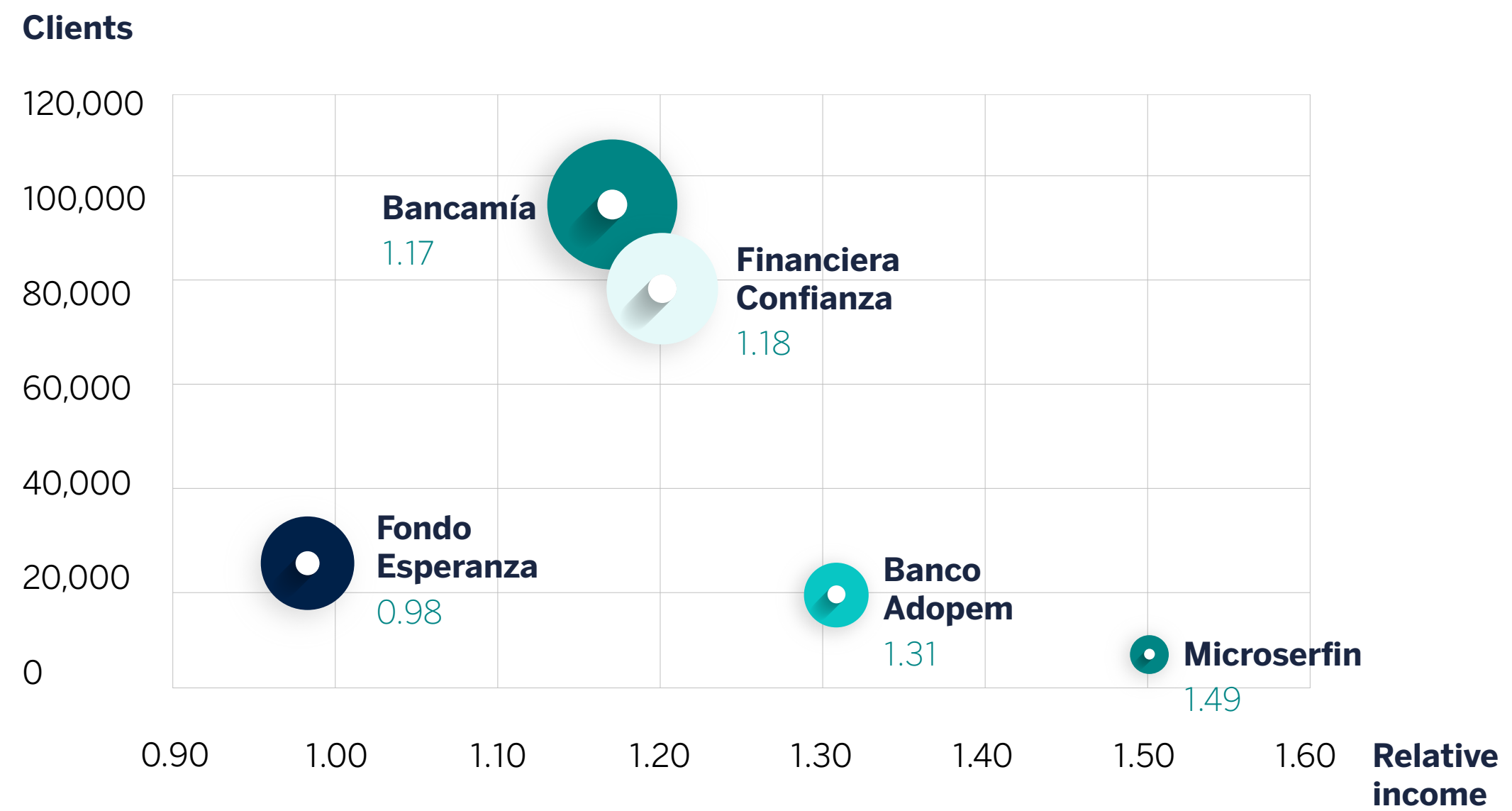
Clients

Chart points:
- **Bancamía** 1.17
- **Financiera Confianza** 1.18
- **Fondo Esperanza** 0.98
- **Banco Adopem** 1.31
- **Microserfin** 1.49

Y-axis (Clients): 0 / 20,000 / 40,000 / 60,000 / 80,000 / 100,000 / 120,000

X-axis (**Relative income**): 0.90 / 1.00 / 1.10 / 1.20 / 1.30 / 1.40 / 1.50 / 1.60

According to each country's official poverty lines. New clients during the year (no previous loans) for each country. The size of each circle represents the total number of new clients in vulnerability.

07 New credit clients
New credit clients by year of entry and vulnerability

● New credit clients
○ % vulnerability

86% **85%** **86%**

294,270
2019

139,504
2020

261,011
2021

New clients in the year (without previous credits). Vulnerability is the percentage of clients with incomes less than 3 multiples of the country's official poverty line.

08 Economic vulnerability
New and total credit clients

● Others
● Vulnerable
● Poor
● Ext. poor

New credit clients
14%
44%
28%
14%

Total credit clients
18%
49%
22%
11%

82%
Vulnerability
Credit clients whose incomes are less than 3 multiples of poverty lines

33%
Poverty
Clients who live below the poverty line
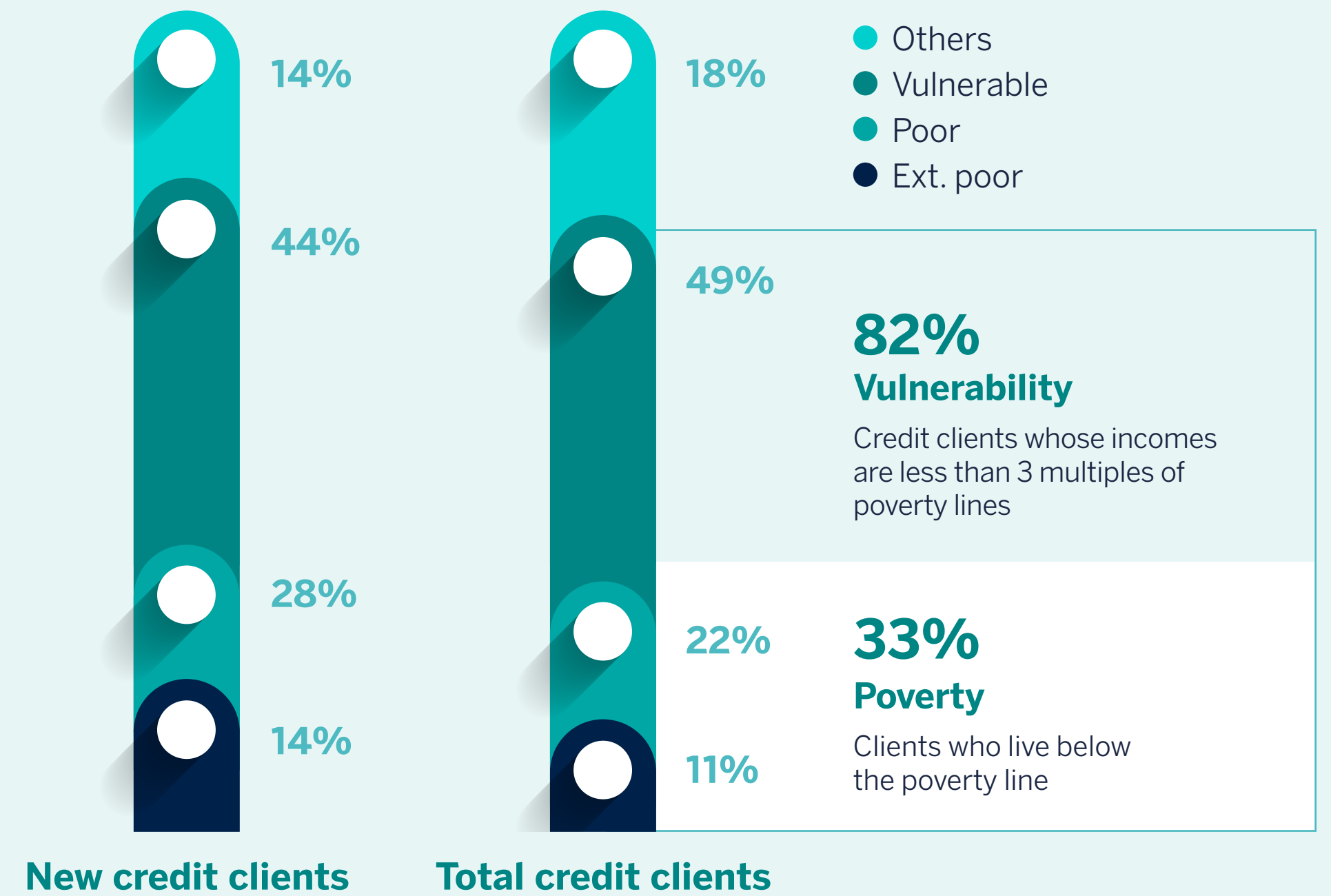
According to each country's official poverty line (differentiating between the rural and urban environments). Clients whose net income per capita (estimated as the net business income divided by the size of the household) is above the poverty line, but below the threshold calculated by multiplying the poverty line figure by three are classified as vulnerable.

09

Getting banked
Clients joining the formal financial system for the first time

87%
Vulnerability

67,677
Banked clients
28% new clients

54 %
Women

41%
Rural

21%
Agro

28%
Primary ed. at best
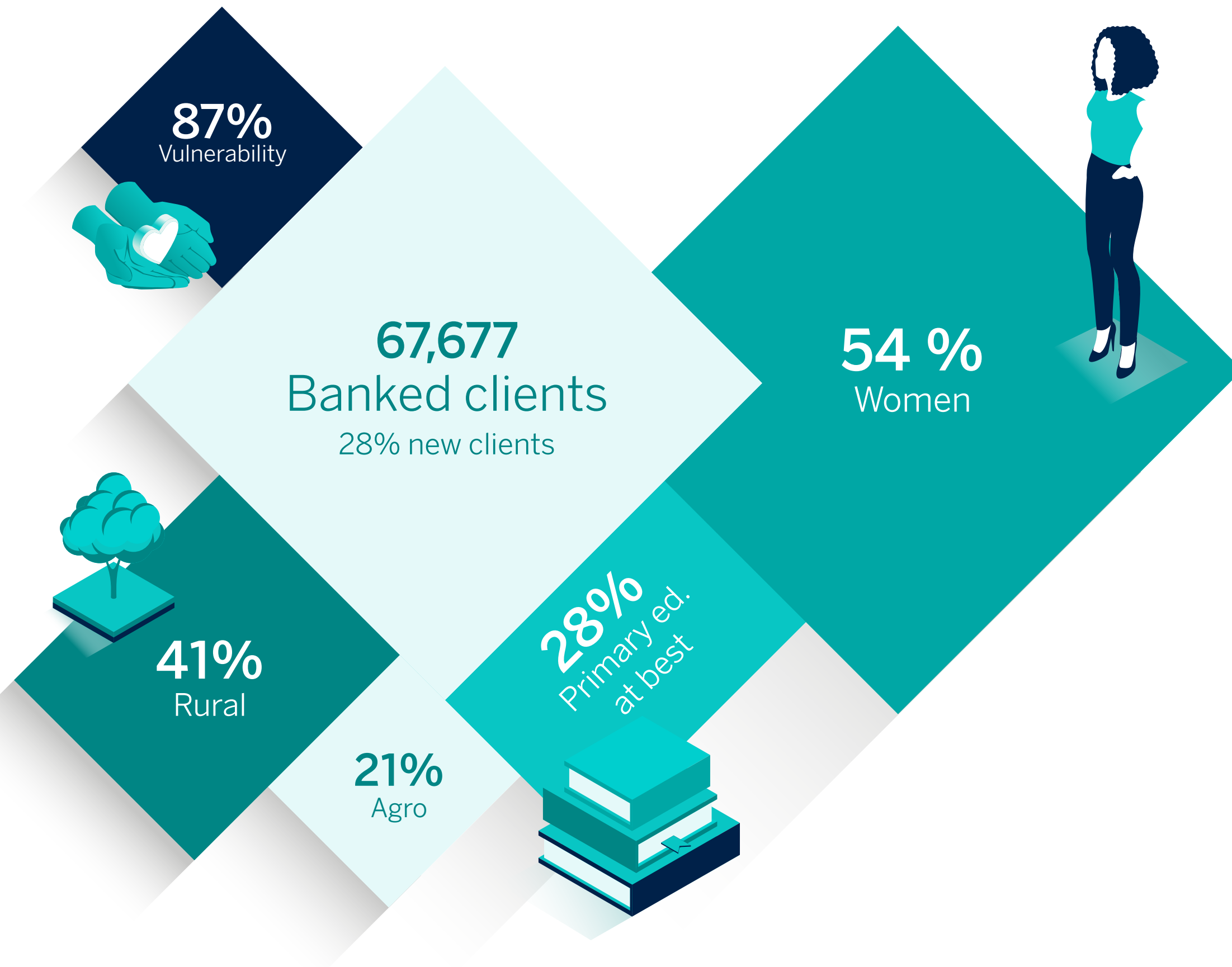
Young people, the new, post-pandemic profile

Throughout 2021 we continued serving entrepreneurs in the key segments we had identified as priorities from the social perspective. We should thus shine a spotlight on young entrepreneurs (under 30), both for the number of new enterprises they set up, and for the greater speed of their reactivation (the number of active loans are increasing more swiftly). Young people have seen their working opportunities diminish, and even though they have had more education, their employability after the pandemic has fallen. Setting up their own enterprise is therefore a means to securing an income.

Indeed, according to the World Bank, in 2020 unemployment among young people (between 15 and 24 years old) across our Latin American footprint stood at an average of 22%: This is slightly higher than the average for the region - 21% - and 6% higher than in OECD member countries. The pandemic has not only destroyed employment, but also interrupted young people's education and training, creating major obstacles when they are looking for their first job or to change employment. (ECLAC, 2021).

A new young entrepreneurial merchant appears

New entrepreneur profile

	Dec 2019	Dec 2020	Dec 2021	
Women	60%	58%	57%	↓
Under 30 years old	35%	37%	39%	↑
Retail trade	37%	32%	35%	↑
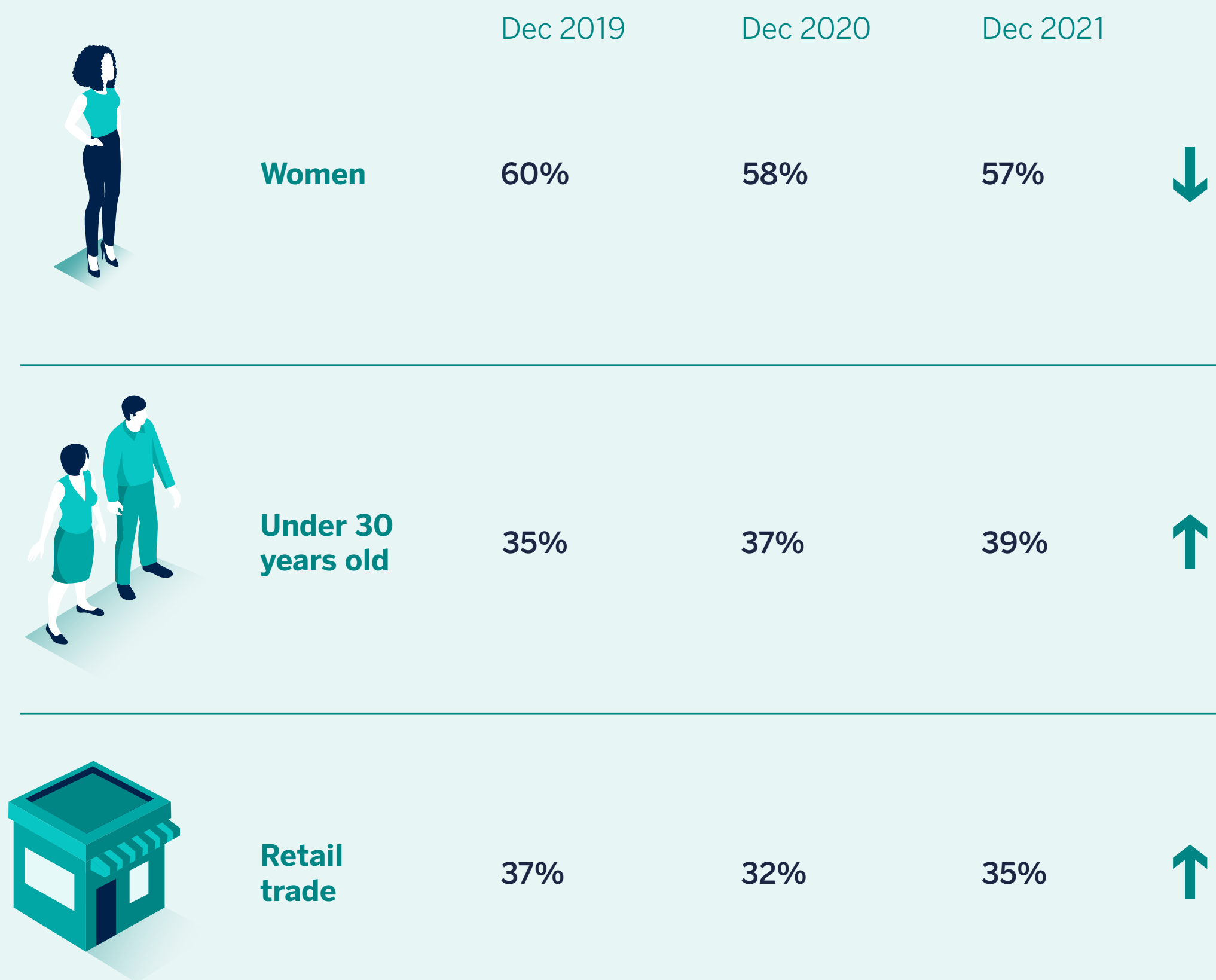
We continue to accompany our most loyal entrepreneurs

Renewed credit clients

	Dec 2019	Dec 2020	Dec 2021	
Agro	14%	17%	15%	↓
Women	66%	64%	66%	↑
Under 30 years old	15%	17%	18%	↑
Primary ed. at best	34%	32%	31%	↓

67
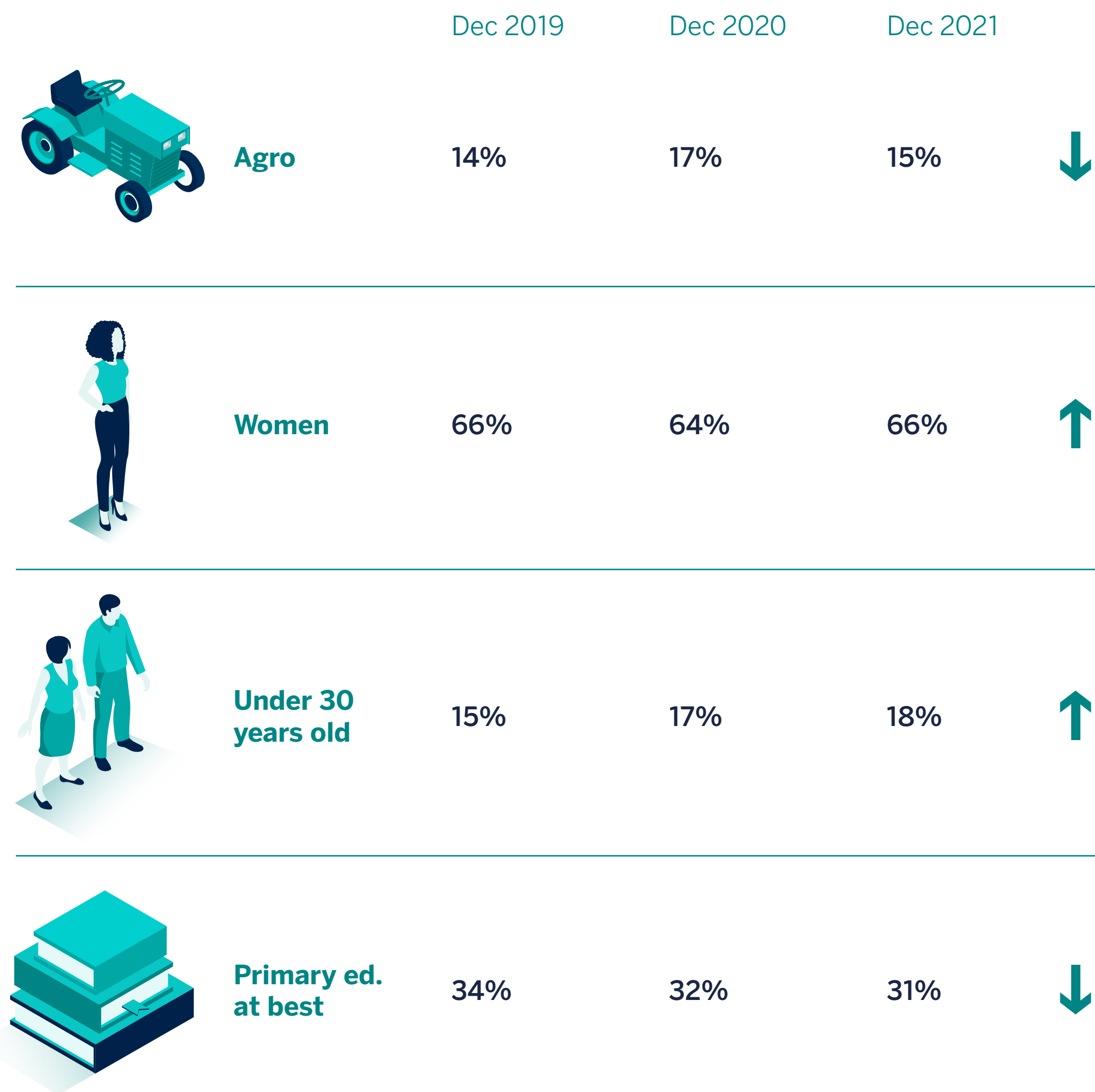
10 Social vulnerability
New clients by year of entry (%)

- Women
- Under 30 years old
- Rural
- Primary education at best
- Over 60 years old

60%   58%   57%

37%   39%

35%

33%   28%   32%

28%   18%   20%

7%   6%   5%
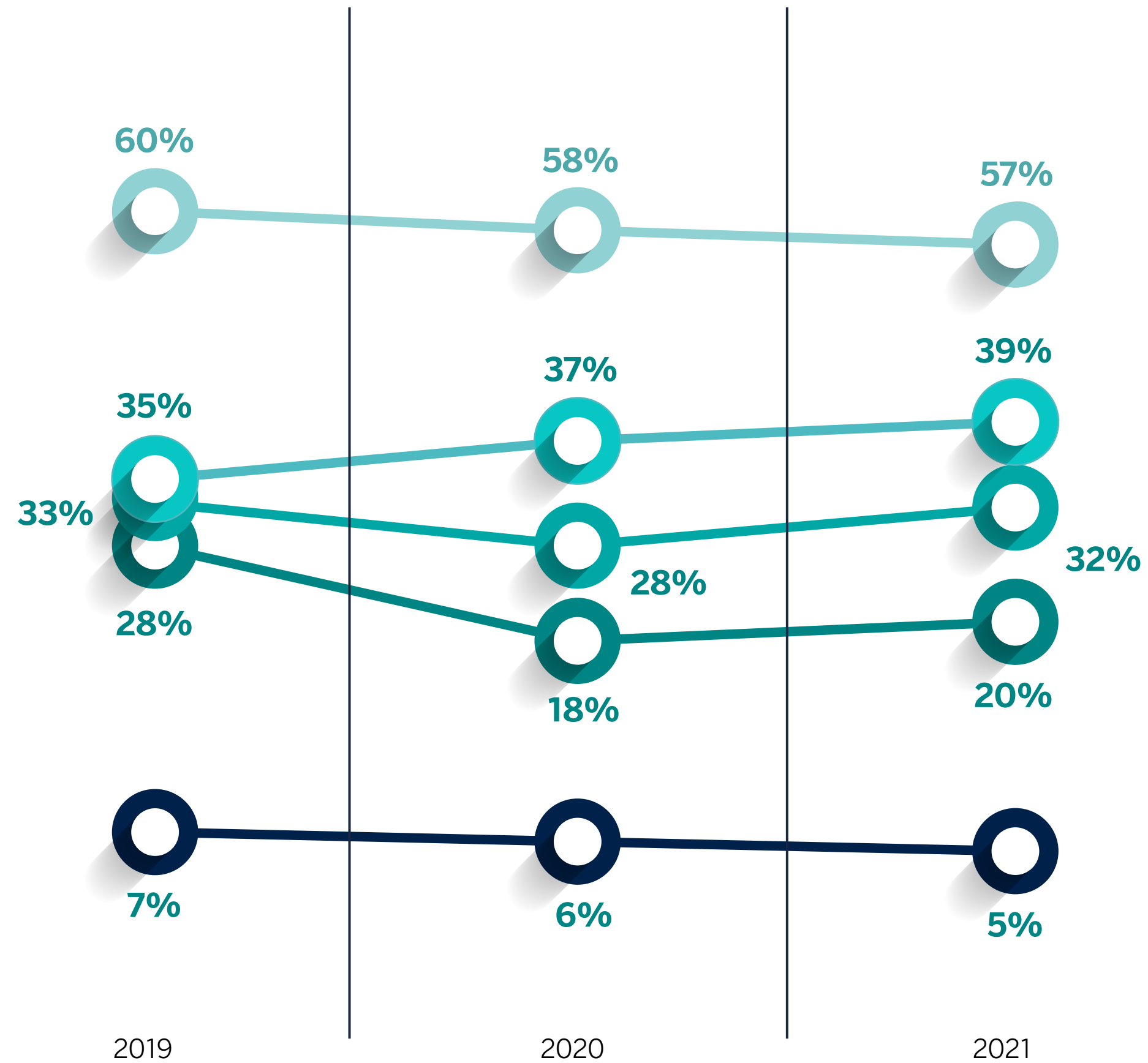
Año   2019   2020   2021

New clients during the year (no previous loans).

> The proportion of young people among new entrepreneurs —with more education and greater aptitude in the use of digital tools— has risen from 35% (2019) to 39% (2021) "

The proportion of young people among new entrepreneurs has risen since 2019, from 35% in that year to 39% in 2021. Particularly after the pandemic (since 2020), young people becoming entrepreneurs have had a higher level of formal education. Furthermore, this profile is more interested and able to use digital tools, a critical factor in the reactivation of small businesses after the pandemic.

11

Young entrepreneurs and educational level
New clients

Legend:
- – – Primary education
- ● Technical
- ● Higher
- ● Secondary
- ● Primary
- ● None

2019
- 13%
- 13%
- 54%
- 10%
- 10%

2020
- 14%
- 14%
- 60%
- 7%
- 5%

2021
- 14%
- 12%
- 60%
- 8%
- 6%

Primary education

Year   2019   2020   2021
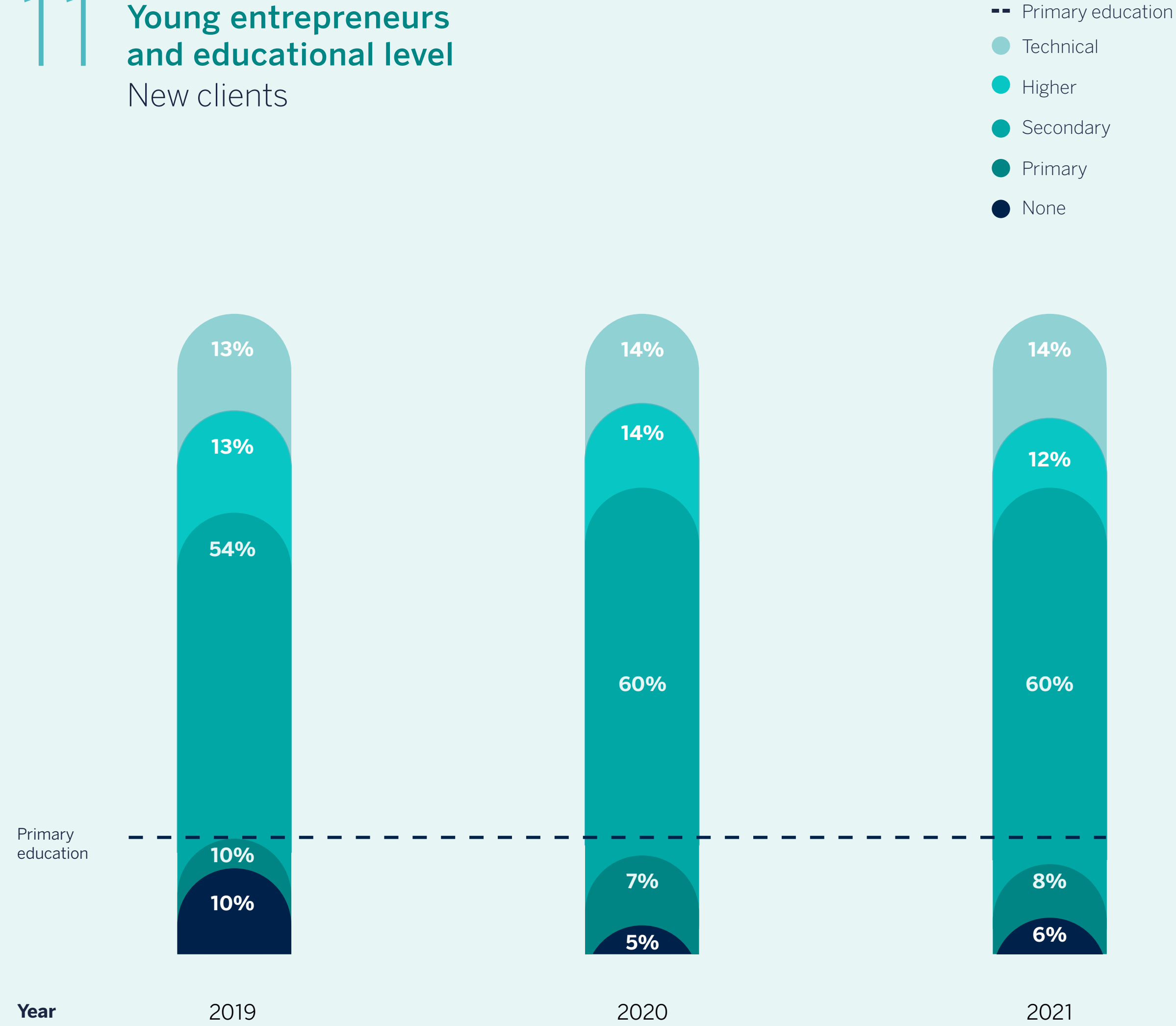
New clients served each year and their educational level.

69

Of the women served by the Group for the first time, 90% are in economic vulnerability. They work in low-productivity sectors and have to take on all the household tasks "

Entrepreneurial women

We must also underscore our emphasis on serving women, given that access to the financial system is more difficult for them. They have been hit especially hard by the pandemic because they have had to take on caring tasks and due to their lower participation in the labor market (ECLAC, Social Panorama of Latin America, 2021). In general, women face greater barriers in Latin America to accessing their own source of income (their likelihood of being unemployed is particularly high in emerging economies). This has been accentuated by the pandemic because of the rise in women's unemployment. Although there are scarcely any gender gaps in training, their family structures and less time availability to spend on paid work are obstacles to accessing the labor market. Becoming an entrepreneur not only enables them to make an income, but also to balance this with their household responsibilities, duties that condition the activities in which they can work.

On average, their enterprises generate lower revenues and, as a result, they find themselves in higher levels of economic vulnerability. Of the women served by BBVAMF Group for the first time, 90% are in vulnerability (compared to 81% of men). This is partly due to the fact that they have to take on all the household chores, and because they work in low-productivity sectors (48% of all women entrepreneurs in our portfolio work in retail trade).

12 Profile by gender
New credit clients (%)

Gender	Economic vulnerability	Rural	Surplus per capita (new entrepreneurs)
57% **Women**	90% **Women**	27% **Women**	USD148 **Women**
43% **Men**	81% **Men**	38% **Men**	USD193 **Men**

New clients during the year (no previous loans). Vulnerability defined as the percentage of clients with income less than three times their country's official poverty line.

This situation is particularly critical during women's childbearing years. Of the more than 502,000 new women clients served in 2021, 22% were under 30. In this age segment, women have to balance developing their business with bringing up children and looking after their families. 51% of our women clients in this age group are classified as poor under our methodology, compared to 36% of men in the same age group.

In addition, we have noted how family size conditions the outcomes of entrepreneurs. The gap between the sexes in revenue generation (sales) widens as family sizes grow. Women's incomes fall behind those of their male peers when the size of their family increases, possibly because they are spending more time with their family. In the urban environment the gaps are wider than in rural surroundings: a single urban woman's income is 10% lower than that of a single man, while the revenues of women with families of more than three people are 33% lower than that of their male peers.

There is evidence that poverty levels are more severe among young women, where over half have such low incomes that they cannot meet their basic needs „

13 Economic vulnerability by age range
New credit clients (%)

● Women
● Men

In vulnerability

90%   89%   88%
83%   80%   82%

In poverty

51%   48%   44%
36%   31%   31%

Under 30 years old   Between 30 and 60 years old   Over 60 years old

New clients with no previous loans, by gender and age range.

71

The displaced, refugees and migrants

There have been major internal migratory flows and displacements between countries in Latin America. Intra-regional mobility is estimated at over 14 million people, with a notable increase in Venezuelan migration[5]. The causes vary, the movements are complex and change over time[6], but they all share one feature: people affected by violence, by conflict, by persecution and/or poverty (hereinafter 'the displaced and migrants')[7].

Up to the end of 2021, Bancamía (Colombia), Fondo Esperanza (Chile) and Microserfin (Panama) served around 133,000 people in areas that had been prioritized by their respective governments in post-conflict zones, the displaced, migrants and refugees, through specialist programs and initiatives such as Empropaz (Colombia), Banca Comunal Migrante [Migrant Group Lending] in Chile, and the UNHCR program (Panama), among others. These have been expanded, because of the increasing needs of these segments. The programs are designed to be compatible with each country's legislation, adapting products and services to the needs of these clients and completing them with training provided by partner organizations (governments, multilateral institutions, and NGOs).

