Fundación BBVA Microfinanzas 15 aniversario

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.

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.

/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.

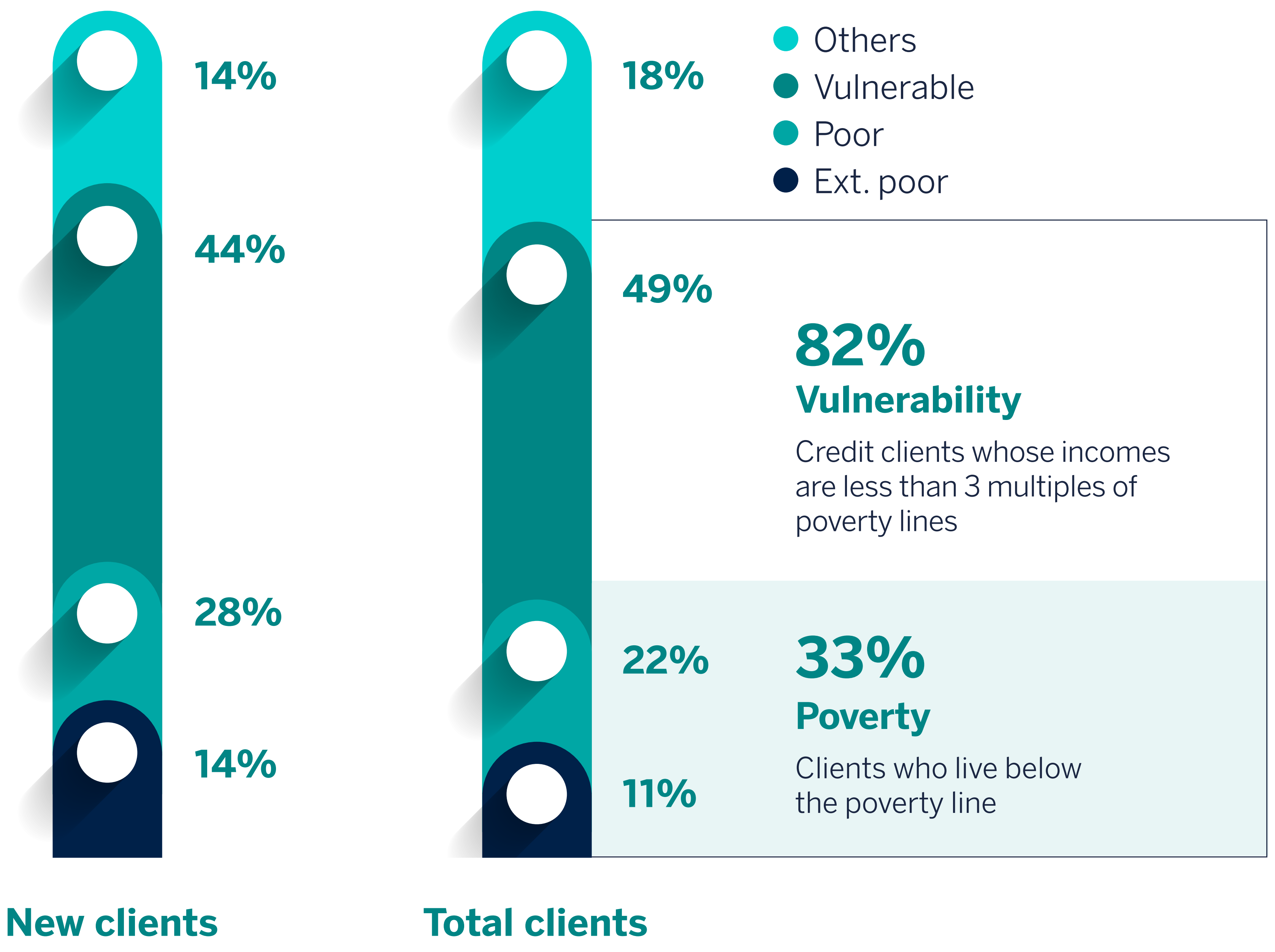
Access to financial products and services has a positive impact on client development. Nurturing this progress is an opportunity to provide a helping hand over time.

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

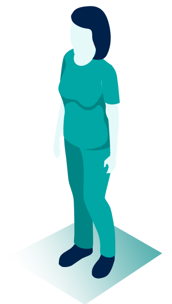
Sustainable inclusion:
finance at the service of households

Vulnerability

Economic vulnerability
New and total credit clients



Social vulnerability
Total credit clients to 31.12.21



59%
women

12%
>60 years old

35%
Primary education

35%
Rural environment

Total credit clients.

Business development

Annual growth rate

18%
Sales

21%
Net income

27%
Net poverty reduction after two years of banking with the institutions

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

Savings clients current at year end.

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

Clients with some kind of welfare-based product at year end.

What our entrepreneurs are like

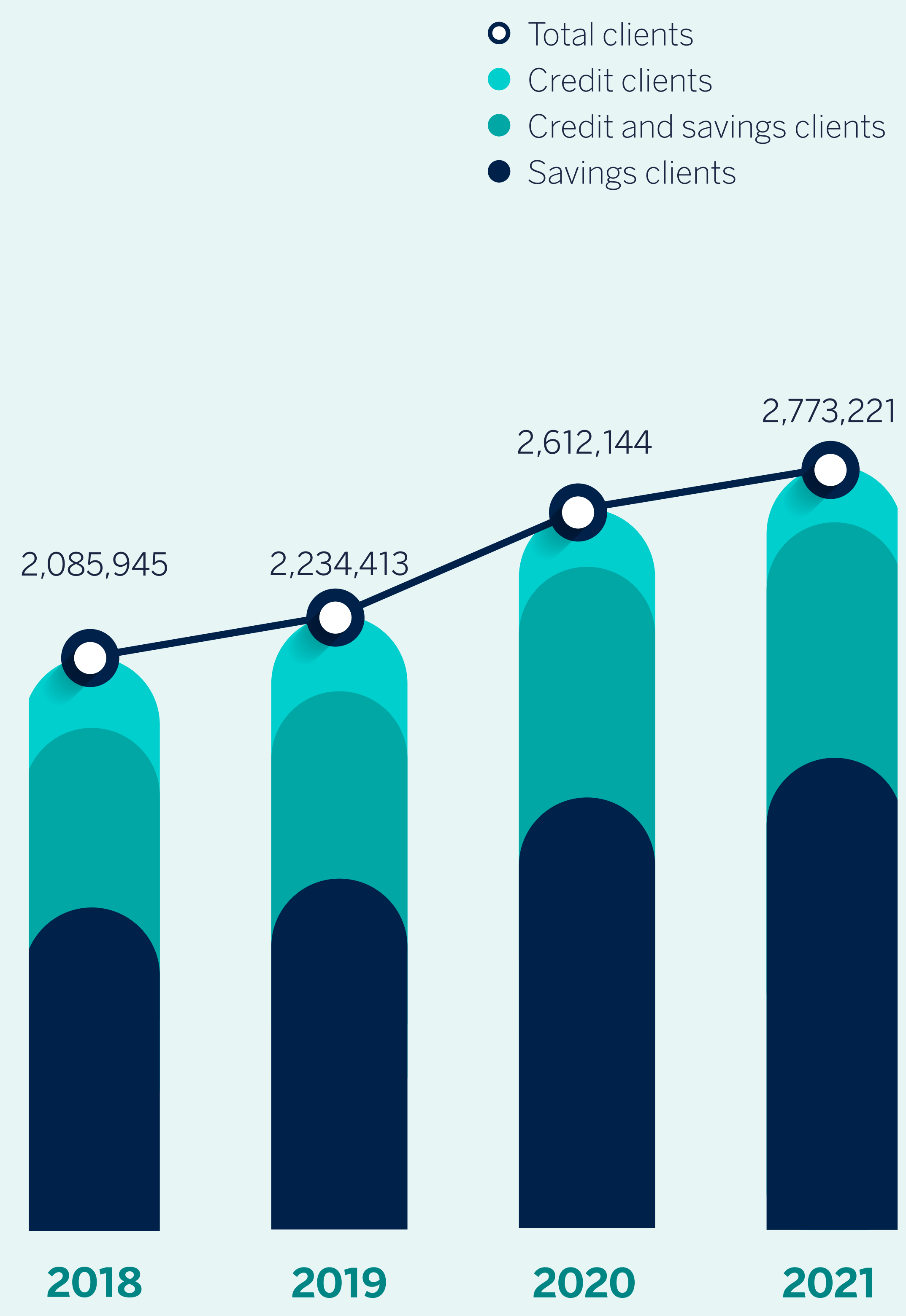
BBVAMF Group has been working alongside a specific group of entrepreneurs for more than a decade by means of its financial products and services. Its mission is to stay for good, remaining with the target segment embodying the reason the Foundation was set up: entrepreneurs excluded from the traditional 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.

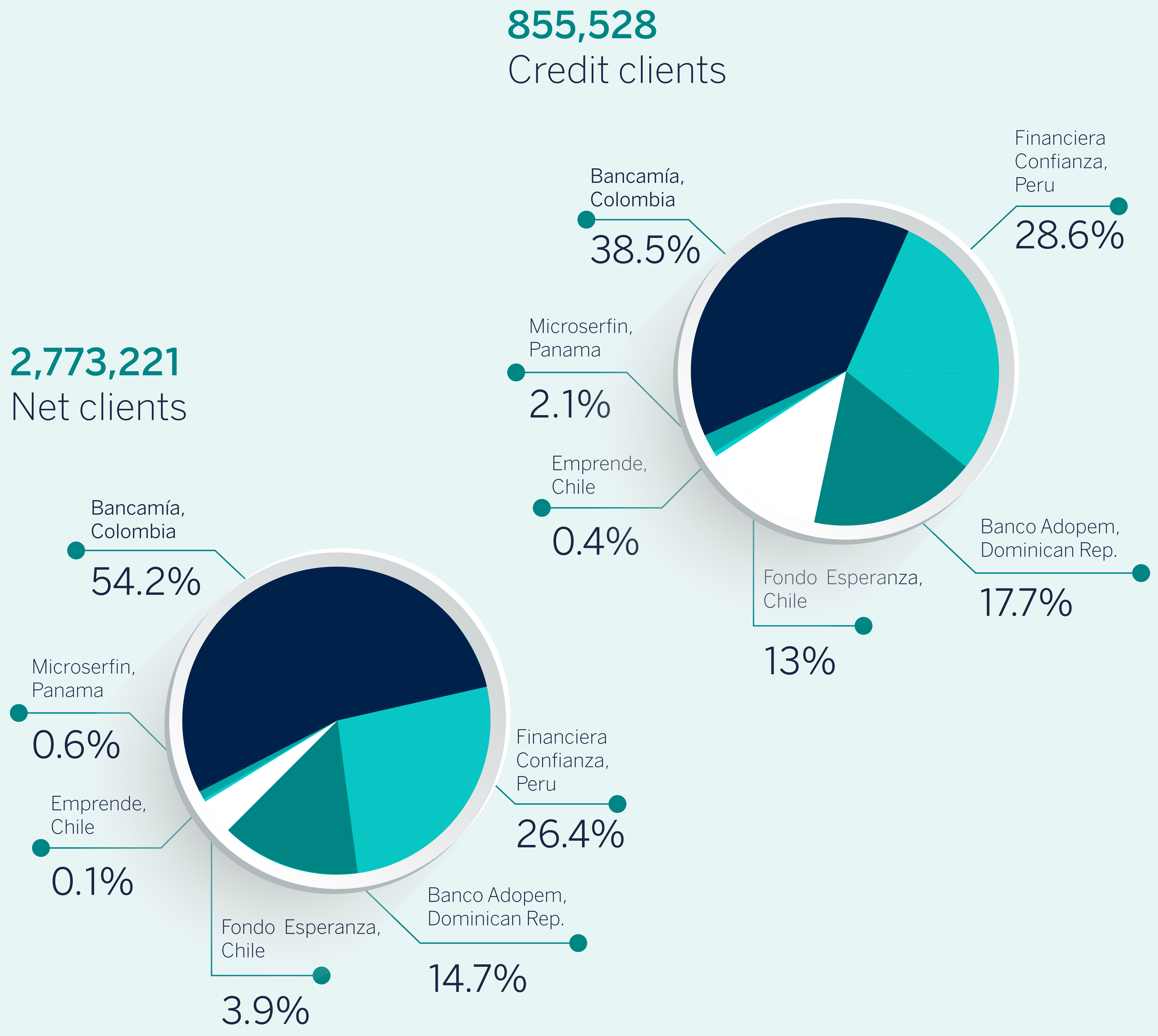
01 BBVAMF Group clients

Current clients as of December 31 each year.



02 Total and credit clients

Current clients as of December 31 each year



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 international 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.

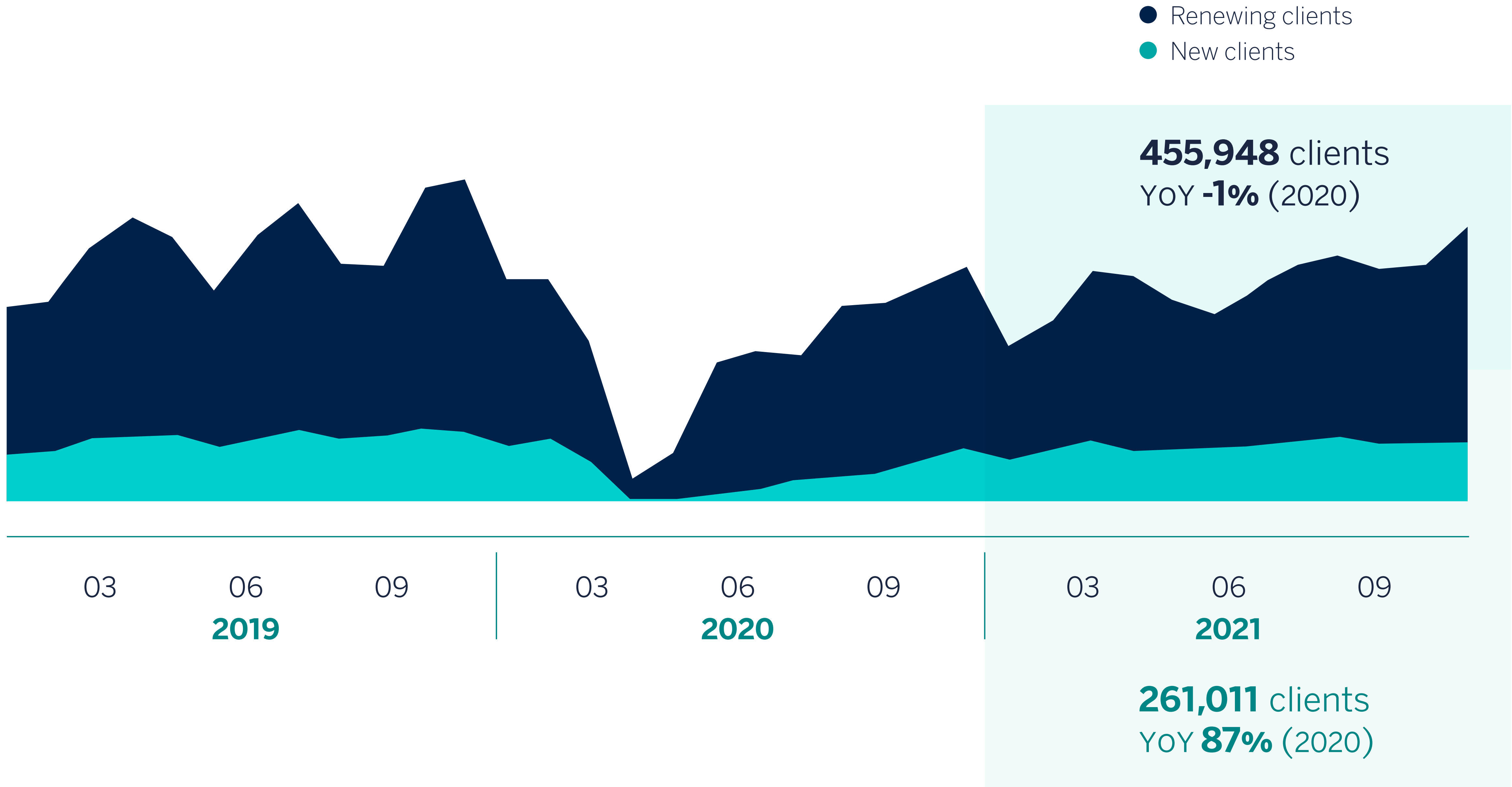
[3] MSMEs in Latin America: fragile performance and new challenges (ECLAC 2020). Only available in Spanish https://repositorio.cepal.org/bitstream/handle/11362/44148/1/S1900361_es.pdf