Migrants and displaced people served
Accumulated to end of 2021

133,179

79,658

33,910

3,854

Dec. 18   Dec. 19   Dec. 20   Dec. 21
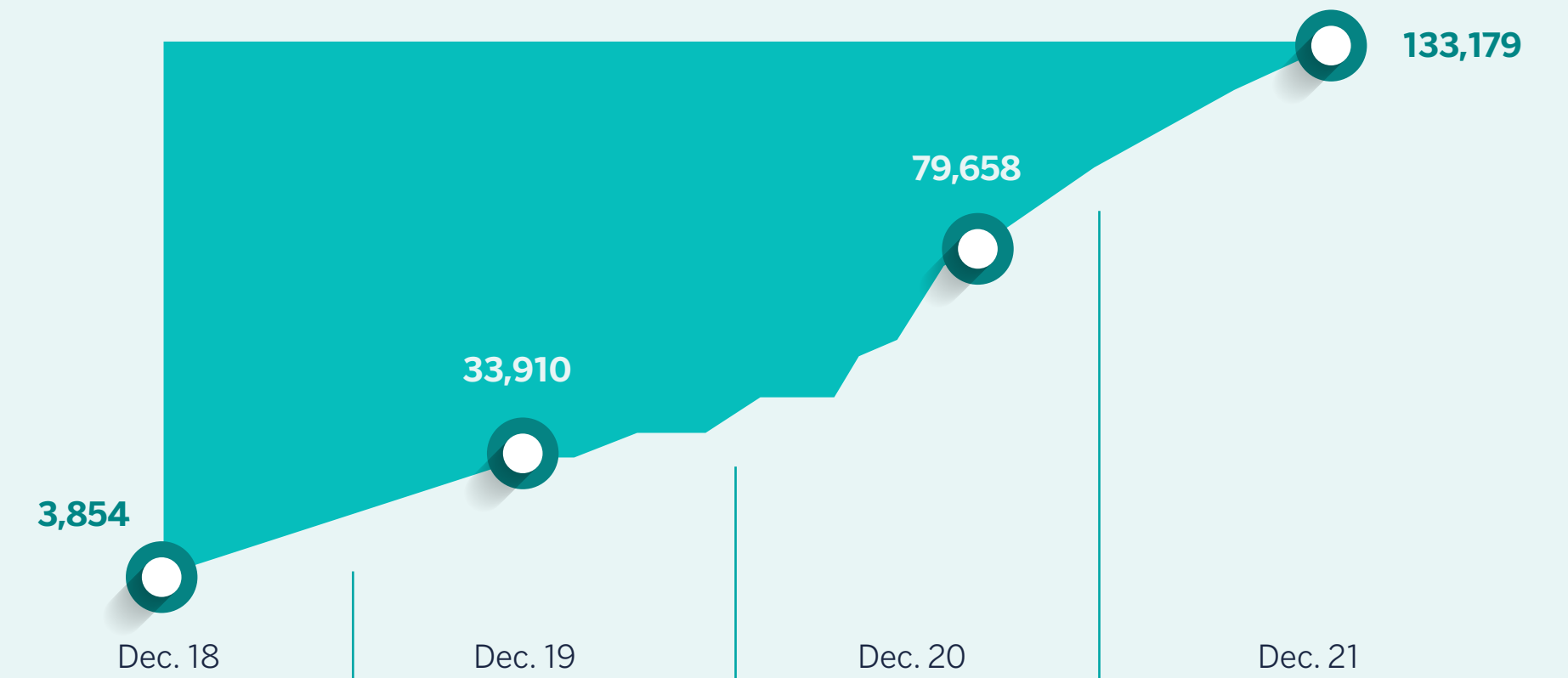
86% Economic vulnerability

40% Primary education

17% >60 years old

59% Women

22% Rural environment

17% <30 years old

[5] ECLAC – COVID-19 reports; The impact of COVID-19: An opportunity to reaffirm the central role of migrants' human rights in sustainable development. November 2020.
[6] For example, someone who ends up as a refugee in another country is very likely to have been internally displaced beforehand in their own; a migrant may become irregular if their visa runs out and they don't manage to renew it, etc.
[7] Specifically, people who find themselves in an irregular migratory situation may be more affected, not only by the difficulties in accessing the aid supplied by government, but also by the fact that they don't have a legal identity and are thus more exposed to the risks that arise when they hide outside mainstream society to avoid being expelled or other sanctions imposed on migrants.

We should draw attention to the Empropaz project (Colombia) because of the time it has been underway (since 2018) and due to its scope (132,000 clients).

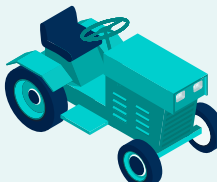We can underline some outcomes from this project:

/The percentage of vulnerable clients in Empropaz is the same as in the rest; however, there is less extreme poverty (4% compared to 7%).
/The client profile is more predominantly female.
/Households are less numerous.
/Entrepreneurs are mainly urban; only two in ten Empropaz clients live in rural surroundings, compared to five in ten clients who are rural in the rest of the Colombian portfolio[8].
/Traders predominate. Just 16% work in farming activities.

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[8] The only exceptions to this trend are in the administrative regions of Cauca, Meta and Putumayo, where Empropaz clients have a more rural profile.

Empropaz entrepreneurs profile

132,000 clients

Credit clients served since the outset of the program, since less information is available on savers.

	EMPROPAZ	Remaining clients served in the same departments 2019-2021	
Women	58%	53%	↑
Rural environment	23%	48%	↓
Households with up to 3 members	69%	61%	↑
Ext. poor	4%	7%	↓
Vulnerable	54%	50%	↑
Under 30 years old **Retail trade**	42%	33%	↑
Agro	16%	33%	↓

Empropaz clients performance:

Sales grow by **17% a year**

Surpluses grow by **19% a year**

Trading and farming enterprises are increasing

The rural population in Latin America and the Caribbean accounts for 18% of the whole, but accounts for 29% of poverty, and 41% of extreme poverty (ECLAC, 2018). The pockets of poverty in each country are mainly to be found in rural areas, where access to infrastructure and basic services is limited. Throughout 2021, 32% of the new clients served were living in the countryside. The Group's scale, together with its understanding of the risks and costs of serving low-income entrepreneurs, are the factors that enable its entities to work with them.
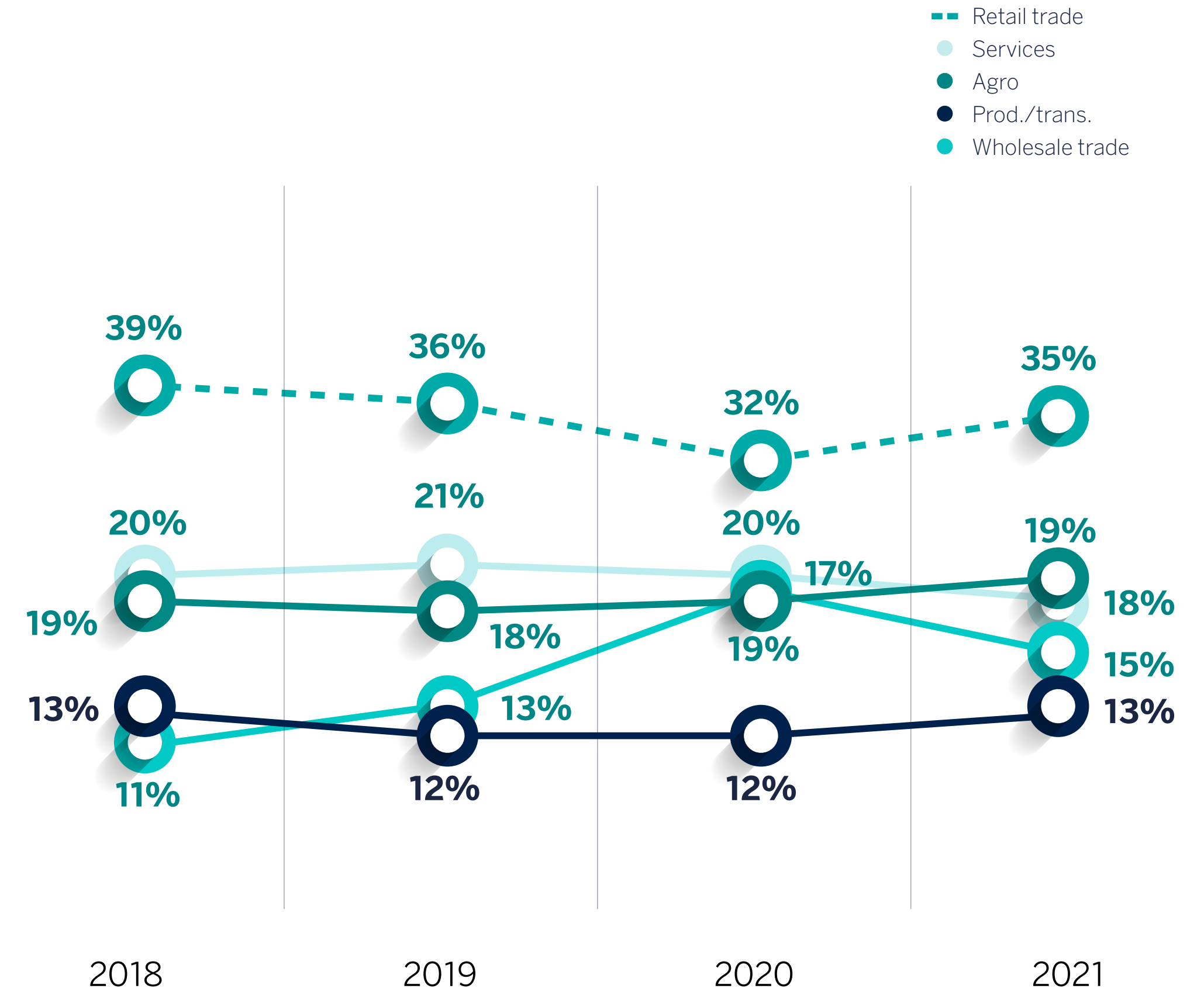
Farming is the second largest sector that we deal with, whereas the service sector has been left particularly impaired by the pandemic. New agro clients made up 19% of the total in 2021, against 15% in 2015.

The less rigorous restrictions in the farming sector during 2020, as well as the fact that they are primary goods, enabled its entrepreneurs to increase their incomes (unlike all the other sectors). In fact, in 2021, even though the number of clients did not rise, their average disbursements grew, allowing them to invest and expand their businesses.

The less rigorous restrictions applied to farming and the fact that it is the primary sector have allowed its entrepreneurs to increase their incomes in 2020 (unlike all other sectors) "

14 Sectors
New clients by year of entry (%)

Legend:
- Retail trade
- Services
- Agro
- Prod./trans.
- Wholesale trade

	2018	2019	2020	2021
Retail trade	39%	36%	32%	35%
Services	20%	21%	20%	18%
Agro	19%	18%	17%	19%
Wholesale trade	11%	13%	19%	15%
Prod./trans.	13%	12%	12%	13%

New clients with no previous loans in each of these years.

74

These entrepreneurs need a high level of productive assets. They tend to produce foodstuffs (goods with little added value) for their own consumption, sale, or export. Average profitability is 32%, compared to other sectors such as production/transformation and services, which convert 36% and 41%, respectively, of their sales into surpluses.
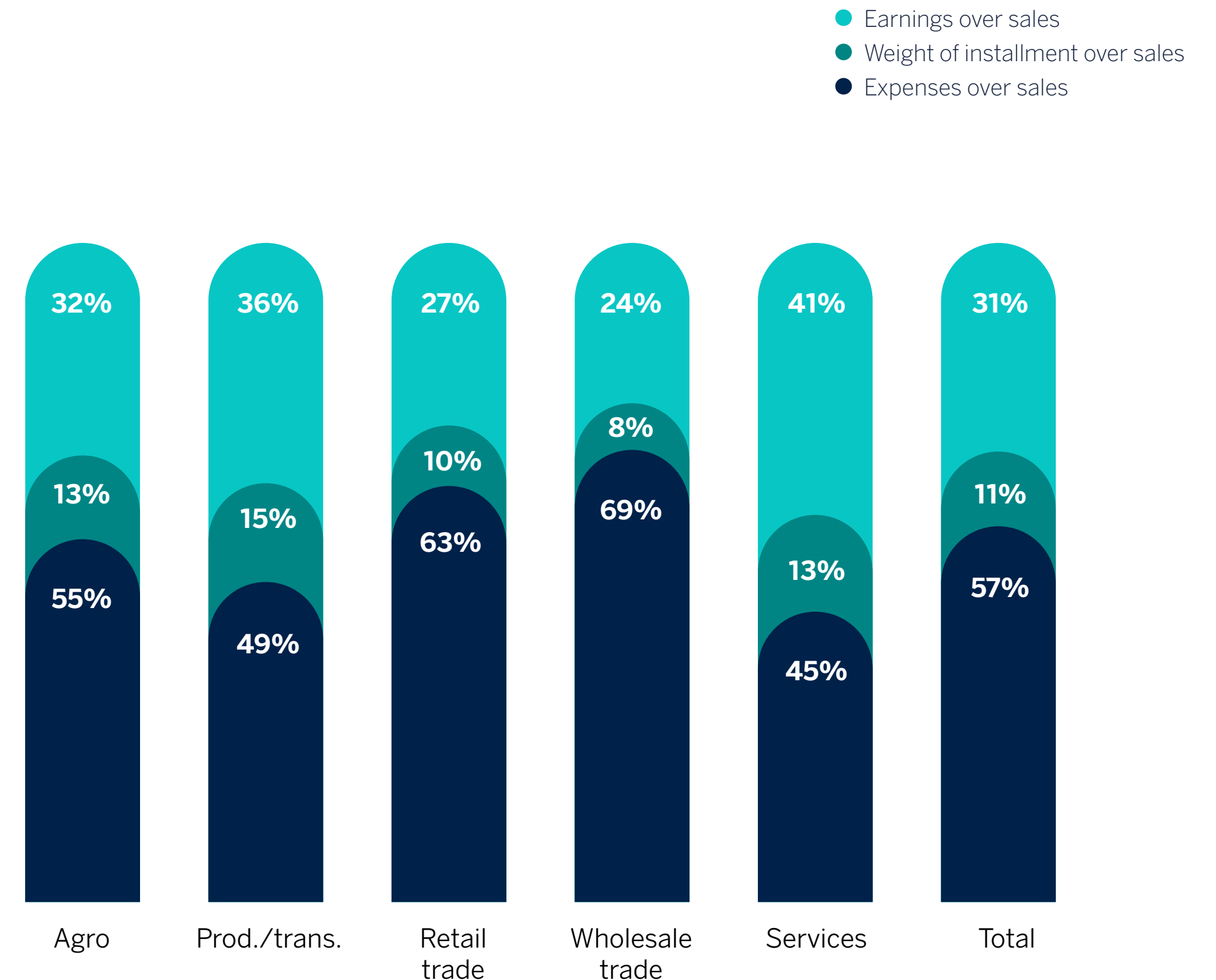
In general, trade continues to be the predominant sector among the clients we serve (53% of the total). Even in rural settings trade accounts for 37% of our total client portfolio. The entrepreneurs prefer to develop their activities in flexible areas where they can swap out their business easily, so they operate with low costs and lower asset volumes. This sector is notable for the high rotation of its assets.

While entrepreneurs look for the kind of business that best matches their possibilities, their surroundings impose determinants of a different nature that have a significant influence on poverty and development. As such, it is essential to find new tools that help these entrepreneurs to grow, bearing in mind their respective options. To do this, a strategy must be built up that provides training for loan officers and clients, not to mention creating specific products and channels. In rural environments, part of this strategy involves adapting to climate change and not further degrading resources. Thus, in order to improve clients' resilience to climate adversities, BBVAMF Group has been backing an environmental sustainability strategy.

Entrepreneurs choose the type of business depending on its flexibility (low investment in fixed capital) and the environment in which they operate. 45% of rural entrepreneurs are engaged in agricultural activities. In cities, the most popular sectors are retail (43%) and services (21%) „

15 Operating margins
Total credit clients

● Earnings over sales
● Weight of installment over sales
● Expenses over sales

	Agro	Prod./trans.	Retail trade	Wholesale trade	Services	Total
Earnings over sales	32%	36%	27%	24%	41%	31%
Weight of installment over sales	13%	15%	10%	8%	13%	11%
Expenses over sales	55%	49%	63%	69%	45%	57%

Ratios of average expenses over sales (o/ sales) in each sector.
Earning are taken after payment of the financial installment.

75

Entrepreneurs' progress

Growing their businesses

We understood that during the pandemic, in the period between March and October 2020, 73% of businesses that remained open had reduced their revenues, and that 37% were turning over less than half their pre-pandemic numbers. In other words, one in three entrepreneurs had lost at least six months' worth of revenue over the year[9].

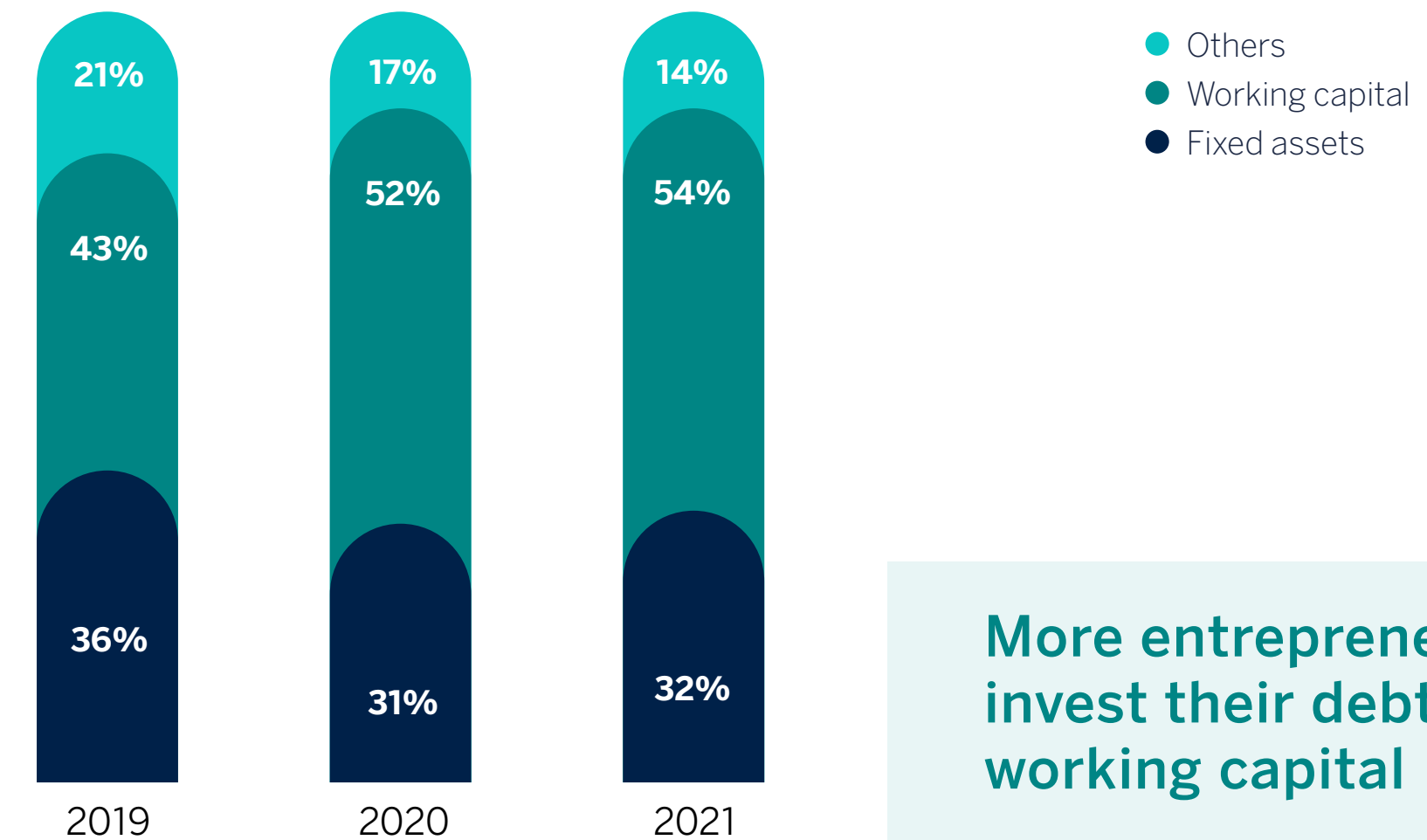Nevertheless, the continued efforts of entre-preneurs who reinvested in working/inventory capital and productive assets is visible in the increased credit activity. As such, sales have recovered their growth rates (18%) even more than the various sectors themselves have on a national basis. The growth in surplus (18%) is particularly significant, given that this is what finally reaches the families and enables entre-preneurs to improve their situation.

16 What loans are used for
Loans disbursed, by year

Legend:
- Others
- Working capital
- Fixed assets

	2019	2020	2021
Others	21%	17%	14%
Working capital	43%	52%	54%
Fixed assets	36%	31%	32%

Loans disbursed each year

More entrepreneurs invest their debt in working capital

Sales have recovered their growth rates (18% per annum), the impact of the pandemic notwithstanding, and we know that from March to October 2020, incomes had fallen in 73% of businesses "

9 2020 Social Performance Report.
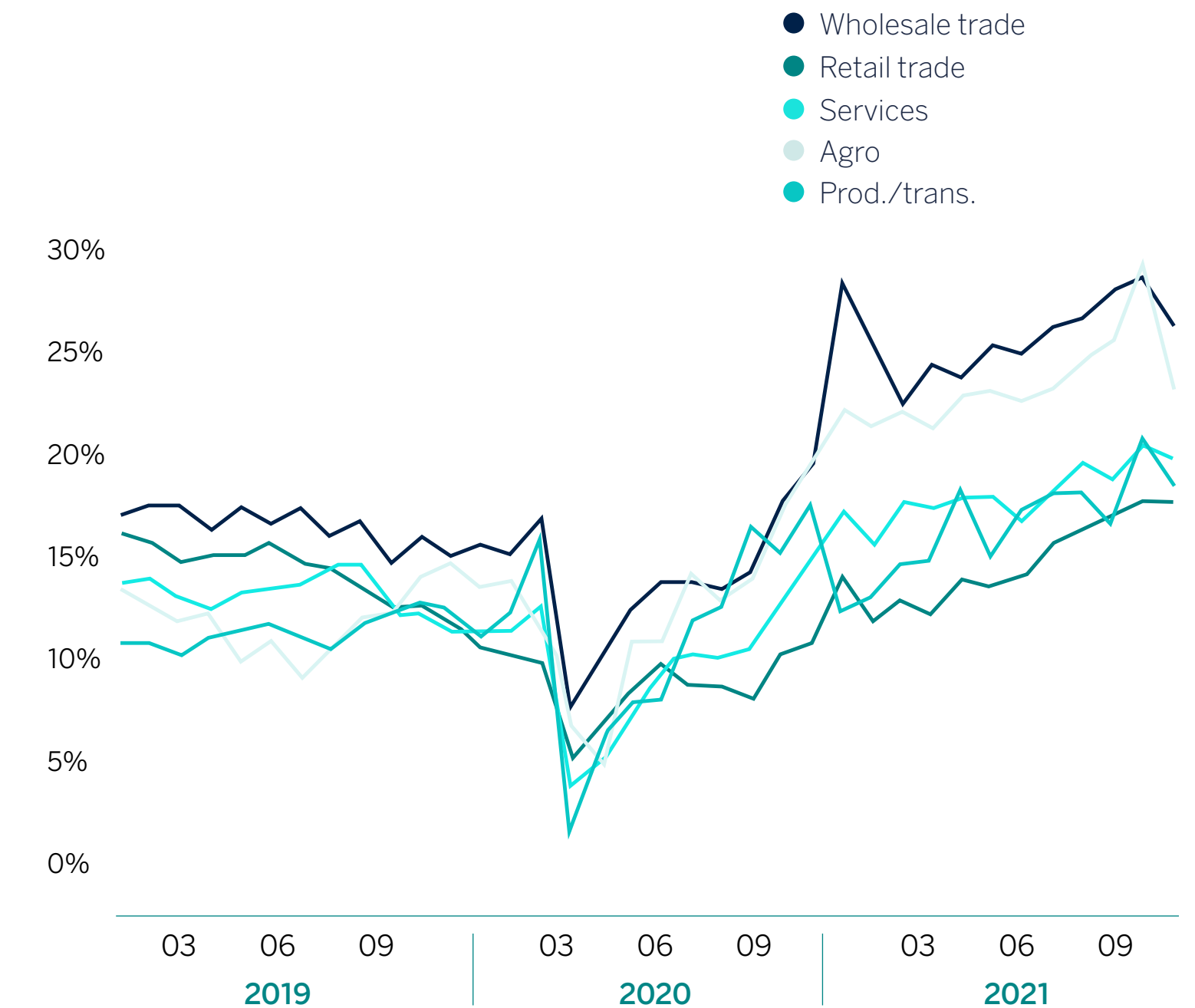
The recovery trend was similar to each country's national performance: the farming sector hardly contracted at all, even expanding in some cases, reporting very positive growth rates. Farming was followed by wholesale trade (distribution of essential goods such as foodstuffs is a very common activity among our entrepreneurs). The service sector had average performance figures, since it covers the more resilient activities, such as beauty care, while others, such as transport and education, shrank significantly.

Retail trade and production/transformation posted lower rates, since the lockdown measures entailed a drastic reduction in activity. However, these are the activities where it is easiest to be an entrepreneur. So, of over 450,000 entrepreneurs who have reactivated, retail trade accounts for over 45% of all the entrepreneurs, followed by production/transformation (e.g. bakeries, garment making) that make up 16% of all the loan renewals in 2021.

17 Businesses growth
Clients served each month

Sales

2019	2020	2021
14%	12%	18%

Earnings

2019	2020	2021
21%	16%	21%
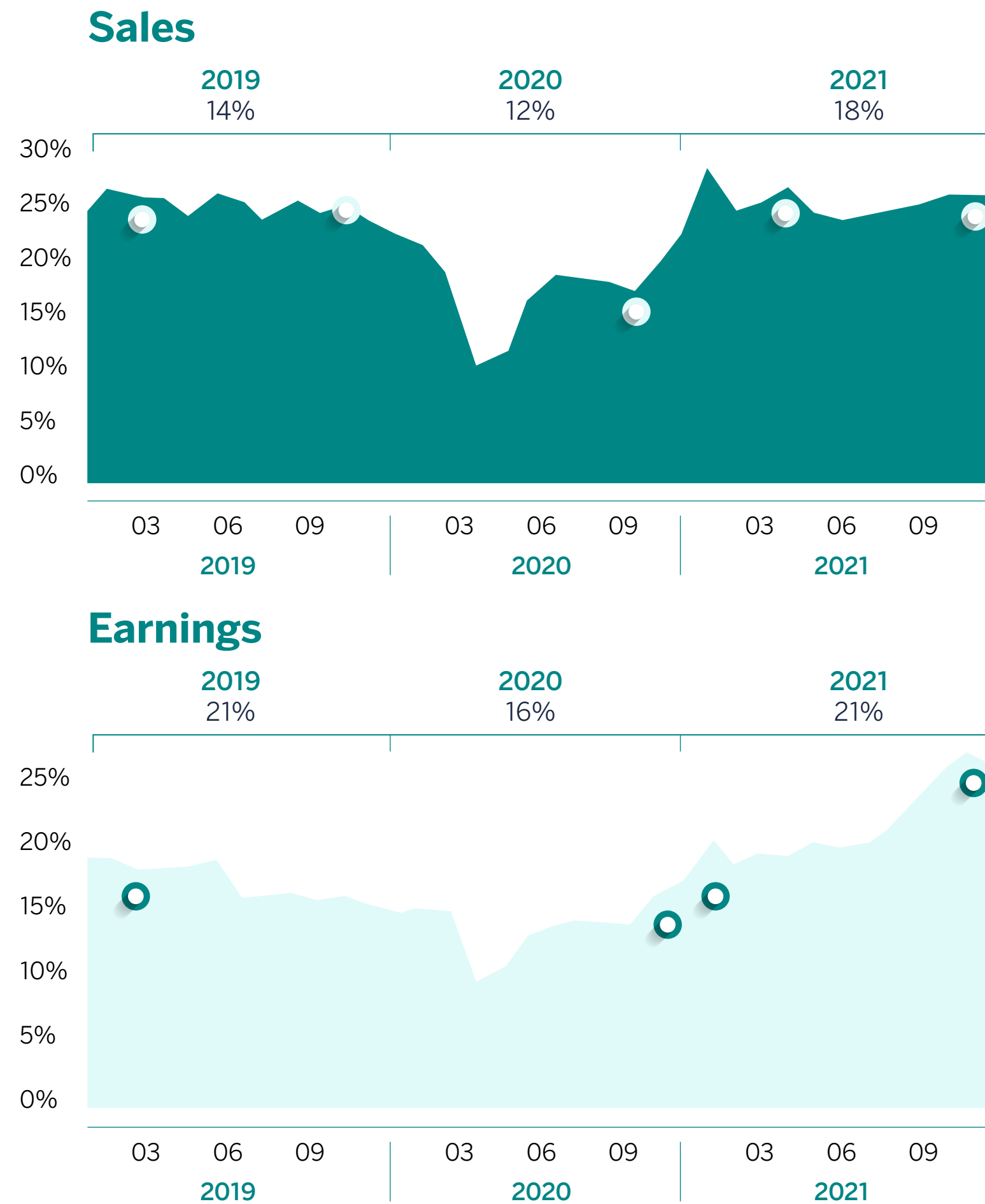
18 Growth in sales, by sector
Clients served each month

- ● Wholesale trade
- ● Retail trade
- ● Services
- ○ Agro
- ● Prod./trans.

450,000 entrepreneurs have reactivated, with retail trade accounting for 45% of the total

Considers all clients that have renewed a loan each month. The average compounded annual growth rates in sales / earnings is shown.
Data from Chile is not included, nor data from Colombia during the COVID period (March-20 and December-20).

Escaping poverty

Business recovery transfers to households, since these enterprises are the main source of income for at least 54% of households (data to November 2020)[10]. Half the entrepreneurs have generated incomes higher than those recorded in their previous loan, reflecting rates similar to the period before the pandemic (53% of entrepreneurs increased their income in 2019). This improvement has given rise to an upward curve in the net escape from poverty (escape minus entry). Nevertheless, many households are expected still to be going through rough times.

[10] A survey in April 2022 will update this figure.

One in two entrepreneurs improves their income, that is, improves the income level for every member of their household ,,

19 Entrepreneurs that improve their income
Clients served each month

● Improves their income
● Does not improve their income
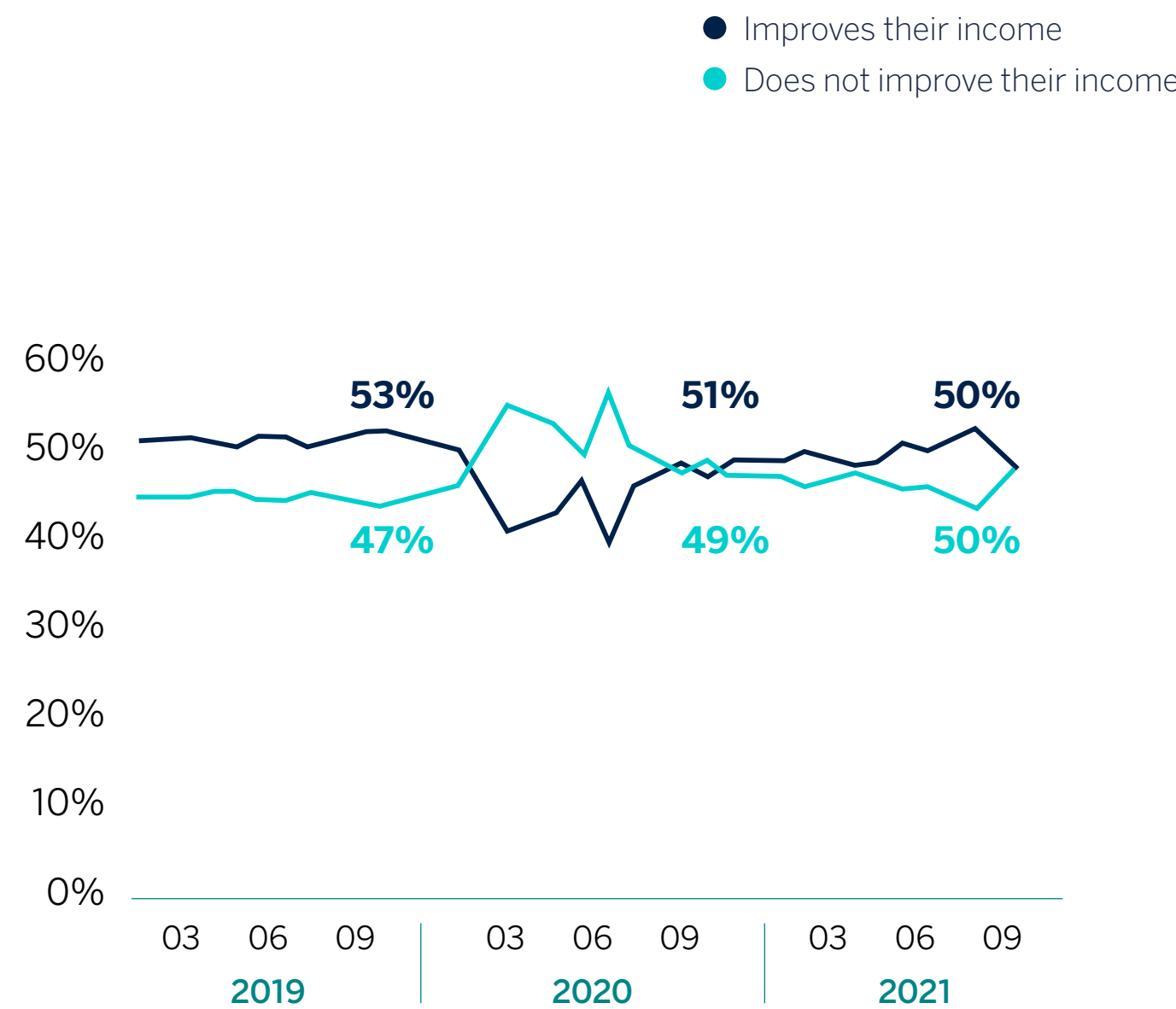
Clients that improve their income relative to the poverty line of the year in which the disbursement is made (to discount inflation). The proportion of entrepreneurs who improve (increase their income) with respect to the rest is presented. Each entrepreneur's performance is compared to the preceding disbursement received.

20 Poverty reduction
Clients served each month

● Escape from poverty
● Fall into poverty
● Net poverty reduction
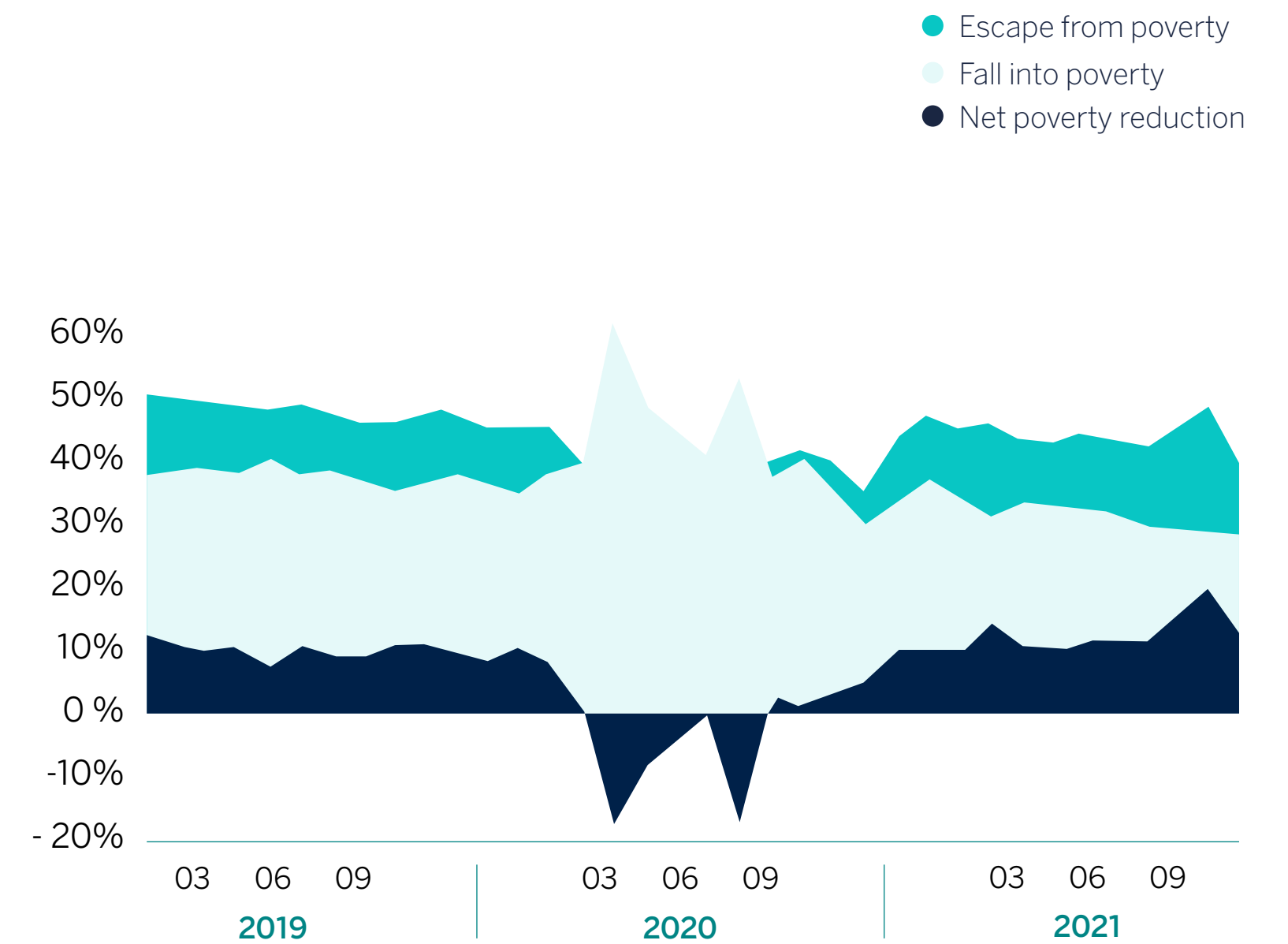
Entrepreneurs whose businesses allow them to escape poverty (buy more than one basket of food for each household member), and enter it. In addition, the net poverty reduction (Escape poverty – enter into poverty) is presented. Progress is measured comparing the latest data in relation to his immediately with the preceding disbursement received.

On average, entrepreneurs' incomes show positive growth during the time they remain linked to our institutions. The numbers prove that long-term relationships encourage positive performance. In fact, of the clients who are poor at the outset, 44% overcome poverty in their second year of banking with the institution, although there are others (15%) who fall into poverty. The net reduction of the segment of clients in poverty shows a positive, and growing, trend.

On average, income increases over time and growth remains positive during the time they are linked to our financial institutions ,,
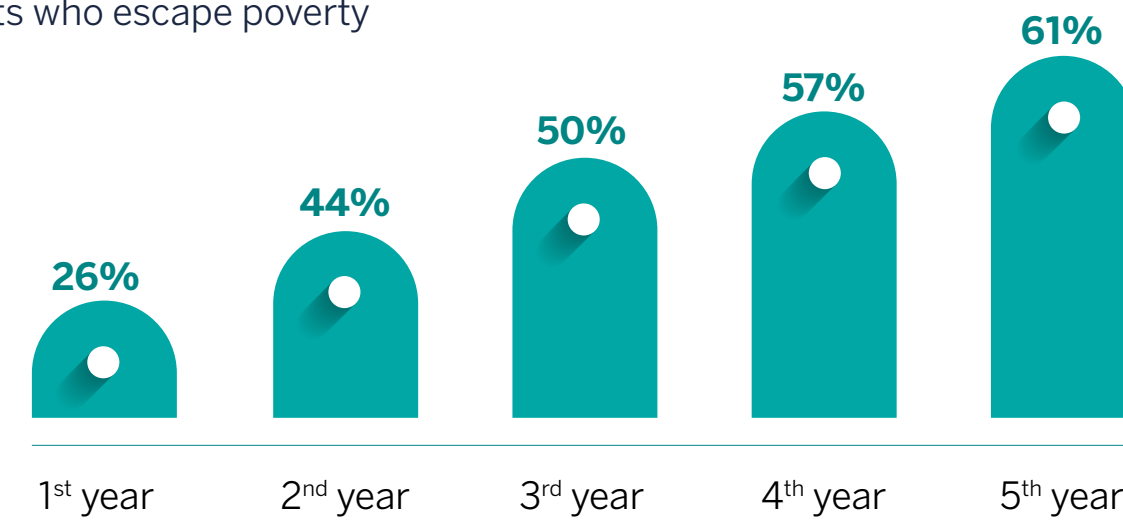
21 Variation in poverty segment
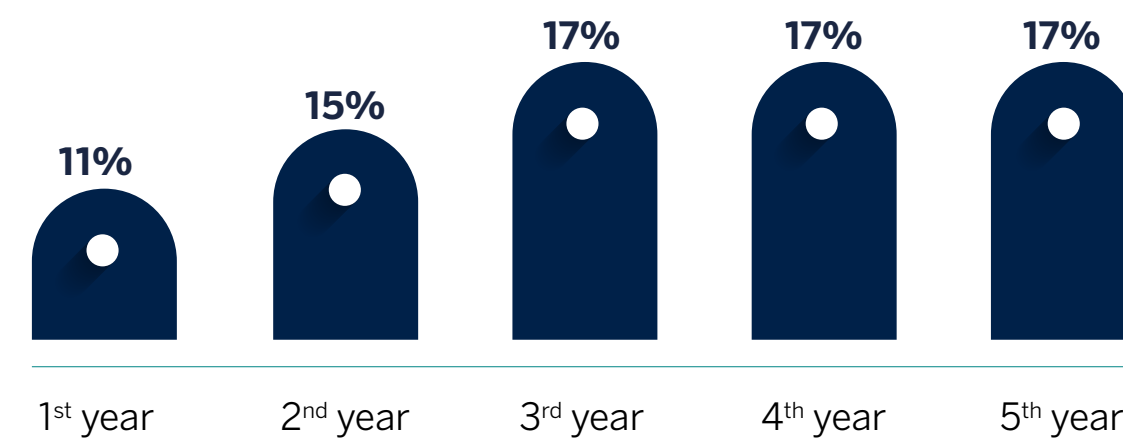Clients who have renewed in the last year, by seniority

Net poverty reduction

11%	27%	24%	28%	33%
1st year	2nd year	3rd year	4th year	5th year
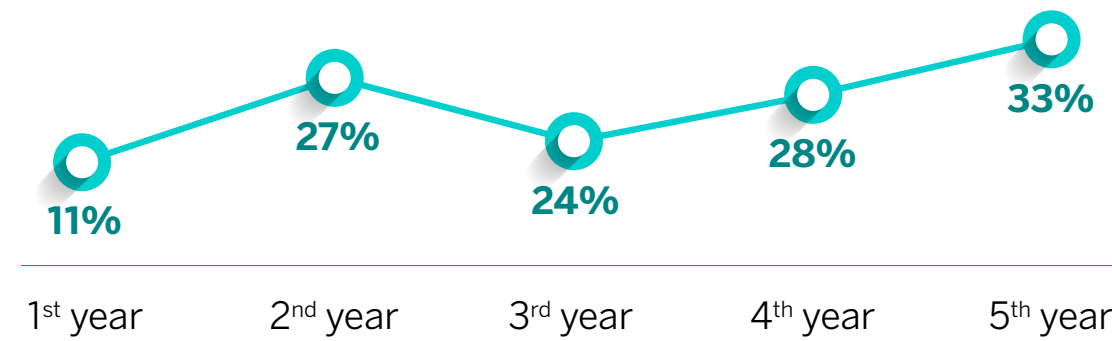
Escape from poverty
Poor clients who escape poverty

26%	44%	50%	57%	61%
1st year	2nd year	3rd year	4th year	5th year

Fall into poverty
Non-poor clients who fall into poverty

11%	15%	17%	17%	17%
1st year	2nd year	3rd year	4th year	5th year

22 Growth in income
Income for each segment, over poverty line

Legend:
● Vulnerable
● Poor
● Ext. Poor

Vulnerable: 1.70, 1.96, 2.06, 2.14, 2.20, 2.32
Poor: 0.74, 1.09, 1.28, 1.41, 1.56, 1.67
Ext. Poor: 0.36, 0.76, 0.96, 1.14, 1.26, 1.37

Poverty line
Index = 1

| 1st credit | 2nd credit | 3rd credit | 4th credit | 5th credit | 6th credit |
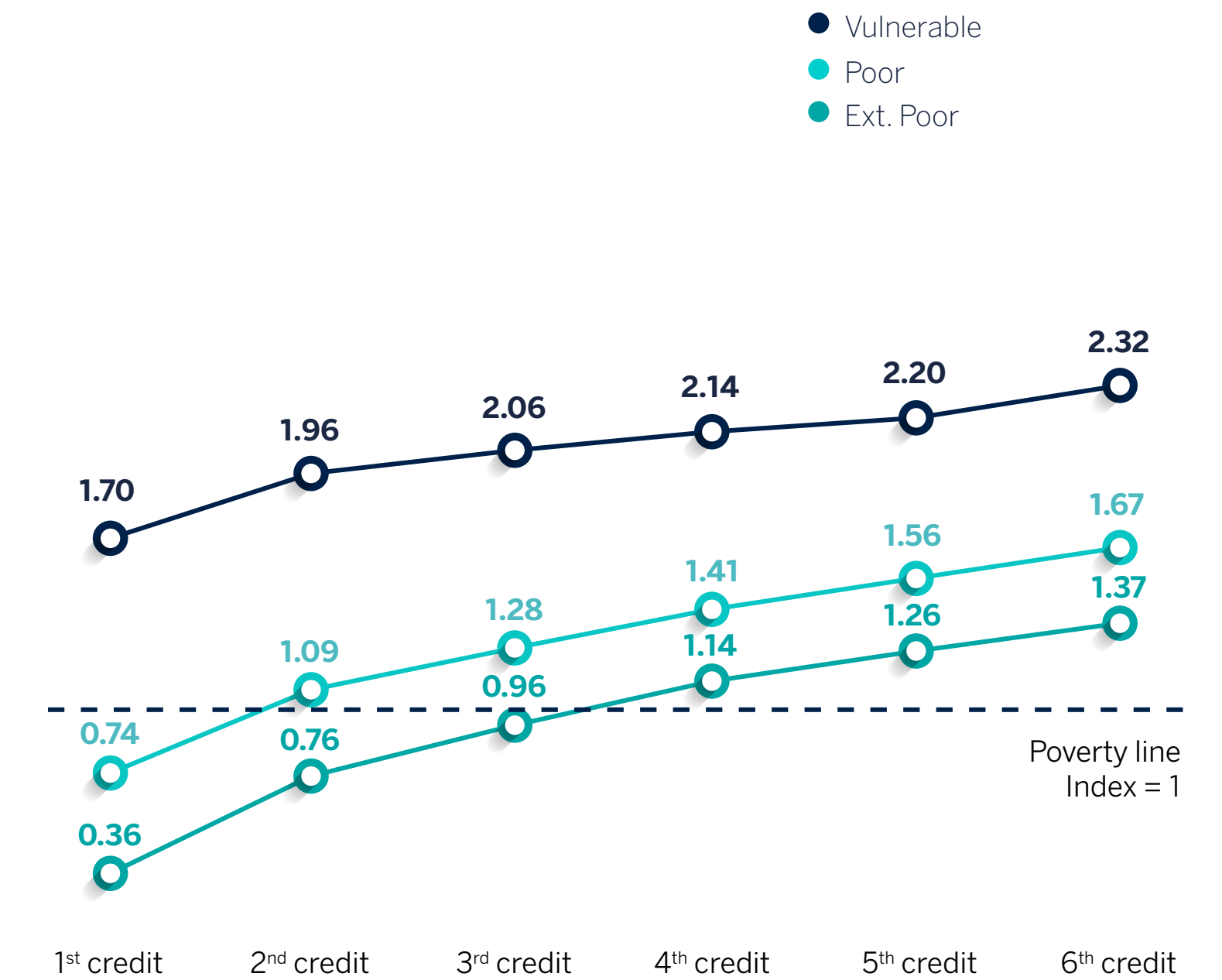
Includes clients that have renewed a loan during 2021. Clients leaving due to non-payment (who have been written off) are excluded from the "escaping poverty" category.
• Escape from poverty: Clients in poverty at the outset of their relationship with the institution (classified as extremely poor and poor) who have generated income taking them over the poverty line.
• Entry into poverty: Clients not in poverty at the outset of their relationship with the institution (classified as vulnerable and other), who have generated income below the poverty line.
• Net reduction: Escape from poverty minus entry into poverty.

In the case of clients served during 2021 with individual loans —classified by their situation at the outset with their first loan— the per capita surplus in each credit cycle is shown, relative to each country's official poverty line (in the year of the disbursement). Relative income has the value of 1 when it is the same as the poverty line.

On the other hand, this business instability is intrinsic to the entrepreneurial profile. Vulnerable people are exposed to changes in their environment, which means they can fall into and escape from poverty more than once.

When we analyze clients with at least five loan disbursements (since 2011), we identify 35% of them as unstable (crossing the poverty line at least twice). Both those clients who were poor at the outset and those who were not can suffer these fluctuations in their incomes. This volatility is more pronounced in the case of the more economically vulnerable clients: 37% of

clients poor at the outset are volatile, compared to 32% of the non-poor. Furthermore, before the pandemic the rural environment was particularly unstable. The pandemic has reversed this trend, generating greater uncertainty in urban environments. Once again, the importance of environment in client development has been confirmed: even for non-poor clients, the percentage that are volatile went from 30% to 34%, reflecting the difficulties these clients have to cope with. Among the poor, their geographical surroundings[11] are a less powerful determinant.
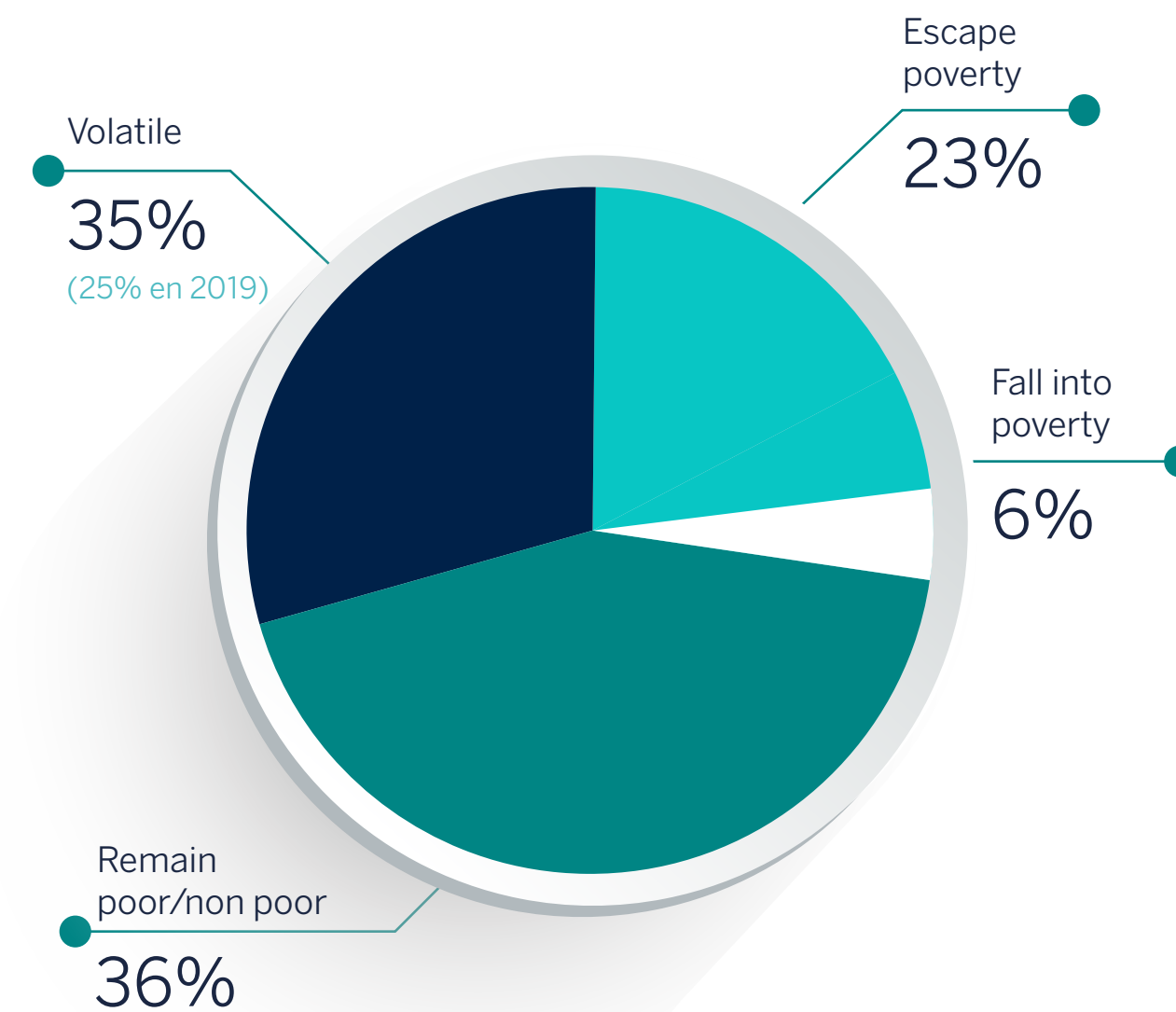
The crisis has laid bare the vulnerability in which a good proportion of entrepreneurs live, characterized by high income instability "
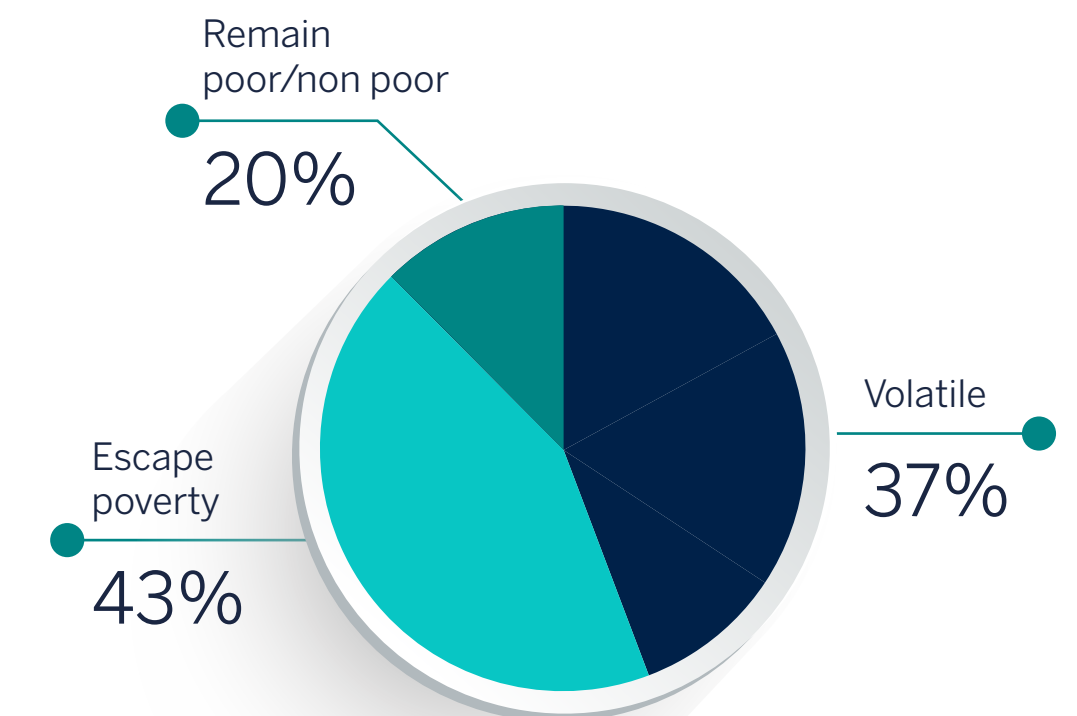
[11] Urban vs. rural

23 Income volatility
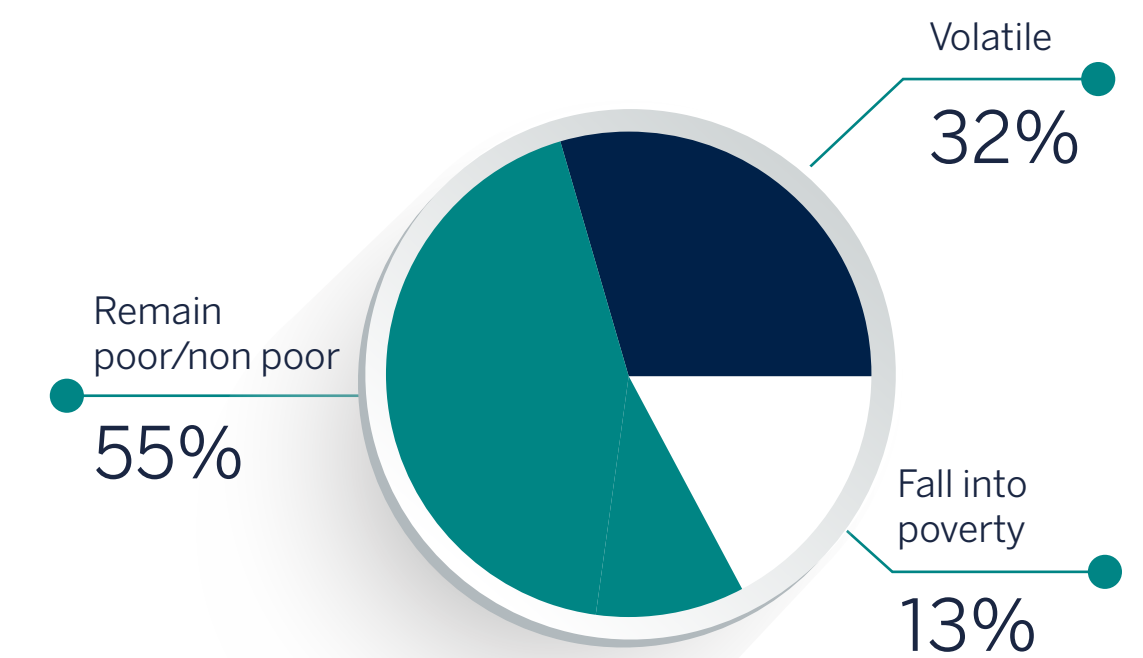Clients with 5 credits, classified by nº times they fall below/overcome the poverty line

Poor clients at the outset

Remain poor/non poor
20%

Escape poverty
43%

Volatile
37%

Total clients

Volatile
35%
(25% en 2019)

Escape poverty
23%

Fall into poverty
6%

Remain poor/non poor
36%

Non-poor clients at the outset

Volatile
32%

Remain poor/non poor
55%

Fall into poverty
13%

Sample of clients served between 2011 and 12.31.2021 who have had at least five disbursements.
The number of times a client crosses the poverty line (PL) is analyzed.
Volatile: defined as clients whose incomes fluctuate across the PL more than once.
Escapes poverty: Client poor at the outset whose income surpasses the PL (and is not reported as falling back).
Enters poverty: Non-poor client at the outset whose income falls below the PL (and is not reported as recovering).
Remain: Clients who remain poor (or non-poor) throughout the five disbursements.

Towards a better quality of life, and indirect impact

The Foundation's impact measurement system is based around observation of how improvements in clients' businesses have an impact on their families and communities. We can see, for example, how being an entrepreneur is a self-employment tool for 65% of clients. The remaining 35% succeed in employing one or more workers. This implies a major boost and impact in their communities, since it is difficult for small businesses to employ third parties. The bigger the business and the lower the entrepreneur's level of vulnerability, the more likely they will take on workers.

BBVAMF Group's micro-entrepreneurs give employment to 162,834[12] people. On average, 9% of our clients create at least one new job position after three years of banking with their microfinance institution.

In other dimensions we see that 5% of clients have gradually improved the state of their housing and 1% their educational level after two years of banking with our institutions, which has a positive impact on future generations.

85% of the microentrepreneurs we serve are self-employed; those that do employ, hire over 160,000 people ""
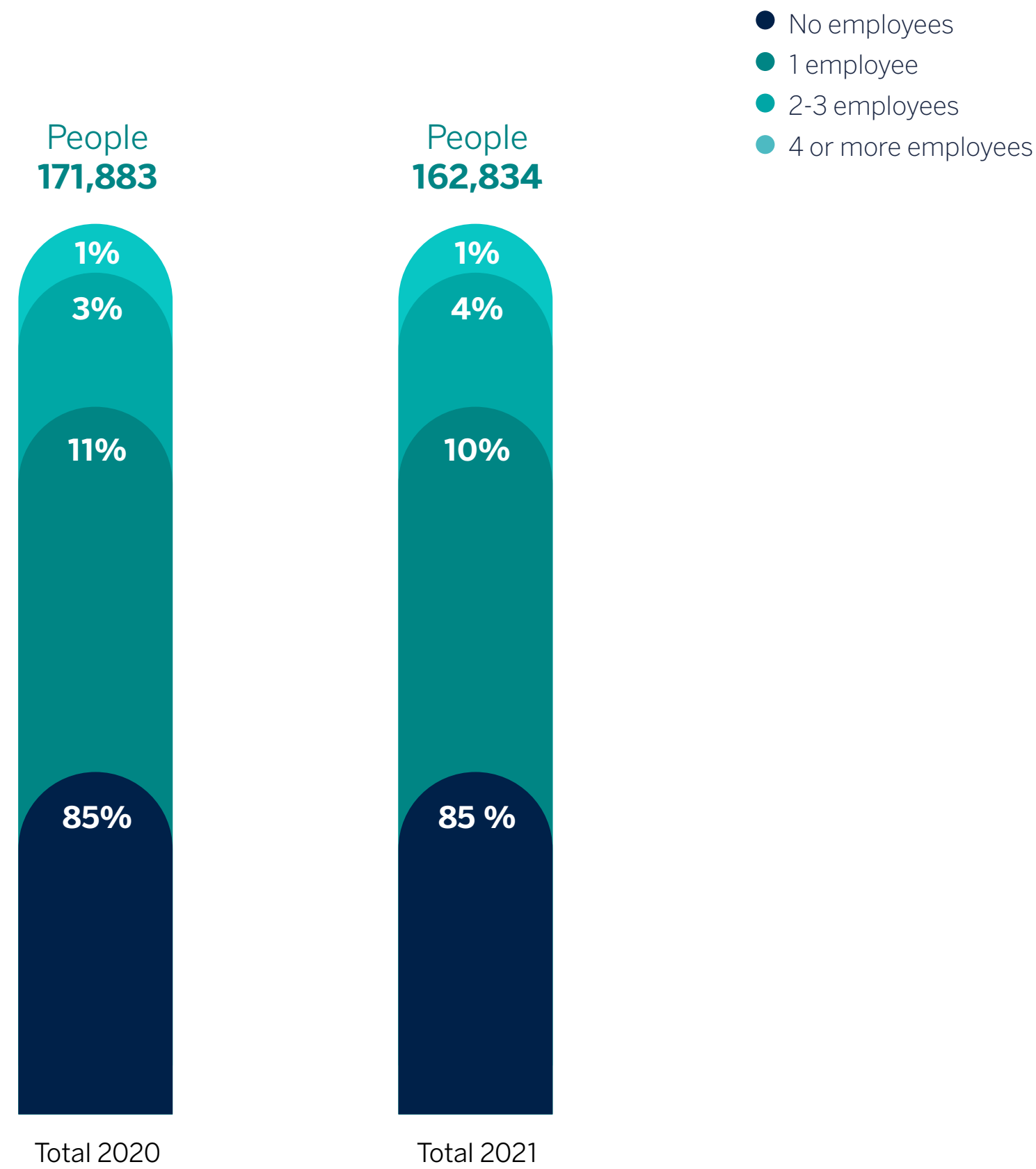
[12] Data provided by 88% of all clients to 12.31.2021. Extrapolating to remaining clients, this would imply the creation of 237,801 jobs..

81

24 Source of employment
Clients according to nº of employees
in their business

- No employees
- 1 employee
- 2-3 employees
- 4 or more employees

People
171,883

People
162,834

Total 2020
- 1%
- 3%
- 11%
- 85%

Total 2021
- 1%
- 4%
- 10%
- 85 %

Number of employees in current clients' business at 12.31.2021.
Note: Information for all institutions.

25 Job creation
Credit clients who hire
more employees (%)

14%
12%
10%
8%
6%
4%
2%
0%

- Situation at outset: 0%
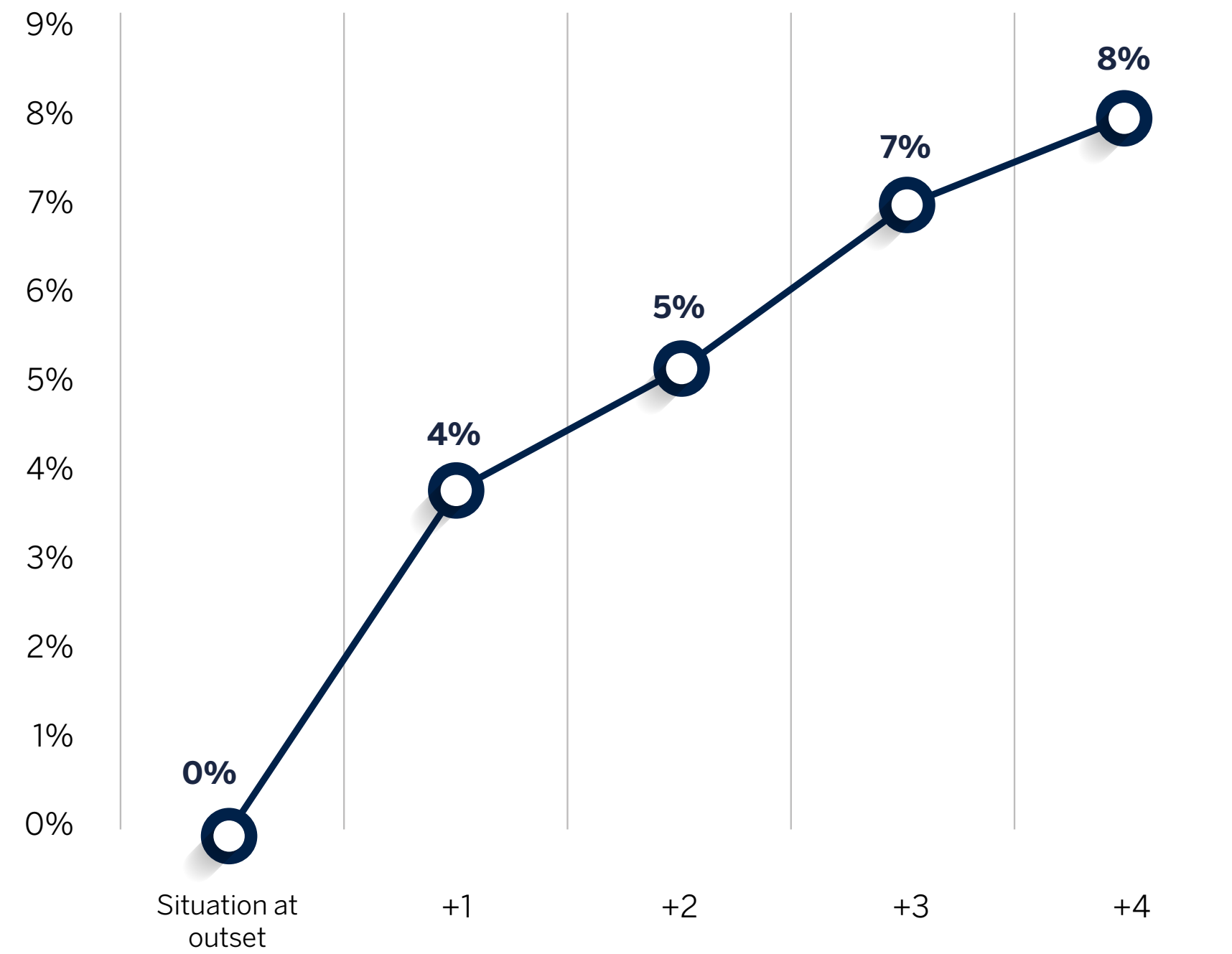- +1: 3%
- +2: 6%
- +3: 9%
- + 4: 12%
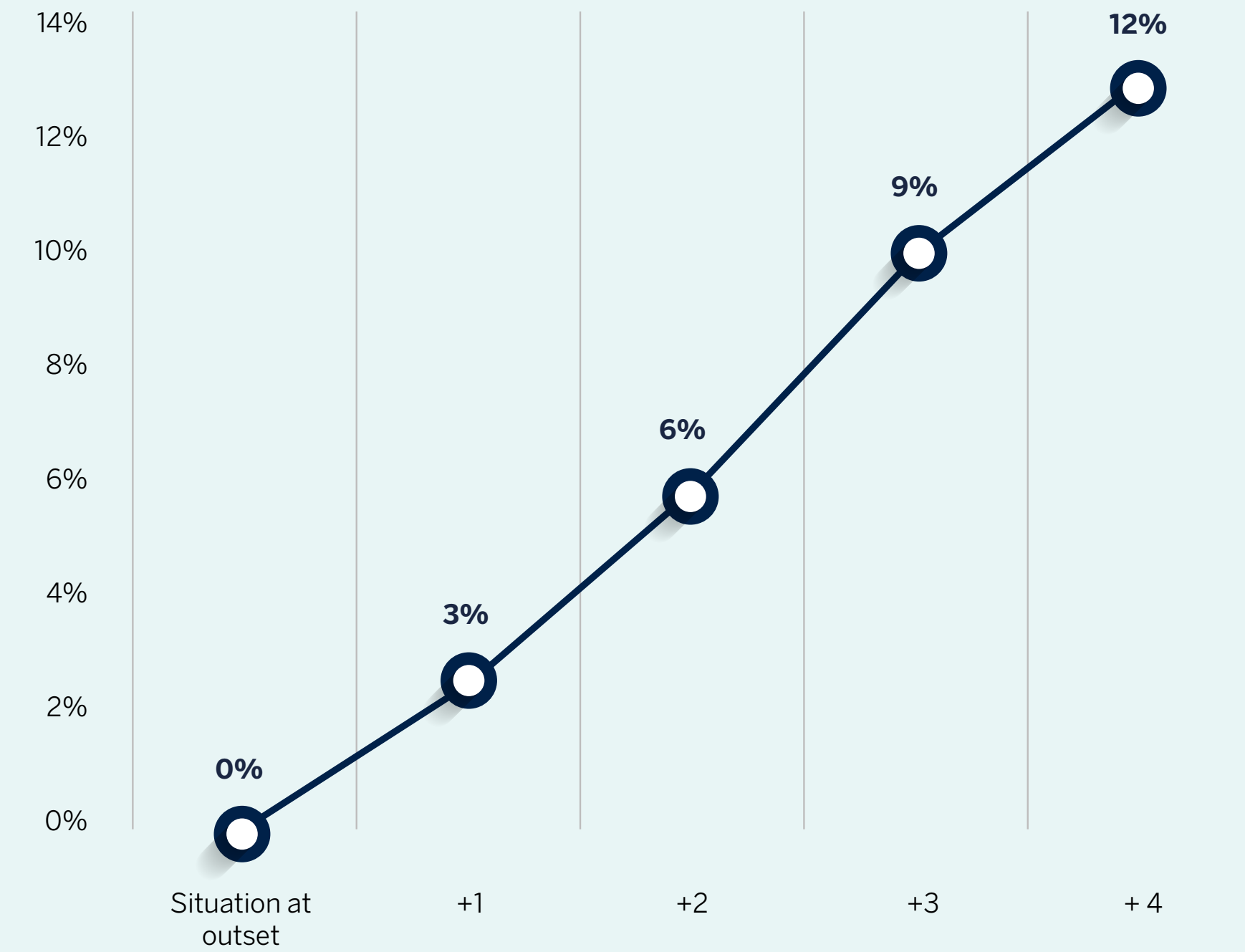
Increase in the number of employees compared to the outset, in the businesses of clients current at 12.31.2021.
Averages for the 2017-2021 cohorts (year of entry).
Note: Information for Banco Adopem and Financiera confianza.