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

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



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

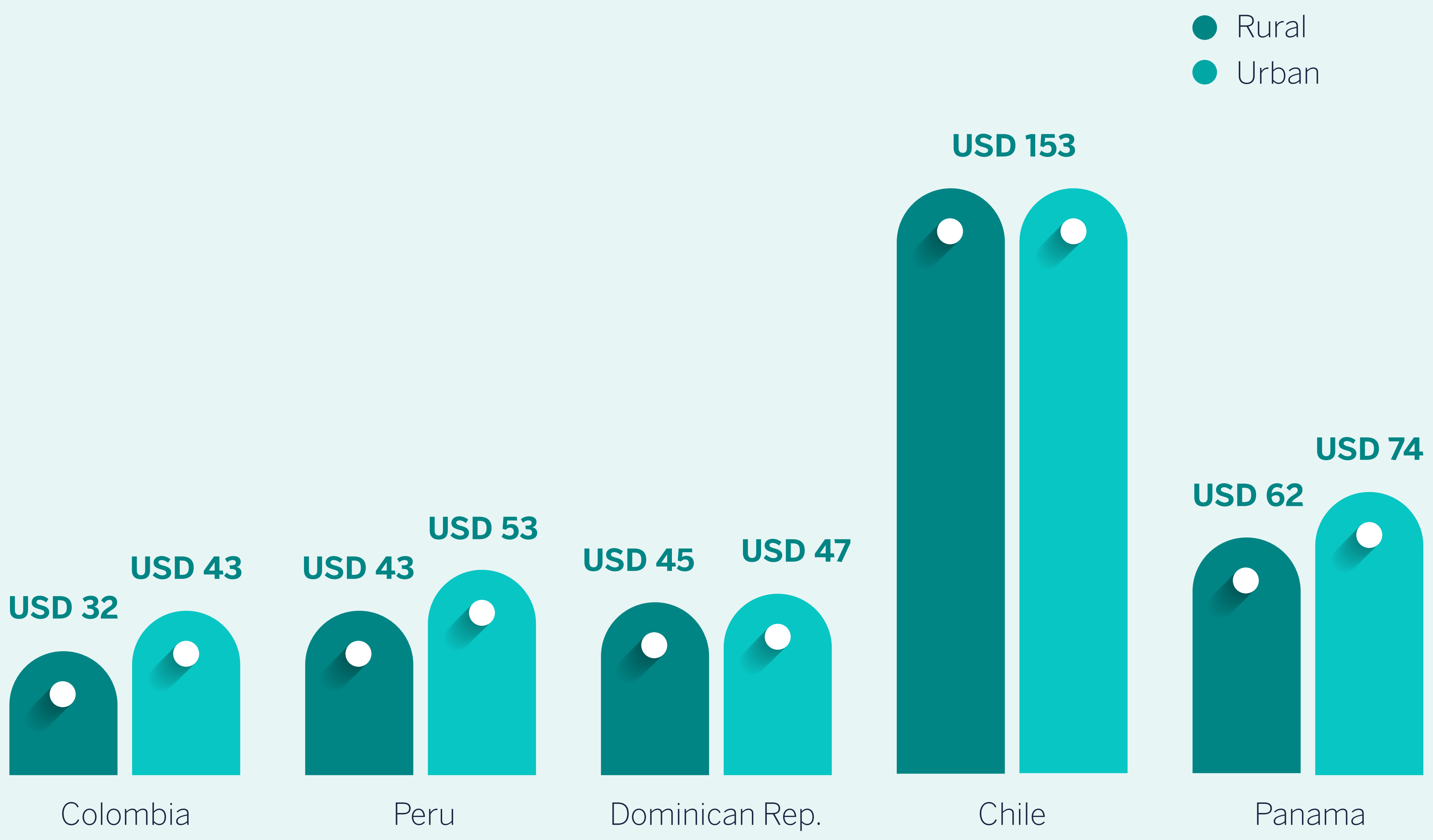
Keeping the focus on economically vulnerable clients

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



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.

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

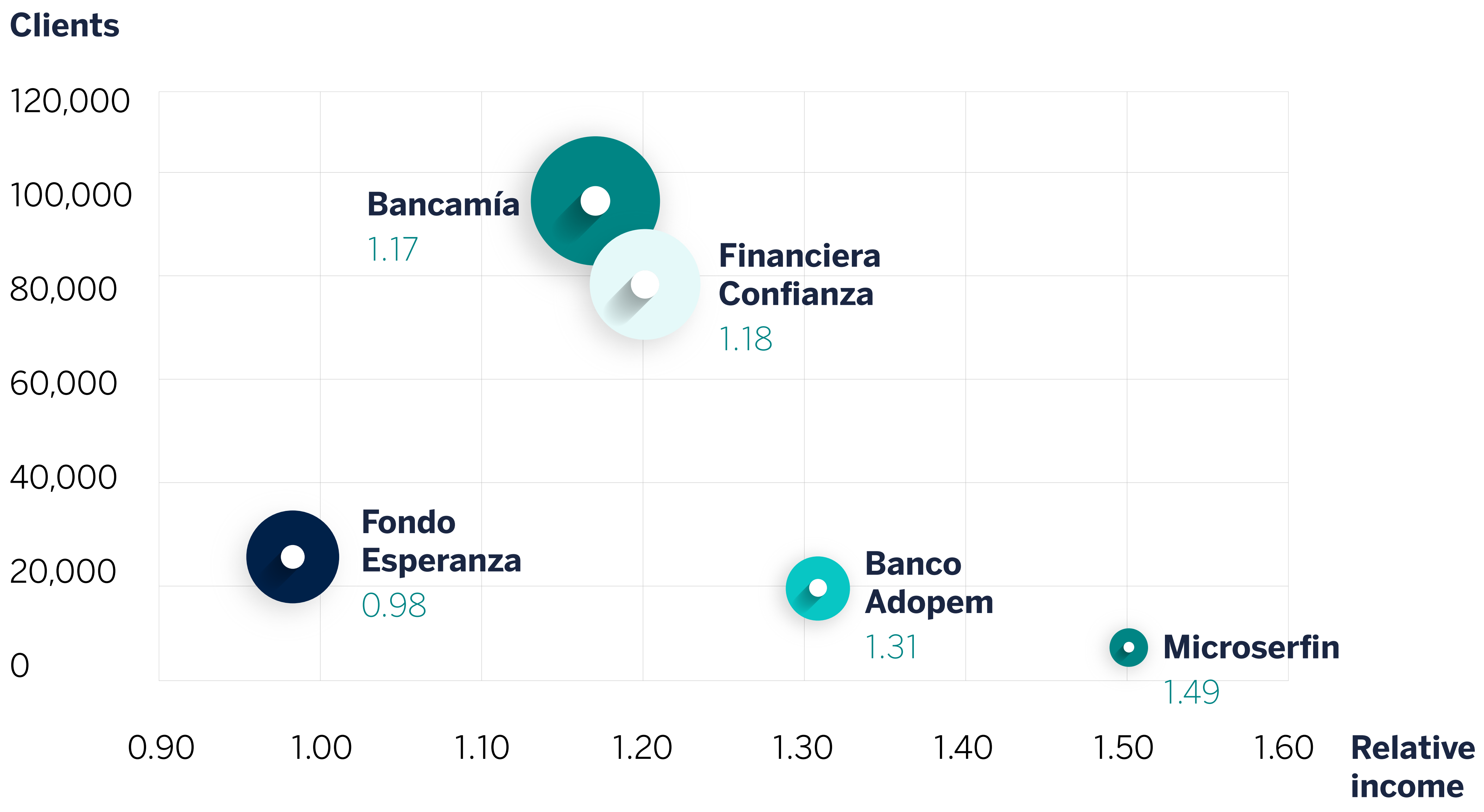
The economic vulnerability measurement enables us to discover the scope, i.e. the number, of people on whom BBVAMF Group has an impact and the extent of this impact. In 2021, over 260,000 new credit clients signed up with the group, of whom 86% were in a situation of vulnerability (vulnerable, poor and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

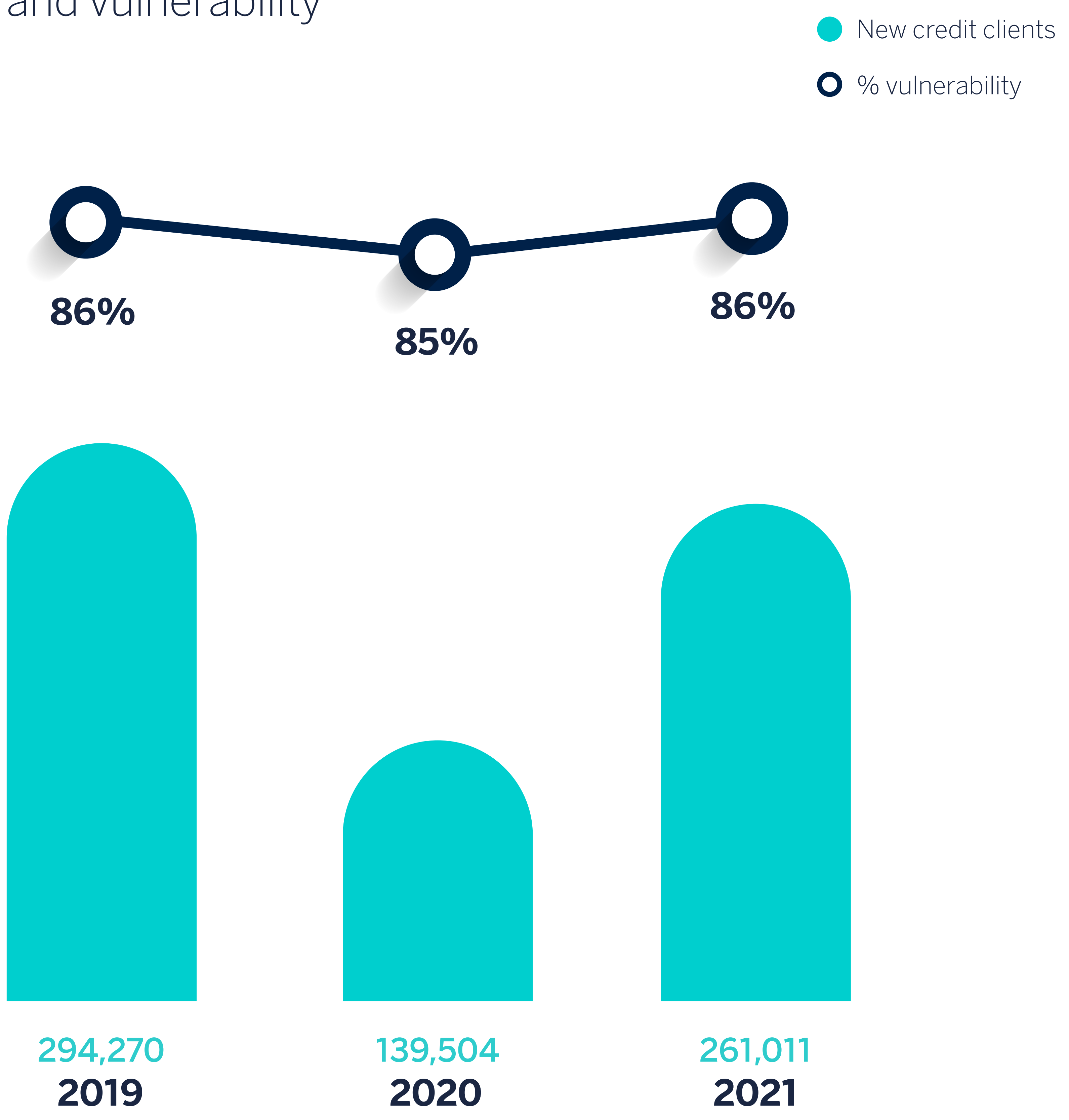
Scope: New clients in economic vulnerability (%)
Extent: Average income relative to the poverty line



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

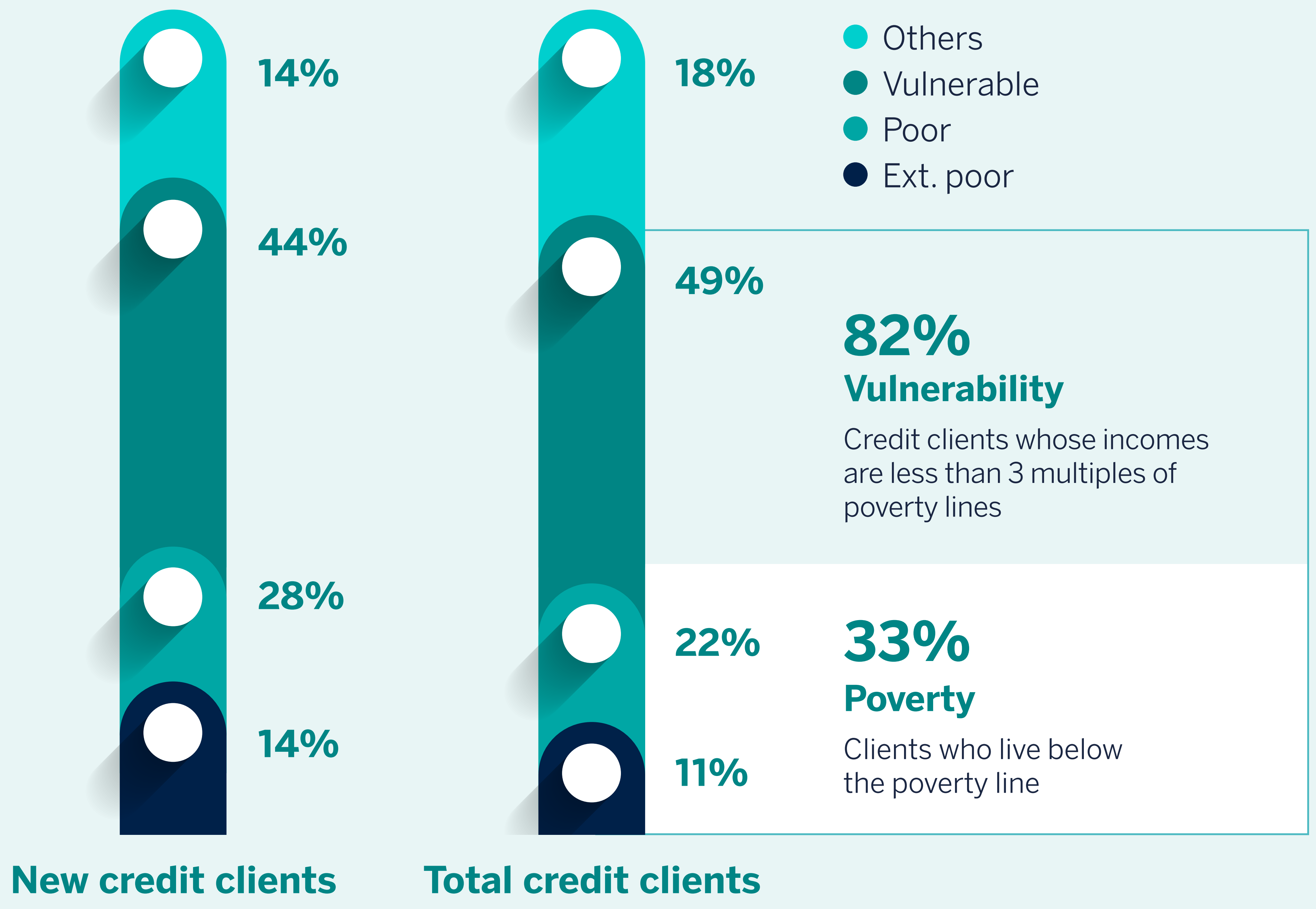
New credit clients by year of entry and vulnerability



New 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

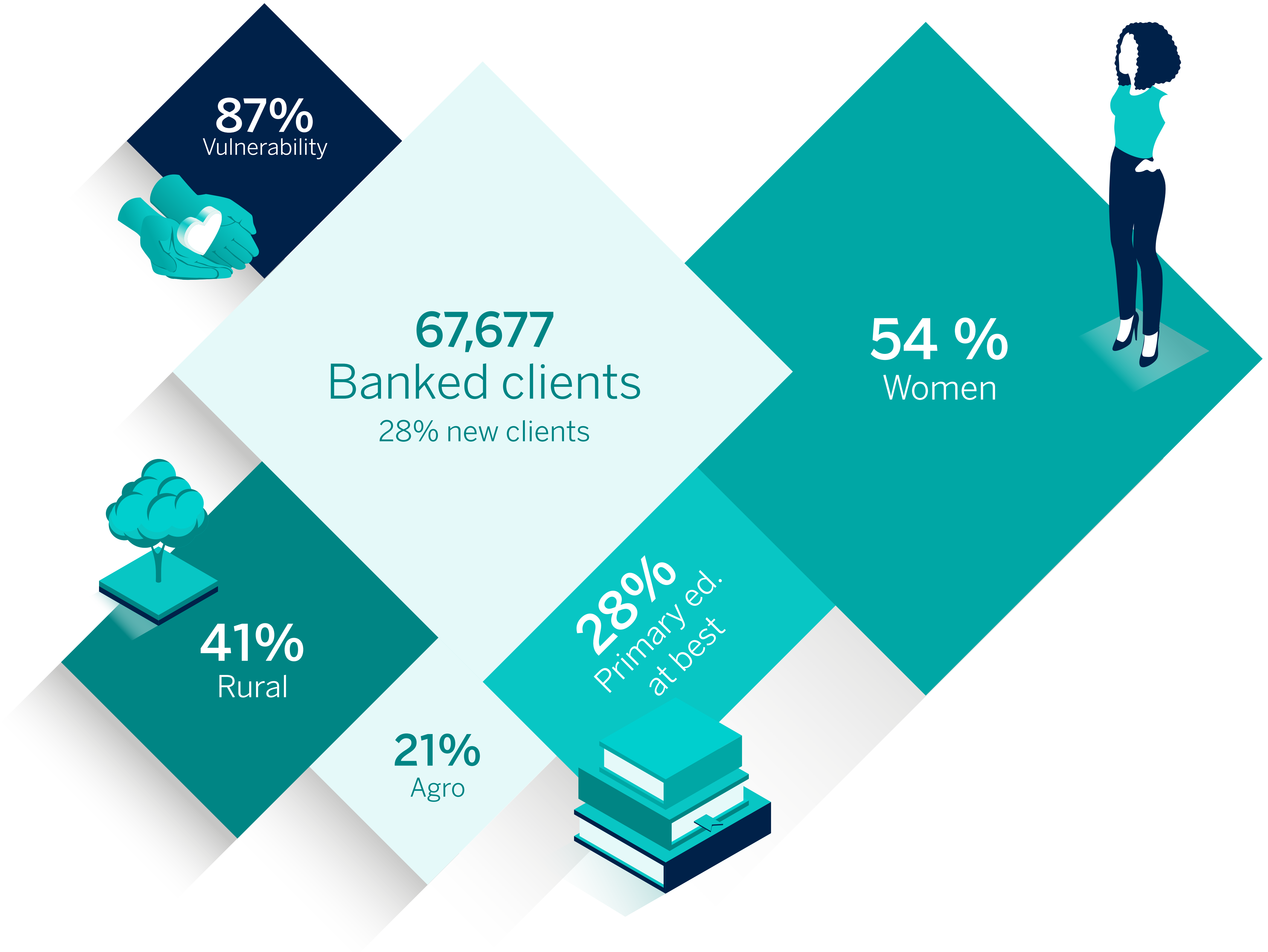
New and total credit clients



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



Data for Colombia, Peru, Dominican Republic and Panama.