26 Housing improvements
Credit clients who improve, by years
spent banking with the institution (%)

0% Situation at outset
4% +1
5% +2
7% +3
8% +4

Proportion of current clients at 12.31.2021 who have upgraded their housing situation (bought their own home), have made home improvements (e.g. put in a bathroom, installed electricity), or have increased the number of rooms. Average for 2017-2021 cohorts (year of entry).
Note: Information for Banco Adopem and Bancamia, Financiera Confianza.

27 Improvement in education level
Credit clients who improve, by years
spent banking with the institution (%)

0% Situation at outset
1% +1
1% +2
2% +3
3% +4
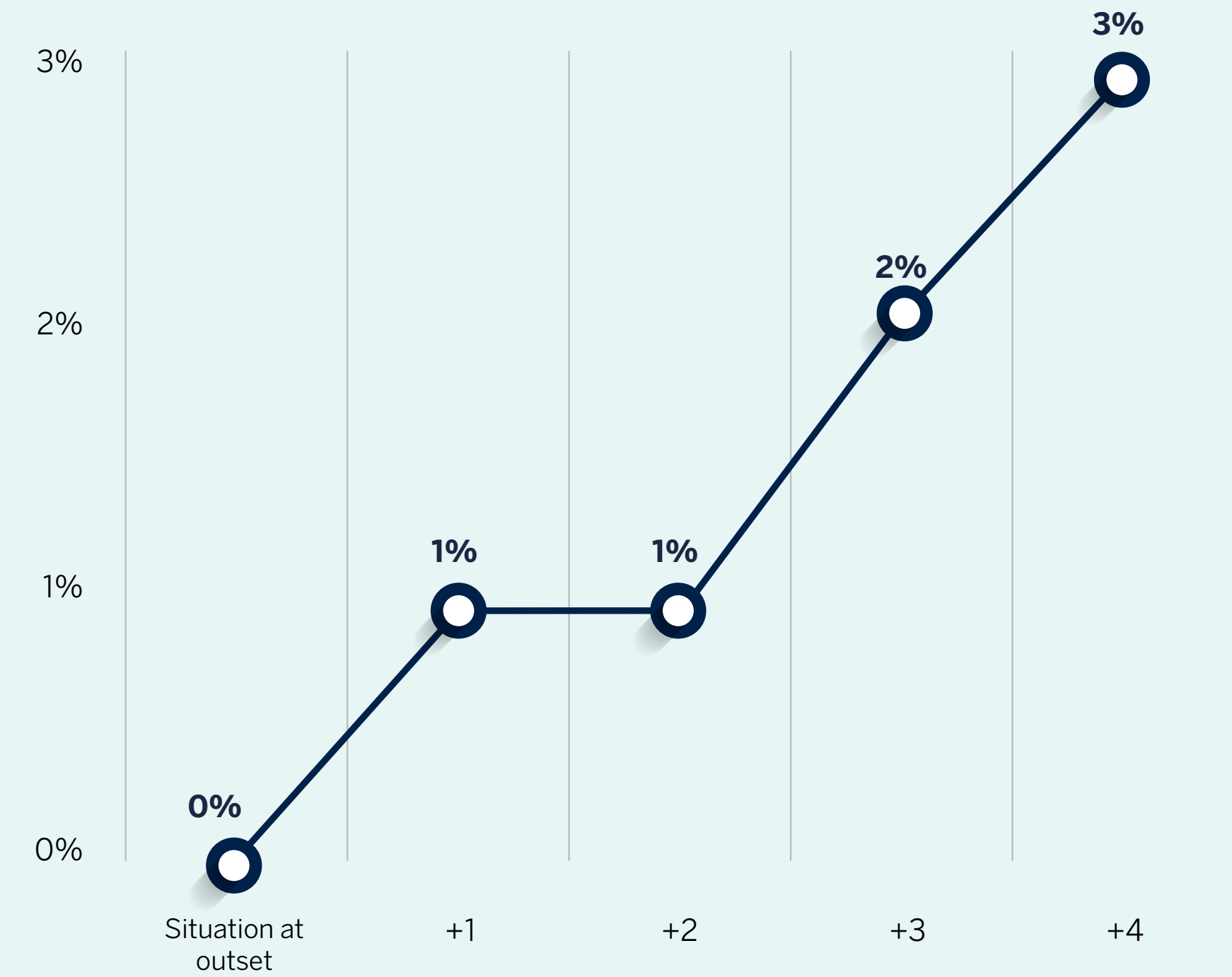
Proportion of current clients at 12.31.2021, who have received additional education. Average for 2013-2019 cohorts (year of entry).
Note: Information for Bancamía.

To extend this indirect impact, the institutions have developed initiatives that cover the dimensions of housing, sanitation, education, healthcare, and environmental impact (resilience/use of water, land, air and managing waste). Altogether, in 2021, these initiatives have benefited over 210,000 clients, while loans for a total value of over USD 130 million have been granted (10% of clients with a disbursement in 2021).

These loans are to be used for:

/Upgrading the homes and working premises of entrepreneurs;
/Financing sanitation facilities and access to clean water, which helps to reduce the risk of illness;

/Financing the purchase of eco-efficient technologies to reduce energy consumption and raise business productivity, such as water pumping and irrigation systems, efficient ovens and heaters, and cooling and lighting systems, among others, and
/Lines of credit to finance the entrepreneurs' own education or that of their children and/or family members.

These products are crucial, since they satisfy basic needs, improving the resilience and productivity of businesses that have been affected by climate change.

Well-being
Clients with a performing loan and insurance to 12.31.21

Housing
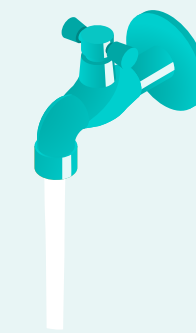
Water and sanitation
Peru
5,336 clients
USD 15 M

Housing improvements
Colombia, Peru and Dominican Rep.
38,002 clients
USD 111 M

Education

Education loans
for their children
Colombia, Peru and Dominican Rep.
2,910 clients
USD 1.5 M

Health

Health insurance and assistance
Colombia, Peru and Dominican Rep.
179,575 clients

The gross portfolio in each of these products is expressed in USD.

Financial health

Financial health is a concept that brings together oversight of the situation of today's finances (matching income and expenditure, low financial stress) and preparation for the future. This planning entails having the resources to save for possible contingencies. During 2021, the pandemic put this financial health to the test, in that clients needed additional measures to be able to overcome the consequences of the same. We restructured loans, c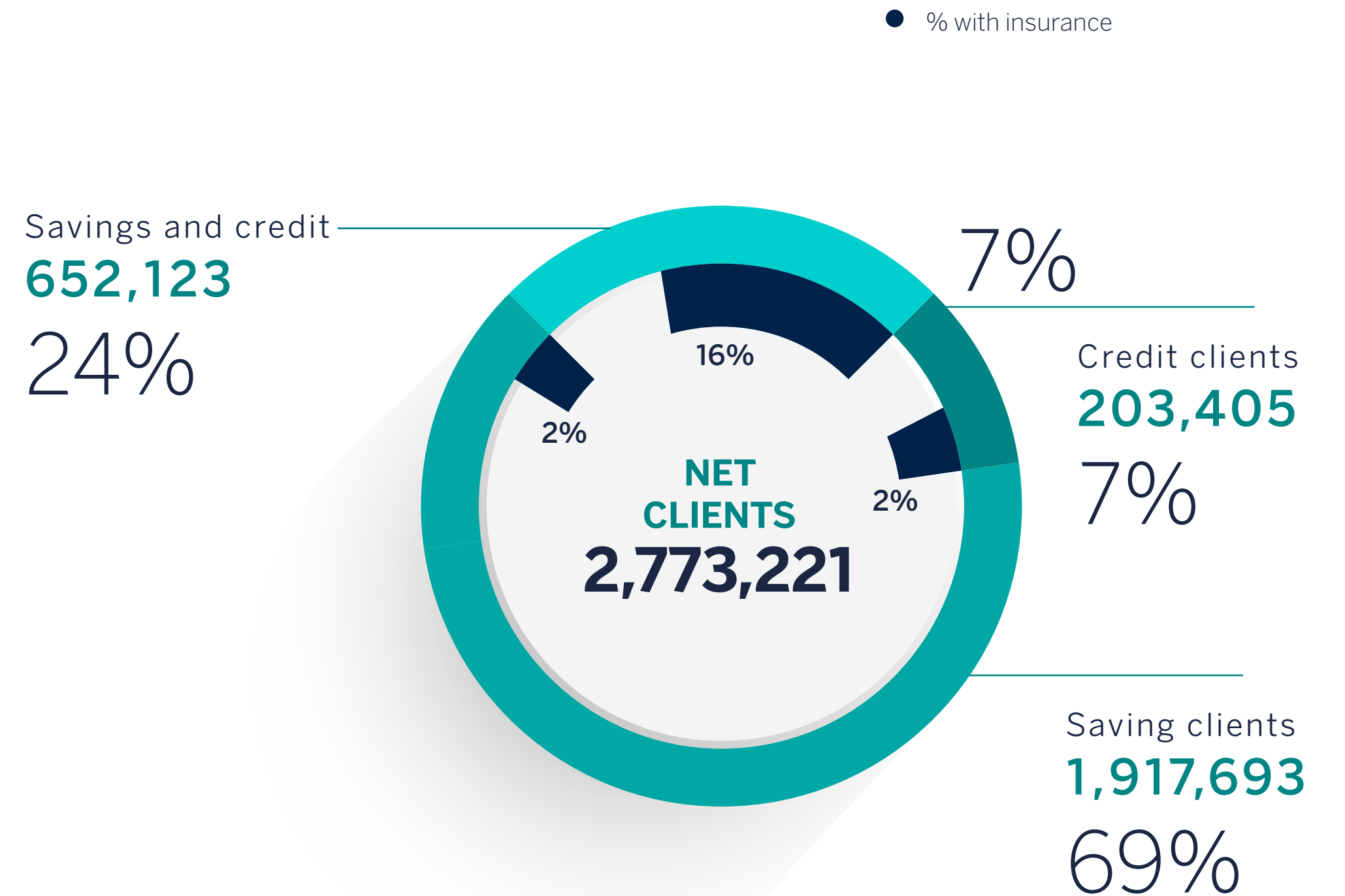hanneled governmental transfers (state aid) and designed emergency loans for reactivation. After such a turbulent period, overall comparisons or evaluations are difficult, so the results are presented separately: entrepreneurs with loans, those with savings and insurance.

24% of clients in the BBVAMF Group have credits and savings, while 16% possess three product types (loan, saving and insurance). Most clients that have only one product have a savings account (69%).

BBVAMF has broadened the reach of its insurance policies, achieving around 605,000 insured parties by the end of 2021 „

28 Clients by product type
Total current clients

● % with insurance

Savings and credit
652,123
24%

7%

Credit clients
203,405
7%

Saving clients
1,917,693
69%

NET CLIENTS
2,773,221

16%

2%

2%

Total clients at 12.31.2021.

Relationship with lending clients

New credit clients served in 2021 received an average disbursement of USD 821, a sum which varied significantly across the countries where we operate (from USD 400 in Dominican Republic to USD 1,255 in Financiera Confianza, Peru. In 2021, the average disbursement went up by 15%, while the weight of the payment installment over (monthly) sales was stable at around 8.5%. The effort required of clients to pay their loan has remained similar over time, and the financial solutions offered in 2020 to adapt this charge to the new circumstances were key in achieving this continuity.

Gradually the relationship built up of trust and better understanding of the client opens up new financing possibilities, so that disbursements increase with every credit. Outlay grows by 16% a year, reaching USD 1,728 on average after five years. Clients access credit products for all sorts of reasons: to invest in machinery, buy a plot of land or premises, to resolve temporary cash flow issues, to maintain their operating levels, to buy inventory, etc. These reasons vary according to each entrepreneur's scale, maturity, and management capacity. These characteristics, combined with unstable production cycles and market variations have an influence on the likelihood of absconding and the frequency with which clients return for another loan.

The first enterprise loan is for USD 821 on average „

29 Sales, disbursement and weight in installment
New clients by year of entry

- Avg disbursement
- Avg monthly sales
- Avg installment as % of sales

USD 1,085   USD 1,097   USD 1,130

USD 754   USD 837   USD 821

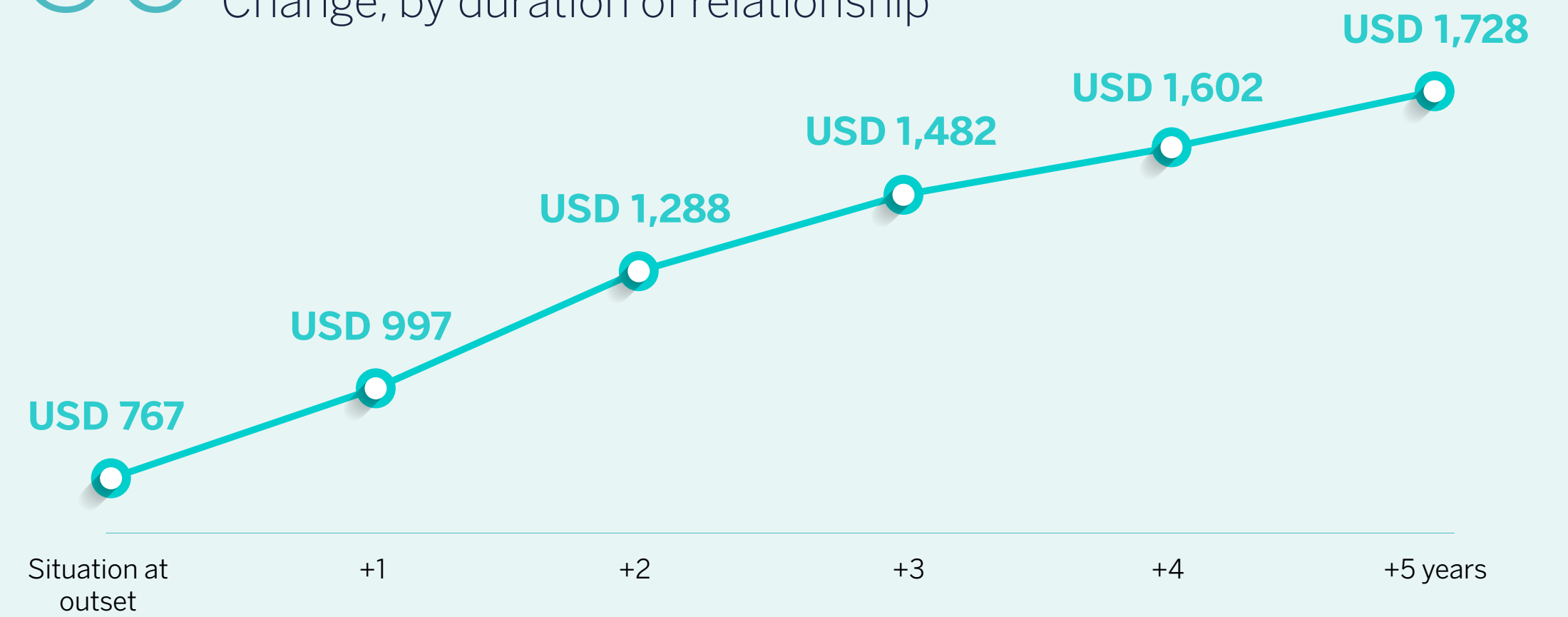8.2%   9.1%   8.5%

2019   2020   2021
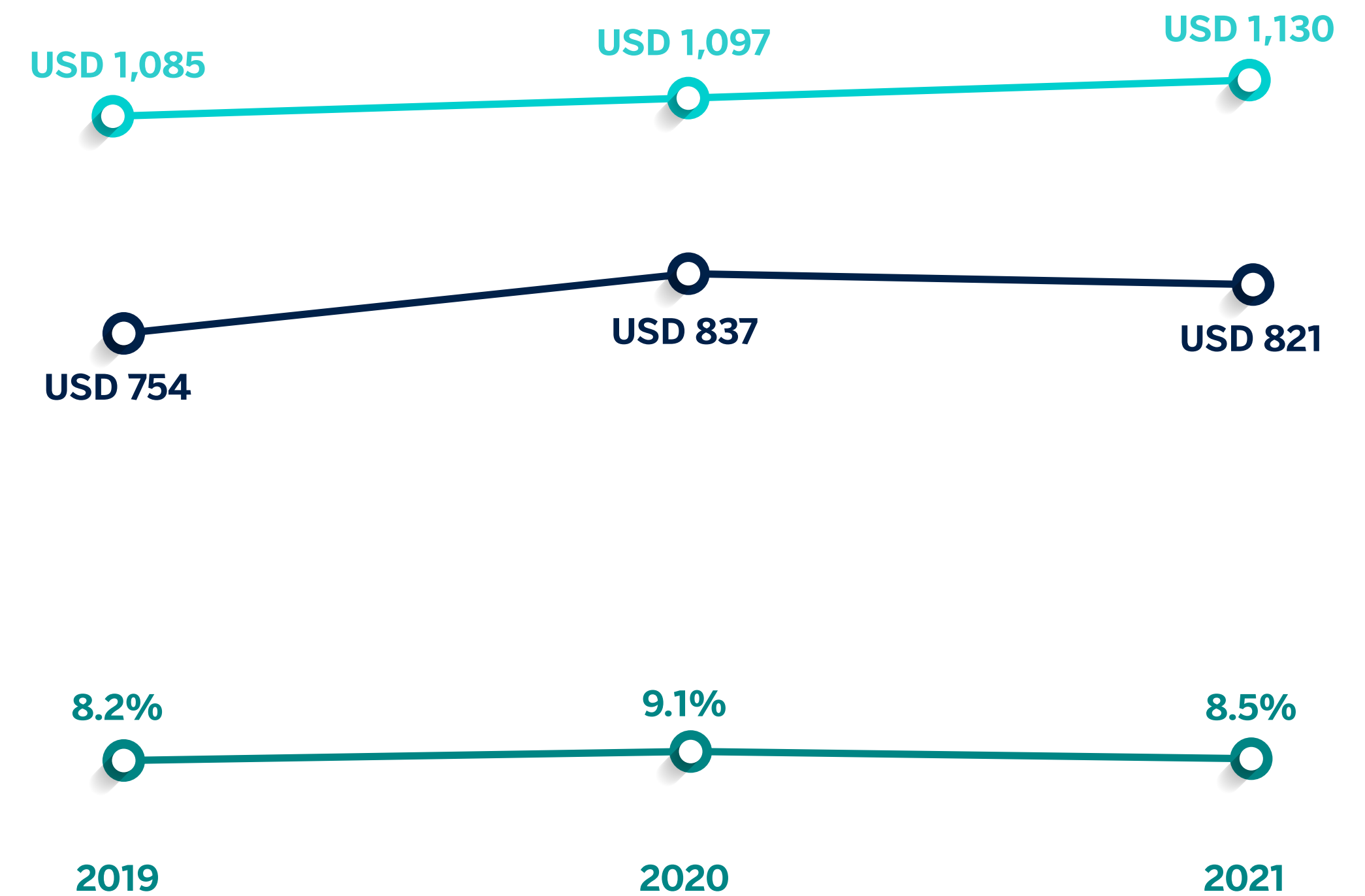
New clients. Average disbursement, calculated as the average first disbursement for new clients each year. Weight of the installment calculated as each client's average ratio (loan installment payment over sales).

30 Growth of average disbursement
Change, by duration of relationship

USD 767
USD 997
USD 1,288
USD 1,482
USD 1,602
USD 1,728

| Situation at outset | +1 | +2 | +3 | +4 | +5 years |

Clients in each cohort on date of each data collection. Value at the outset is the average initial value of the 2016-2021 cohorts, to which the average growth of the disbursement by the 2016-2021 cohorts (year of entry) is applied.

31 Retention & recurrence of credit clients
Current credit clients

	Situation at the outset	+1	+2	+3	+4	+5 years
Retention	100%	66%	44%	31%	23%	18%

	1st credit	2nd credit	3rd credit	4th credit	5th credit	6th credit
Recurrence	100%	58%	38%	26%	18%	12%
Distance (days)		430	412	378	345	312

Retention: Percentage of clients in each cohort (year of entry) that remain current and up to 12.31.2021. Average of the 2013-2021 cohorts.
Recurrence: Clients served since 2011. Percentage of clients who, after their first loan, take out another. The distance between cycles is the gap (in days) between disbursements of one credit and those for the next (the first one need not necessarily have been cancelled).
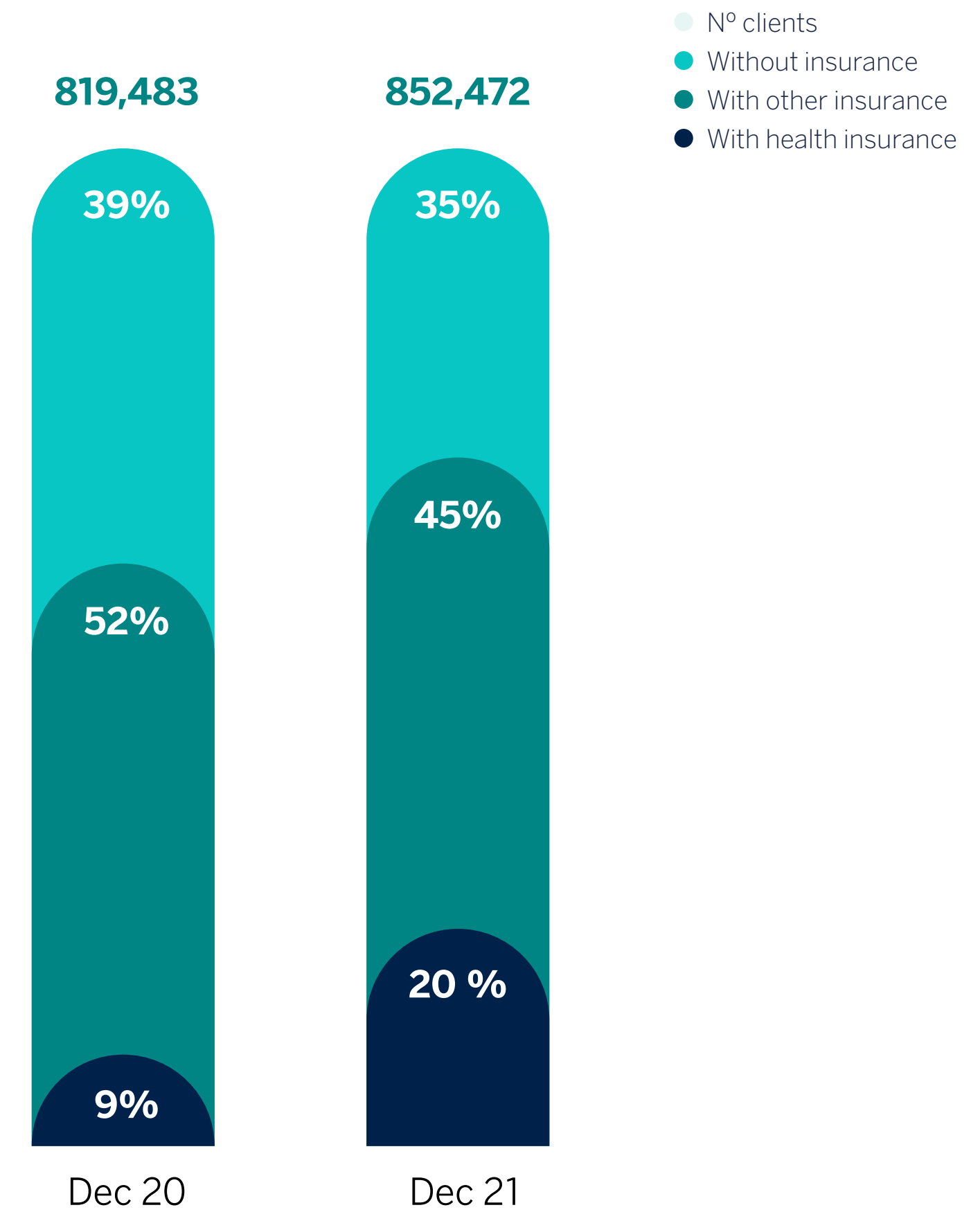
87

Relationship with clients who have a voluntary insurance

The Group's financial offering is completed with voluntary insurance products that aim to provide protection in the event of unexpected contingencies. Healthcare is one of the most important development gaps on which BBVAMF focuses. Working towards high-quality healthcare, to fight this gap we have designed a series of covers using healthcare insurance whose purpose is to guarantee medical care for our clients, especially in the most vulnerable segments, most of whom have insufficient provision for these kinds of essential goods and services.

Seven out of ten clients state that they would be forced to apply for a loan in the event of a medical emergency. When coping with a shock of this kind, it is clearly the poorest who have to decide between opting for this source of financing or doing without the medical attention they need, because they don't have enough savings to pay for the attendant costs. In order to offer health insurance to the most disadvantaged groups, BBVAMF has widened its offering of these kinds of products, succeeding in doubling, during 2021, the number of insured people and achieving a to-

Currently, 65% of lending clients also have a voluntary insurance policy, compared to 61% in 2020 ,,

32 Clients with insurance
Total credit clients

- ○ Nº clients
- ● Without insurance
- ● With other insurance
- ● With health insurance

819,483

852,472

	Dec 20	Dec 21
	39%	35%
	52%	45%
	9%	20 %

tal of nearly 180,000 healthcare policy beneficiaries by the end of 2021.

The realities around this product vary greatly from institution to institution because of the specifics of the value offerings and the differences in the needs of clients served in each market. A greater proportion of clients in poverty have an insurance policy compared to the rest of the clients (vulnerable and non-vulnerable). This is particularly noticeable in the case of Peru (42% of clients in poverty have a policy, compared to 18% of vulnerable and 7% of non-vulnerable clients). Here we have a healthcare policy designed specifically for women,
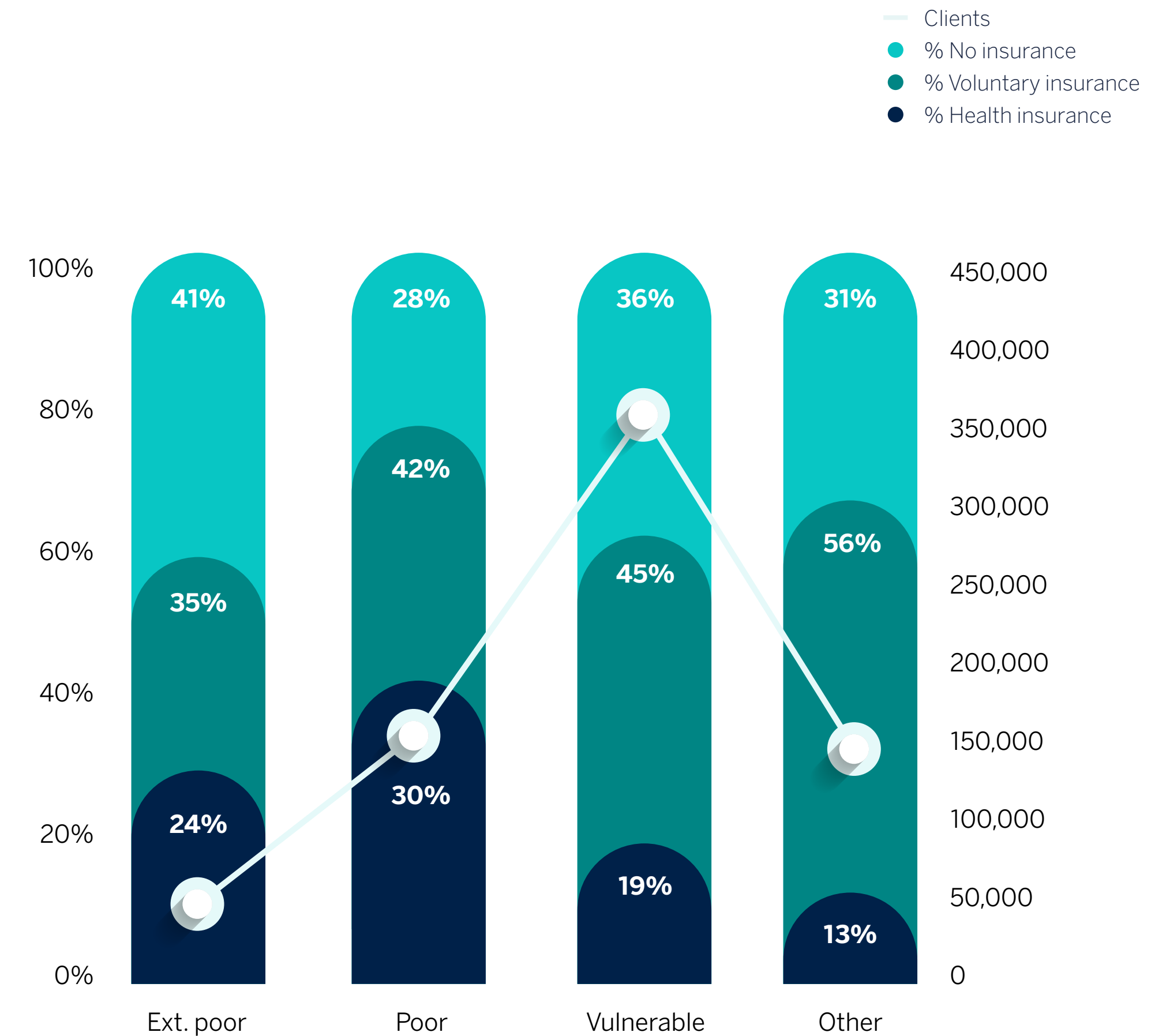
taken out by Woman's Word (PDM) clients, a group loan. Colombia is also an outlier; here the insurance offering for cancer treatment, serious illnesses and family medicine reaches 36% of our poor clients compared to 28% of non-vulnerable clients who are covered.

The voluntary insurance offering entails numerous complexities (in designing the product, adapting the cost and the intangible features). Despite the difficulties, in the last few years major efforts have been made to encourage greater uptake of this product. Currently, 65% of lending clients also have a voluntary insurance policy, compared to 61% in 2020.

Healthcare is one of the most serious development gaps on which BBVAMF is focusing. Seven out of ten clients state they would have to apply for a loan in the event of a medical emergency „

33 Health insurance coverage
Total credit clients

Legend:
— Clients
● % No insurance
● % Voluntary insurance
● % Health insurance

Ext. poor: 41%, 35%, 24%
Poor: 28%, 42%, 30%
Vulnerable: 36%, 45%, 19%
Other: 31%, 56%, 13%

Current credit clients at 12.31.2021. Includes all entities of the BBVAMF Group, with the exception of Emprende Microfinanzas.

Relationship with savings clients

We have noted how, in 2020, at the height of the pandemic, 90% of entrepreneurs resorted to using their savings to pay for contingencies[13]. Indeed, savings are a financial reserve for covering unexpected or future expenditure, or to embark on new investment. In the face of this shock, entrepreneurs' households saw their savings capacity all but wiped out.

In 2021, over 2.5 million clients had a savings account, and as could be expected, their balances had fallen. The profile of the client who is principally a saver (7% of the total) was the most impacted by the pandemic, and among transactional clients (52% of the total) we should highlight those that, while not yet taking out a loan with our institution, have succeeded in keeping their account active for small, one-off savings deposits that rotate in and out.

[13] 2020 Social Performance Report.

During 2020 at the height of the pandemic, 90% of entrepreneurs resorted to using their savings to pay for contingencies „

30% of savings clients use their accounts for transactions (there have been movements in their account in the previous six months), which has been particularly useful during the pandemic to channel government transfers. This explains why their average balance is so low (they are people identified by the government as highly vulnerable who need to resort to social aid).

Although balances remained low, we noted that 54% of account holders increased their balance from 2020, with only 10% of balances falling, showing that these clients[14] were making an enormous effort. In particular Banco Adopem (Dominican Republic) and Bancamía (Colombia), where 80% and 72% of these clients, respectively, increased their balances. These segments account for 32% of all savers in Dominican Republic and 23% of those in Colombia, suggesting that transfers may have generated a positive dynamic of sustainable financial inclusion (given that all Colombians who received government transfers were outside the formal financial system).

[14] People who have not taken out a loan with the institution.

34 Savings clients
Clients with savings products at the end of each year

1,963,178

2,399,909

2,569,816

- ● Clients
- ● Balance in USD

564,976
2019

707,470
2020

656,719
2021
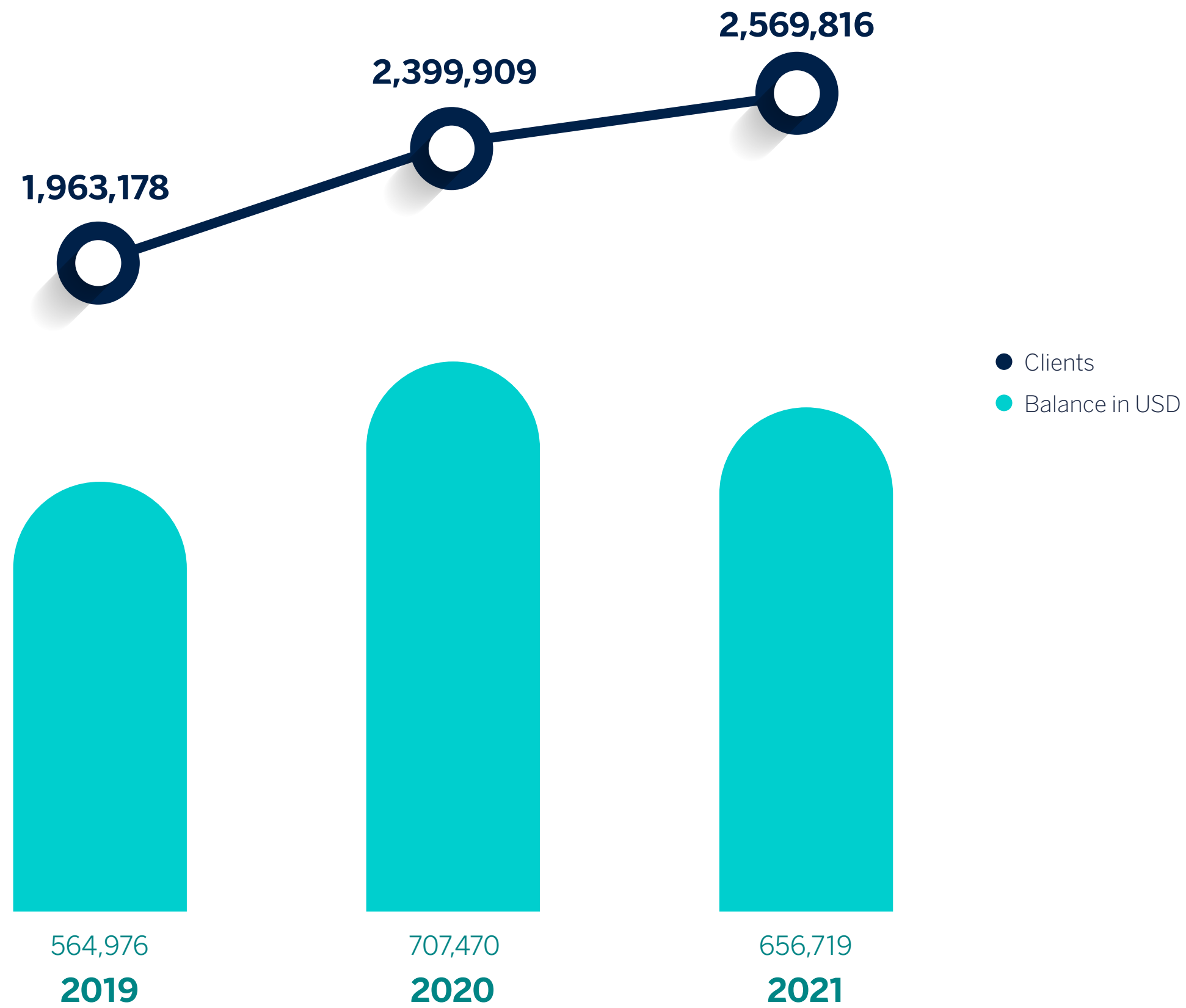
Clients with savings products on each observation date and total balance
(institutional clients are excluded in all the graphs in this section).

35 Savings clients, by type
Clients and balances at the end of 2021

- ● Inactive
- ● Transactional
- ● Potentially transactional account
- ● Saver

Clients
41%
30%
22%
7%
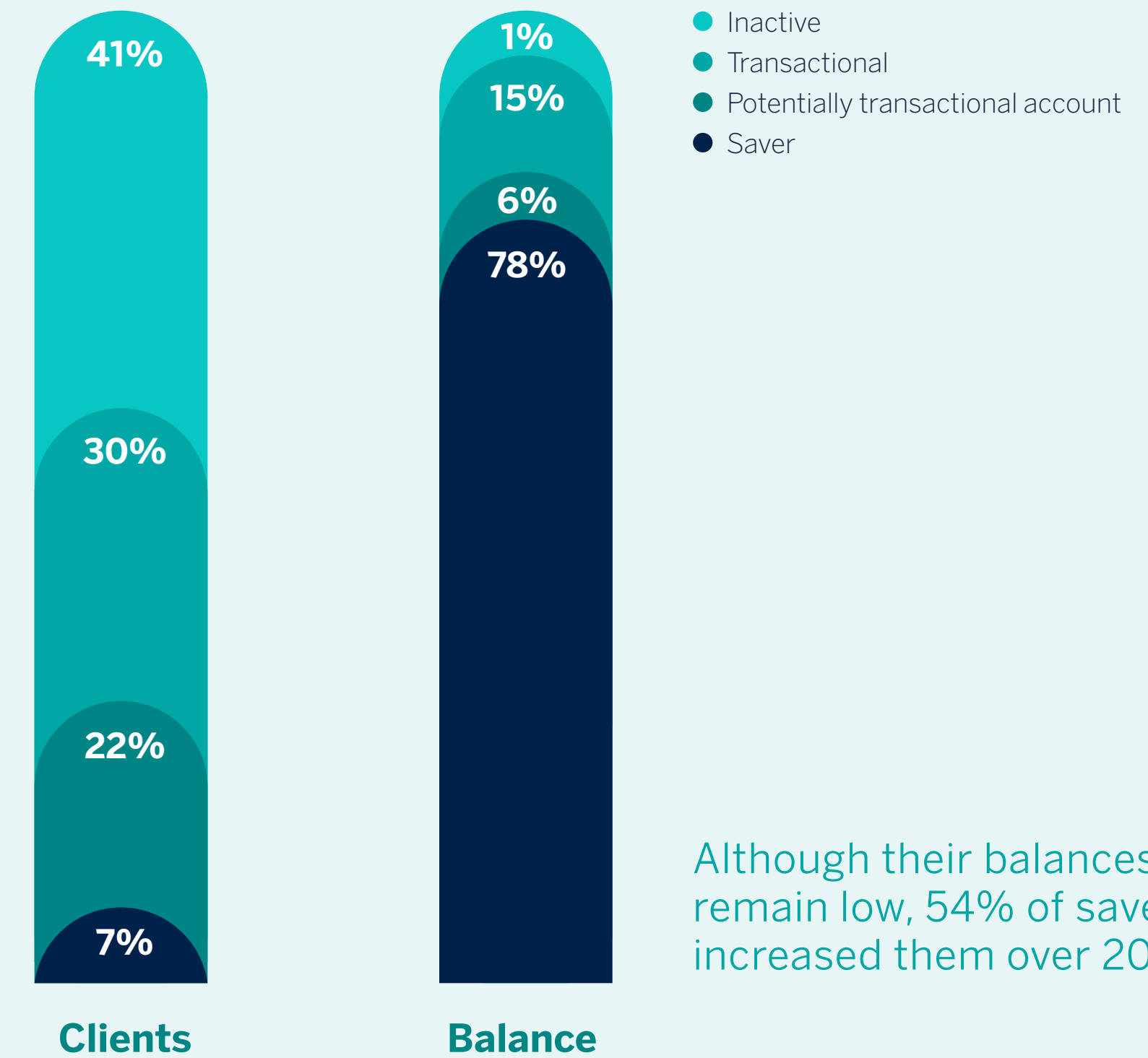
Balance
1%
15%
6%
78%

Although their balances remain low, 54% of savers increased them over 2020

Clients with savings products at 12.31.2021 and their respective balance.

36 Savings clients' balances
Clients with savings products and term deposits
specifically earmarked for savings purposes
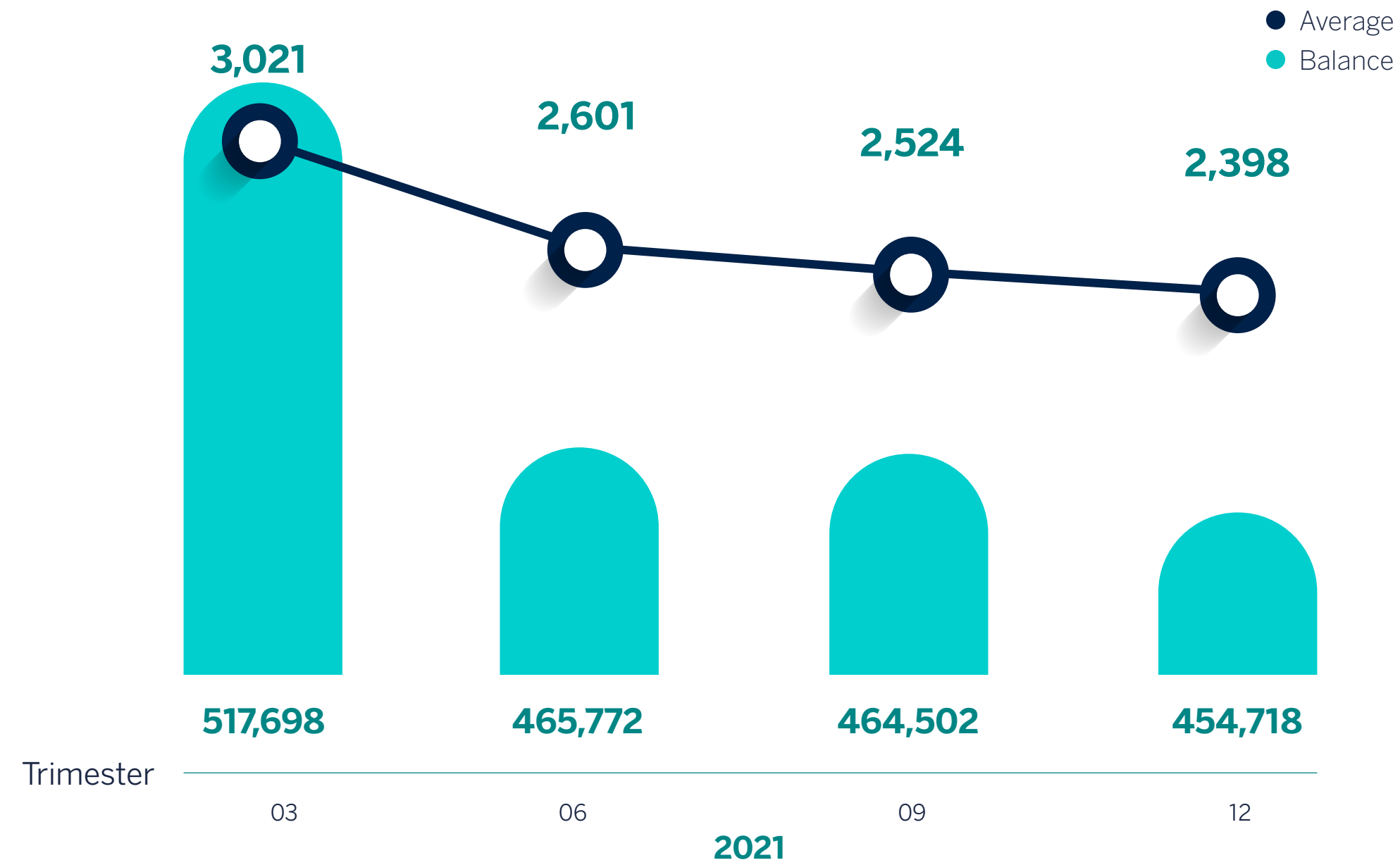
- Average
- Balance

3,021   2,601   2,524   2,398

517,698   465,772   464,502   454,718

Trimester

03   06   09   12

2021

Clients with savings products in force as of 12.31.2021
(excluding institutional clients and employees in all the graphs of this section).

37 Balance of transactional accounts
Customers with transactional
savings accounts

- Average
- Balance

105   104   97   111

76,111   80,060   75,497   86,596

Trimester

03   06   09   12

2021

Clients with savings products in force as of 12.31.2021
(excluding institutional clients and employees in all the graphs of this section).

58% of saver entrepreneurs are women, and 70% live in urban areas „

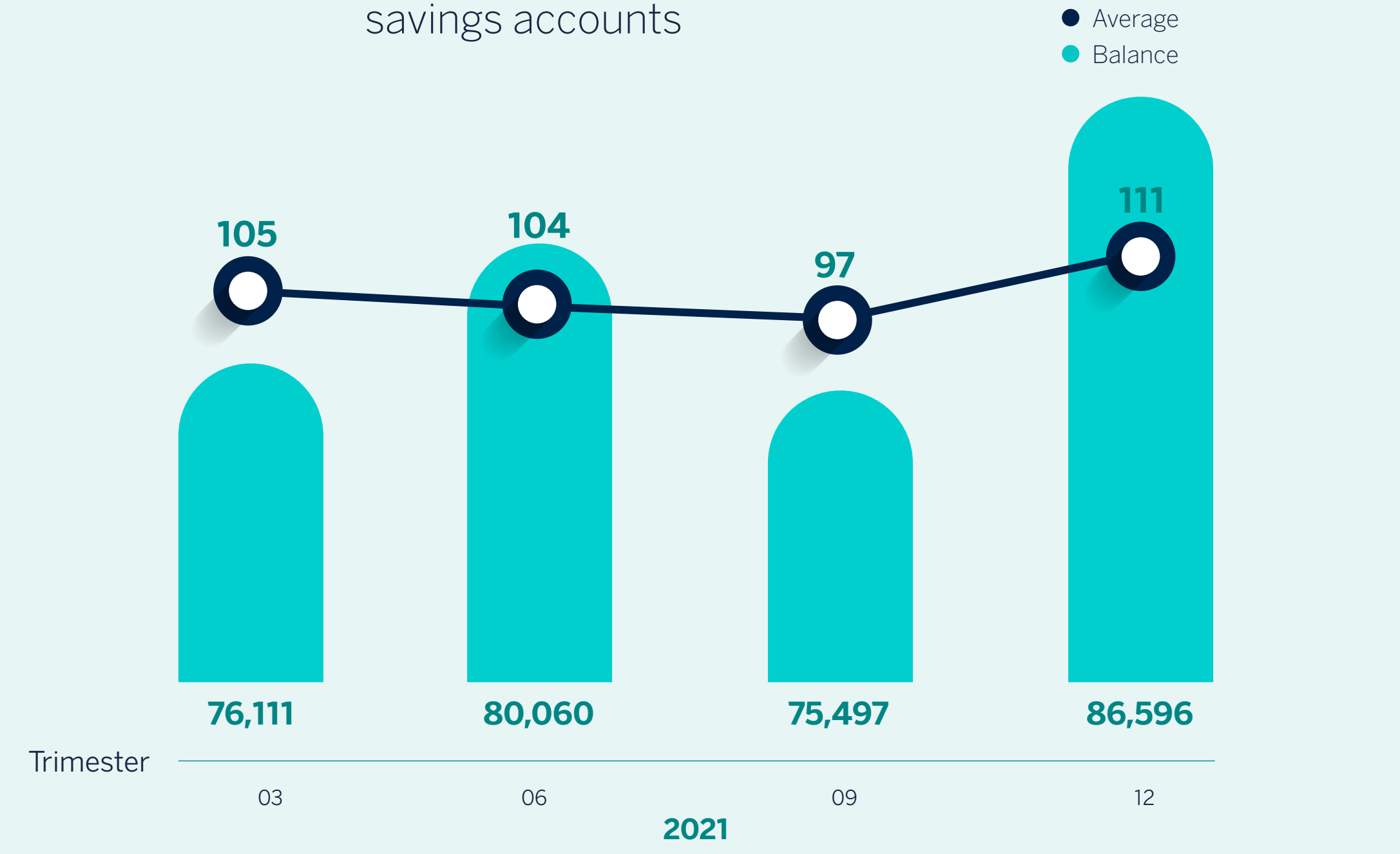With savings clients, that is, those who decided to take out a series of products adapted for this end (e.g. deposits), their balances rose in the case of 56%, but dropped for 30%[15] . Those who do save do so to different degrees: from USD 20 to around USD 2,400 but, as time passes, these savings fall. This may be due to their use for emergencies, lack of discipline (it is hard to stay constant with saving), or to the fact that the product no longer interests them once the term has fallen due and the goal reached (e.g. balance saved for education).

Analyzing the profile of savings clients, we note that 58% of the saver entrepreneurs are women, and that most live in urban areas (70%). If we focus our attention on those savers for whom we have information (with an active loan), we see that there is a direct correlation with their experience and period banking with our institution: the longer their experience and time banking with us, the more they save.
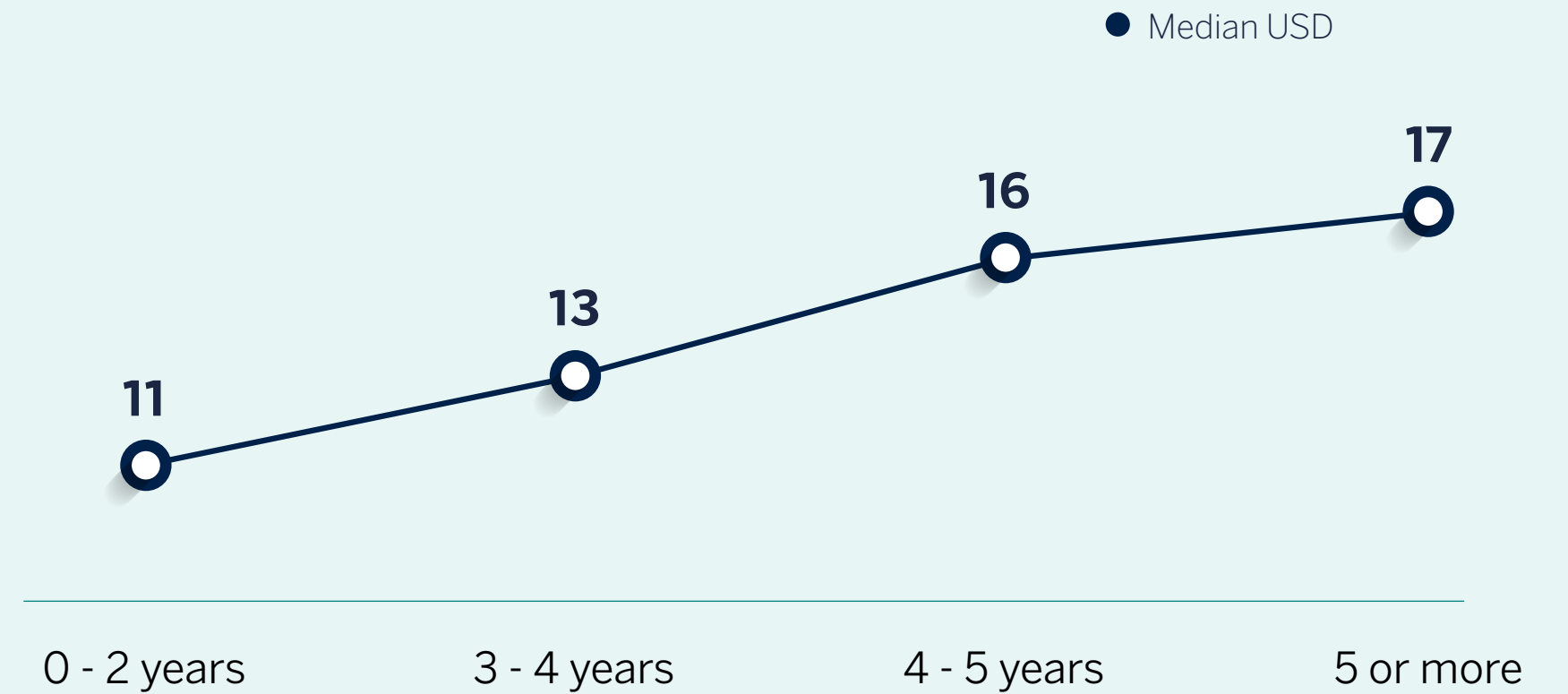
As regards savings patterns, we have noted how difficult it is to save effectively. Products that are specifically tailored for low-income clients highlight the effort made by the Foundation's entities to include them, not leaving anyone behind, thus contributing to the real inclusion of the population. Nevertheless, given their importance, we continue looking for more ways to foster saving.

Technology and paying with one's mobile phone will have a positive impact over the next few years on our clients' transaction banking and saving rates. Digital payments are developing fast and will be increasingly frequent. Reducing costs, together with access to formal saving, will make these operations become more of a habit among the most vulnerable clients.

38 Savers, by seniority
Median balance

● Median USD

11 — 0 - 2 years
13 — 3 - 4 years
16 — 4 - 5 years
17 — 5 or more

39 Savers, by age group
Median balance

● Median USD

8 — 18 - 25 years
12 — 25 - 35 years
13 — 35 - 45 years
14 — 45 - 55 years
15 — 65 or more

Clients in the savers segment who have current credits as of 12.31.2021.

[15] A range of savings products has been adapted to a more vulnerable client profile. For example, products that set concrete goals (such as education for one's children) or that have built-in incentives (e.g. if the saver meets the savings schedule, the rate improves).
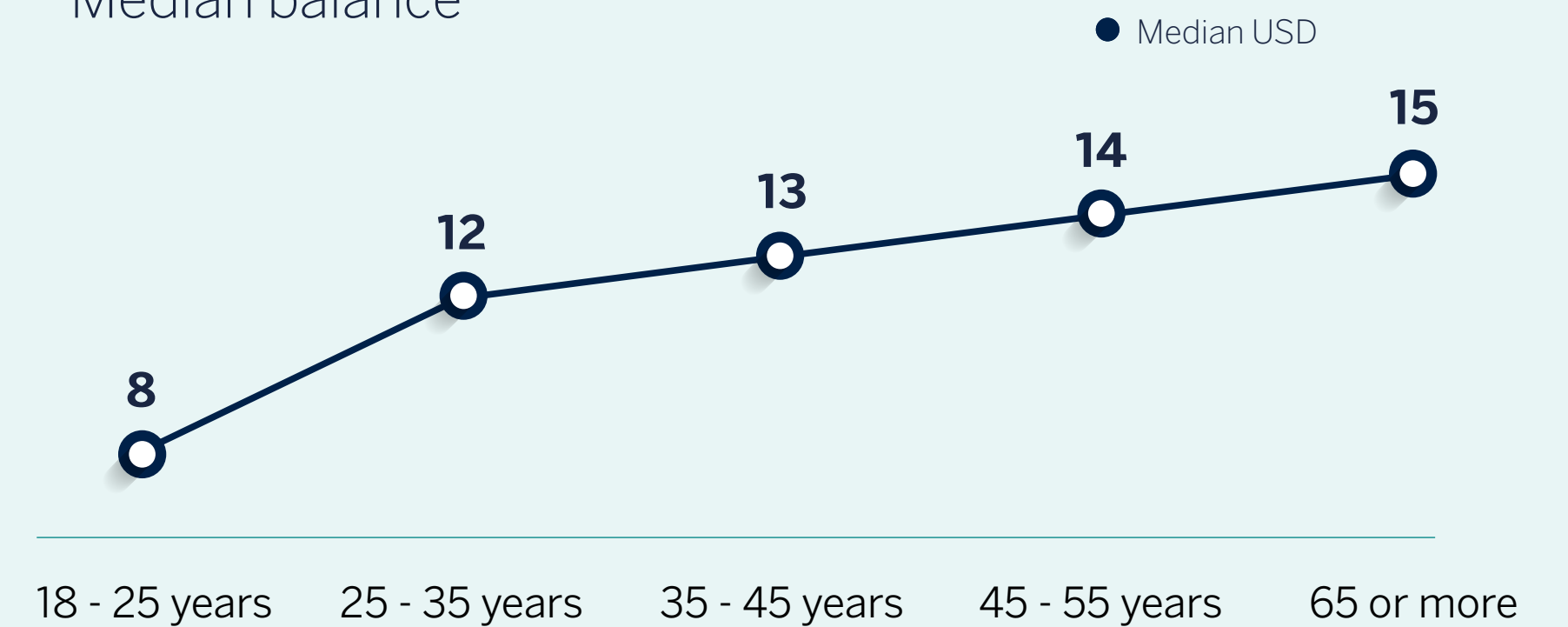
Conclusion

During the pandemic the loss of income led to the introduction of new support mechanisms (e.g. government transfers, state subsidies), although job creation has been one of the greatest challenges for achieving a sustainable recovery. The Foundation's institutions work with financial solutions that enable them to reactivate and sustain this entrepreneurial fabric, with a long-term vision.

At the end of 2021, BBVAMF Group had 2.8 million low-income entrepreneurs as clients, of whom 855,528 had loans, while 1.6 million had savings accounts. The task of personalized service during 2021 has made it possible for 261,011 new entrepreneurs to take out a new loan, with 455,948 renewing an active loan, and 265,774 who opened new savings accounts.

Exclusion from the labor market forces more people to become entrepreneurs, especially young people. Thus, this is starting to become a predominant profile in all the countries where we operate. Their digital skills and higher educational level are differential factors in their profile although they will still have to overcome a number of structural weaknesses within the entrepreneurial fabric if their businesses are to develop sustainably.

The crisis has triggered financial stress in many vulnerable households, bringing with it a reduction in their savings. However, micro-credits have made it possible for their businesses to recover pre-pandemic growth rates (20% in sales and 18% in surpluses) that even manage to generate higher incomes in one in two households. The loan is mainly used as working capital, reflecting their interest in returning to their activity.

Continuous adaptation and reinvention are signs of identity, thanks to trades that require low capital investment and that enable them to ensure a minimum level of income for the family, although household vulnerability persists. So it is that we still see precariousness and instability in one in every three households, which prevents them from making bigger investments: the demand is mainly for small, flexible loans. Microfinance support in

At the end of 2021, BBVAMF Group had 2.8 million low-income entrepreneurial clients, of whom 855,519 had loans, while 1.6 million had savings accounts **"**

Although one in two entrepreneurs was able to raise their income, we must commit to multidimensional solutions, that go beyond the merely financial **"**

Although the businesses of our entrepreneurs have returned to pre-pandemic growth rates (20% in sales and 18% in surpluses), their lack of stability means that their inherent nature is to look for small-scale, flexible operations "

this segment is thus vital to maintain this constant adaptation and survival.

To the contrary, the less vulnerable run businesses with bigger investments, more experience and specialization, although their capacity to adapt to changes is more limited and recovery occurs at a slower rate. In this segment it is crucial to mentor entrepreneurs with solutions that go beyond the strictly financial and generate value, such as, for example, support in adapting to digital technology to nurture productive activities that respond to new trends.

Then again, we must consider the household, in the wider sense, and assess its structural weaknesses (education, healthcare and housing). The potential improvements to its welfare have been the guiding principle of the Foundation in its commitment during 2021 to measure multidimensional poverty (see A multidimensional vision).

In following its mission, the Foundation has a permanent vocation to serve vulnerable entrepreneurs. The multidimensional nature of their vulnerability requires microfinance services to be set within the economic, social and geographic context of each country. We are aware of the quantity of factors that the progress of these entrepreneurs and their households requires. Nevertheless, we have demonstrated that by measuring the impact of the work we do, and sharing the knowledge acquired about our clients with our stakeholders we can, together, substantially improve the welfare of these households.

Notes on methodology

Information limitations

Information limitations	Comments
Lack of information on certain variables There are certain variables for which client information is not available.	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.
Positive bias Clients' tendency to present their microenterprise's performance in a more favorable light than reality.	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.
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).	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.
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.	• 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	**The "environment" variable is defined by each institution as follows:**
	Bancamía — The client's business address (street, highway, etc).
	Financiera Confianza — The client's address; in a given district all clients are classified as being in the same "environment", according to their classification by the National Statistics Institute (INEI). If the rural proportion of the district is over 50%, according to the INEI, the entire district is classified as rural.
	Banco Adopem — 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.
	Fondo Esperanza — 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.
	Microserfin — The client's address determines the environment, according to the parameters of the province and the district.

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Variable	Comments
Economic sectors	Based on the United Nations International Standard Industrial Classification of all economic activities (version 4). **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)	Financial variables shown are those reported by clients: • 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).*
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	When calculating the indicators for credit clients, we looked at those with a productive unit (microenterprise), thus excluding loans to employees. 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. Renewed clients are those who have received another disbursement, in the last 12 months. Total clients are all clients with an outstanding loan as of 12.31.2021.
Savings clients	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: **Savers:** those who have taken out products designed specifically to encourage saving. **Potential:** 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.
Clients with voluntary insurance	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.
Financial variables	Financial variables are those reported by clients at: • 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.

Indicator	Comments
Monthly per capita surplus or "income"	The monthly per capita earnings figure is used by the BBVAMF 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: • 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. 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. 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.
Income relative to the poverty line	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.

Indicator	Comments

Economic vulnerability

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.*

**Vulnerability line
(three times the poverty line)**

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 (1) of clients who fall into poverty

	100% (máx.)	99%	95%	90%	75%	50%	25%	10%	5%
Renta relativa inicial	56.89	7.43	3.97	2.92	2.04	1.44	1.16	1.05	1.02

Indicator	Comments
Financial data performance and variation in the poverty segment	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.
Social improvement indicators	• **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. All clients who have improved their circumstances were analyzed, independently of when the improvement occurred.
Employment creation indicator	To assess microenterprises' capacity to generate employment, the change in the number of workers hired by clients over time was analyzed. Although there is no historical series for this data, the number of reported employees hired has been presented for clients current as of 12.31.2021. 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.
CAGR & AAR	**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. **AAR: average annual rate:** comparing growth (generally of client segments) over time.

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	2020 lines updated by CPI (5.6%)	2021	Extreme poverty	118,688	163,064
			Poverty	211,018	390,454
	National Statistics Department DANE[1]	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

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Peru	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

[1] http://www.dane.gov.co

[2] https://www.inei.gob.pe

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Dominican Republic	**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	4,096	4,600

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Panama	**2020 lines updated by CPI as of Dec. (2.6%)**	2021	Extreme poverty	61	73
			Poverty	110	149
	2019 lines updated by CPI as of Dec. (0%)	2020	Extreme poverty	60	71
			Poverty	108	145
	2018 lines updated by CPI as of Dec. (0 %)	2019	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry[4]	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

[3] http://economia.gob.do

[4] http://www.mef.gob.pa/es/informes/paginas/pobreza-e-indigencia.aspx

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 experts[5], because "the traditional measurement was no longer reflecting the situation of poverty in which many families were living"[6]. 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[5] 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 = 2/3 LP
Where:
PL: poverty line
EPL: extreme poverty line

Extreme poverty line: this value is set so that EPL covers food, clothing and housing[7]. 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).

[5]Social Development Ministry, CASEN 2013 & 2015 (a Modern and Transparent Poverty Measurement for Chile).
[6]Minimum income stipulated as necessary to meet one person's basic nutritional needs.
[7]New methodology for measuring poverty by income and multi-dimensions (CASEN Observatorio Social 2013), page. 11.

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
Extreme poverty (LOC)	1	100,944	103,139	105,653	108,696	111,982	116,629	123,274
	2	163,985	167,550	171,633	176,577	181,915	189,464	200,259
	3	217,805	222,541	227,963	234,530	241,620	251,646	265,984
	4	266,394	272,187	278,819	286,850	295,522	307,785	325,321
	5	311,431	318,203	325,956	335,345	345,483	359,819	380,320
	6	353,825	361,519	370,327	380,995	392,512	408,800	432,092
	7	394,140	402,711	412,523	424,406	437,236	455,380	481,326
	8	432,758	443,168	452,942	465,989	480,076	499,998	528,486
	9	469,950	480,169	491,869	506,038	521,335	542,969	573,905
	10	505,920	516,922	529,517	544,770	561,238	584,528	617,832

Household size		2015	2016	2017	2018	2019	2020	2021
Poverty (LOC)	1	151,417	154,709	158,479	163,044	167,973	174,943	184,911
	2	245,977	251,326	257,450	264,865	272,872	284,196	300,388
	3	326,707	333,811	341,945	351,795	362,429	377,469	398,976
	4	399,591	408,280	418,228	430,275	443,282	461,677	487,982
	5	467,146	477,304	488,934	503,018	518,224	539,729	570,480
	6	530,737	542,278	555,491	571,492	588,768	613,200	648,138
	7	591,210	604,066	618,785	636,609	655,854	683,070	721,988
	8	649,137	663,253	679,414	698,984	720,114	749,997	792,729
	9	704,925	720,254	737,804	759,056	782,003	814,454	860,858
	10	758,881	775,382	794,276	817,155	841,857	876,792	926,748

Currency exchange rates

All the (historical) data from MFIs is input in local currency and the exchange rate applicable on December 31, 2021 is applied so that exchange rate fluctuations do not impact the conclusions.