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

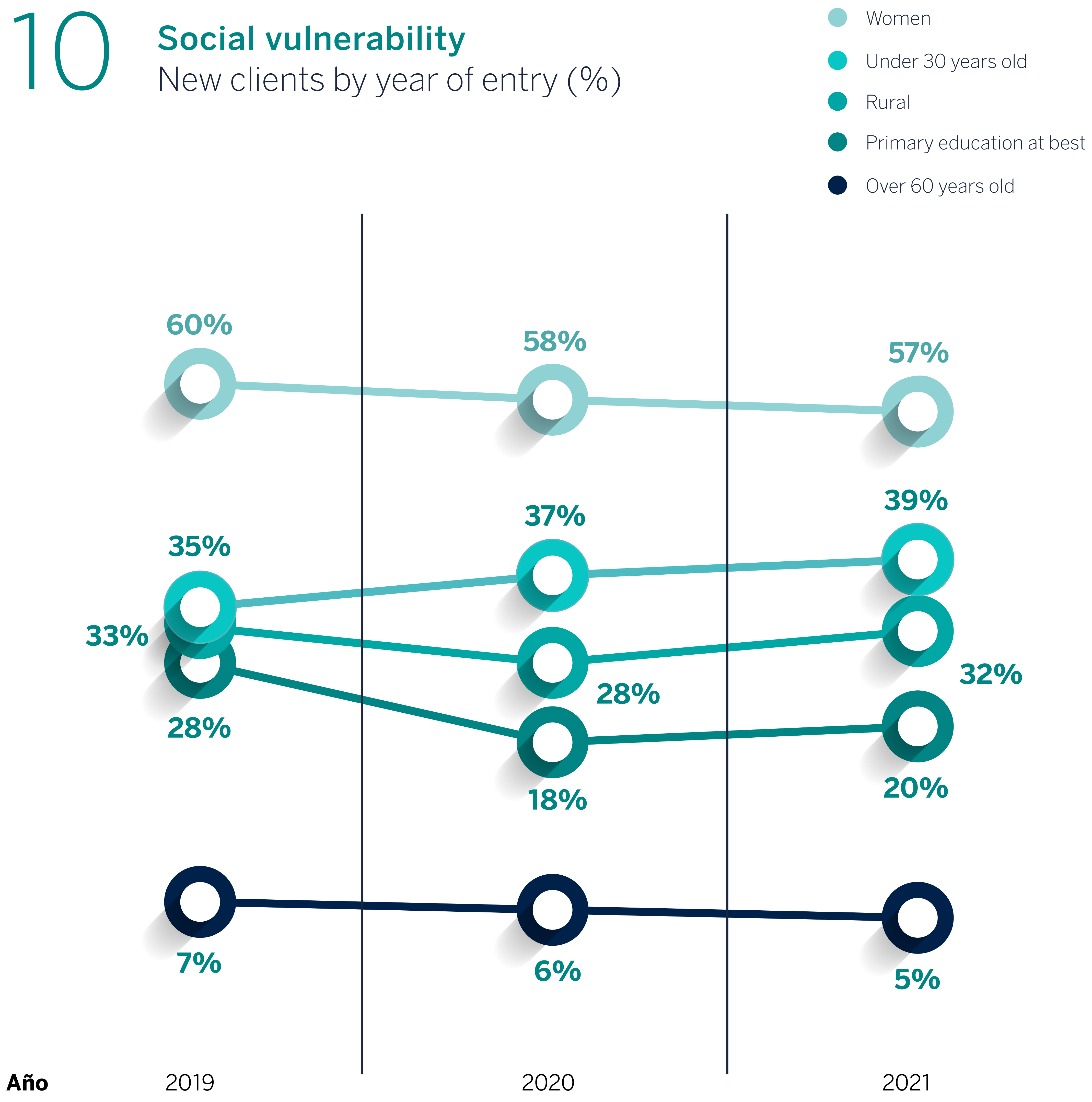
	Dec 2019	Dec 2020	Dec 2021	
Women	60%	58%	57%	↓
Under 30 years old	35%	37%	39%	↑
Retail trade	37%	32%	35%	↑

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%	↓

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



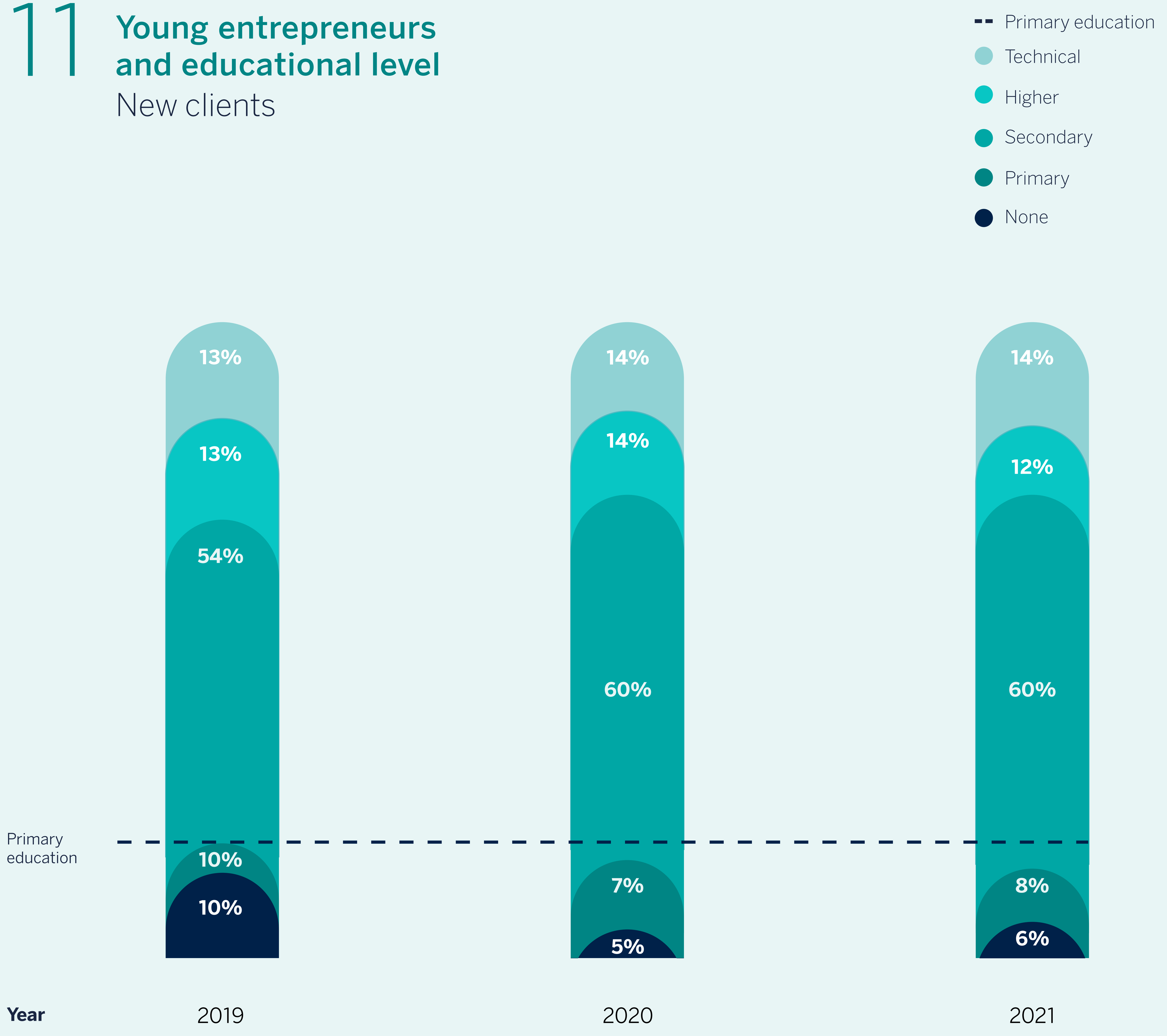
New clients during the year (no previous loans).

> 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



New clients served each year and their educational level.

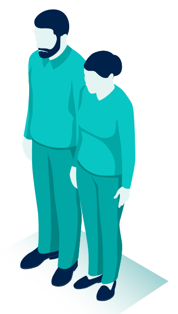
Entrepreneurial women

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).

> 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 ”

12 **Profile by gender**
New credit clients (%)

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

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.

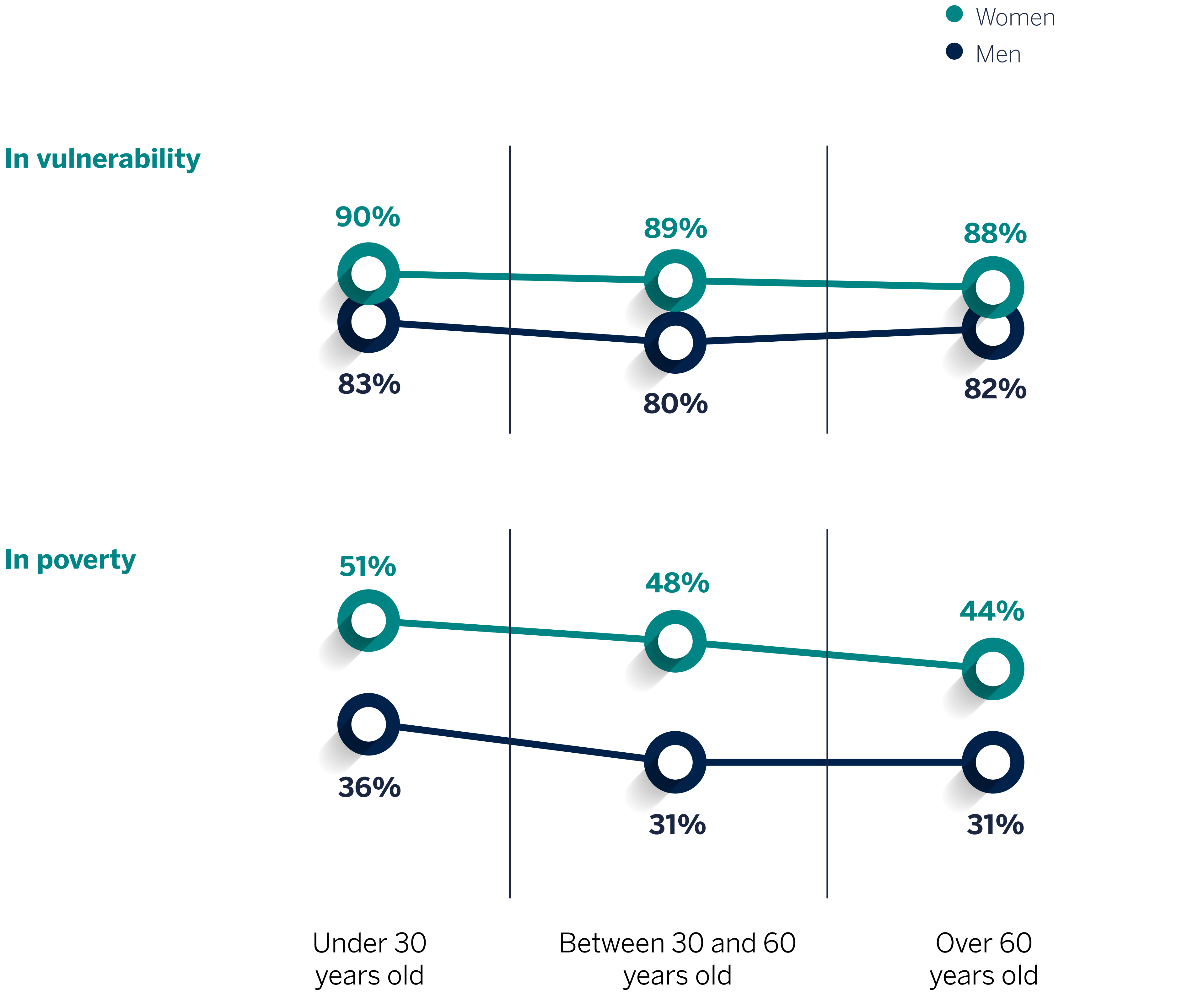
This situation is particularly critical during women's childbearing years. Of the more than 502,000 new women clients served in 2021, 22% were under 30. In this age segment, women have to balance developing their business with bringing up children and looking after their families. 51% of our women clients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



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

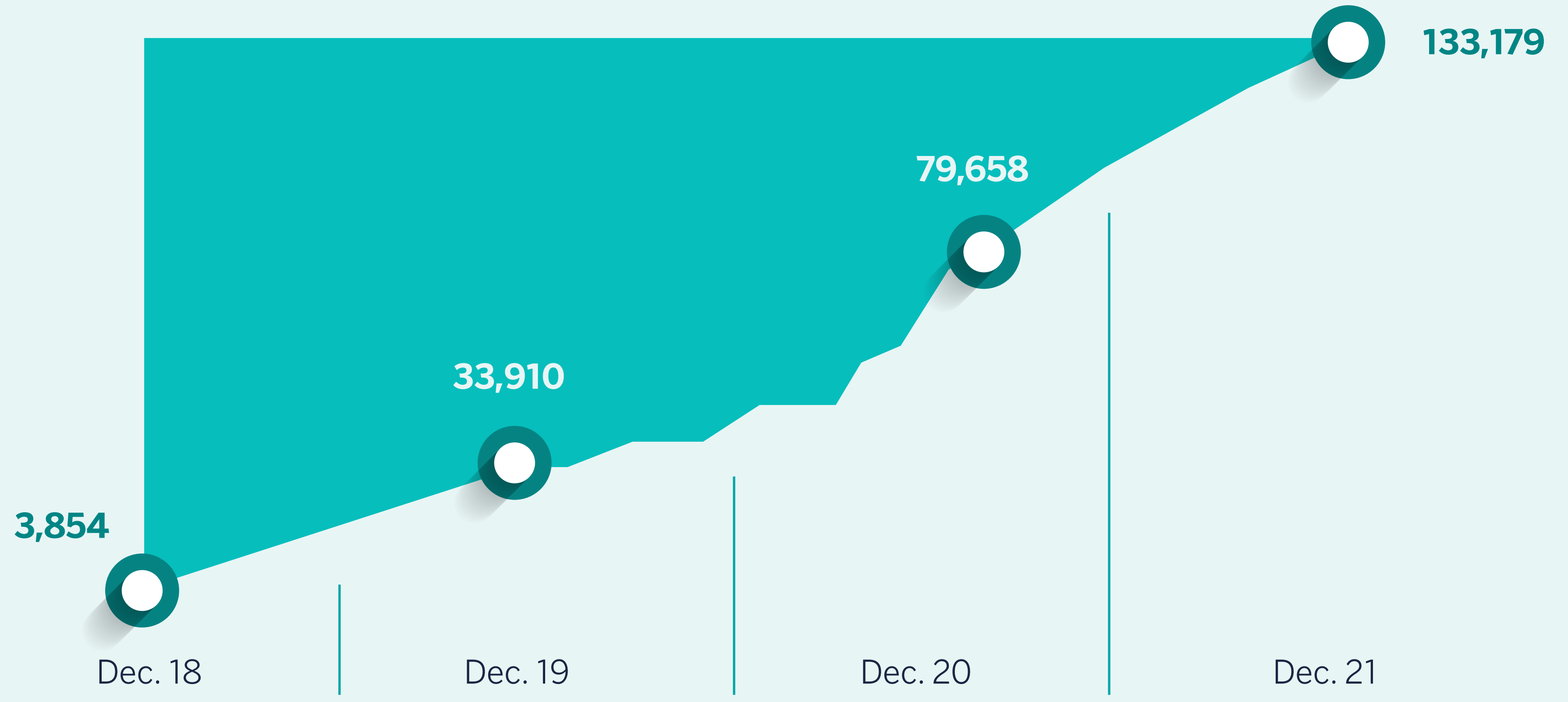
The displaced, refugees and migrants

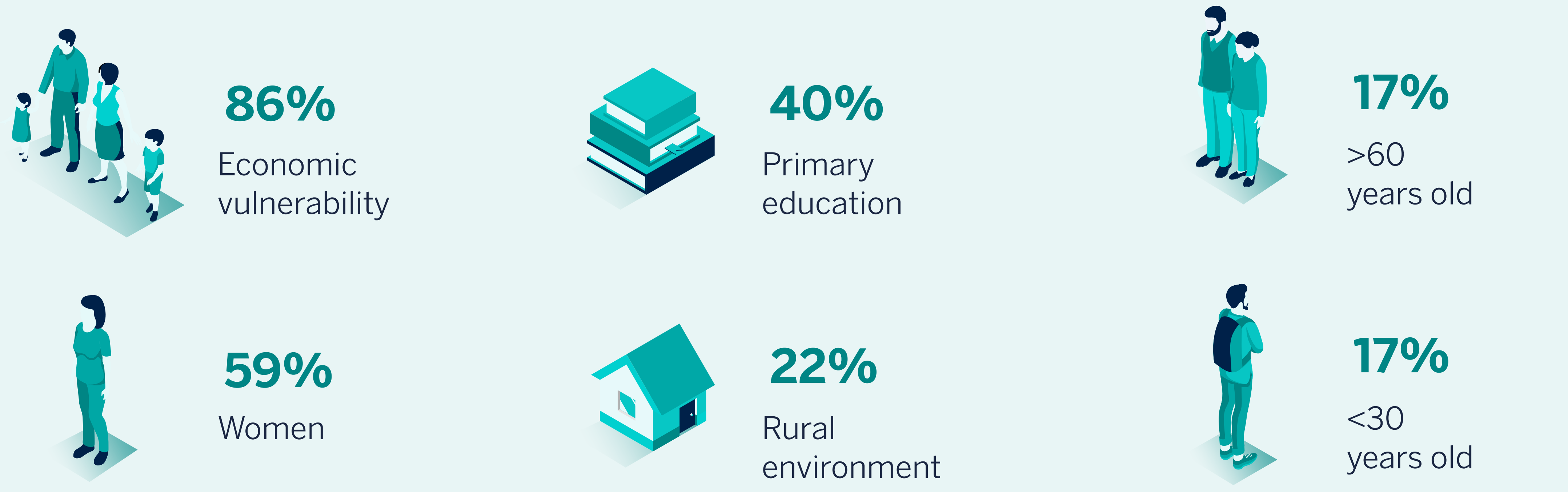
There have been major internal migratory flows and displacements between countries in Latin America. Intra-regional mobility is estimated at over 14 million people, with a notable increase in Venezuelan migration[5]. The causes vary, the movements are complex and change over time[6], but they all share 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





[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.