Country	Exchange rate		Source
Colombia	COP / USD	0.0002512	BBVA Bank, mid-market rate on December 31, 2021
Peru	PEN / USD	0.2514395	BBVA Bank, mid-market rate on December 31, 2021
Dominican Republic	DOP / USD	0.0174843	BBVA Bank, mid-market rate on December 31, 2021
Chile	CLP / USD	0.0011839	BBVA Bank, mid-market rate on December 31, 2021
Panama	PAB / USD	1.0000000	BBVA Bank, mid-market rate on December 31, 2021

The need for a **multidimensional** perspective

Understanding households in their multiple dimensions

Doing a deep dive into the well-being of households, evaluating the deficiencies they face. To this end, an internal multidimensional poverty index has been created

Shortfalls

Incidence of deprivation
Total households with deprivations, by dimension

4% School attendance	42% Years of schooling	7% Learning lag
17% Health insurance	20% Access to water	26% Sanitation
11% Overcrowding	19% Housing materials	19% Internet access

Education | **Health** | **Housing**

ÍIPM
Índice Interno de Pobreza Multidimensional
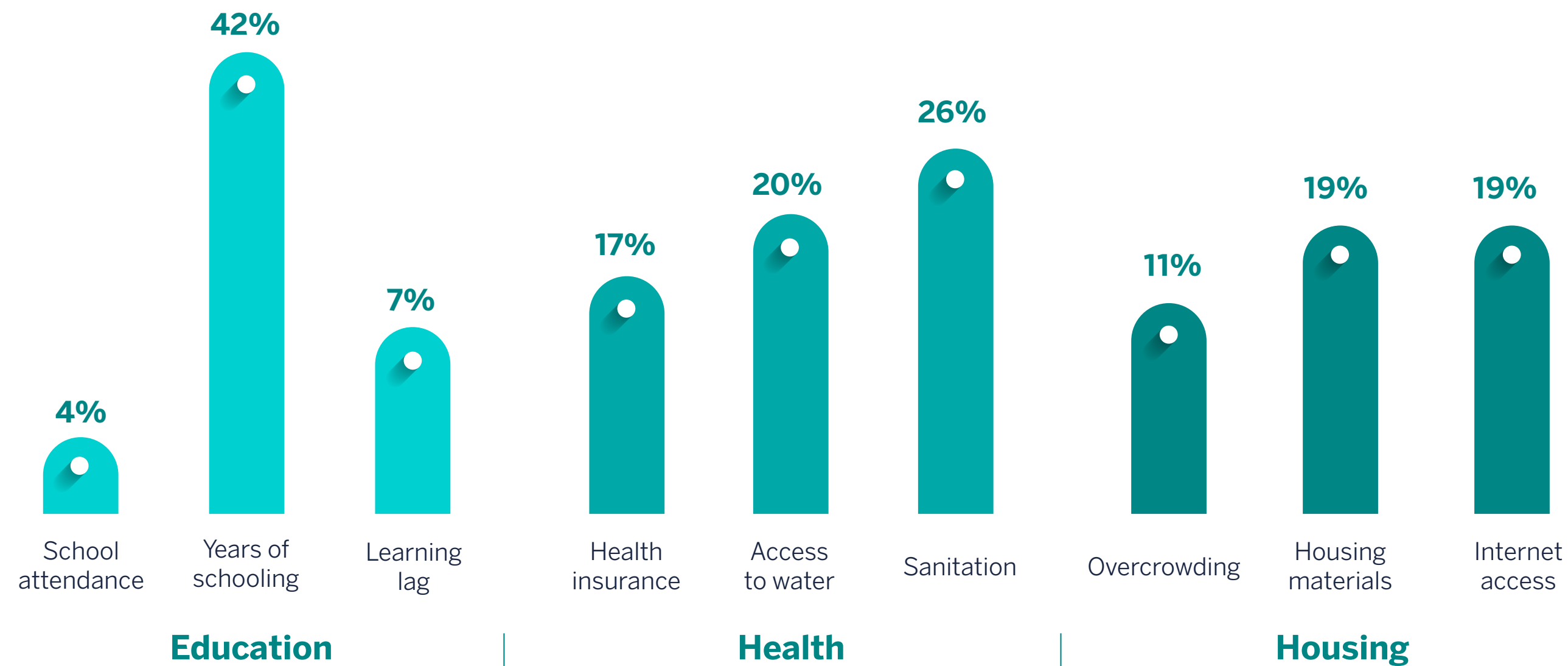
Internal multidimensional poverty index
Sophia Oxford & BBVAMF

Poverty cutoff

33.33%

A client is classified as poor if they live in a household with shortfalls in 33.33% of the indicators

SOPHIA OXFORD

IMPI-FUN	0.099
Incidence (H,%)	24.2%
Intensity (A,%)	41.0%

24% of households are multidimensionally poor

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Characteristics of poor households

The results show that, in all entities, households in a situation of poverty are generally:

Rural

Greater probability of living in rural environments, in Colombia, Peru and the Dominican Republic

Household size/children

They have larger household sizes and dependent children

Income

They have lower incomes: 64% of non-poor people's revenues

Incidence & intensity of multidimensional poverty, by country

Total poor & deprived households, by country

Intensity (%)

Chile · Colombia · Panama · Peru · Dominican Republic
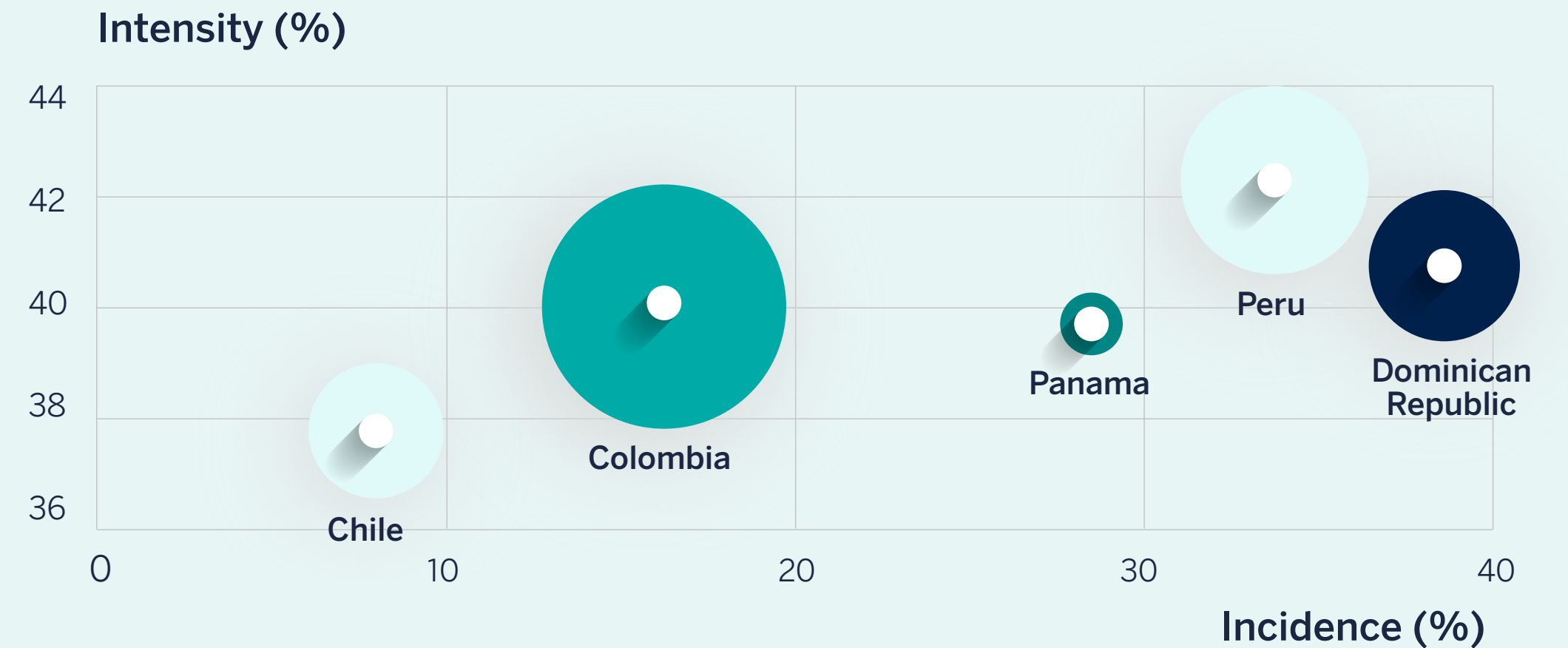
Incidence (%)

* Note: The size of the circle represents the number of clients per country as of December 2021. Incidence shows the number of people with shortfalls. Intensity is the number of deprivations suffered in a poor household, compared to the total number of households in this situation.

At least a third of Financiera Confianza and Banco Adopem clients live in multidimensional poverty. These two institutions account for 47% of the total client portfolio, and 65% of clients in poverty in that portfolio.

IMPI, per country
Peru and Domincan Republic have the deepest multidimensional poverty

The need for a multidimensional perspective

Multidimensional Poverty Indices (MPI) can provide a broader understanding of the nature of that poverty, complementing monetary measures: they show who is poor and in what way „

The pandemic caused by COVID-19 has reversed the progress achieved in the previous years in reducing monetary poverty because of the harsh recession, the drop in employment and in working incomes. Monetary poverty identifies the poor indirectly by comparing their incomes with the monetary cost of buying a basket of food and non-food goods above or below an established minimum threshold. Our traditional measurements have enabled us to categorize our clients using these criteria and associate the latter with the performance of their businesses.

However, to get a more precise picture, we need to go beyond this threshold and dig more deeply into entrepreneurs' standards of living, assessing the likely shortfalls they also have to cope with at home.

01 BBVAMF's Microfinance Entities[1]

Entity	Country	% clients
Bancamía (BA)	Colombia	39%
Financiera Confianza (FC)	Peru	28%
Banco Adopem (AD)	Dominican Republic	18%
Fondo Esperanza (FE)	Chile	13%
Microserfin (MS)	Panama	2%

[1] To build the aggregate index, the results of each country have been incorporated prorating each entity by its client numbers. The distribution is based on figures at the end of November 2021.

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Poor people generally characterize poverty as the experience of simultaneous deprivations rather than solely that of insufficient income. Multidimensional Poverty Indices (MPIs), based on the Alkire-Foster methodology, can provide a broader understanding of the nature of poverty, complementing that of unidimensional monetary measures. An MPI reveals who is poor and in what way they are poor, providing relevant information to identify them, as well as the problems that keep them in poverty. Four of the five countries where BBVA Microfinance Foun-

dation (BBVAMF) is present have national MPIs to track multidimensional poverty and inform public policy. The exception is Peru, although the process of designing such a metric appears to have started.

BBVAMF, together with its five entities in Latin America and SOPHIA Oxford, has led a study to assess multidimensional poverty in its client portfolio, using the Alkire-Foster methodology.

/ This multidimensional view brings us closer to the structural components of poverty

/ The study of multidimensional poverty will serve to improve how we design and target our products and services, and thus improve the lives of our clients

/ The definition of internal multidimensional poverty is based on nine indicators that capture three dimensions of poverty: education, health, and housing

02 Dimensions and indicators used to define multidimensional poverty

Dimension	Indicator	Weight (%)
Education	School attendance	11.11%
	Years of schooling	11.11%
	Learning lag	11.11%
Health	Health insurance	11.11%
	Access to water	11.11%
	Sanitation	11.11%
Housing	Overcrowding	11.11%
	Housing materials (floor, walls & roof)	11.11%
	Internet access	11.11%

The main purpose of this exercise was to provide BBVAMF and each entity with relevant information to improve the design and targeting of our products and services and hence enhance their impact in improving the lives of entrepreneurs. Multidimensional poverty was defined based on nine indicators that capture three dimensions of poverty, Education, Health and Housing (see Table 2). These three dimensions are included in practically all existing national MPIs, although sometimes under slightly different names. Based on the universe of indicators included in national MPIs of the countries where BBVAMF operates, as well as the goal of keeping the length of the questionnaire to under 30 minutes, the study selected indicators that focused on basic needs and that could provide useful information for actionable solutions (i.e. to improve the microfinance institutions' value offering)[2].

Deprivation cutoffs, on the other hand, were defined taking into consideration the specific conditions of each country, so that each entity would be able to identify the most vulnerable clients in its own portfolio[3]. The selection of country-specific deprivation cutoffs hinders comparisons of poverty or deprivation levels across entities[4], but allows each entity to obtain more relevant information to guide its strategy.

[2] The employment dimension is also included in the national MPIs of the five countries where BBVAMF operates. We opted not to include it in our measure because it is an area already directly covered by the microfinance institutions, since entrepreneurship is a response to lack of employment opportunities. Also, it entailed adding several questions to the questionnaire. On the other hand, although Internet access is only included in the national measures of Dominican Republic and Panama, we chose to include it in our measure given its increasing importance, particularly in the context of the COVID-19 pandemic.

[3] Although entities selected deprivation cutoffs for assessing poverty among their clients independently, there was a considerable overlap between their selections. For example, all five entities selected the same deprivation cutoff for school attendance and access to Internet. For eight of the nine indicators, at least three of the five entities selected the same cutoff. The Methodology (appendix) describes this overlap between the deprivation cutoffs selected in more detail.

[4] Comparisons are difficult because one client in exactly the same circumstances might be identified as poor (or deprived in a given indicator) if served by one entity, and as non-poor if served by another entity.

This report presents an overall analysis of multidimensional poverty in BBVAMF's client portfolio[5].

The methodology for the multidimensional poverty index has been adopted by the United Nations as the standard, and is accepted in nearly worldwide, particularly in those countries where the Foundation operates. This methodology was developed by Oxford Poverty & Human Development Initiative (OPHI).

In 2021, BBVAMF went into partnership with SOPHIA Oxford, a body linked to Oxford University and OPHI, that works with the private sector. The aim was to build a measurement framework that would enable the Foundation and its institutions to diagnose certain dimensions of multidimensional poverty faced by our entrepreneurs and to track their progress over time.

BBVAMF is the first private institution to design this indicator for its clients, enabling us not only to better understand their living conditions, but also to design value propositions with more information to improve those living conditions for them and their families.

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[5] Aggregate estimates were obtained using sampling weights that take into account the size of each entity's sample together with the number of clients served by each entity.

Levels of deprivation

The deprivations most commonly suffered by clients are years of schooling, sanitation, and access to water „„

In the Entrepreneur Portfolio

Firstly, we wanted to discover the percentage of clients that live in a household that is deprived in terms of one or several of the indicators, and to break down that distribution by microfinance institution. We saw that the deprivations most commonly suffered by clients are years of schooling, sanitation, and access to water. On the other hand, there are relatively few clients living in households deprived in terms of school attendance and educational lag.

03 Incidence of deprivations
Percentage of deprived households

School attendance	Years of schooling	Learning lag		Health insurance	Access to water	Sanitation		Overcrowding	Housing materials	Access to Internet
4%	42%	7%		17%	20%	26%		11%	19%	19%
Education				**Health**				**Housing**		
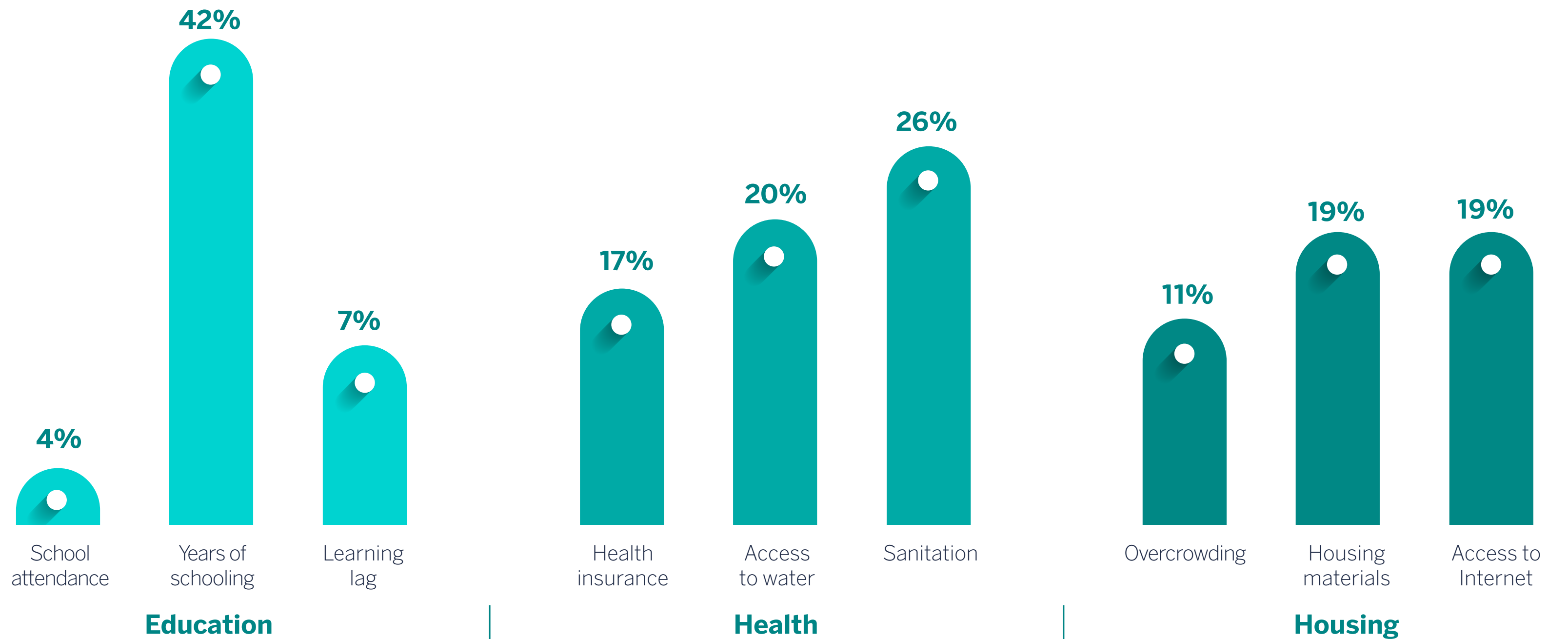
04 Incidence of deprivations, broken down by country
Percentage of deprived clients

Microserfin
Fondo Esperanza
Banco Adopem
Financiera Confianza
Bancamía

School attendance
0%
1%
2%
1%

Years of schooling
1%
3%
11%
8%
19%

Learning lag
0%
1%
1%
1%
4%

Health insurance
1%
2%
5%
8%
1%

Access to water
1%
1%
8%
5%
5%

Sanitation
1%
2%
4%
11%
8%

Overcrowding
0%
1%
3%
4%
3%

Housing materials
0%
1%
3%
11%
4%

Access to Internet
0%
1%
2%
6%
10%

Education

Health

Housing

116
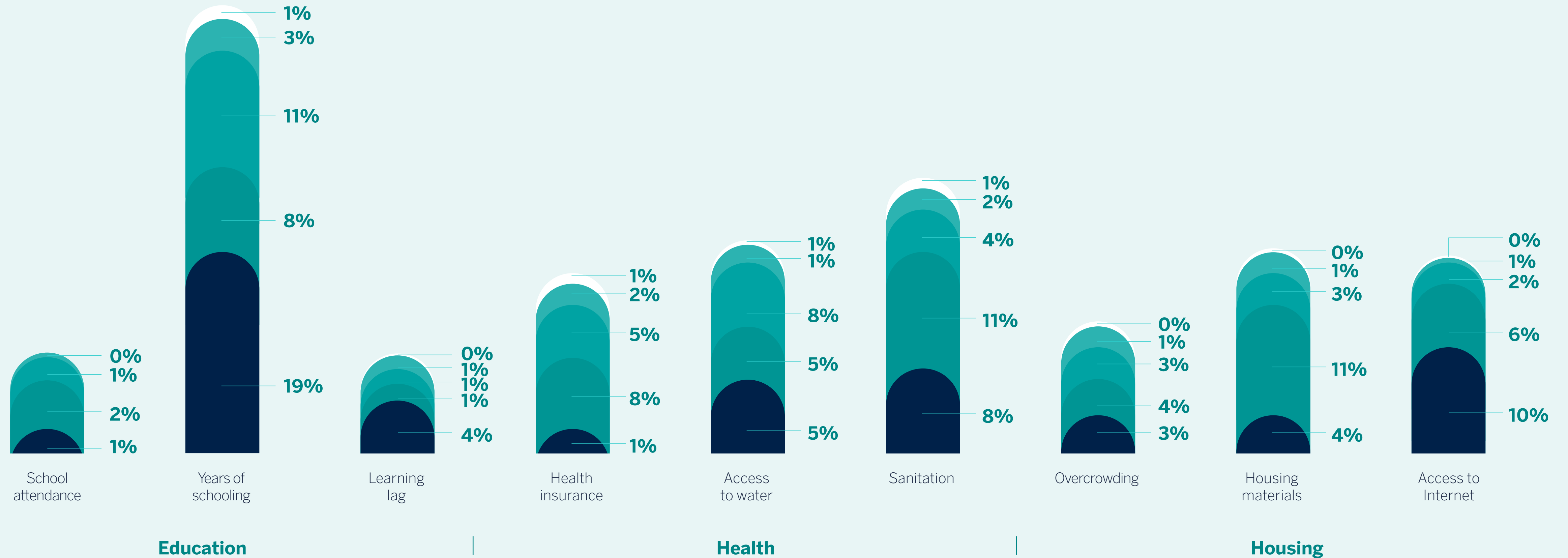
As is logical, Bancamia, Financiera Confianza and Banco Adopem, which together represent 85% of the total portfolio, also account for the vast majority of deprived clients. That said, their share of deprived clients is not necessarily proportional to their share of clients and varies across indicators.

In 42% of our clients' homes at least one adult has not attended school for the requisite minimum number of years. Most of these adults are over 40 years old "

05 **Deprivations in years of schooling**
Percentage of adults by age groups

Years of schooling

Around 42% clients live in a household where there is at least one adult who did not attend school for the minimum years required for his/her age group[6]. Most of these clients are served by Bancamia (19%), followed by Banco Adopem (11%) and Financiera Confianza (8%). These three entities serve 90% of the clients deprived in this indicator.

The clients suffering this deprivation are mostly older than 40. The breakdown shows the deprivations in the countries where it is most acute.

BA - Colombia

4.0%	5.0%	26.0%
18 - 24	25 - 34	35 - 64

FC - Peru

3.3%	5.4%	11.3%
18 - 24	25 - 34	35 - 64

AD - Dominican Rep.

13.0%	9.0%	15.0%	3.0%	1.0%
18 - 29	30 - 39	40 - 59	60 - 69	>70

MS - Panama

4.0%	5.0%	12.0%
18 - 24	25 - 34	35 - 64

FE - Chile

3.8%	4.4%	2.6%	1.7%	1.7%
18 - 29	30 - 39	40 - 59	60 - 69	>70

[6] According to the deprivation cutoff selected for the country they live in.

06 Deprivations in sanitation
Percentage of homes, by type of sanitation

BA - Colombia

11.0%	3.1%	2.0%	0.6%	1.4%	2.1%
Toilet connected to sewage system	Toilet connected to shared septic tank	Unconnected toilet	Latrine with septic tank	Latrine without septic tank	No sanitation facilities

AD - Dominican Rep.

4.9%	5.7%	4.2%	4.0%	2.8%	0.3%
Toilet connected to sewage system	Toilet connected to shared septic tank	Unconnected toilet	Latrine with septic tank	Latrine without septic tank	No sanitation facilities

FC - Peru

15.9%	3.1%	4.3%	4.8%	8.5%	2.6%
Toilet connected to sewage system	Toilet connected to shared septic tank	Unconnected toilet	Latrine with septic tank	Latrine without septic tank	No sanitation facilities

MS - Panama

3.0%	6.6%	0.8%	2.2%	16.0%	0.3%
Toilet connected to sewage system	Toilet connected to shared septic tank	Unconnected toilet	Latrine with septic tank	Latrine without septic tank	No sanitation facilities

Sanitation

More than a quarter of clients live in a household without adequate sanitation[7]. Financiera Confianza serves most of these clients (accounting for 11% out of the 26%). Close to 18% of all clients share their toilet facility with other households. The breakdown shows the deprivations in the countries where it is most acute.

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[7] According to the deprivation cutoff selected for the country they live in.
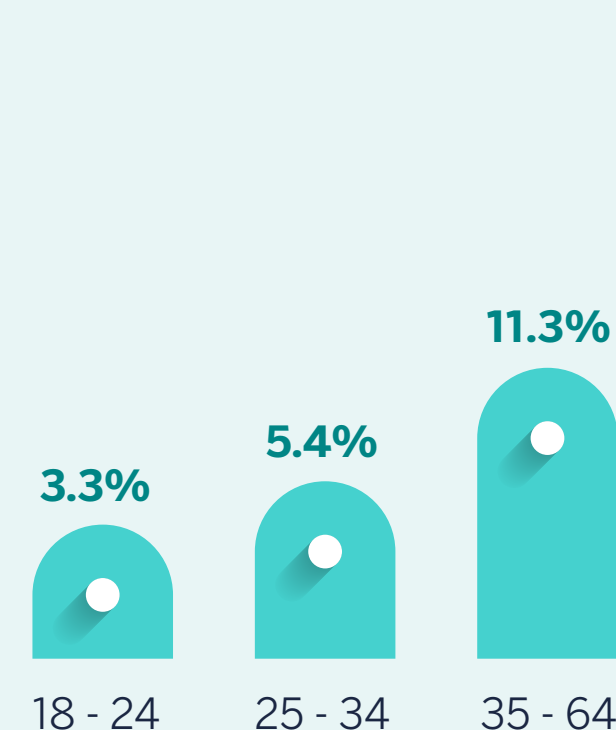
07 Deprivations in access to water

Percentage of households lacking water, by type of water source

BA - Colombia

2.6%	0.7%	1.1%	2.5%	5.3%	1.3%	0.4%	10%
Piped water outside home	Public standpipe	Covered well	Open well	River, creek, spring	Rainwater collection	Water tanker truck or watering hole

AD - Dominican Rep.

32.3%	1.8%	4.8%	0.7%	0.3%	0.4%	3.6%	5%	0.4%
Piped water outside home	Public standpipe	Covered well	Open well	River, creek, spring	Rainwater collection	Water tanker truck or watering hole	Bottled water

Access to water

One in every 5 clients lives in a household without adequate access to water[8]. Banco Adopem serves most of these clients (8% out of 20%). Close to 10% of Bancamia clients live in a household without access to piped water or a covered well. This share amounts to 8% among Financiera Confianza clients and 5% among clients of Banco Adopem. The breakdown shows the deprivations in the countries where it is most acute.

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[8] According to the deprivation cutoff selected for the country they live in.

08 **Deprivations in housing materials**
Households, by construction material

FC - Peru
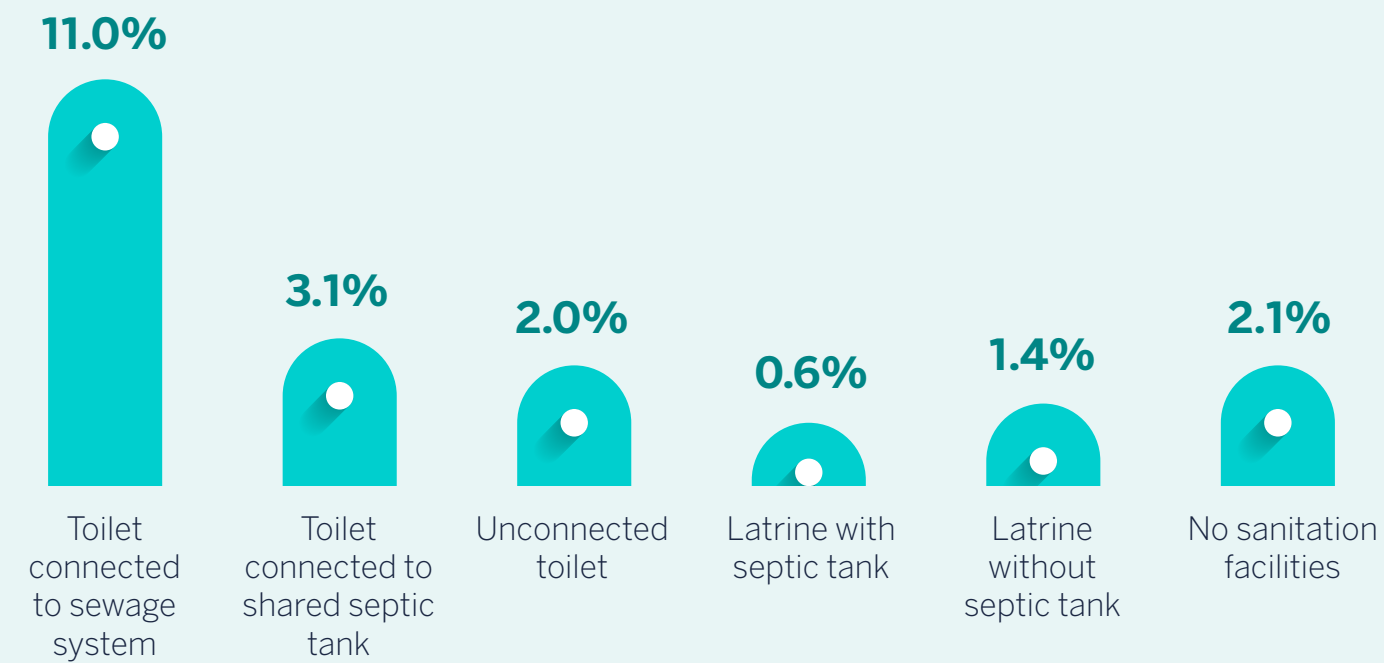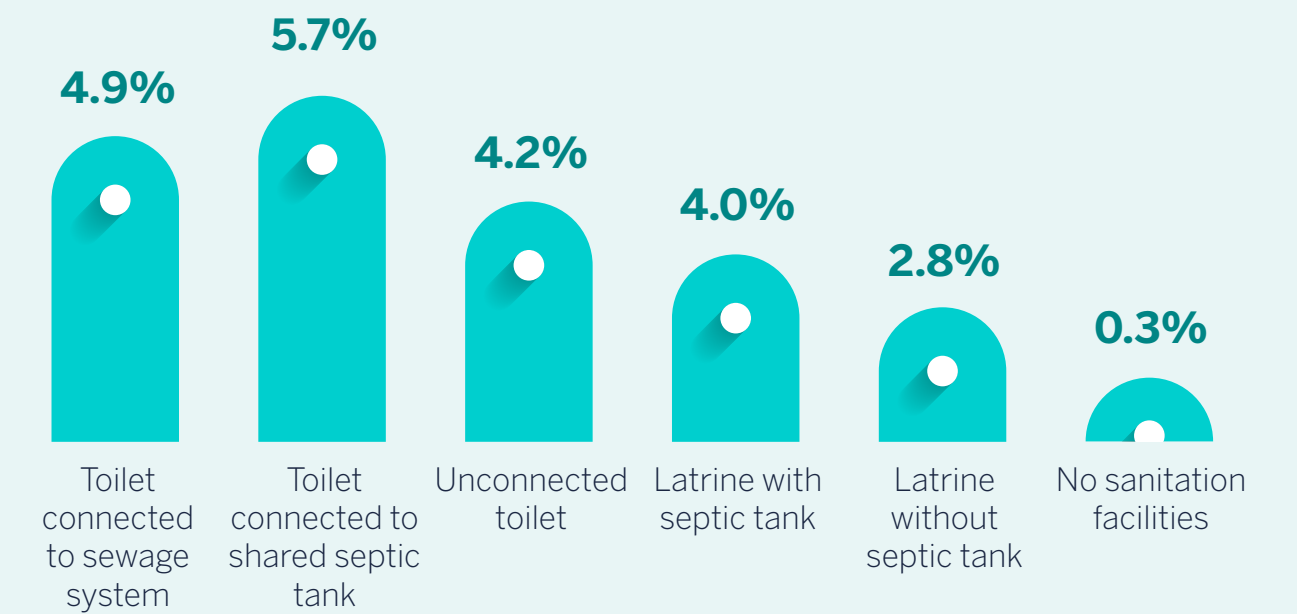
25.0%

7.7%

3.3%

1.1%

0.4%

0.3%

7.4%

2.1%

0.2%

Beaten earth
or sand

Rough wood,
planks

Cane or matting
with mud tiling

Plywood,
matting

Palm, straw,
thorny bamboo

Scrap
materials

Rough wood,
planks

Palm, straw,
bamboo

No walls

Floor

Roof

Walls

Housing materials

19% of clients live in a household with floor, walls or roof made of rudimentary materials. Financiera Confianza serves most of these clients. One in every 4 Financiera Confianza clients lives in a dwelling with a floor of earth or sand. The breakdown shows the deprivations Peru.

09
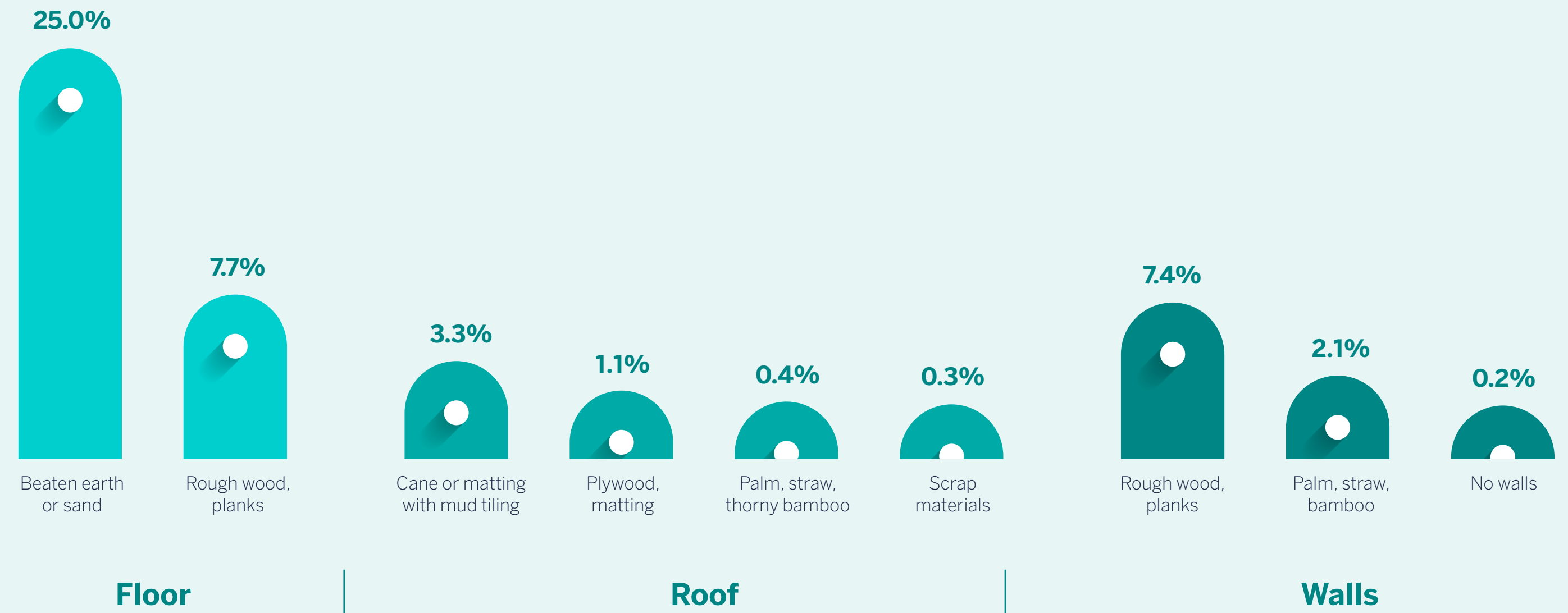
09 Deprivations in health insurance
Percentage of the client population
without Health insurance, by age group

FC - Peru

3.3%	5.2%	3.7%	2.7%	1.9%	1.3%	0.5%
0 - 18	18 - 29	30 - 39	40 - 49	50 - 59	60 - 69	>70

AD - Dominican Rep.

5.8%	4.8%	2.5%	2.7%	0.7%	0.2%
0 - 17	18 - 29	30 - 39	40 - 59	60 - 69	>70

MS - Panama

10.0%	9.0%	7.0%	12.0%	3.0%	1.0%
0 - 17	18 - 29	30 - 39	40 - 59	60 - 69	>70

Health insurance

17% of clients live in a household where there is at least one person without health insurance (public or private). However, this share conceals major disparities across entities. The proportion of our clients experiencing this type of deprivation ranges from 3% among clients served by Bancamia, in Colombia, to 56% among clients served by Microserfin, in Panama. The breakdown shows the deprivations in the countries where it is most acute.

10 Reasons for not having Internet access
Percentage of households

BA - Colombia

14.3%	5.4%	3.2%	1.9%	0.1%	0.1%
Cost	No/poor coverage	No devices	Don't know how to use it	Security & privacy	Other

Access to Internet

19% of clients live in a household with no access to Internet. As with health insurance, the situation varies greatly across entities. The proportion of clients experiencing this deprivation ranges from 4% among clients served by Fondo Esperanza, in Chile, to 25% among clients served by Bancamia, in Colombia. The breakdown shows the deprivations in the countries where it is most acute.