[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

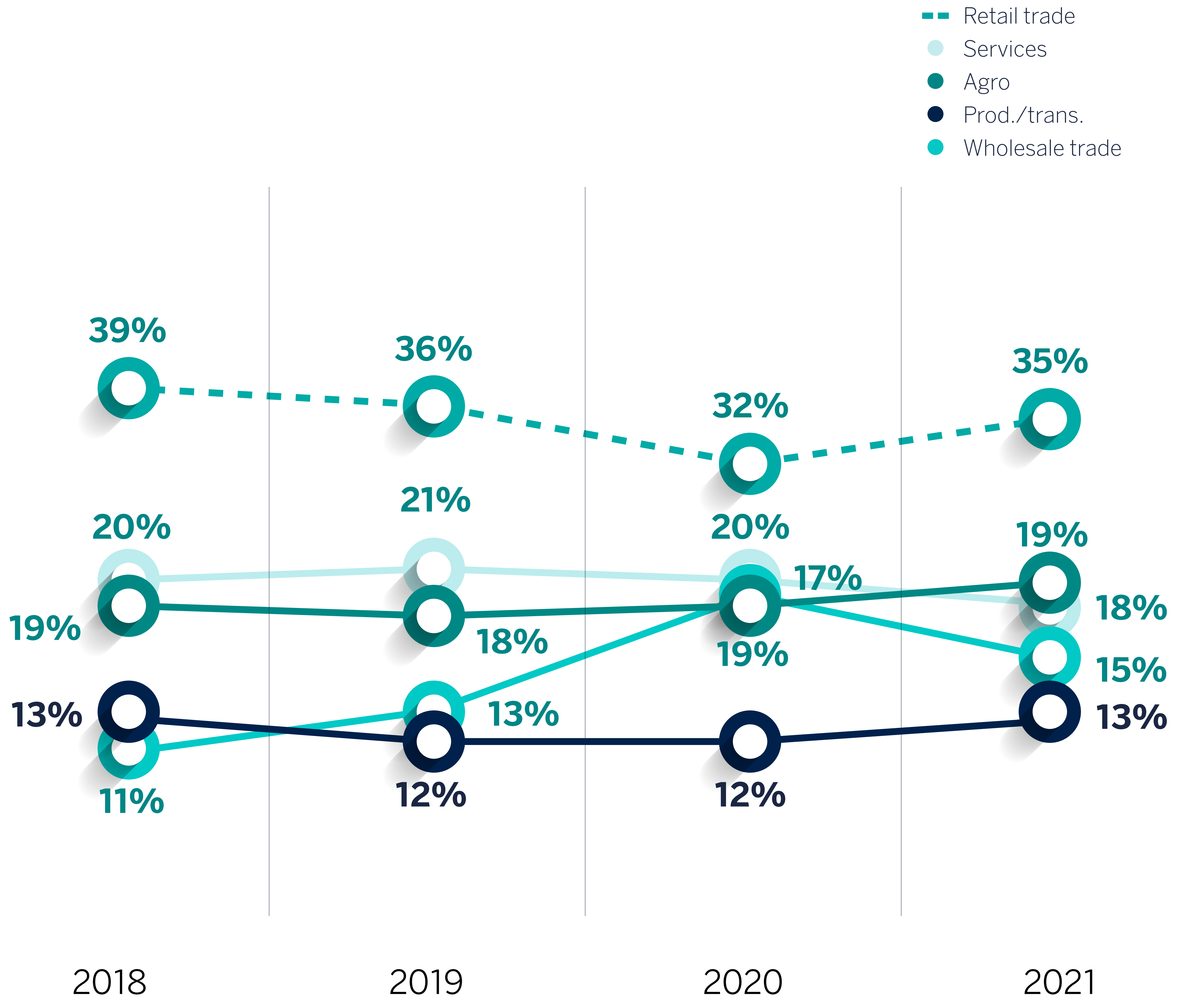
The rural population in Latin America and the Caribbean accounts for 18% of the whole, but accounts for 29% of poverty, and 41% of extreme poverty (ECLAC, 2018). The pockets of poverty in each country are mainly to be found in rural areas, where access to infrastructure and basic services is limited. 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 (%)



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

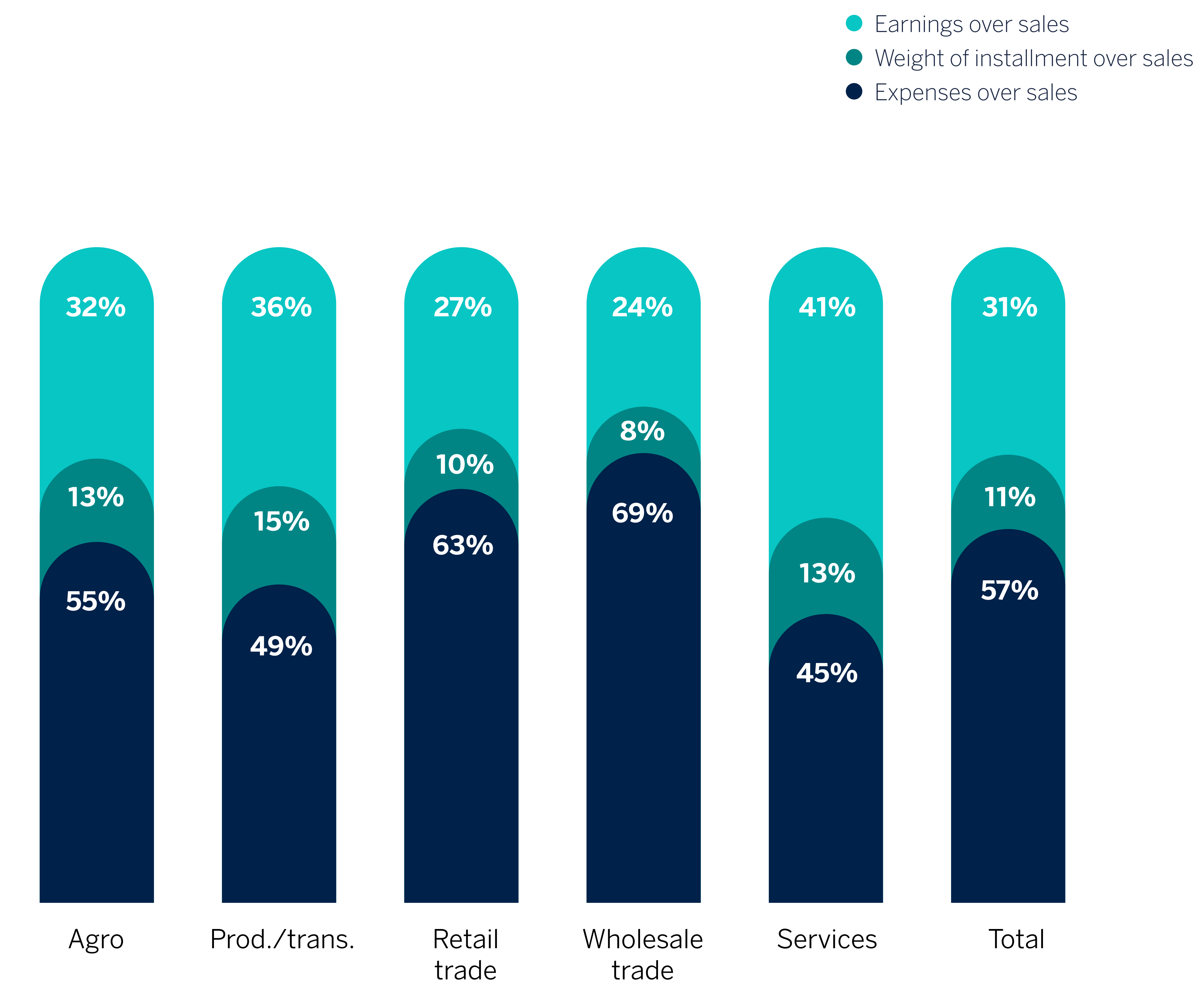
These entrepreneurs need a high level of productive assets. They tend to produce foodstuffs (goods with little added value) for their own consumption, sale, or export. Average profitability is 32%, compared to other sectors such as production/transformation and services, which convert 36% and 41%, respectively, 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



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

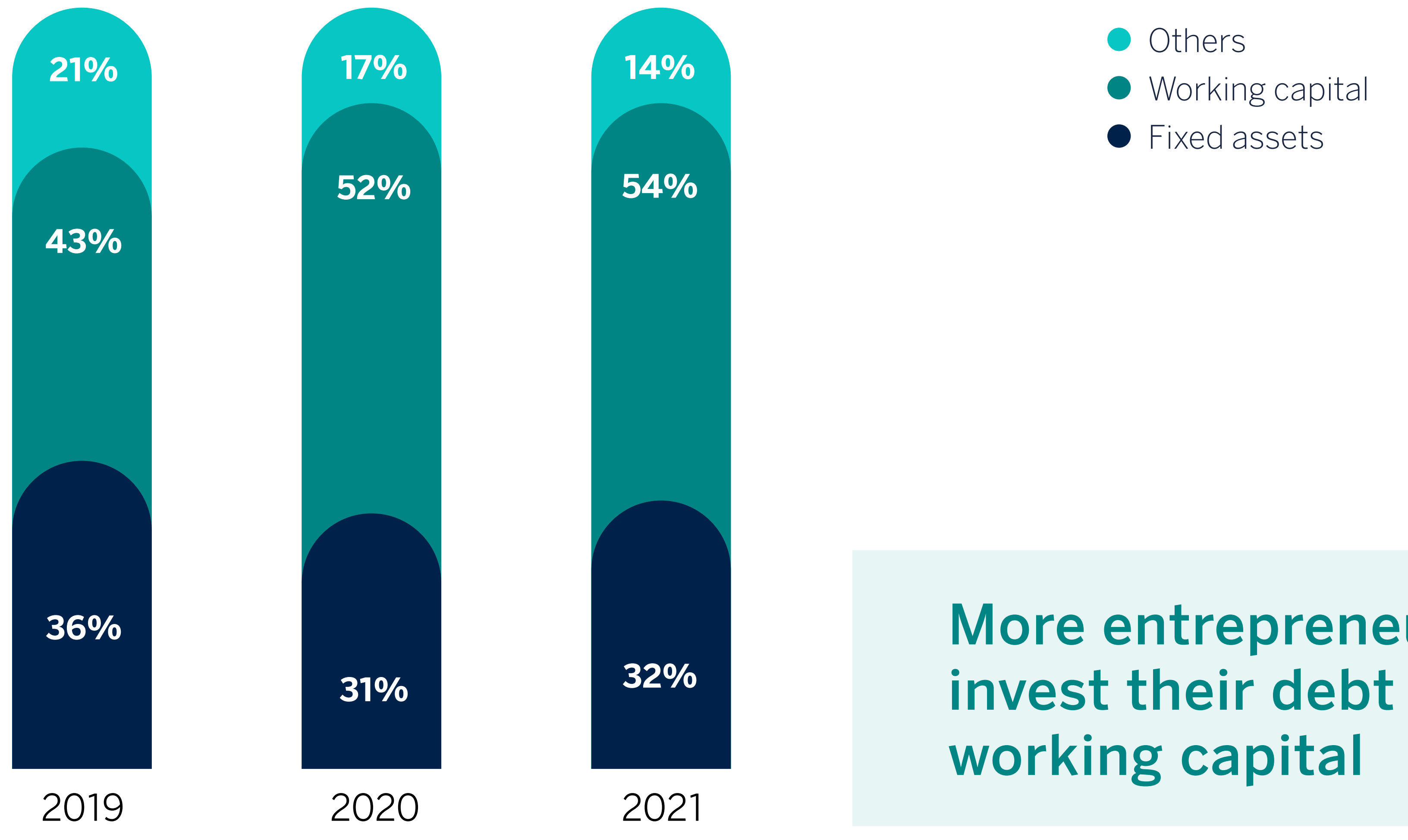
Entrepreneurs' progress

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 entrepreneurs 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 entrepreneurs to improve their situation.

16 What loans are used for
Loans disbursed, by year



More entrepreneurs invest their debt in working capital

Loans disbursed each year

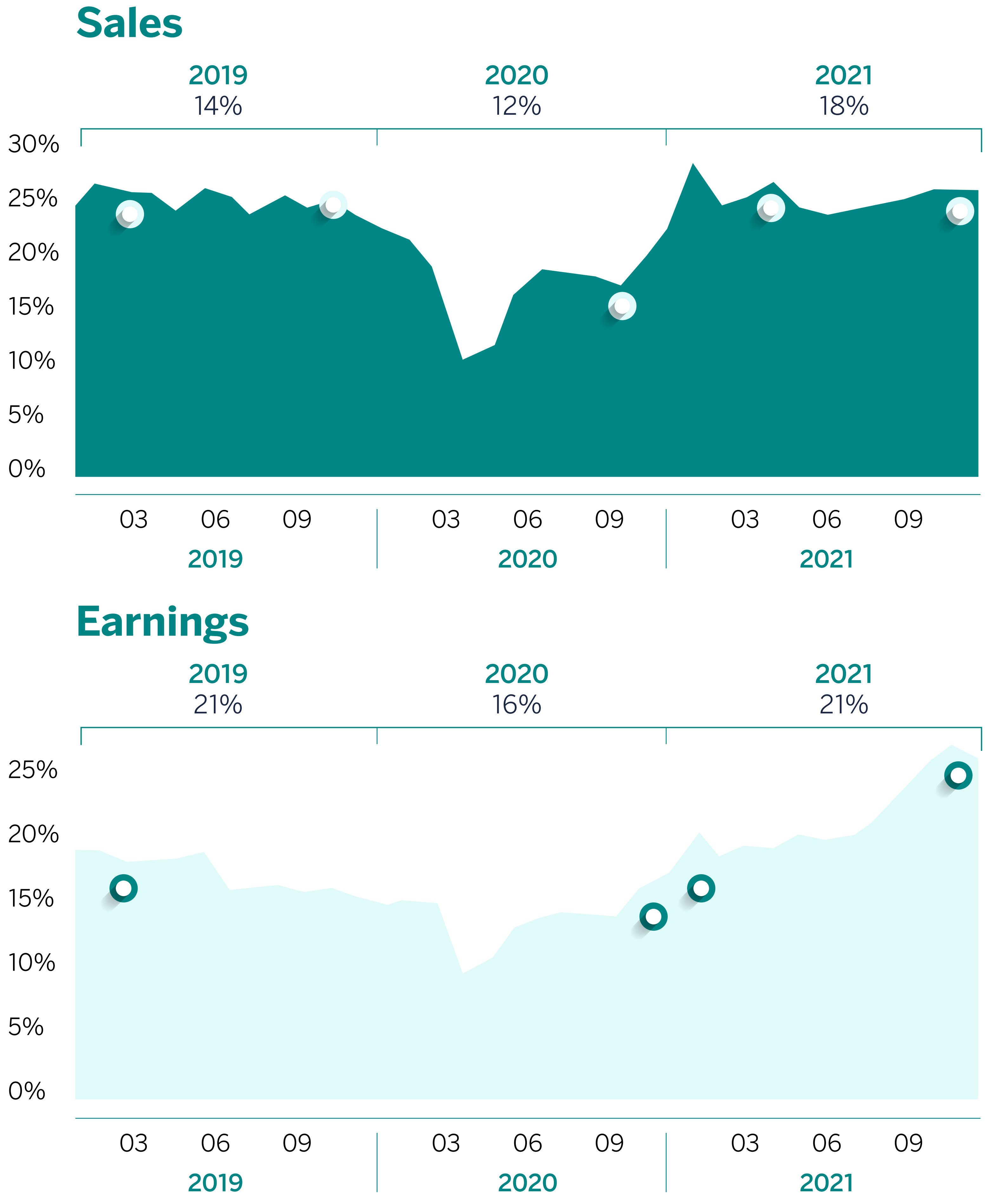
Sales have recovered their growth rates (18% per annum), the impact of the pandemic notwithstanding, and we know that from March to October 2020, incomes had fallen in 73% of businesses ”

[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



18 Growth in sales, by sector
Clients served each month

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).

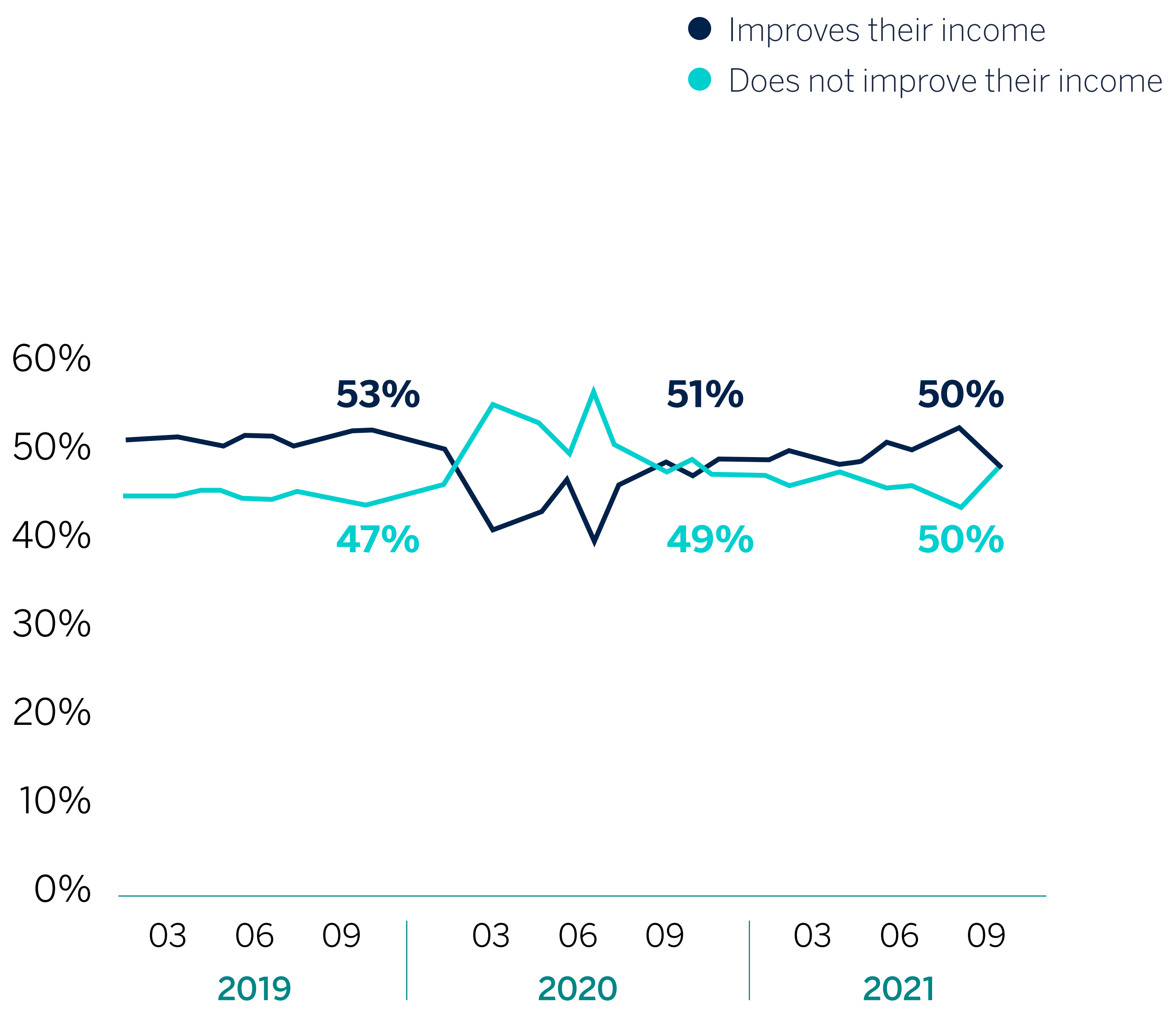
Escaping poverty

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.

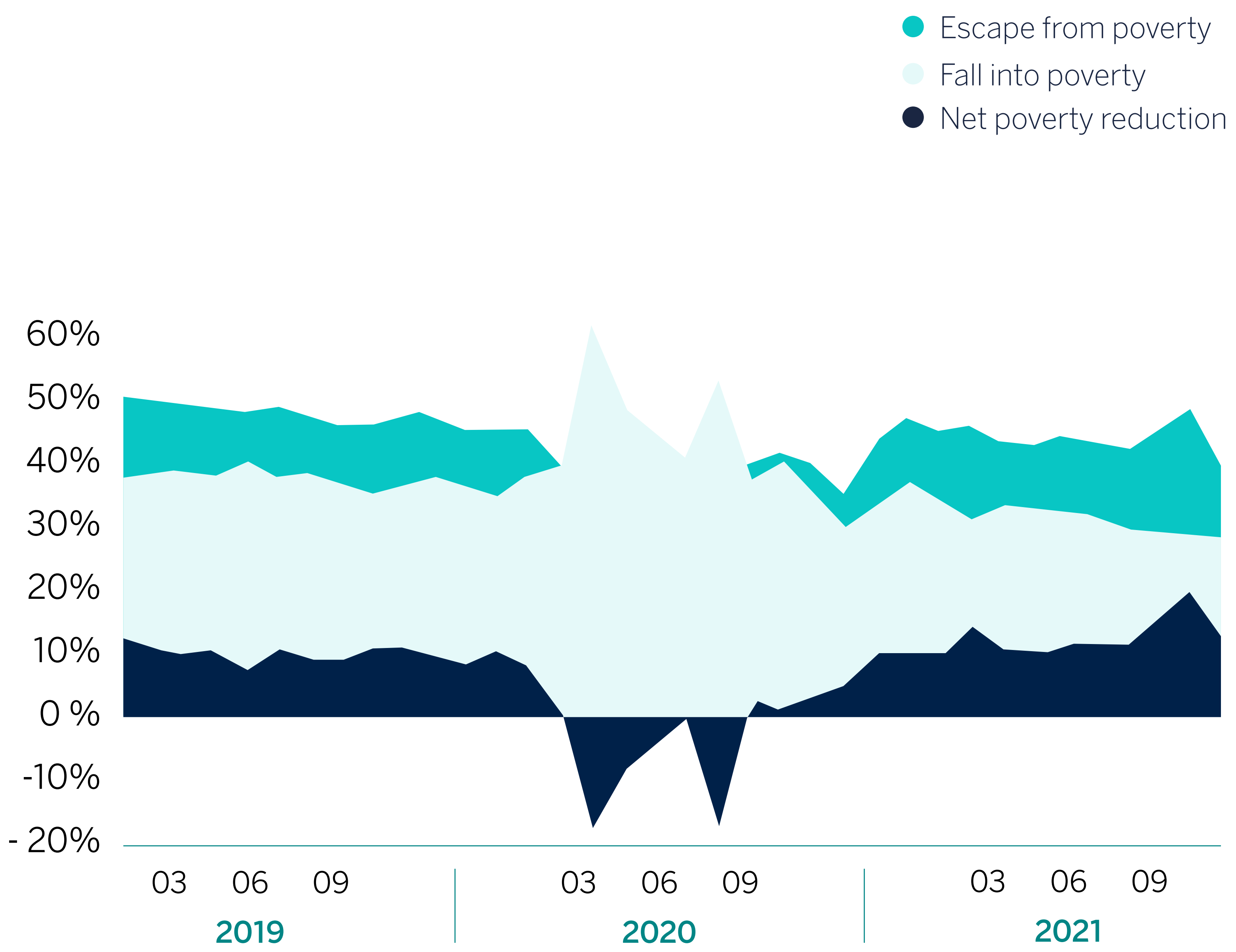
One in two entrepreneurs improves their income, that is, improves the income level for every member of their household "

19 Entrepreneurs that improve their income
Clients served each month



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



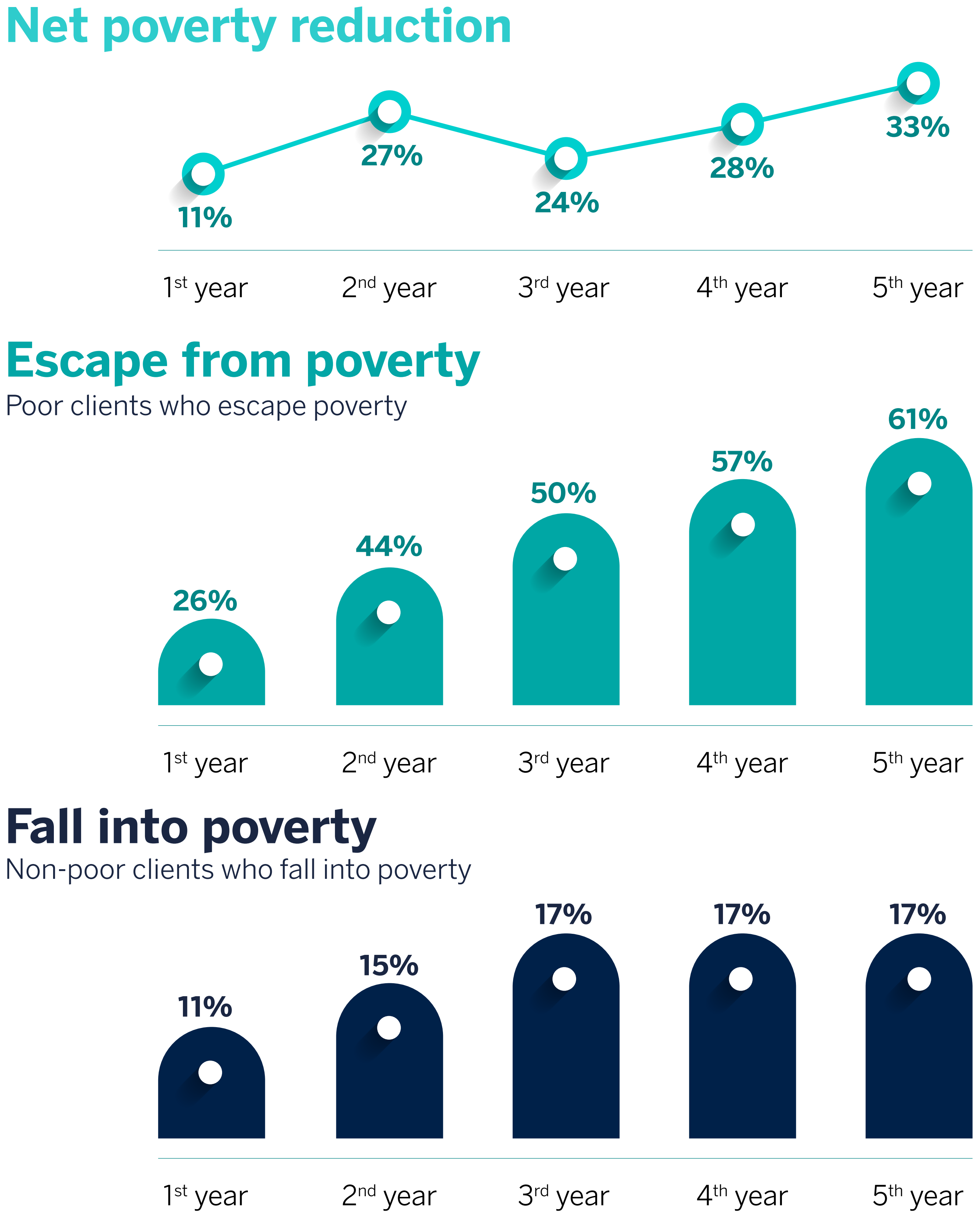
Entrepreneurs whose businesses allow them to escape poverty (buy more than one basket of food for each household member), and enter it. In addition, the net poverty reduction (Escape poverty – enter into poverty) is presented. Progress is measured comparing the latest data in relation to his immediately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

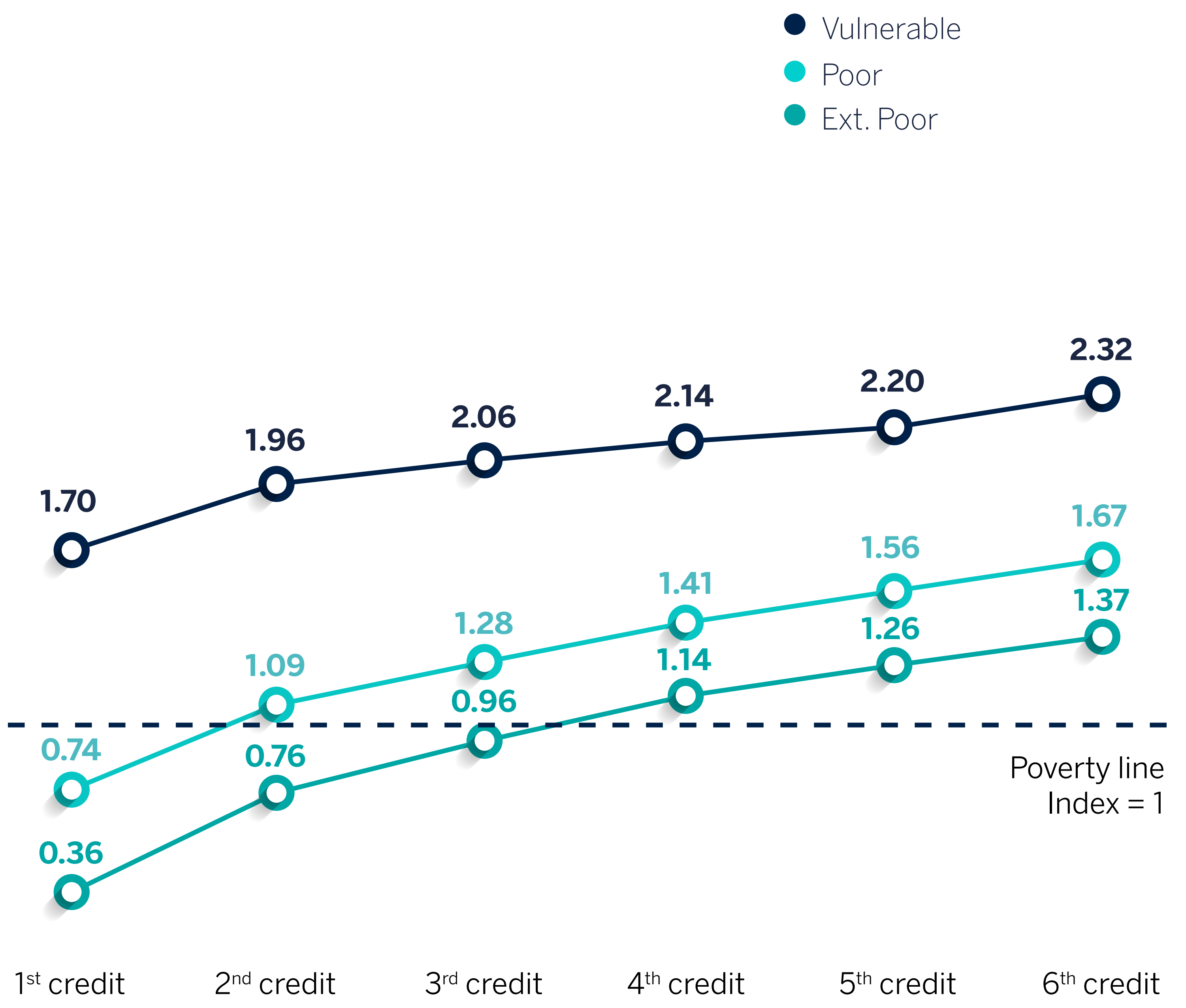
21 Variation in poverty segment

Clients who have renewed in the last year, by seniority



22 Growth in income

Income for each segment, over poverty line



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.