FC - Peru

8.8%	5.4%	5.5%	1.9%	0.6%
Cost	No/poor coverage	No devices	Don't know how to use it	Security & privacy

MS - Panama

9%	6%	3%	1%	1%
Cost	No/poor coverage	No devices	Don't know how to use it	Security & privacy

123

Breakdown by microfinance institution

11 Deprivation profile of Bancamía clients
Percentage of deprived households
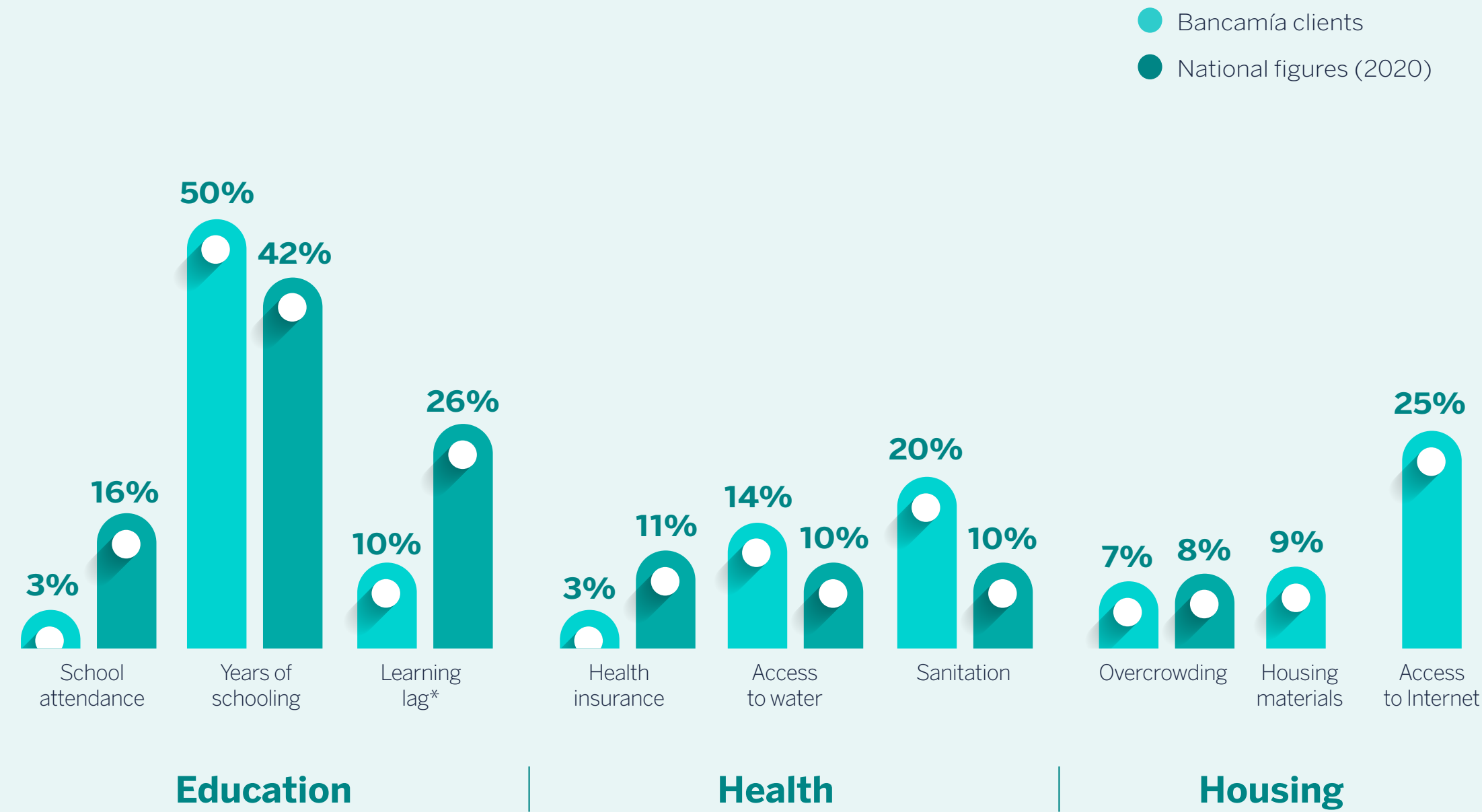
● Bancamía clients
● National figures (2020)

Education

Health

Housing

School attendance 3% / 16%
Years of schooling 50% / 42%
Learning lag* 10% / 26%
Health insurance 3% / 11%
Access to water 14% / 10%
Sanitation 20% / 10%
Overcrowding 7% / 8%
Housing materials 9%
Access to Internet 25%

12 Deprivation profile of Financiera Confianza clients
Percentage of deprived households

Education

Health

Housing

School attendance 6%
Years of schooling 29%
Learning lag 4%
Health insurance 28%
Access to water 18%
Sanitation 39%
Overcrowding 13%
Housing materials 38%
Access to Internet 22%

*Note: identifies the indicators for which the deprivation cutoff used to assess deprivation among clients matches the deprivation cutoff used by the national statistics body.
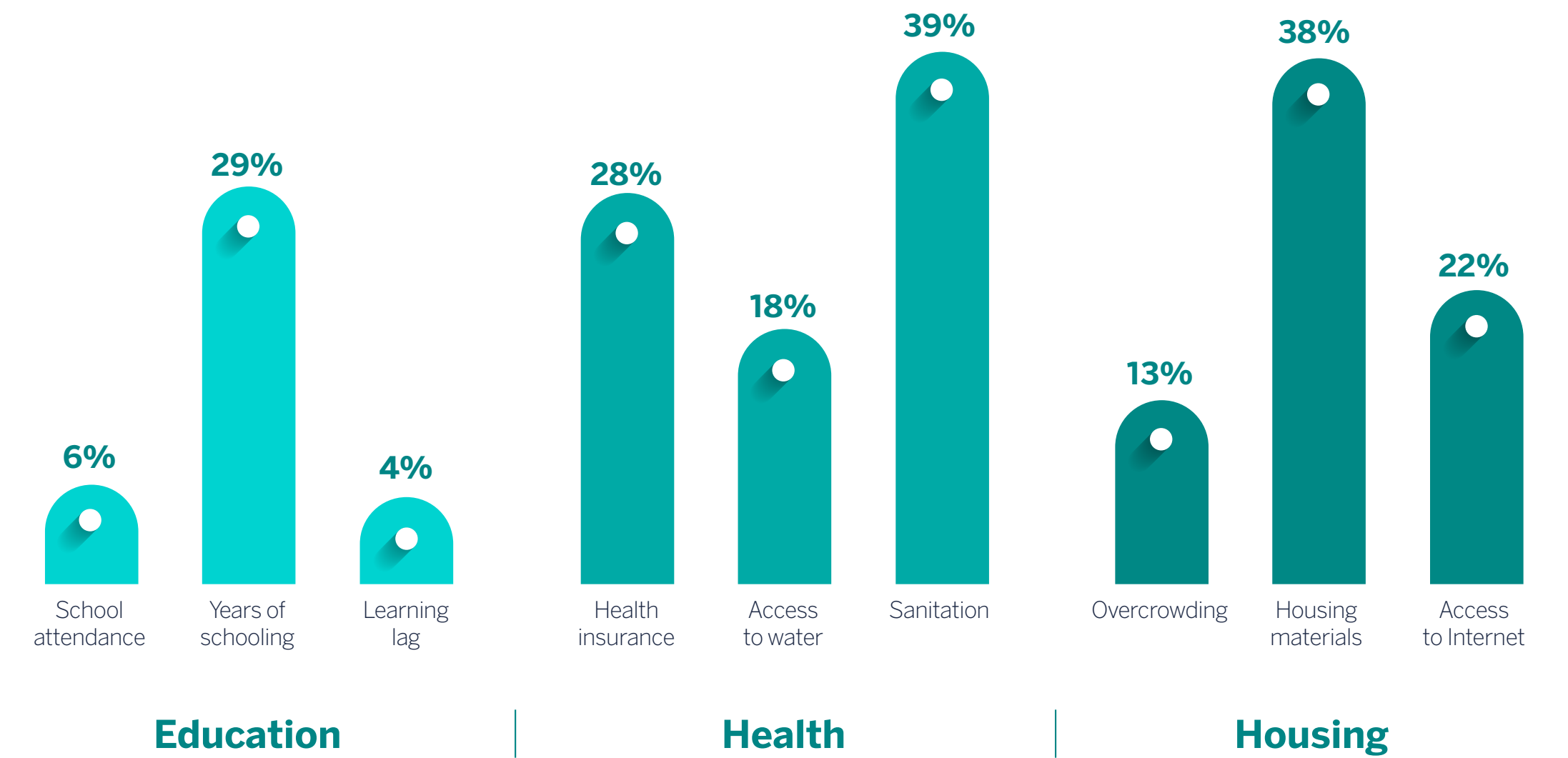
There are no national figures for Peru, because this country does not yet have a national MPI, and Panama, because the levels of deprivation, or headcount rates not covered in the census, were not published.

13 Deprivation profile of Banco Adopem clients

Percentage of deprived households

● Banco Adopem clients
● National figures (2019)

Education   **Health**   **Housing**

School attendance	Years of schooling*	Learning lag	Health insurance	Access to water	Sanitation	Overcrowding	Housing materials	Access to Internet		
3% / 9%	59% / 54%	7% / 15%	28% / 54%	44% / 65%	22% / 18%	15% / 19%	18% / 8%	10% / 9%		

14 Deprivation profile of Fondo Esperanza clients

Percentage of deprived households

● Fondo Esperanza clients
● National figures (2020)
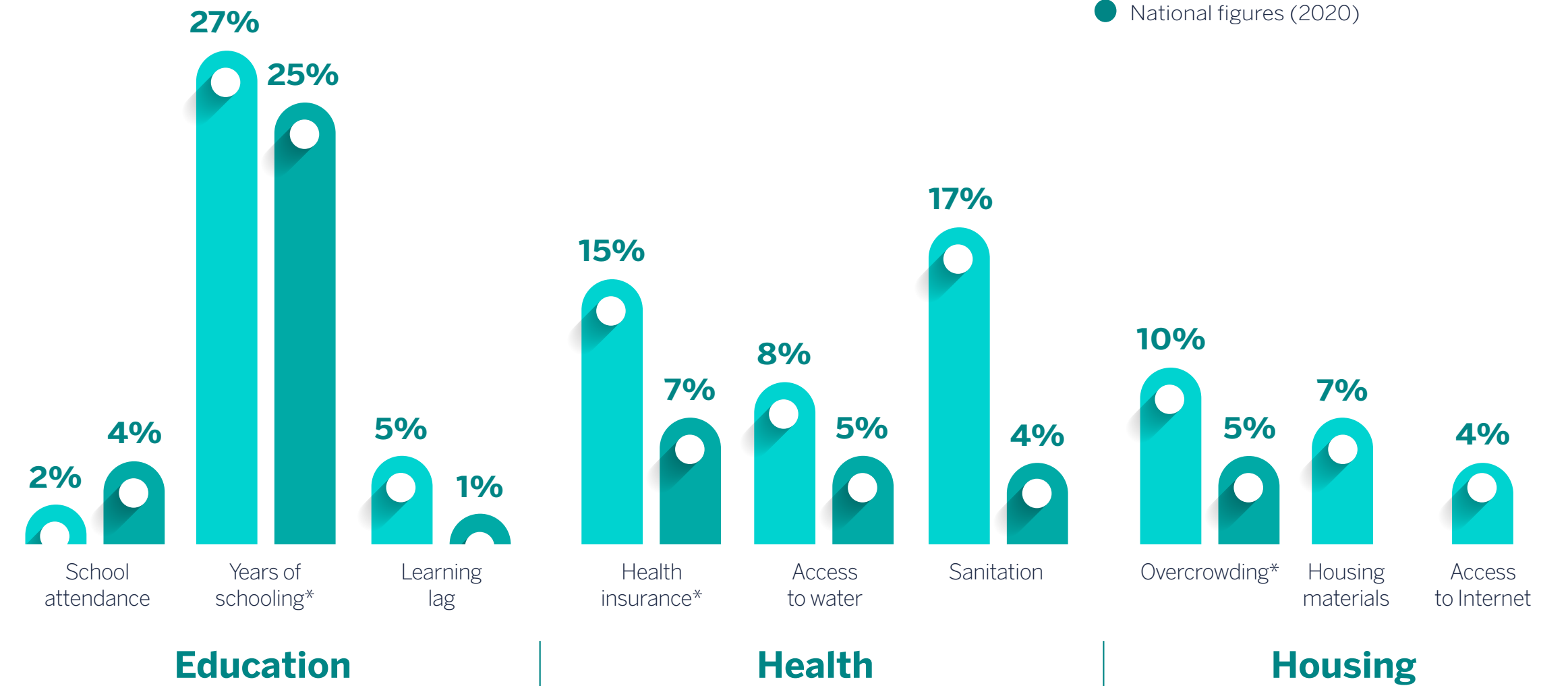
Education   **Health**   **Housing**

School attendance	Years of schooling*	Learning lag	Health insurance*	Access to water	Sanitation	Overcrowding*	Housing materials	Access to Internet
2% / 4%	27% / 25%	5% / 1%	15% / 7%	8% / 5%	17% / 4%	10% / 5%	7%	4%

* Note: identifies the indicators for which the deprivation cutoff used to assess deprivation among clients matches the deprivation cutoff used by the national statistics body.

15 Deprivation profile of Microserfin clients[9]
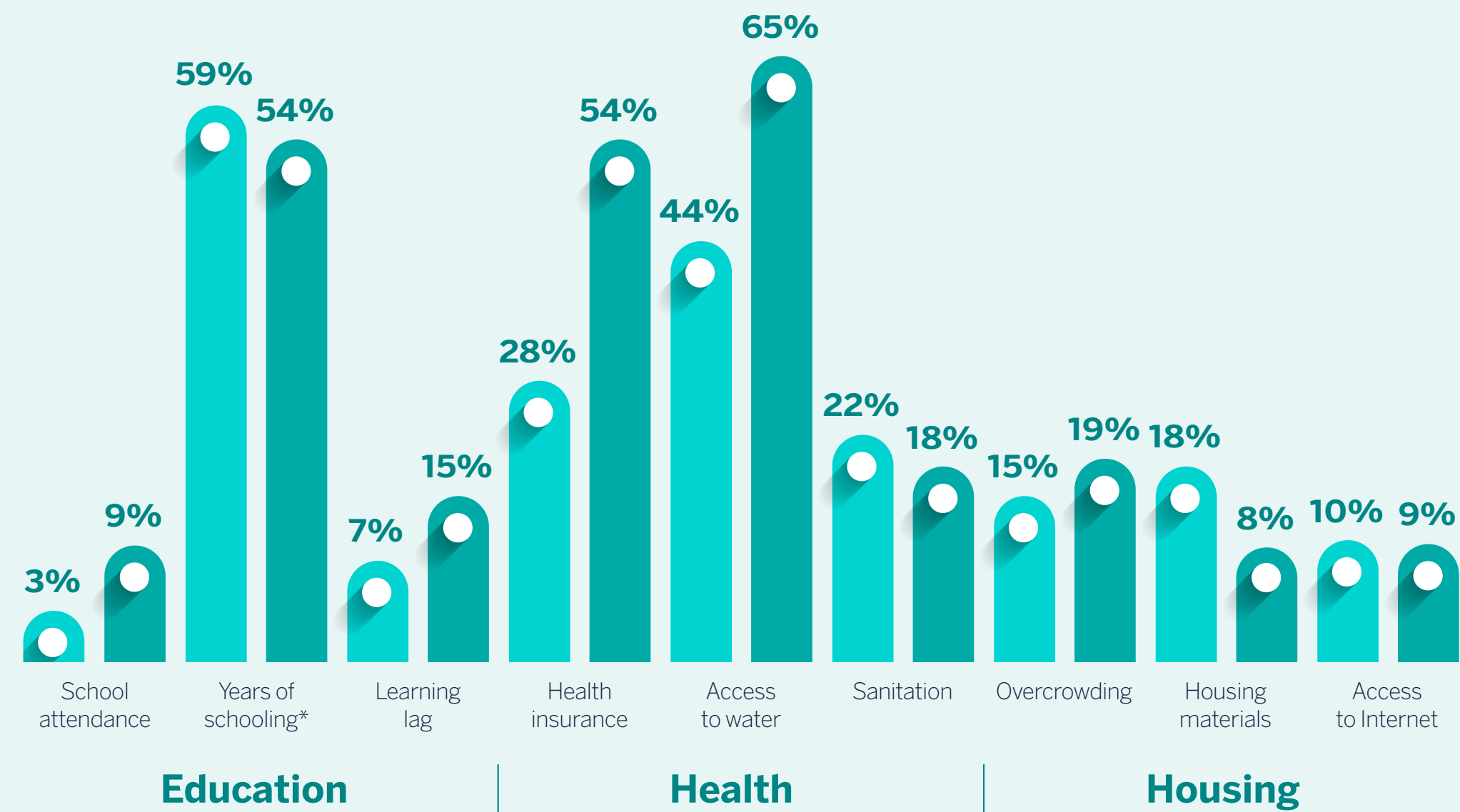
Percentage of deprived households

Chart data:
- School attendance: 3%
- Years of schooling**: 34%
- Learning lag: 7%
- Health insurance: 56%
- Access to water: 19%
- Sanitation: 29%
- Overcrowding: 8%
- Housing materials: 9%
- Access to Internet: 20%

Categories: **Education** | **Health** | **Housing**

Most of the nine indicators used to capture poverty among clients are also included in the national MPIs of the countries where the microfinance institutions operate, although rarely with exactly the same deprivation cutoffs. This means that comparisons between the incidence of deprivations reported here, and the national figures must be interpreted carefully. The figures below display the levels of deprivation among clients, next to the most recently published national figures, where these are available.

Years of education is one of the most important issues at both national level and among Bancamia clients. In addition to years of schooling, the most common deprivations among Bancamia clients are access to Internet, sanitation and access to water. The most common deprivations suffered by Financiera Confianza clients are sanitation, housing materials, years of schooling, and health insurance.

The most prevalent deprivations among Banco Adopem clients are years of schooling, access to water, health insurance, and sanitation. Data suggests that, of the nine indicators considered in our study, the national figures highlight the same three top deprivations, although in different order: access to water, years of schooling, and health insurance.

The deprivations most frequently suffered by Fondo Esperanza clients are years of schooling, sanitation, health insurance, and over-crowding. Data suggests that, with the exception of school attendance, the incidence of deprivations among Fondo Esperanza clients is probably higher than among the Chilean population[10].

The deprivations most prevalent among Microserfin households are health insurance, years of schooling, sanitation and access to Internet.

Analyzing the incidence of deprivation indicators alone does not enable us to identify those clients who experience several deprivations simultaneously and are, thus, in a more vulnerable situation. To do so, we move next to an analysis of the MPI itself.

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[9] Panama has not published the proportion of population deprived in each indicator, publishing only the proportion of population that is poor or underprivileged in each indicator. Hence, we have not been able to compare our results with the national figures.
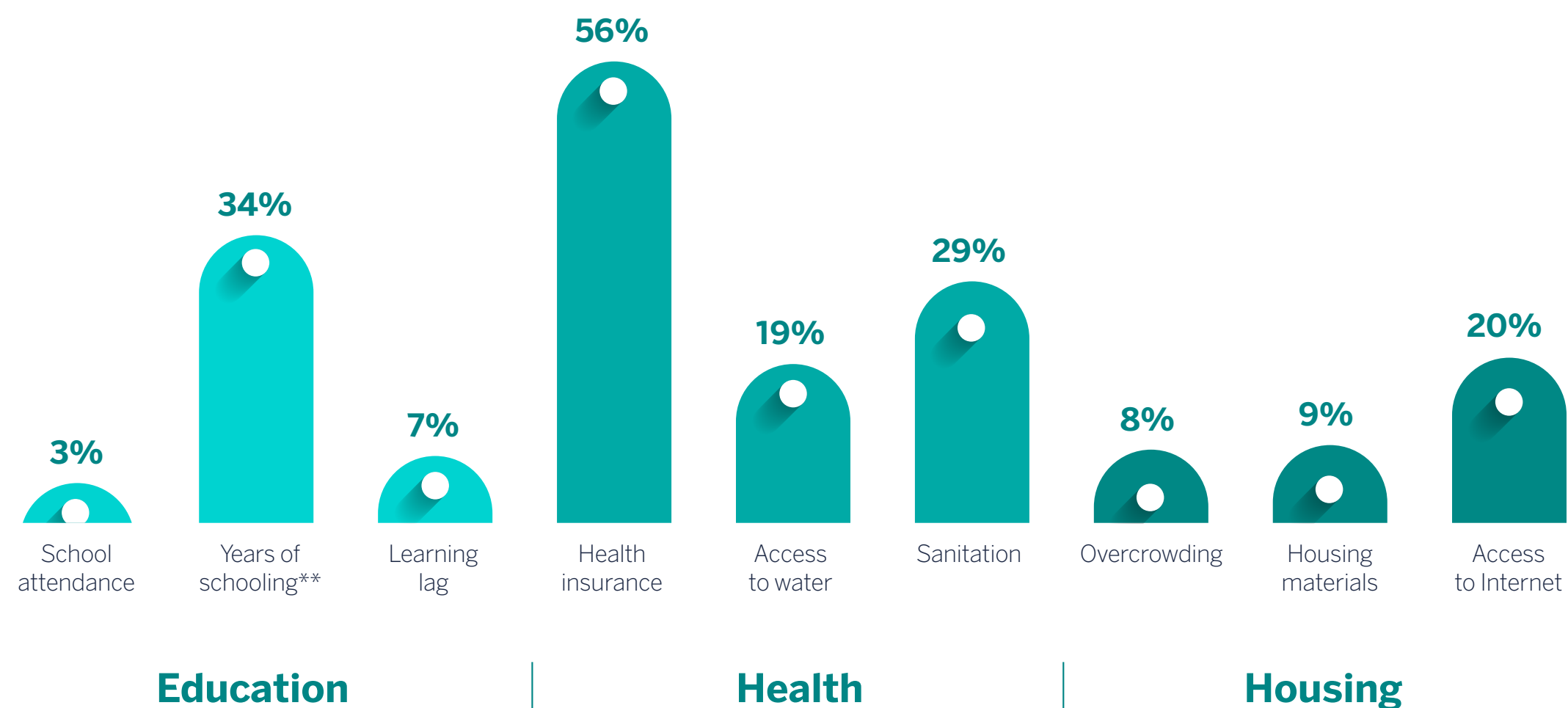
** Identifies the indicators for which the deprivation cutoff used to assess deprivation among clients matches the deprivation cutoff used by the national statistics body.

[10] We cannot say this for sure because of the different deprivation cutoffs. However, since the cutoffs are relatively similar, we suspect that at least part of the differences identified reflect the more vulnerable situation of Fondo Esperanza clients.

IMPI

The rate of multidimensional poverty among our clients is 24% „

Clients living in multidimensional poverty suffer deprivations in 41% of our indicators „

16 IMPI, Incidence and Intensity

Index	Value	Confidence Interval (95%)	
IMPI	0.099	0.095	0.103
Incidence (H%)	24.2%	23.3%	25.2%
Intensity (A%)	41.0%	40.6%	41.5%

The incidence of multidimensional poverty among clients served by the BBVAMF's microfinance institutions, according to country-specific definitions, is 24.2%. When we take into consideration this estimate's margin of error, we can say with 95% of confidence that the true proportion of clients living in a household in multidimensional poverty lies between 23.3% and 25.2%.

Households living in multidimensional poverty are, on average, deprived in 41.0% of the indicators (equivalent to 3.7 of the 9 indicators). The true value of the intensity of poverty lies between 40.6% and 41.5%, with a confidence of 95%.

The IMPI has a value of 0.099, which means that BBVAMF's clients experience 9.9% of the total deprivations that would be experienced if all clients were deprived in all indicators. The true IMPI value lies between 0.095 and 0.103 with 95% of confidence.

The good news is that more than half of poor clients only have three deprivations, which means they only need to overcome one deprivation to escape poverty.

Over half of poor households suffer only three types of deprivation, so they need to overcome just one of them to escape poverty „

17 **Distribution of the intensity of poverty**

6 deprivations
4%

7-8 deprivations
1%

5 deprivations
13%

3 deprivations
54%

4 deprivations
28%

128
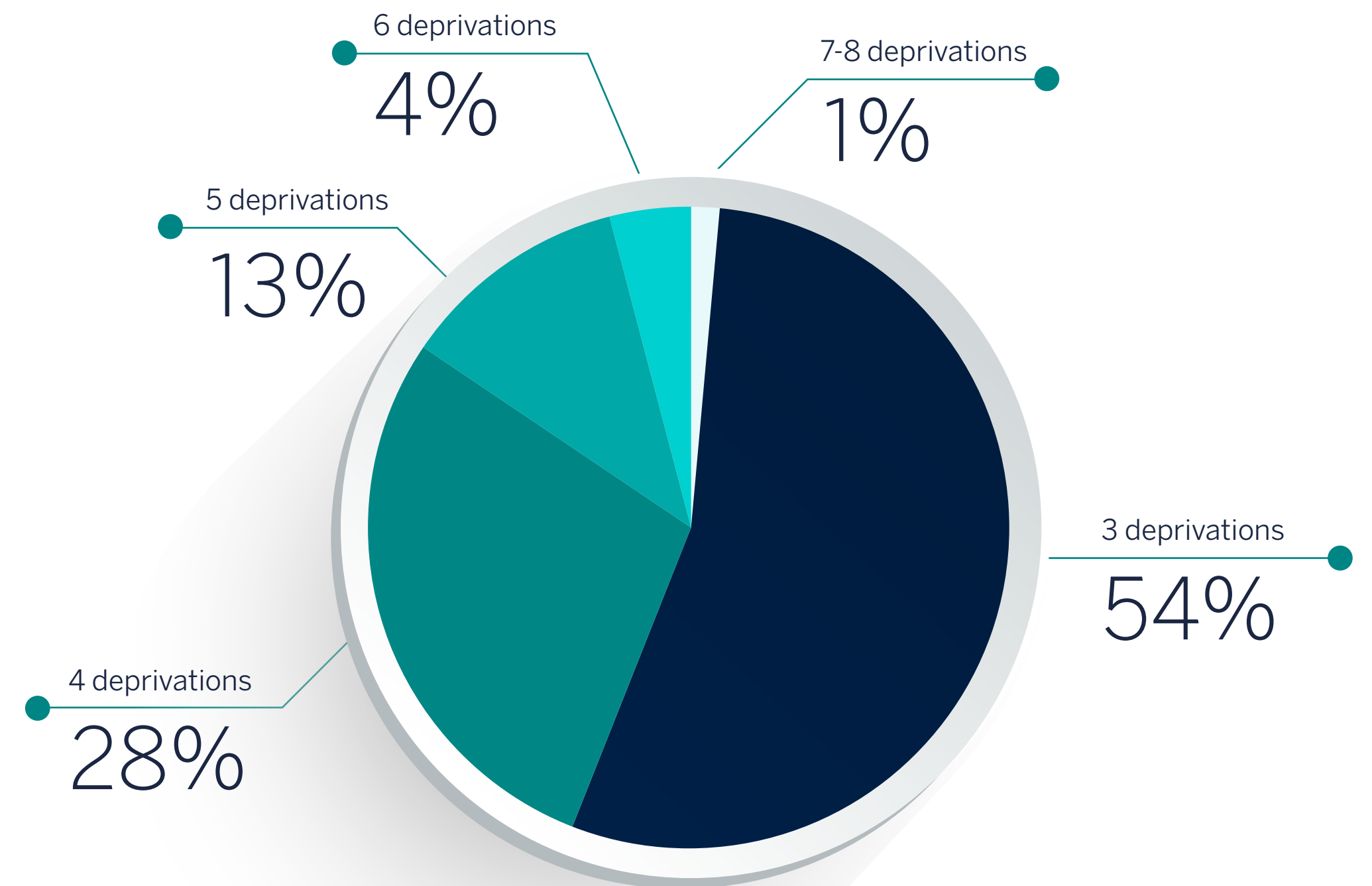
Breakdown of Poverty
by Indicator

We shall now turn to the percentage of clients' households that are poor and deprived in each indicator. 18% of clients are poor and deprived in years of schooling, 14% are poor and deprived in sanitation, 13% are poor and deprived in housing materials, and 12% are poor and deprived in access to water. In terms of relative contribution to MPI, the health dimension contributes 39% of the MPI.

Of poor clients, 18% are deprived in Years of schooling, 14% in Sanitation, 13% in Housing materials, and 12% in Access to water „

The Health dimension accounts for 39% of the Internal Multidimensional Poverty Index „

18 Percentage of households poor and deprived in each indicator

Percentage of households poor and deprived

School attendance	Years of schooling	Learning lag	Health insurance	Access to water	Sanitation	Overcrowding	Housing materials	Access to Internet
2%	18%	4%	9%	12%	14%	7%	13%	11%

Education | **Health** | **Housing**
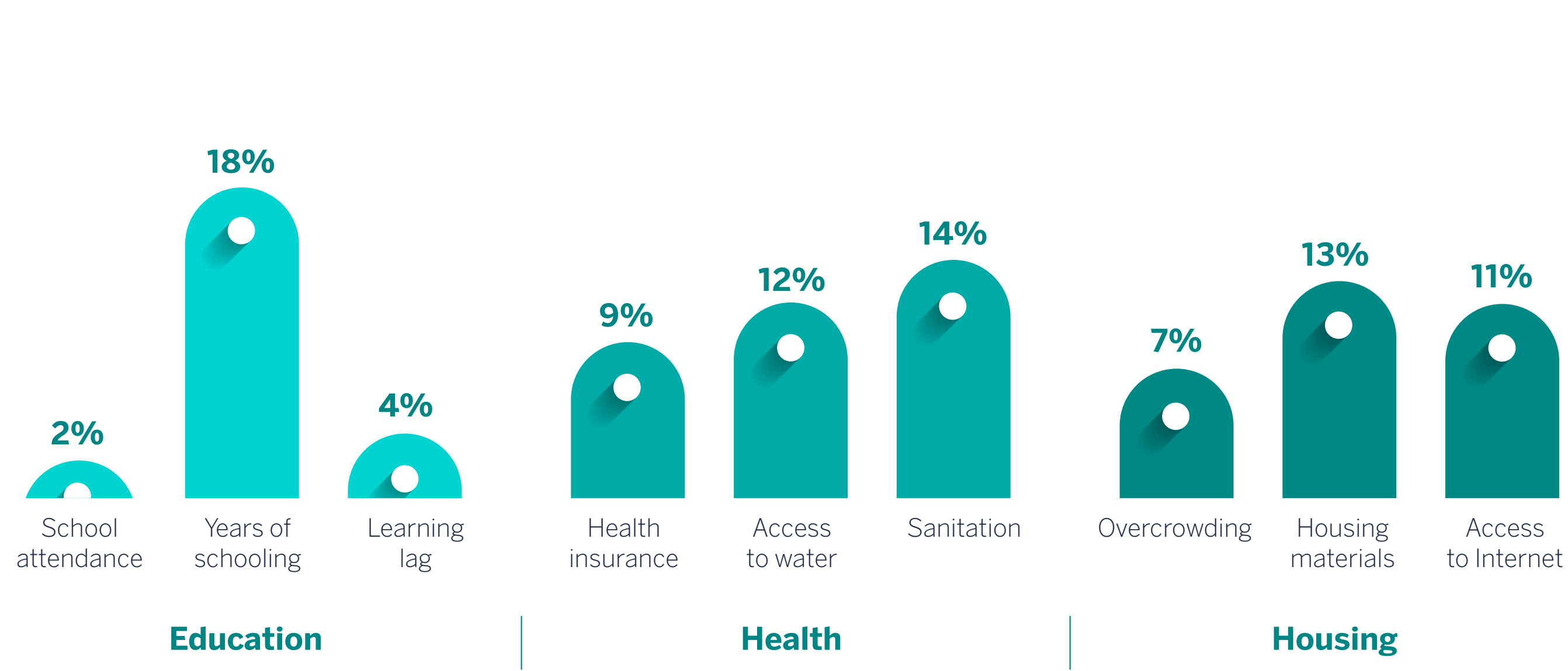
19 Relative contribution of each indicator to the IMPI

- Access to Internet — 13%
- Housing materials — 14%
- Overcrowding — 7%
- Sanitation — 15%
- Access to water — 14%
- Health insurance — 10%
- Learning lag — 4%
- Years of schooling — 20%
- School attendance — 3%

130
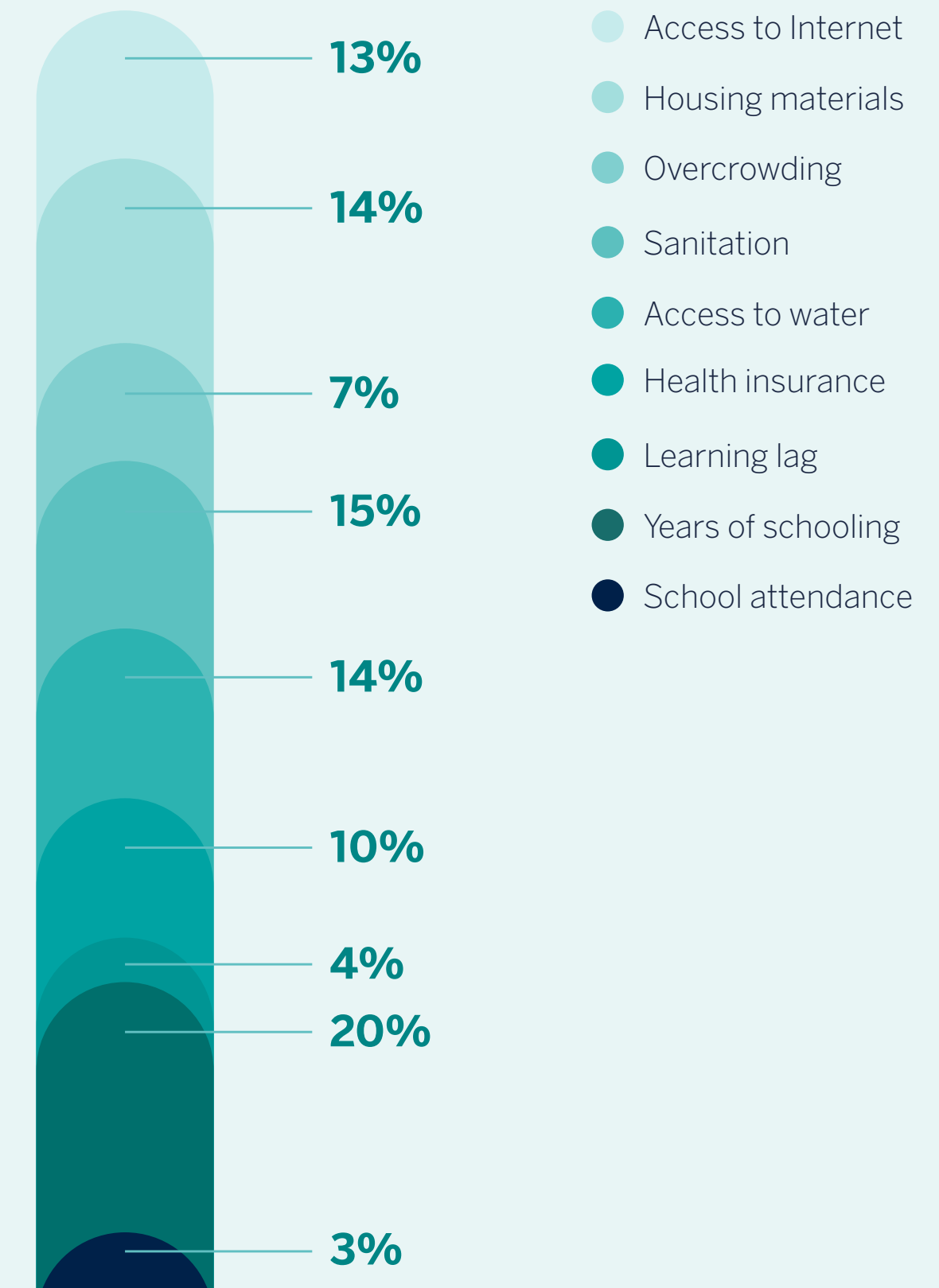
Financiera Confianza and Banco Adopem serve 65% of the Group's poor clients, and a third of their clients live in multidimensional poverty „

Multidimensional Poverty by Microfinance Entity

It is important to bear in mind that as poverty was measured based on country-specific deprivation thresholds, the entities' poverty figures are not strictly comparable. These figures are presented here to provide an insight into the particular situation of each entity's clients.