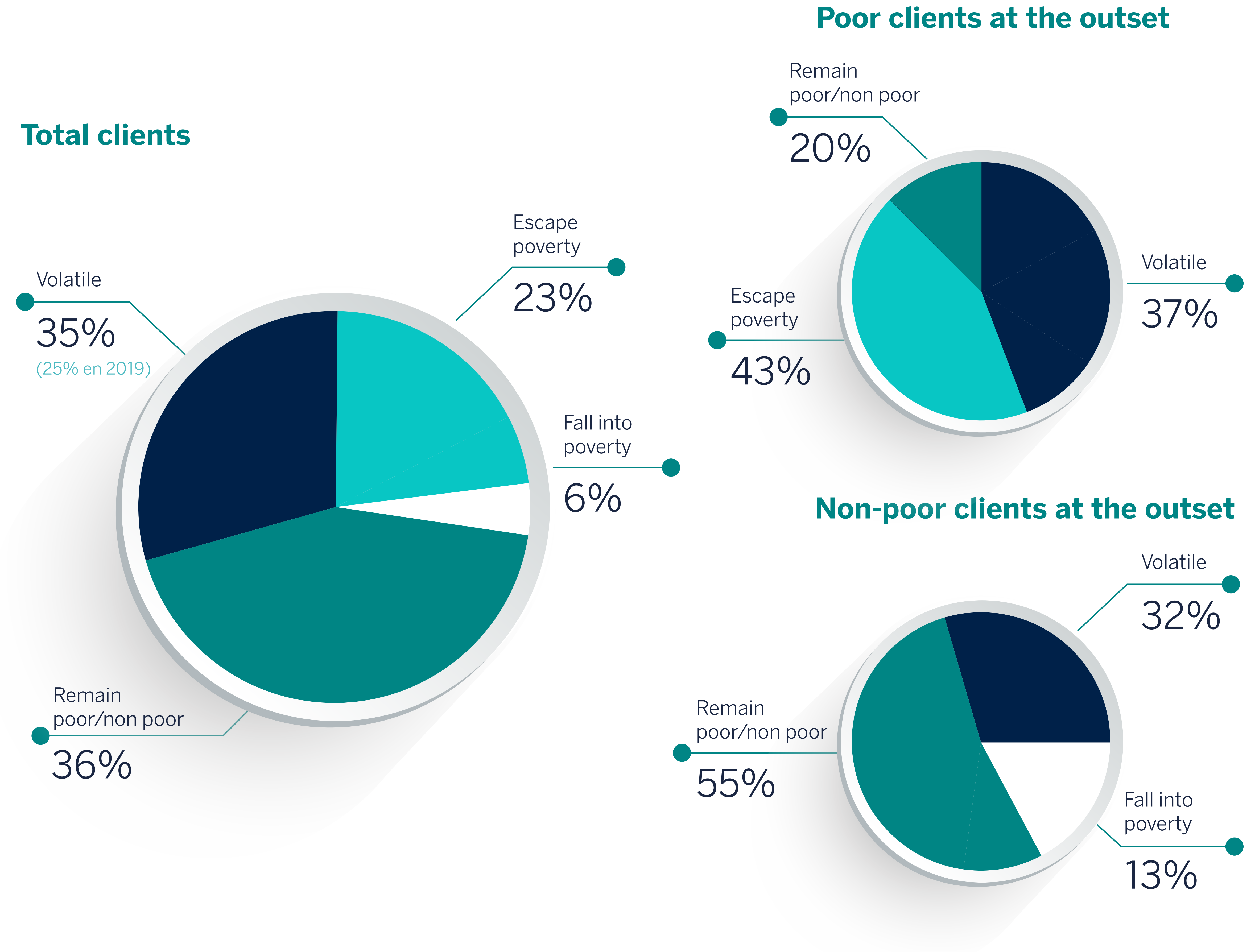
When we analyze clients with at least five loan disbursements (since 2011), we identify 35% of them as unstable (crossing the poverty line at least twice). Both those clients who were poor at the outset and those who were not can suffer these fluctuations in their incomes. This volatility is more pronounced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



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.

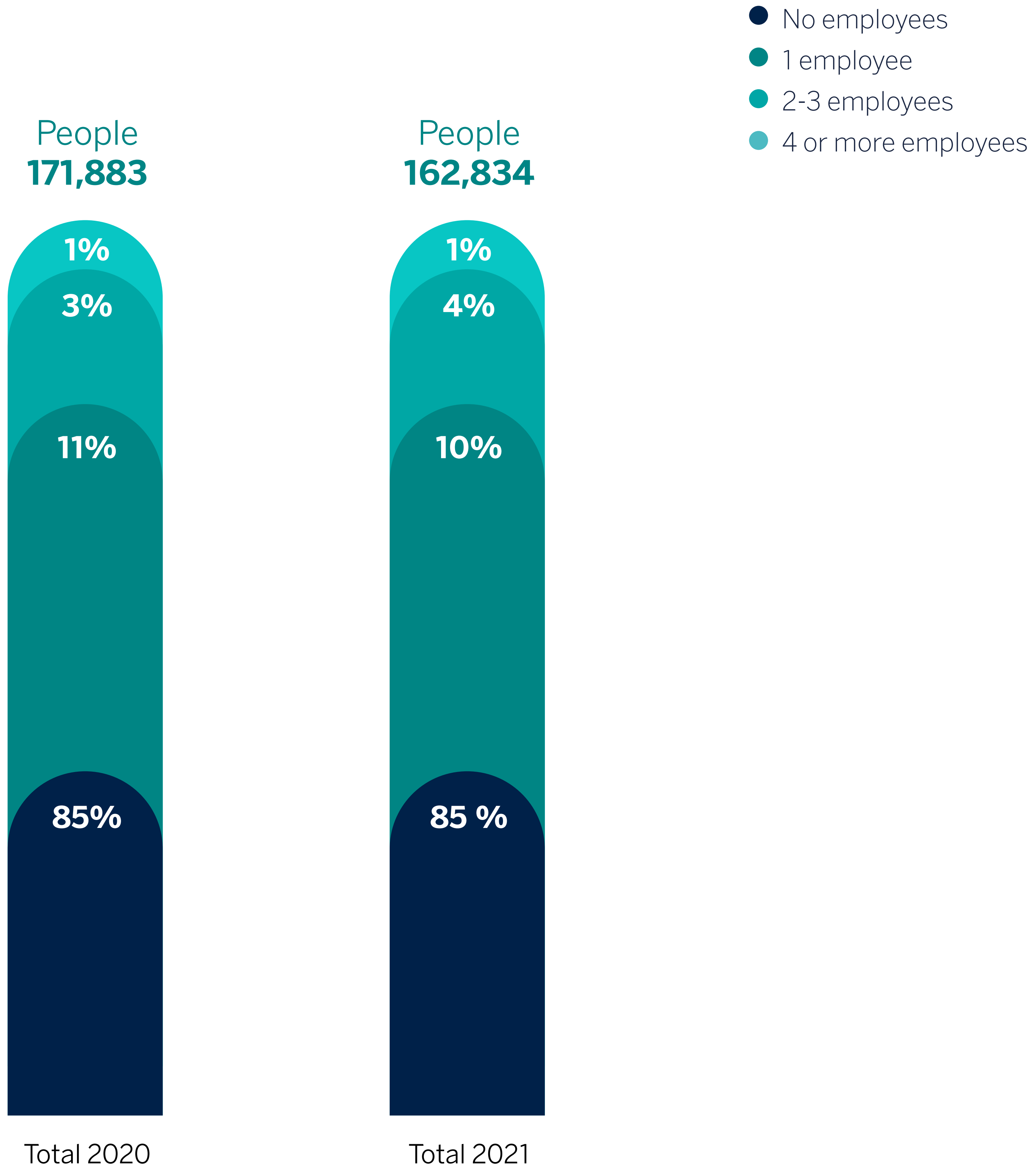
In other dimensions we see that 5% of clients have gradually improved the state of their housing and 1% their educational level after two years of banking with our institutions, which has a positive impact on future generations.

> 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..

24 Source of employment

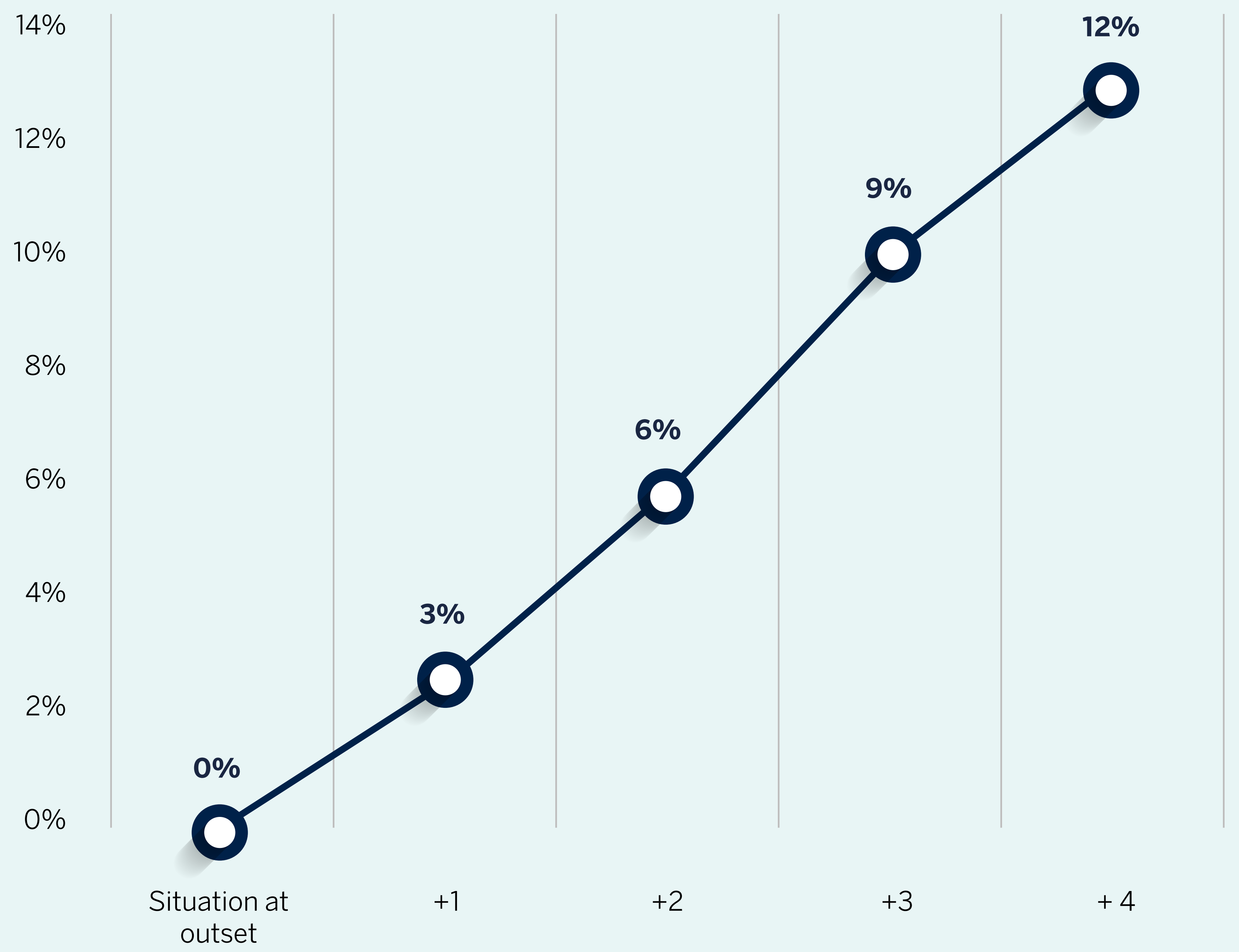
Clients according to nº of employees in their business



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

25 Job creation

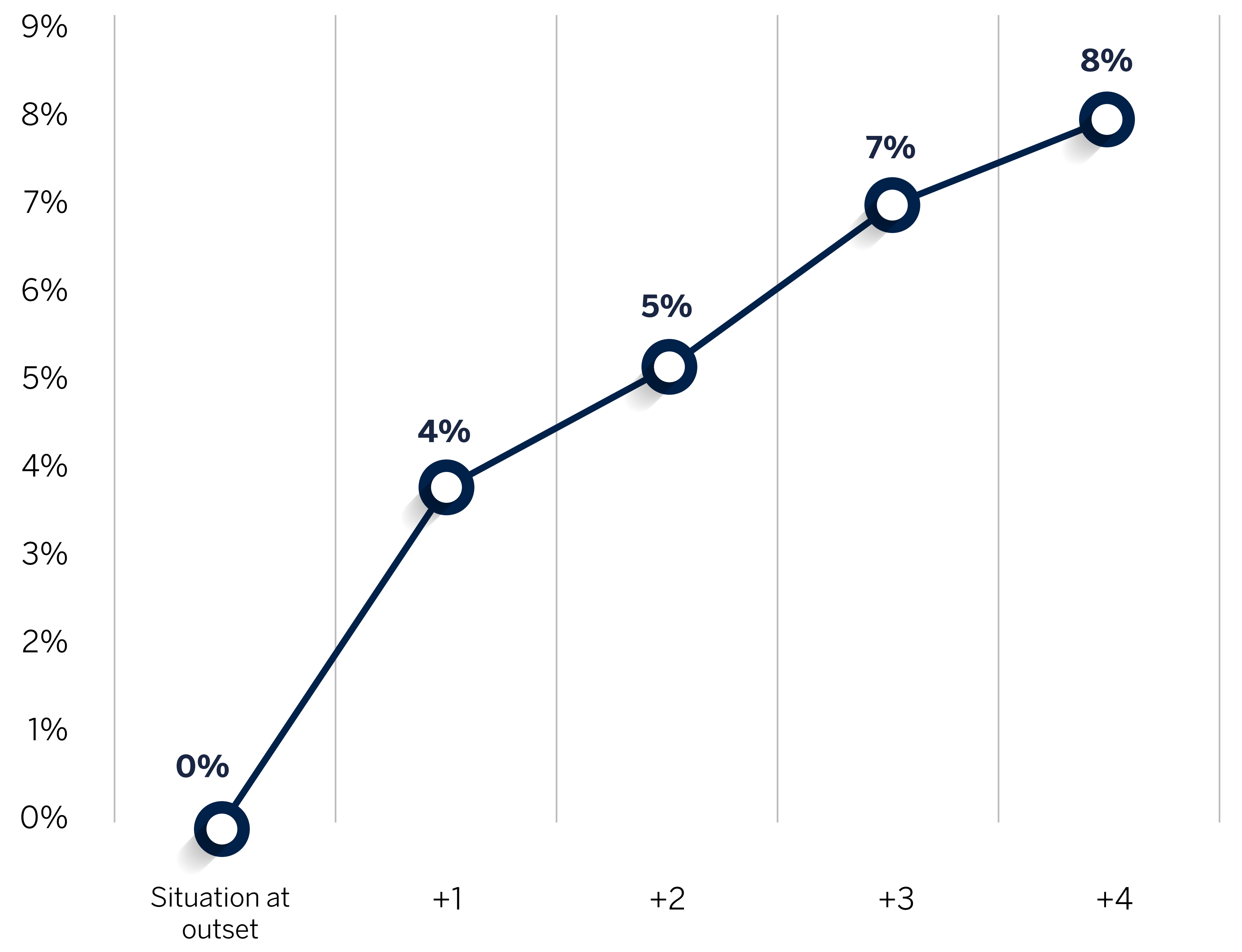
Credit clients who hire more employees (%)



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

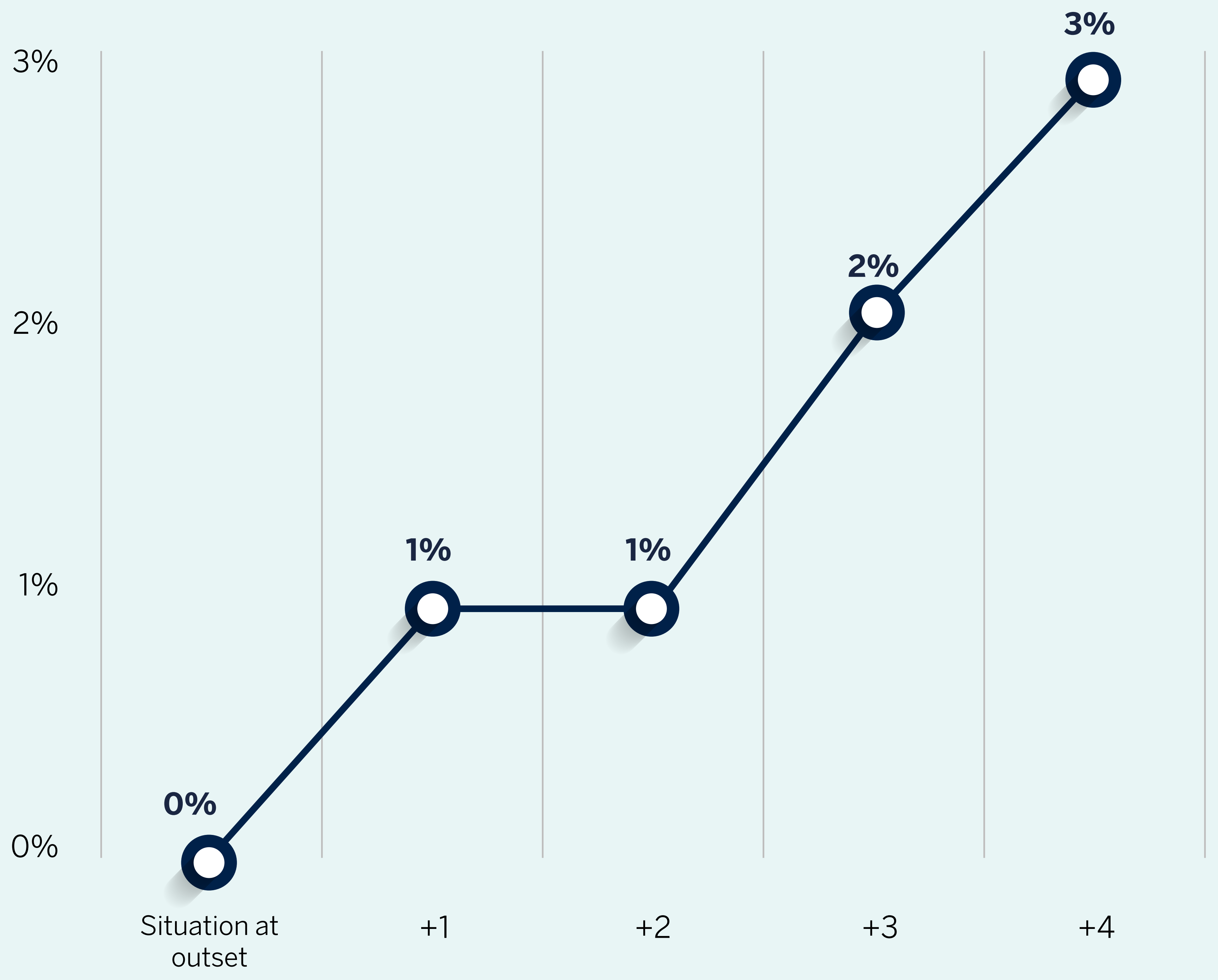
Credit clients who improve, by years spent banking with the institution (%)



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 (%)



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:

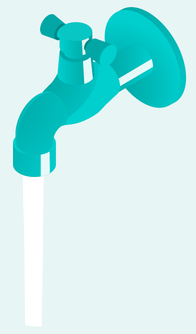
/Upgrading the homes and working premises of entrepreneurs;
/Financing sanitation facilities and access to clean water, which helps to reduce the risk of illness;
/Financing the purchase of eco-efficient technologies to reduce energy consumption and raise business productivity, such as water pumping 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.