At least a third of Financiera Confianza and Banco Adopem clients are living in multidimensional poverty. These two entities represent 47% of the client portfolio but serve 65% of clients in poverty.

The estimates suggest Fondo Esperanza clients experience a relatively low level of multidimensional poverty. However, it is important to acknowledge that in Chile's socio-economic context, our measure of multidimensional poverty is probably identifying only those individuals living in a situation of extreme poverty, experiencing severe deprivations. In order to build a measure that would allow us to better discriminate between poor and non-poor in Chile, we would probably have to cover other dimensions of poverty, such as Employment[11].

Index	Country	Sample size	IMPI	Incidence (H,%)	Intensity (A,%)	% of clients	% of clients in poverty
Cartera de clientes		8,939	0.099	24.2%	41.0%		
Bancamía	Colombia	4,760	0.071	17.5%	40.4%	38.7%	28.0%
Financiera Confianza	Peru	2,271	0.137	32.7%	42.0%	28.5%	38.4%
Banco Adopem	Dominican Rep.	1,020	0.143	35.1%	40.8%	18.2%	26.4%
Fondo Esperanza	Chile	526	0.035	9.1%	38.4%	12.5%	4.7%
Microserfin	Panama	362	0.117	29.0%	40.2%	2.1%	2.5%

[11] Of the five dimensions included in Chile's national MPI, the 'Employment and Social Security' dimension is the one that most contributes to poverty, 31.0% in 2015 and 31.1% in 2017. Of the 11 MPI indicators tracked by CASEN during the pandemic in 2020, the three indicators of this dimension, Employment, Social Security and Retirement, recorded the highest levels of deprivation, only surpassed by deprivation in years of schooling.

21 Relative contribution of each dimension to the IMPI

● Housing
● Health
● Education
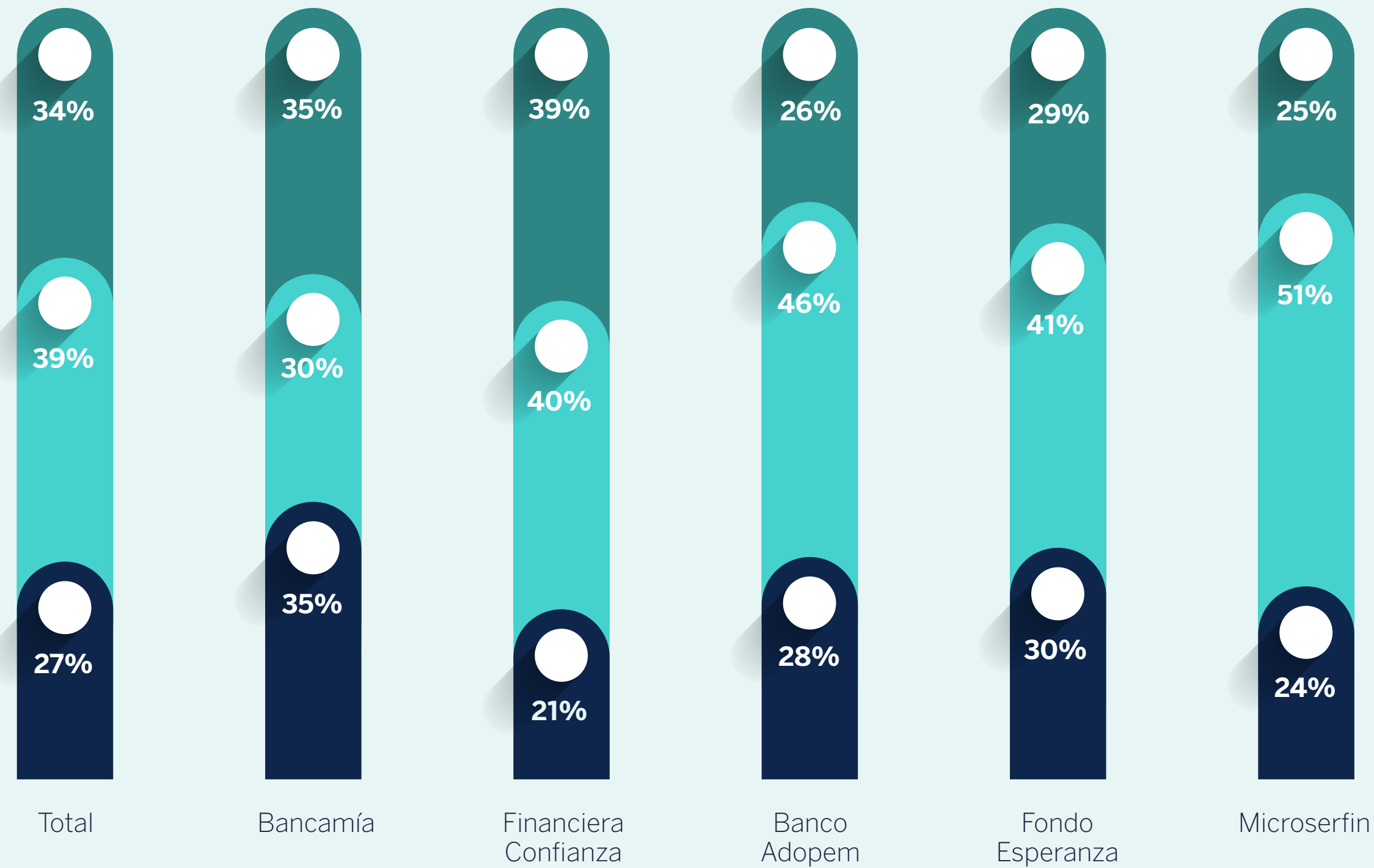
The health dimension is the biggest contributor to poverty across all entities, except for Bancamia. This dimension accounts for more than 50% of poverty among Microserfin clients.

	Total	Bancamía	Financiera Confianza	Banco Adopem	Fondo Esperanza	Microserfin
Housing	34%	35%	39%	26%	29%	25%
Health	39%	30%	40%	46%	41%	51%
Education	27%	35%	21%	28%	30%	24%

Characteristics of poor households

The results show that, across all entities, households in poverty, on average, have more people, have children and have a lower per capita household income. In the case of clients from Bancamia, Financiera Confianza and Banco Adopem, poor clients are also more likely to live in rural areas.

Another important element of vulnerability is the number of unforeseen events - "shocks" – that they face. Clients were asked if they had encountered any unforeseen event and the data also shows that households suffering a shock tend to experience higher levels of poverty. The percentage of households that experience some type of shock varies between 37.6% (Bancamia) and 47.7% (Fondo Esperanza).

4 in every 10 poor households experience a shock „

133

22 Characteristics of poor and non-poor households

Household characteristics	Bancamía			Financiera Confianza			Banco Adopem			Fondo Esperanza			Microserfin		
	Non-poor	Poor	Diff.?	Non-poor	Poor	Diff.?	Non-poor	Poor	Diff.?	Non-poor	Poor	Diff.?	Non-poor	Poor	Diff.?
Number of members	3.2	4.1	***	3.1	4.0	***	3.1	3.6	***	3.6	5.3	***	2.8	4.0	***
With children	40%	65%	***	42%	58%	***	52%	62%	***	63%	75%	*	36%	54%	***
With school-age children	35%	58%	***	35%	50%	***	42%	56%	***	58%	71%	*	31%	46%	***
Number of children	0.6	1.2	***	0.7	1.1	***	0.9	1.2	***	1.1	1.9	***	0.6	1.2	***
With a senior member (age >64)	21%	17%	***	14%	14%		13%	11%		17%	27%	*	18%	15%	
Living in urban area	63%	32%	***	72%	60%	***	60%	52%	***	86%	92%		57%	54%	
Income per capita [1]	836,141	475,861	***	1,473	962	***	28,448	21,051	***	511,616	327,504	***	482	297	***

***Note: the difference is statistically significant at the level of 1%; ** significant at 5%; * significant at 10%. (1) Income per capita in local currency.
The table compares households in and not in poverty, by entity. For each characteristic, the table reports the average among non-poor households and poor households, and whether the difference between the two is statistically significant.

23 Shocks in poor and non-poor households

Household characteristics	Bancamía		Financiera Confianza		Banco Adopem		Fondo Esperanza		Microserfin	
	Shock	Non-shock	Shock	Non-shock	Shock	Non-shock	Shock	Non-shock	Shock	Non-shock
IMPI	0.097	0.055	0.153	0.124	0.173	0.122	0.041	0.029	0.124	0.112
Incidence (H%)	23.7%	13.8%	35.7%	29.9%	41.8%	30.3%	10.8%	7.6%	31.5%	27.4%
Intensity (A%)	40.7%	40.1%	42.7%	41.3%	41.3%	40.4%	38.3%	38.6%	39.5%	40.7%
Sample size	1,791	2,969	1,077	1,194	426	594	251	275	143	219

Multidimensional poverty and monetary poverty

To compare multidimensional with monetary poverty, we took two approaches. One was based on the client's reported business surplus, which we will refer to as "monetary poverty"[12]; the other was based on the client's perception about whether his/her household income is sufficient to meet the household's basic needs, which we will call "subjective poverty". The main concepts relating to monetary poverty used in this section are defined below.

Monetary Poverty
The BBVA Microfinance Foundation (BBVAMF) classifies all its clients as extremely poor, poor,

vulnerable, or other, based on their reported business surplus for each family member and the national poverty line. In this study, a client was considered monetarily poor if BBVAMF classified him/her as poor or extremely poor. To reduce the bias resulting from defining poverty based on the client's business income rather than the household income, this variable was not defined for those clients who reported that their business income represented fewer than 50% of their household income. Thus, the analysis of monetary poverty should be interpreted carefully in Chile and Panama, as it might not be representative of the full client sample[13].

Subjective Poverty
A client was considered subjectively poor if he/she reported a household income lower than the household income they stated their household needed to meet its basic needs[14].

Subjective Poverty Gap
This is the absolute value of the normalized gap between the reported household income and the reported income required to satisfy basic needs [(household income - Income needed) / Income needed]. This variable is only defined for clients in subjective poverty.

Subjective Vulnerability
A client was considered subjectively vulnerable if he/she reported that his/her household income was higher than the income required to meet basic needs, but lower than the income needed for the household to be able to cope with unexpected expenses (e.g. car repair, new fridge)[15].

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[12] Given that BBVAMF's microfinance institutions mainly fund entrepreneurs, their business surplus, in most cases, is the main source of household income. Nevertheless, this question was considered in the survey and a filter used to ensure this was the case when comparing monetary vs. multidimensional poverty (see below).

[13] If clients whose business income represents fewer than 50% of the household income are different from clients whose business income represents at least 50% of the household income, the monetary poverty statistics reported here will be biased. For reference, the share of clients whose business income represents fewer than 50% of the household income are: 14% for Bancamia, 12% for Financiera Confianza, 22% for Banco Adopem, 31% for Fondo Esperanza and 15% for Microserfin.

[14] This variable was calculated comparing clients' responses to questions:
- "Can you tell us your household's average monthly income over the last three months?", and
- "What monthly income does your household need in order to meet its basic needs?"

[15] This variable was calculated comparing clients' responses to questions:
- "Can you tell us your household's average monthly income over the last three months?", and
- "What amount of monthly household income would be enough to make you feel "comfortable"?"

24 Incidence of poverty based on different measures

For Bancamia and Fondo Esperanza, the share of clients in monetary poverty is higher than the share of clients in multidimensional poverty. The opposite is true for the other three entities. Across all entities, the vast majority of clients perceive themselves as living in monetary poverty. The percentage of clients in subjective poverty ranges from 64% for Banco Adopem to 97% for Bancamia. It should be noted there is a relatively small overlap between clients in monetary poverty and clients in multidimensional poverty. This suggests that the two measures capture different phenomena and that targeting programs based only on the BBVAMF's monetary measure will omit an important share of clients who are in multidimensional but not monetary poverty.

Measurements	Bancamía	Financiera Confianza	Banco Adopem	Fondo Esperanza	Microserfin
Multidimensional Poverty Rate	17.5%	32.7%	35.1%	9.1%	29.0%
Monetary Poverty Rate [1]	32.9%	25.5%	20.7%	50.7%	16.8%
Subjective Poverty Rate	96.6%	86.4%	64.4%	79.8%	84.0%
Subjective Vulnerability Rate	1.7%	7.3%	10.7%	12.5%	4.7%
Average Subjective Poverty Gap	32.5%	28.4%	32.5%	28.0%	36.0%
of clients in monetary & multidimensional poverty [1]	6.7%	11.0%	8.8%	4.4%	7.8%

(1) Note: These figures were estimated based on the sample of clients who reported that their business surplus represents at least 50% of the household's income.

The data suggest that the multidimensional poverty measurement is highly complementary to monetary poverty 🙿

25 IMPI by monetary poverty category

Bancamía

Ext. poor	Poor	Vulnerability	Other
0.105	0.082	0.064	0.045

Banco Adopem

Ext. poor	Poor	Vulnerability	Other
0.156	0.185	0.141	0.112

Financiera Confianza

Ext. poor	Poor	Vulnerability	Other
0.117	0.182	0.132	0.103

Microserfin

Ext. poor	Poor	Vulnerability	Other
0.162	0.217	0.095	0.057
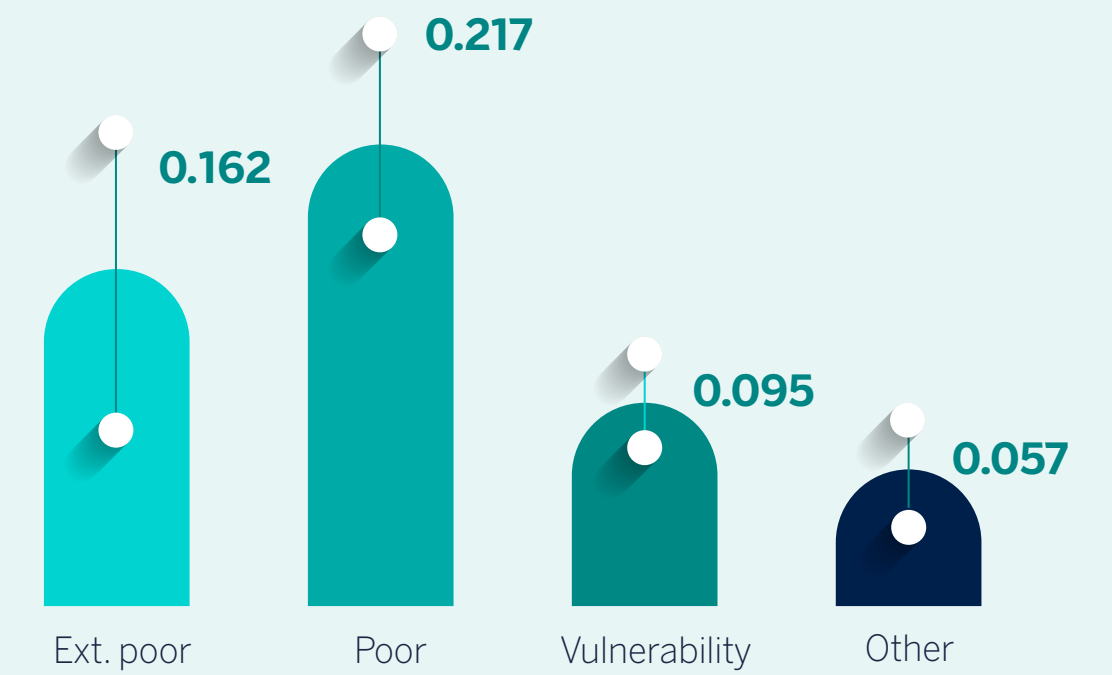
When we examine the level of multidimensional poverty among clients in the different monetary categories —extremely poor, poor, vulnerable, and other— we also find evidence that multidimensional poverty tends to be higher among households classified as poor and extremely poor than among vulnerable and other households.

How to reduce poverty?

Proposing a strategy to reduce multidimensional poverty among the microfinance entities' clients goes beyond the scope of this report. Such endeavor requires a much deeper analysis of the context and type of programs available or within the entities' sphere of influence. Nevertheless, this section provides a simulation of the impact on the aggregated multidimensional poverty figures of a set of interventions implemented separately by each entity, targeting specific deprivations, under perfect (unrealistic) conditions. The purpose of this exercise is to give a very rough benchmark of the magnitude of change that could be achieved in a perfect scenario.

Each entity ranked the nine deprivations in terms of the entity's ability to support clients overcoming them, from the easiest or most accessible to the hardest or least accessible. Then, for each entity we defined the sequence of deprivations to be tackled based on this ranking, putting them in order of the indicators that most contribute to poverty, as well as specific concerns relating to some deprivations.

This exercise assumes:

/ Interventions/solutions are implemented in a sequential and synchronized manner[16]

/ Each intervention is offered by the entity to all poor households deprived in the indicator targeted by that intervention

/ Interventions are 100% effective, which means that all households and individuals that are offered an intervention overcome their deprivation in the indicator targeted by that intervention

[16] This means all entities implement their first intervention at the same time and the impact of that intervention is felt over the same time horizon. Then they all implement their second intervention, and the impact of that intervention is felt over the same time horizon. And so on.

According to the sequences proposed, sanitation is the first or second deprivation to be tackled for all entities. Although the deprivation in years of schooling is the biggest contributor to poverty among clients, this exercise only includes it in the sequence for Fondo Esperanza because this is a difficult deprivation to solve. It requires a major time investment which deprived individuals, especially older adults, might sometimes not be willing to make.
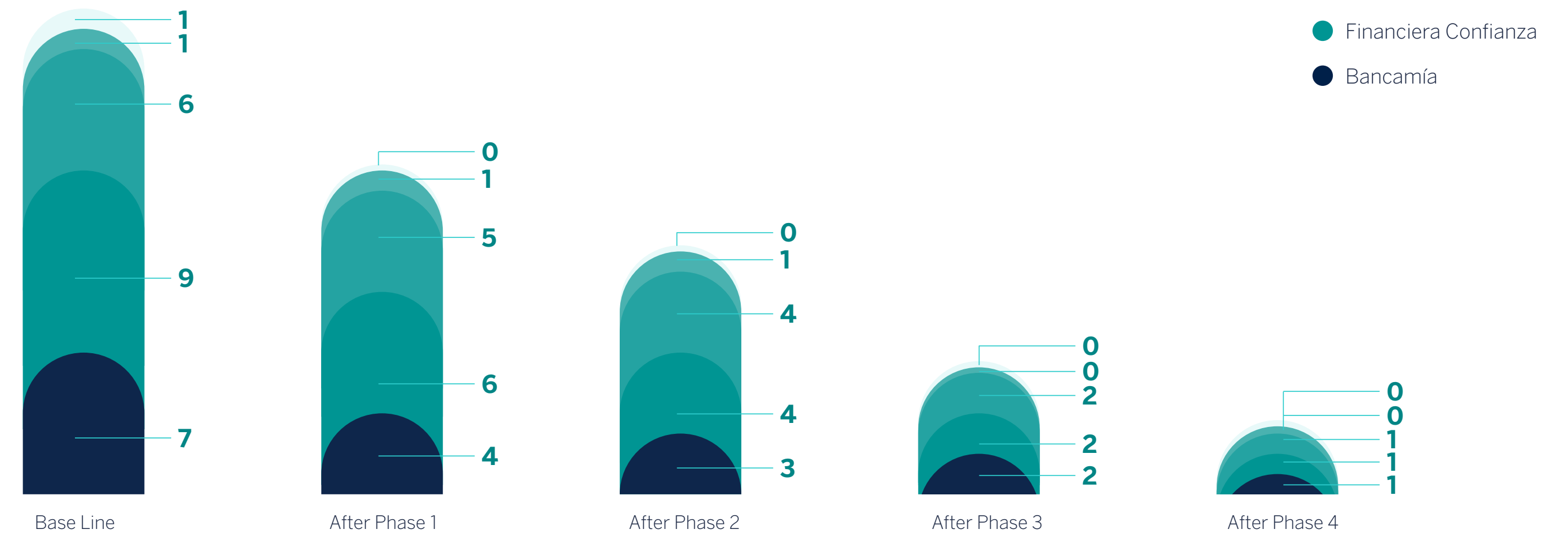
27 Sequence of deprivations to target by entity

Phases	Bancamía	Financiera Confianza	Banco Adopem	Fondo Esperanza	Microserfin
1	Sanitation	Housing materials	Health insurance	Sanitation	Health insurance
2	Access to Internet	Sanitation	Sanitation	Health insurance	Sanitation
3	Housing materials	Access to Internet	Housing materials	Overcrowding	Access to Internet
4	Access to water	Health insurance	Access to water	Years of schooling	Access to water

26 Simulated impact of interventions

Sample size	IMPI	Incidence (H,%)	Intensity (A,%)
Base Line	0.099	24.2%	41.0%
After Phase 1	0.065	16.8%	38.9%
After Phase 2	0.041	11.2%	36.7%
After Phase 3	0.022	6.3%	35.8%
After Phase 4	0.009	2.5%	34.3%

28 Estimated impact of interventions on incidence

Microserfin
Fondo Esperanza
Banco Adopem
Financiera Confianza
Bancamía

Base Line — 1 / 1 / 6 / 9 / 7

After Phase 1 — 0 / 1 / 5 / 4

After Phase 2 — 0 / 1 / 4 / 4 / 3

After Phase 3 — 0 / 0 / 2 / 2 / 2

After Phase 4 — 0 / 0 / 1 / 1

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Final thoughts

This study broadens our understanding of the conditions in which our entrepreneurs live. We have learnt that clients show relatively high levels of deprivation in some indicators that are very actionable, such as sanitation, housing materials and health insurance. We have also learned how complementary (and necessary) this information is to better respond to vulnerability in various dimensions. Finally, we now understand that supporting our clients to improve their living standards will require working in partnership with other stakeholders, including national governments. It will be an effort for many and an opportunity for all.

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Methodological note

This note briefly describes the methodology used to calculate multidimensional poverty[17] among BBVAMF microfinance institutions' clients.

The IMPI used in this study consists of nine indicators grouped into three dimensions, Education, Health and Housing. The deprivation cutoffs are country-specific, so each entity is able to adequately identify the most vulnerable clients in its own portfolio. The selection of these cutoffs was informed by the deprivation cutoffs in the national measurements (where these exist), the survey results and the microfinance entity's local knowledge.

The definitions of the cutoffs used for each entity are presented at the end of this note. Table 29 shows that for most indicators there are some deprivation cutoffs that are common across entities.

Each dimension is equally weighted and each indicator within each dimension is also equally weighted. As the three dimensions nest three indicators each, all indicators have equal weights (1/9). The poverty cutoff is 33.33%, which means that a client is identified as poor if he or she lives in a household deprived in at least one third of the indicators.

29 Overlap between deprivation cutoffs selected by different entities

Indicator	Bancamía	Financiera Confianza	Banco Adopem	Fondo Esperanza	Microserfin
School attendance	X	X	X	X	X
Years of schooling	X	X			X
Learning lag	Y	X	X	X	Y
Health insurance	Y	X	X	X	Y
Access to water	X	X		X	X
Sanitation	X	X	X	X	
Overcrowding		X	X		X
Housing materials		X		X	
Internet access	X	X	X	X	X

Note: For each type of indicator, x and y identify the entities that used the same deprivation cutoff. For example, in the case of the schooling gap, Banco Adopem, Financiera Confianza and Fondo Esperanza used one deprivation cutoff, while Bancamia and Microserfin used another. Regarding housing materials, each entity used a different deprivation cutoff, except for Financiera Confianza and Fondo Esperanza, which used the same one.

[17] The MPI is constructed based on the Alkire-Foster multidimensional poverty measurement method. For a detailed explanation of the methodology see Alkire, S., Foster, J. E., Seth, S., Santos, M. E., Roche, J. M., and Ballon, P. (2015). Multidimensional Poverty Measurement and Analysis, Oxford: Oxford University Press. All chapters available at https://ophi.org.uk/publications/ophi-working-papers/.

This IMPI, like most existing ones, identifies poverty at the household rather than at the individual level. This implies that a client is classified as poor depending not only on his/her achievements, but also on the achievements of the other members of his/her household. We opted for focusing on the household because most clients do not live alone, sharing resources and responsibilities with the people with whom they live.

The computation of an MPI involves two steps: (i) identifying who lives in poverty, and (2) aggregating the data on individuals' deprivations and poverty status into meaningful summarized measures.

Identification

First, by applying the indicators' definitions to the information provided by the client, we identify the specific deprivations of each client. Second, for each client we add up his/her weighted deprivations, obtaining the client's deprivation score. By definition, this deprivation score varies between zero, for those clients who live in a household with no deprivations, and 100%, for those clients who live in households deprived in all nine indicators.

Third, we identify as poor those clients whose deprivation score is equal or higher than the 33.33% poverty cutoff.

Aggregation

Information is summarized in three main indices.

/ Headcount ratio or incidence (H): the percentage of clients identified as poor.

/ Intensity of poverty (A): the average share of deprivations experienced by poor clients; this corresponds to the average deprivation score across clients identified as living in poverty.

/ IMPI or adjusted headcount ratio: the incidence adjusted by the intensity of poverty; corresponds to the product of incidence by intensity. The MPI ranges from zero to one, with higher values meaning higher levels of poverty. This index is sensitive to movements in and out of poverty, captured by changes in incidence, as well as to changes in the number of deprivations experienced by the poor, captured by changes in intensity. The IMPI is estimated based on survey data collected by the five entities between October and November 2021. This survey collected data on 9,102 clients. After removing clients with missing responses, the study ended up with an estimation sample of 8,939 clients. Table M.2 presents the sample size by entity. The survey collected information about the client, the other members of his/her household (who we refer to as "family members"[18]) and the characteristics of his/her dwelling.

30 **Sample size by entity**

Entity	Nº clients completed questionnaire	Nº clients included in IMPI sample	% of clients dropped from IMPI sample
Bancamía	4,767	4,760	0.1%
Financiera Confianza	2,354	2,271	3.5%
Banco Adopem	1,078	1,020	5.4%
Fondo Esperanza	537	526	2.0%
Microserfin	366	362	1.1%

[18] We adopted the term "family member" for the sake of simplicity. Strictly speaking, people who share a home may not be relatives.

31 Definitions of indicators used for Bancamia, Colombia

Education

Indicator	Private households if...
School attendance	Any family member between 5 and 17 not attending school.
Years of schooling	Any family member, 18 or older, not attending special education, who did not complete the minimum years of schooling for their age group: • **18 to 24:** fewer than 12 years of schooling; • **25 to 34:** fewer than 9 years of schooling; & • **35 to 64:** fewer than 6 years of schooling.
Learning lag	Any family member between 7 and 17 attending school who has repeated a year once or more.

Health

Indicator	Private households if...
Health insurance	Any family member without private health insurance for any reason other than 'does not consider it necessary'.
Access to water	**Urban area:** water source other than piped, in-dwelling. **Rural area:** source of water other than: • piped, in-dwelling • piped, outside home but on own land • shared standpipe • well with pump • covered well
Sanitation	Toilet is shared with other households; or **Urban area:** toilet is connected neither to sewage system nor to a septic tank. **Rural area:** toilet is connected neither to sewage system, nor to a septic tank; nor is it a latrine connected to a septic tank.

Housing

Indicator	Private households if...
Overcrowding	**Urban area:** number of people per bedroom is 3 or higher; **Rural area:** number of people per bedroom is higher than 3.
Housing materials	**Urban area:** the home has: • Floor of beaten earth, sand, scrap material, reeds, palm wood, or rough wood; or • Roof of scrap materials, palm wood, straw or branches, bamboo or cane, plywood, matting, reeds, or cane/matting with mud or cement tiling; or • Walls of rough wood, straw, palm, bamboo, cane, thorny bamboo, metal or zinc sheeting, scrap materials, or without walls; or **Rural area:** the home has: • Floors of beaten earth, sand or scrap materials; or • Roof of scrap materials, palm, straw or branches, bamboo or cane, plywood, matting, reed, or cane/matting with mud or cement tiling; or • * Walls of straw, palm, bamboo, cane, thorny bamboo, matting, metal or zinc sheeting, scrap materials, or no walls.
Internet access	Home has no Internet access for any reason other than 'does not consider it necessary'.

32 Definitions of indicators used for Financiera Confianza, Peru

Education

Indicator	Private households if...
School attendance	Any family member between 5 and 17 not attending school.
Years of schooling	Any family member, 18 or older, not attending special education, who did not complete the minimum years of schooling for their age group: • **18 to 24:** fewer than 12 years of schooling; • **25 to 34:** fewer than 9 years of schooling; & • **35 to 64:** fewer than 6 years of schooling.
Learning lag	Any family member between 7 and 17 attending school who has repeated a year twice or more.

Health

Indicator	Private households if...
Health insurance	Any family member not affiliated to any health system and without health insurance.
Access to water	**Urban area:** water source other than piped, in-dwelling. **Rural area:** source of water other than: • piped, in-dwelling • piped, outside home but on own land • shared standpipe • well with pump • covered well
Sanitation	Toilet is shared with other households; or **Urban area:** toilet is connected neither to sewage system nor to a septic tank . **Rural area:** toilet is connected neither to sewage system, nor to a septic tank; nor is it a latrine connected to a septic tank.

Housing

Indicator	Private households if...
Overcrowding	There are 3 or more people to a bedroom.
Housing materials	**The home has:** • Floor of beaten earth, sand, scrap material, rough wood, cane, palm wood; or • Roof of scrap materials, palm wood, straw or branches, bamboo or cane, plywood, matting, reeds, or cane/matting with mud or cement tiling; or **Walls of:** • **Urban area:** rough wood, straw, palm, bamboo, cane, thorny bamboo, matting, metal or zinc sheeting, scrap materials, or without walls; or • **Rural area:** straw, palm, bamboo, cane, thorny bamboo, matting, metal or zinc sheeting, scrap materials, or without walls.
Internet access	Home has no Internet access for any reason other than 'does not consider it necessary'.

33 Definitions of indicators used for Banco Adopem, Dominican Republic

Education

Indicator	Private households if...
School attendance	Any family member between 5 and 17 not attending school.
Years of schooling	Any family member, 18 or older, not attending special education, who did not complete the minimum years of schooling for their age group: • **18 to 29:** did not complete second cycle of secondary education (3rd and 4th year of high school, 11 years of schooling); • **30 to 39:** did not complete the first cycle of secondary education (2nd year of high school, 10 years of schooling); • **40 to 59:** did not complete obligatory primary education (8 years of schooling); • **60 to 69:** did not complete the first cycle of primary education (4 years of schooling), and • **70 or older:** nnever went to school.
Learning lag	Any family member between 7 and 17 attending school who has repeated a year twice or more.

Health

Indicator	Private households if...
Health insurance	Any family member not affiliated to any health system and without private health insurance.
Access to water	Source of water other than piped, in-dwelling.
Sanitation	Toilet is shared with other households; or **Urban area:** toilet is connected neither to sewage system nor to a septic tank. **Rural area:** toilet is connected neither to sewage system, nor to a septic tank; nor is it a latrine connected to a septic tank.

Housing

Indicator	Private households if...
Overcrowding	There are 3 or more people to a bedroom.
Housing materials	**The home has:** • Floor of beaten earth, sand, scrap material, rough wood, cane or palm; • Roof of scrap materials, palm, straw or branches, bamboo or cane, plywood, matting, reeds, or cane or matting with mud or cement tiling; • PWalls of scrap materials, straw, palm, bamboo, cane, matting, metal or zinc sheeting, rough wood, or without walls.
Internet access	Home has no Internet access for any reason other than 'does not consider it necessary'.

34 Definición de indicadores utilizados para Fondo Esperanza, Chile

Education

Indicator	Private households if...
School attendance	Any family member between 5 and 17 not attending school.
Years of schooling	• Any family member 18 or over not in special education who did not complete the minimum number of years of schooling as set by law (according to their age): • Born since 1985: **12 years** • Born between 1953 and 1984: **8 years** • Born between 1918 and 1952: **6 years** • Born before 1918: **4 years**
Learning lag	Any family member between 7 and 17 attending school who has repeated a year twice or more.

Health

Indicator	Private households if...
Health insurance	Any family member not affiliated to any health system and without private health insurance.
Access to water	**Urban area:** water source other than piped, in-dwelling. **Rural area:** source of water other than: • piped, in-dwelling • piped, outside home but on own land • shared standpipe • well with pump • covered well
Sanitation	Toilet is shared with other households; or **Urban area:** toilet is connected neither to sewage system nor to a septic tank. **Rural area:** toilet is connected neither to sewage system, nor to a septic tank; nor is it a latrine connected to a septic tank.

Housing

Indicator	Private households if...
Overcrowding	There are 2.5 or more people to a bedroom.
Housing materials	**The home has:** • Floor of beaten earth, sand, scrap material, rough wood, cane, palm; • Roof of scrap materials, palm, straw, branches, bamboo, cane, plywood, matting, reeds, or cane/reeds with mud/cement tiling; **Walls of:** • **Urban area:** rough wood, straw, palm, bamboo, cane, thorny bamboo, matting, metal or zinc sheeting, scrap materials, or without walls; o • **Rural area:** straw, palm, bamboo, cane, thorny bamboo, matting, metal or zinc sheeting, scrap materials, or without walls.
Internet access	Home has no Internet access for any reason other than 'does not consider it necessary'.

35 Definitions of indicators used for Microserfin, Panama

Education

Indicator	Private households if...
School attendance	Algún miembro del hogar con edad entre 5 y 17 años no asiste a la escuela.
Years of schooling	Any family member 18 or over not attending special education who did not complete the minimum number of years of schooling for their age: • **18 to 24:** fewer than 12 years of schooling; • **25 to 34:** fewer than 9 years of schooling; & • **35 to 64:** fewer than 6 years of schooling.
Learning lag	Any family member between 7 and 17 attending school who has repeated a year once or more.

Health

Indicator	Private households if...
Health insurance	Any family member without private health insurance for any reason other than 'does not consider it necessary'.
Access to water	**Urban area:** water source other than piped, in-dwelling **Rural area:** source of water other than: • piped, in-dwelling • piped, outside home but on own land • shared standpipe • well with pump • covered well
Sanitation	**Urban area:** toilet is connected neither to sewage system nor to a septic tank; or toilet is shared with other households; **Rural area:** no toilet, or the toilet or latrine is not connected to sewage system or septic tank, or the latrine is connected to the sewage system or septic tank but shared with other households.

Housing

Indicator	Private households if...
Overcrowding	There are 3 or more people to a bedroom.
Housing materials	**Urban area:** the home has • walls of wood, *quincha* (wood & mud), metal, palm, straw or branches, cane or bamboo, scrap materials, or without walls; or • roof of wood, palm, straw, branches or scrap materials; or • floor of wood, earth or similar materials. **Rural area:** the home has • walls of metal, palm, straw, branches, cane or bamboo, other scrap materials or without walls; or • roofs of wood, palm, straw, branches or scrap materials; or • floors of beaten earth or scrap materials.
Internet access	Home has no Internet access for any reason other than 'does not consider it necessary'.

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