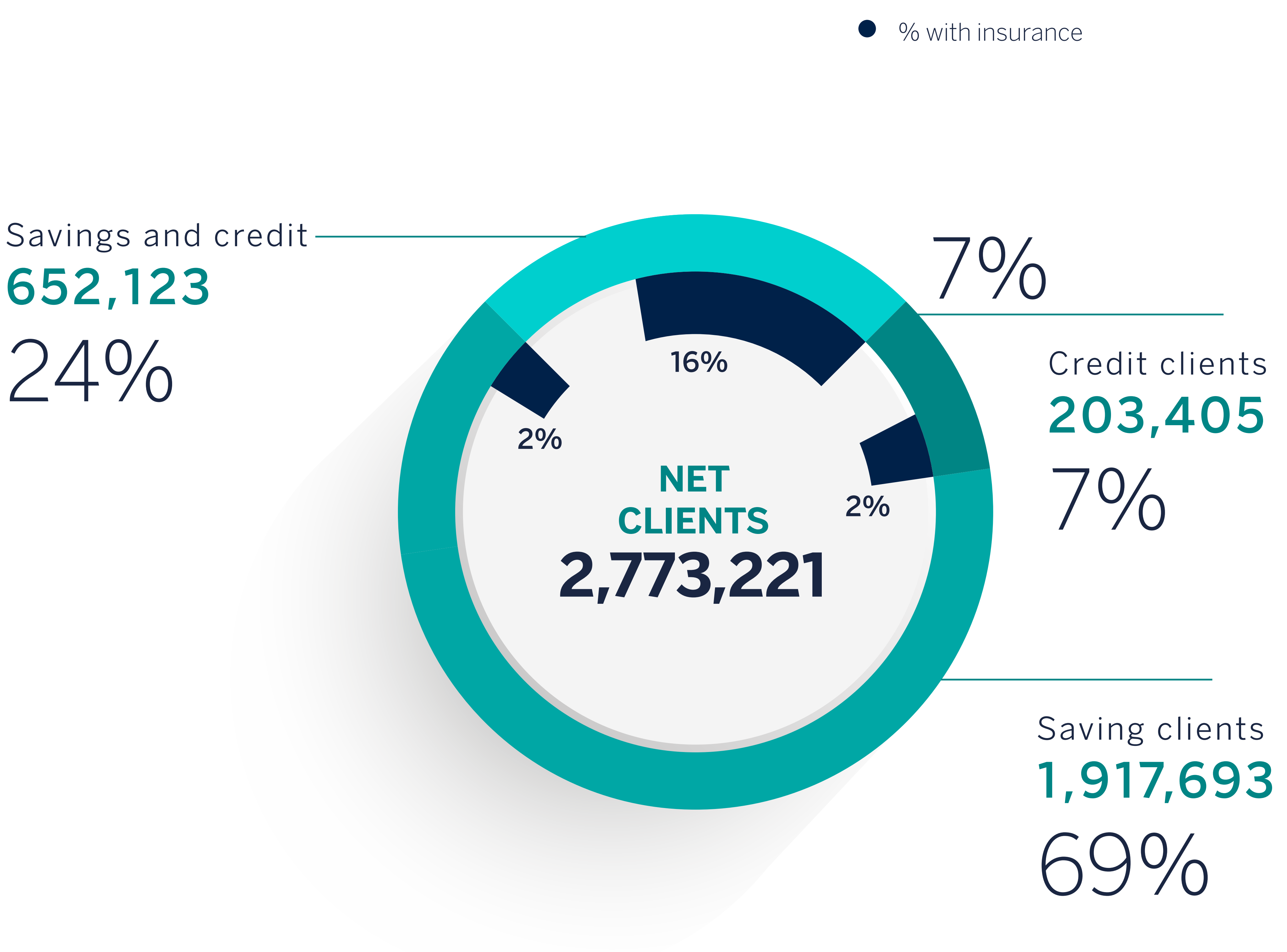
Financial health

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, channeled 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



Total clients at 12.31.2021.

Relationship with lending clients

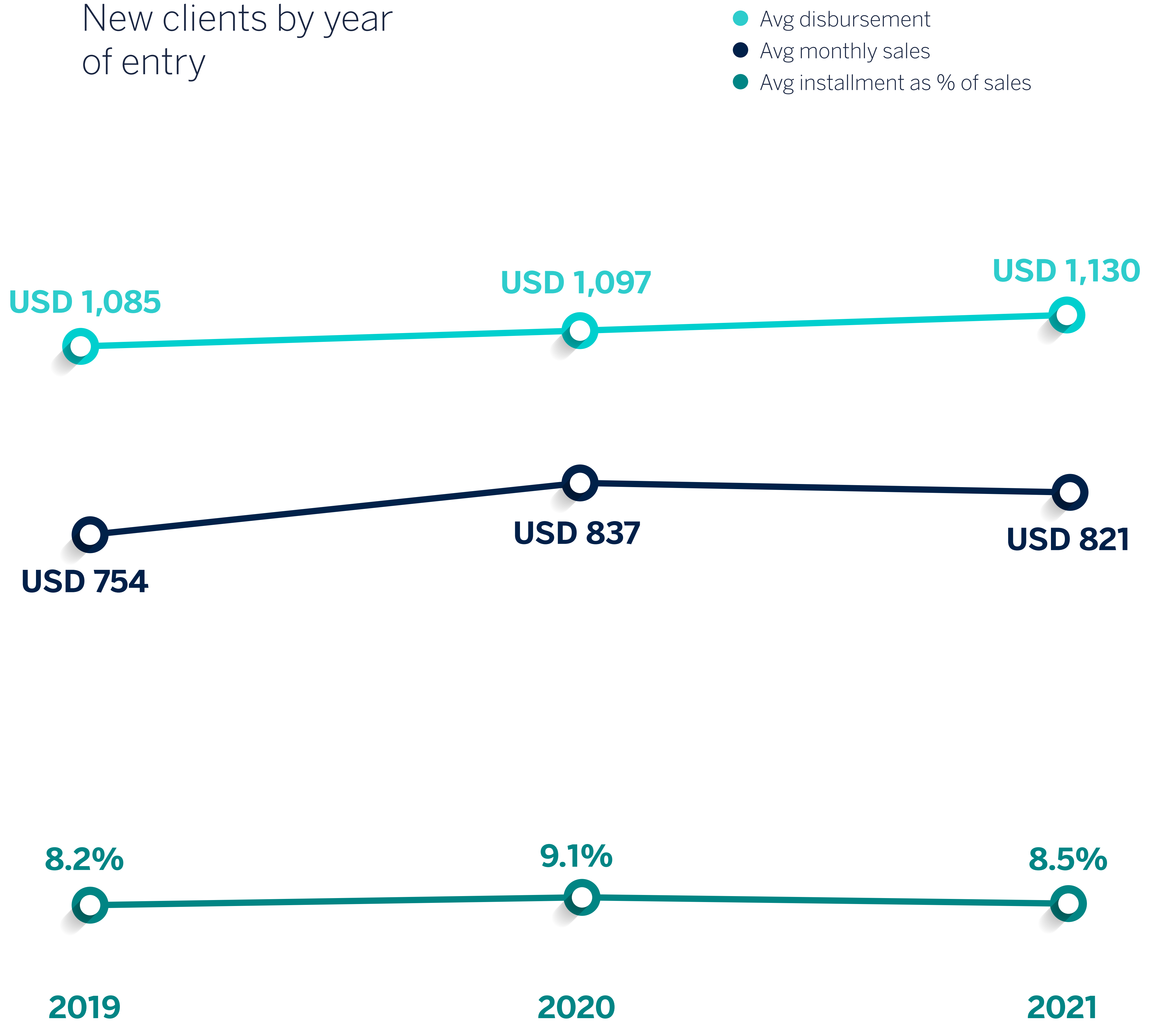
New credit clients served in 2021 received an average disbursement of USD 821, a sum which varied significantly across the countries where we operate (from USD 400 in Dominican Republic to USD 1,255 in Financiera Confianza, Peru. In 2021, the average disbursement went up by 15%, while the weight of the 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 ”

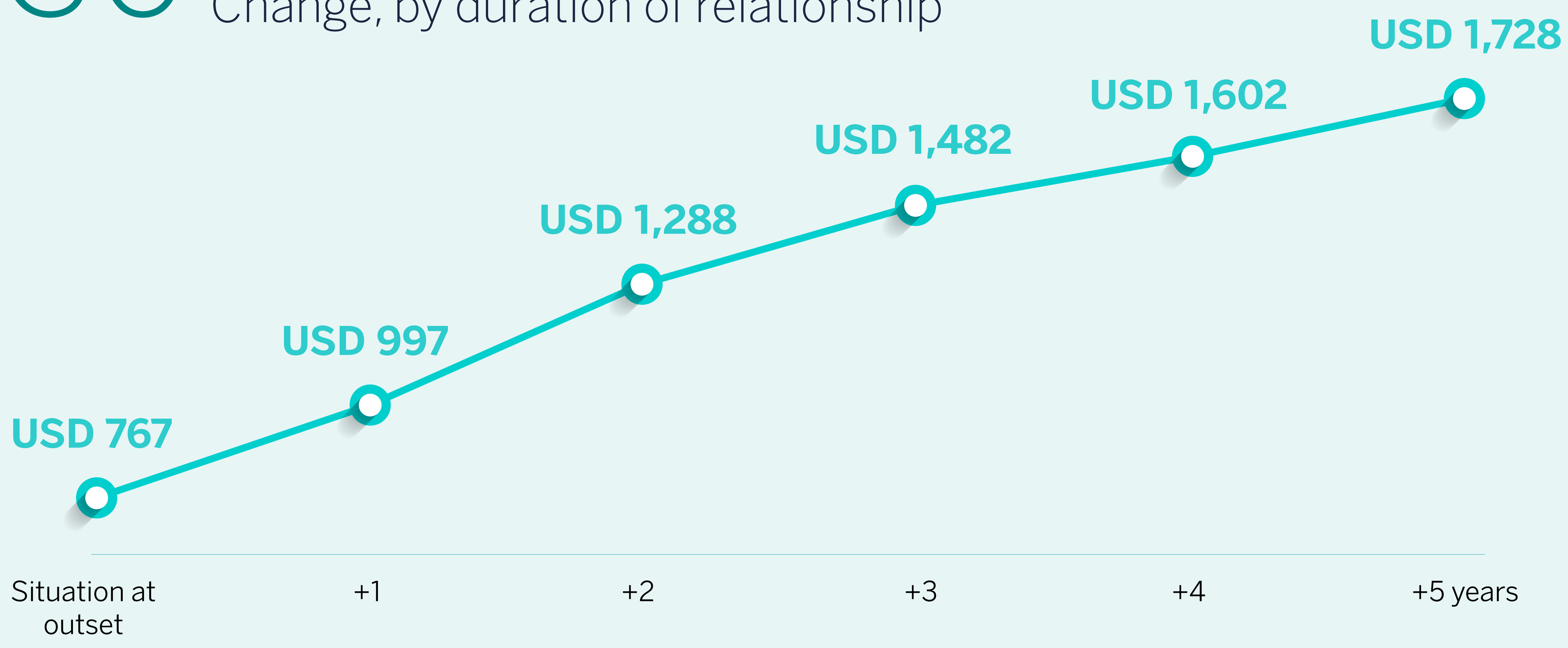
29 **Sales, disbursement and weight in installment**

New clients by year of entry



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 (loaninstallment payment over sales).

30 Growth of average disbursement
Change, by duration of relationship



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).

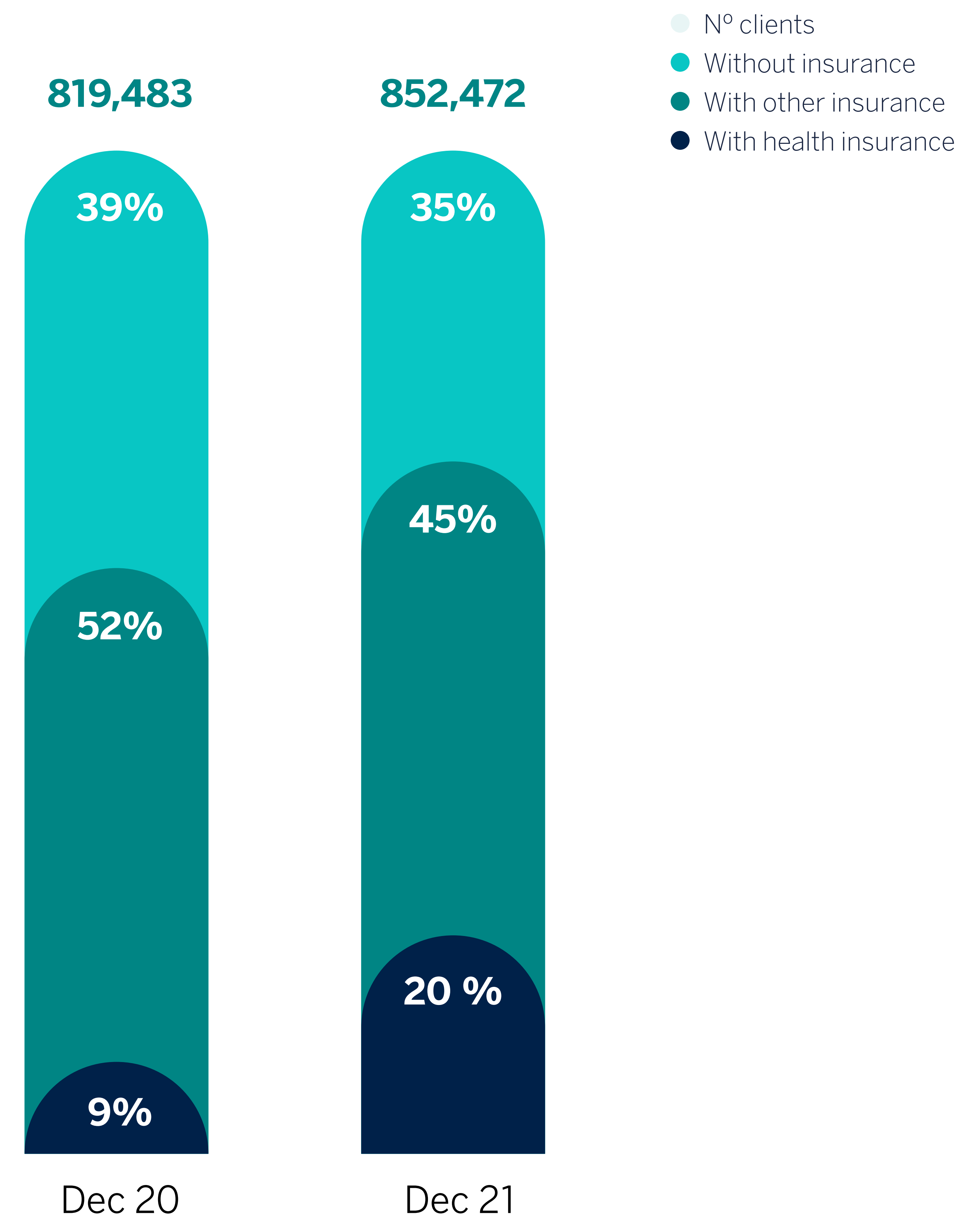
Relationship with clients who have a voluntary insurance

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



Current credit clients at 31.12.2020 & 12.31.2021. Includes all entities of the BBVAMF Group, with the exception of Emprende Microfinanzas and Microserfin.

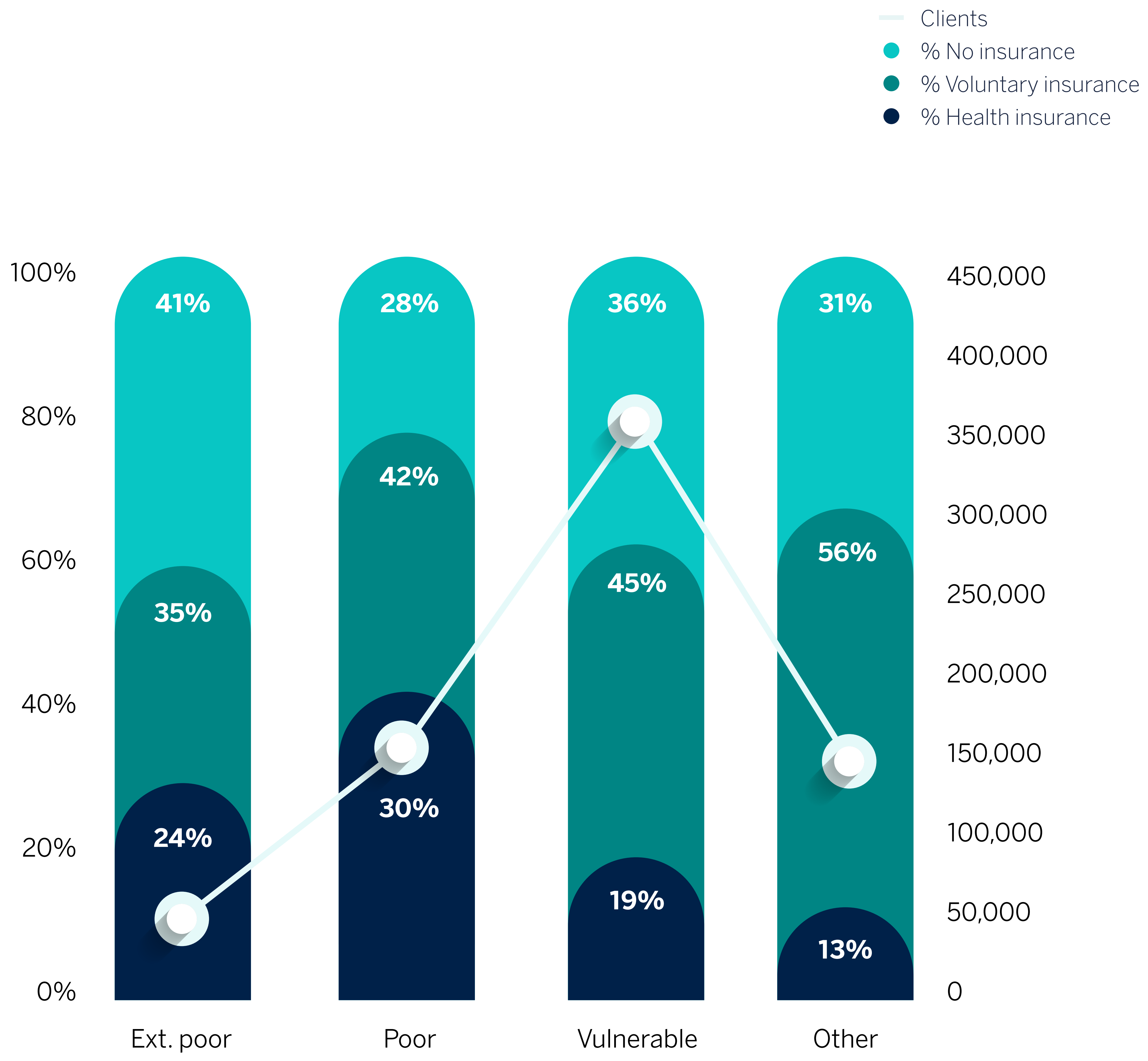
tal of nearly 180,000 healthcare policy beneficiaries by the end of 2021.

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



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 ”

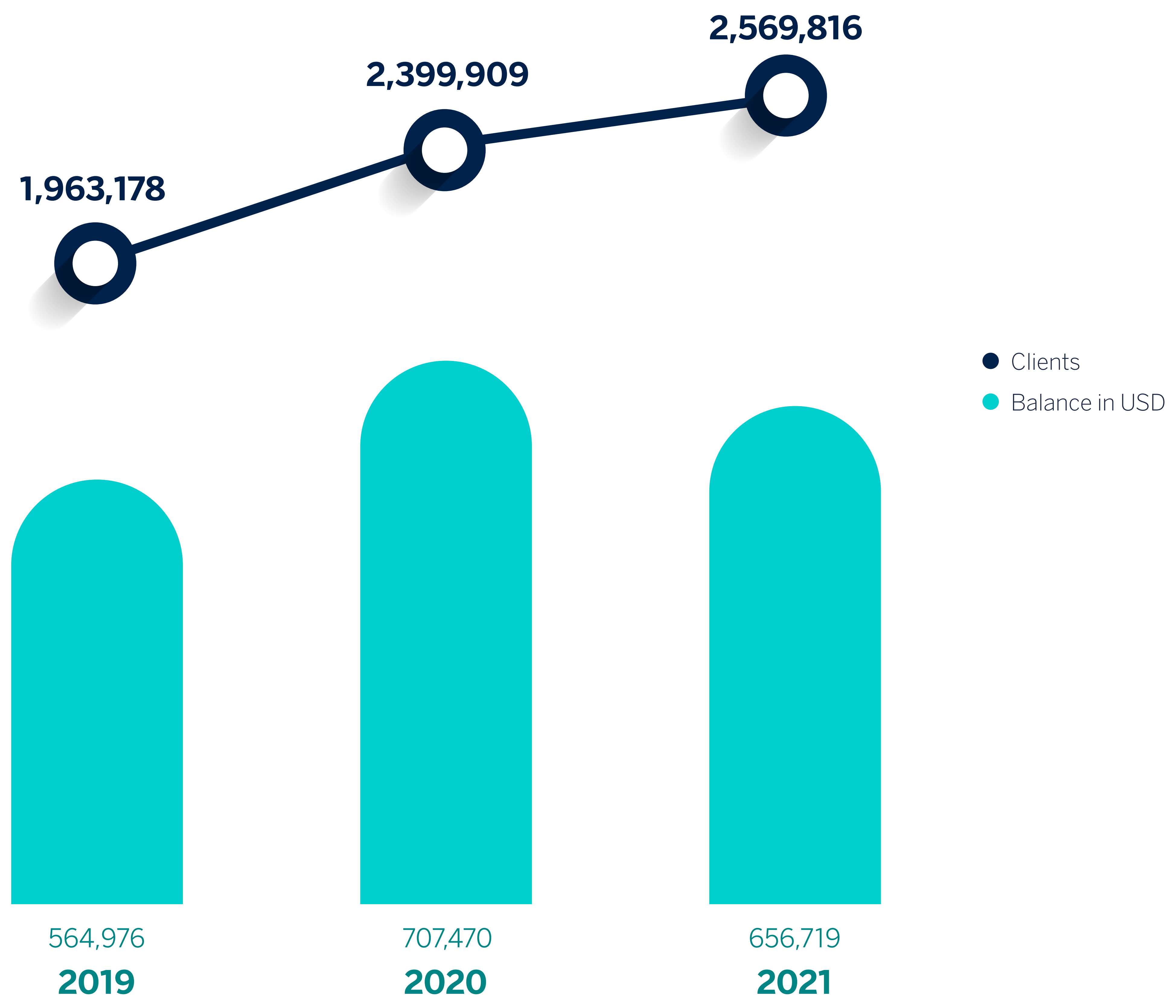
30% of savings clients use their accounts for transactions (there have been movements in their account in the previous six months), which has been particularly useful during the pandemic to channel government transfers. This explains why their average balance is so low (they are people identified by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

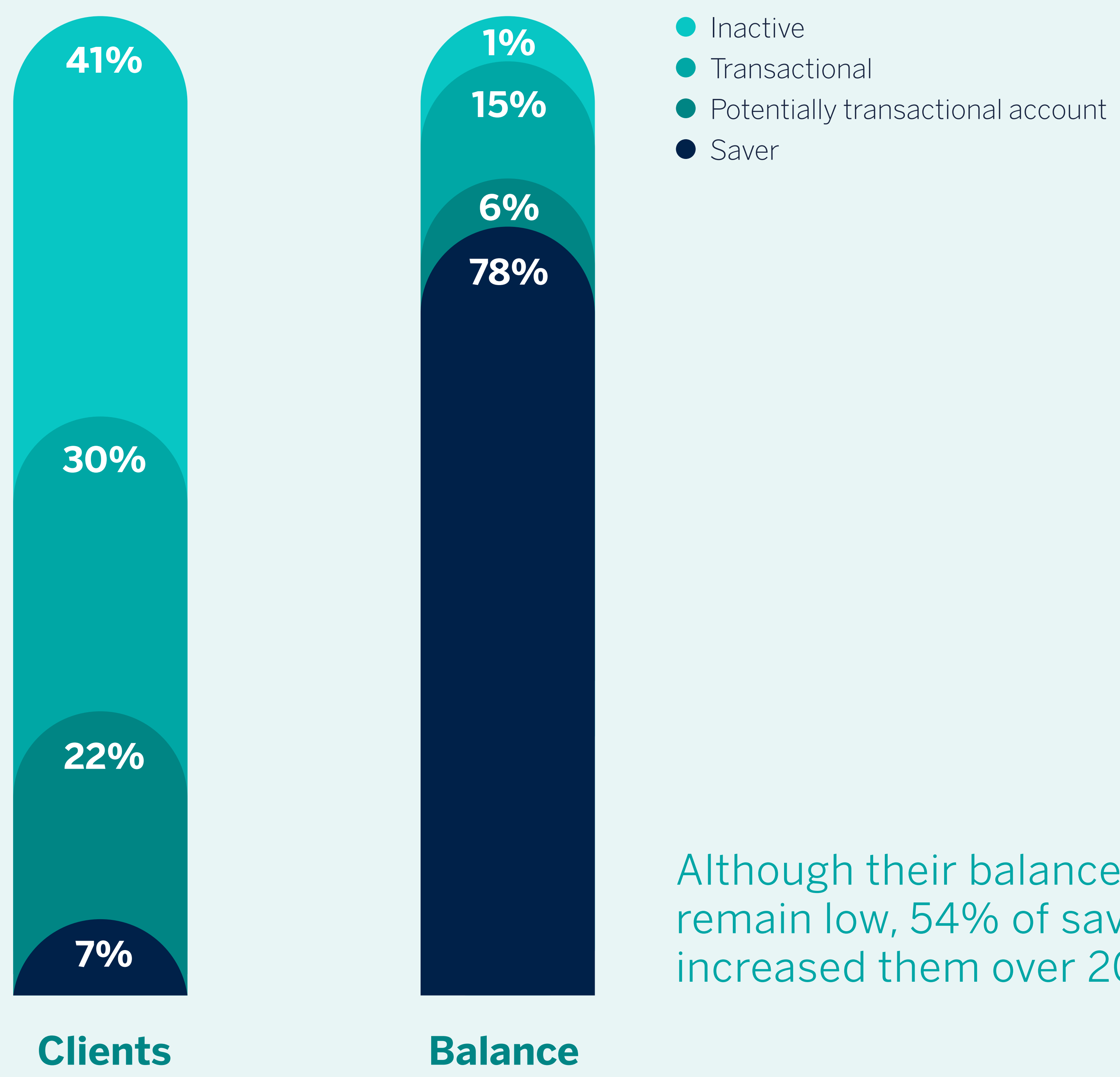
Clients with savings products at the end of each year



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

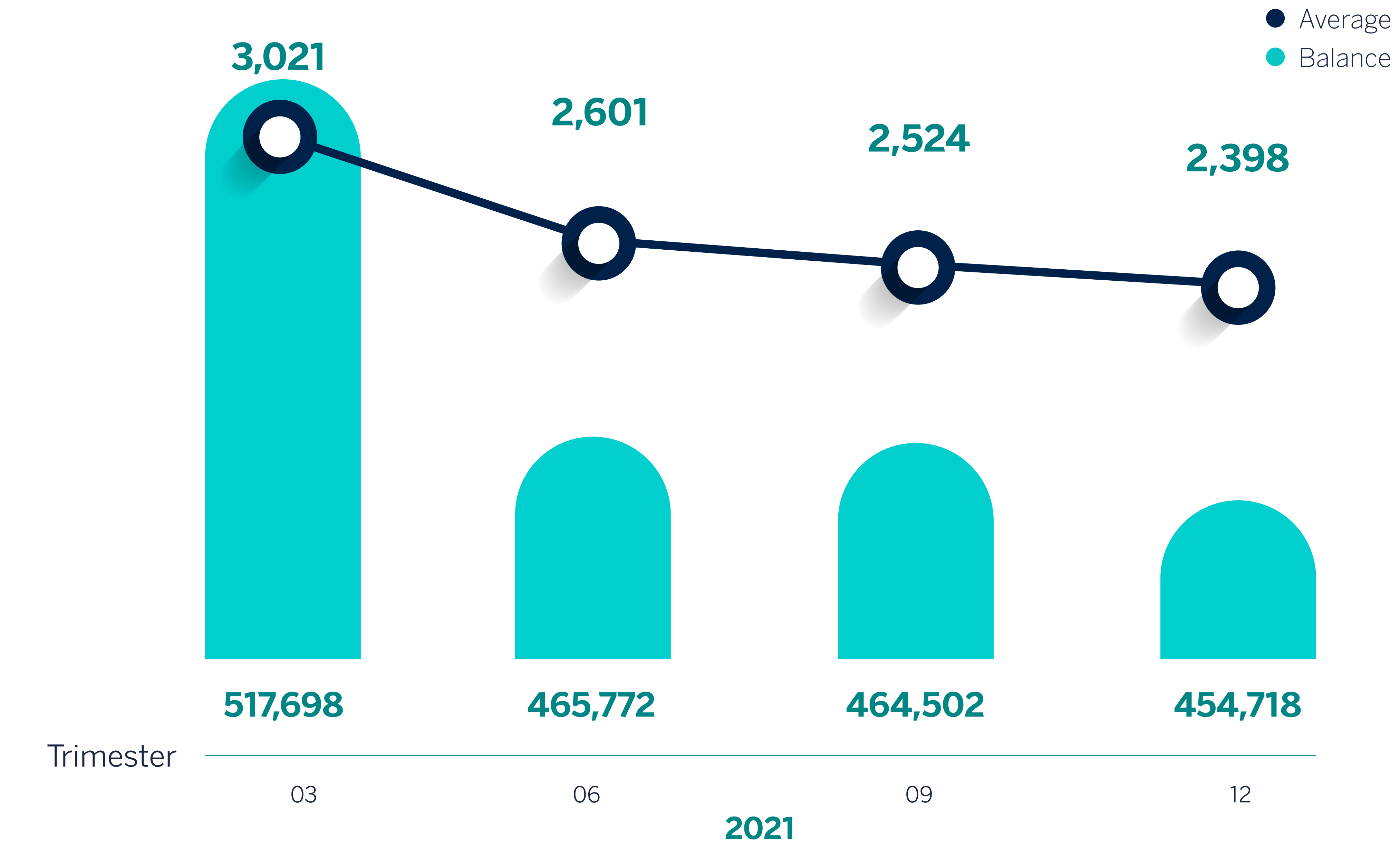


Although their balances remain low, 54% of savers increased them over 2020

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



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 ”

37 Balance of transactional accounts

Customers with transactional savings accounts

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

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).

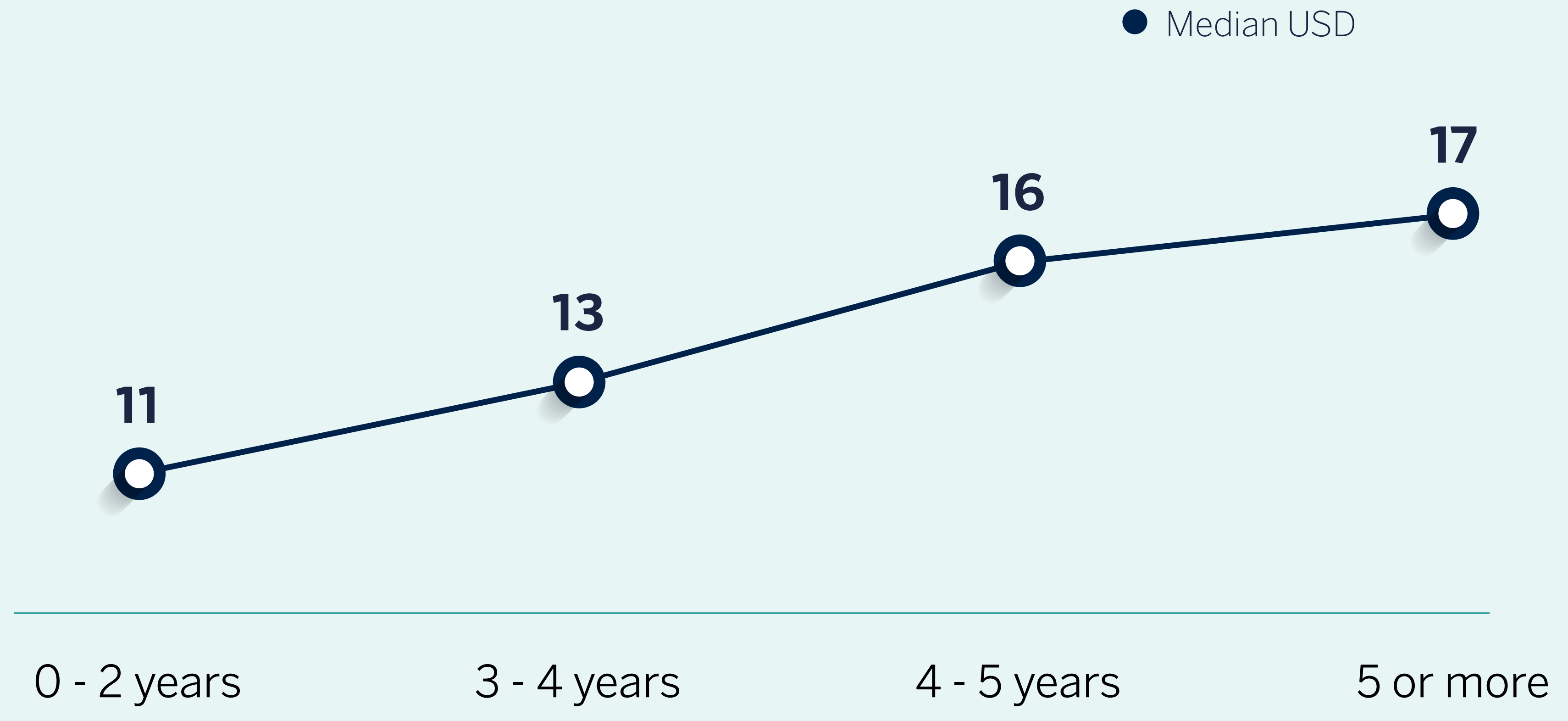
Analyzing the profile of savings clients, we note that 58% of the saver entrepreneurs are women, and that most live in urban areas (70%). If we focus our attention on those savers for whom we have information (with an active loan), we see that there is a direct correlation with their experience and period 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.

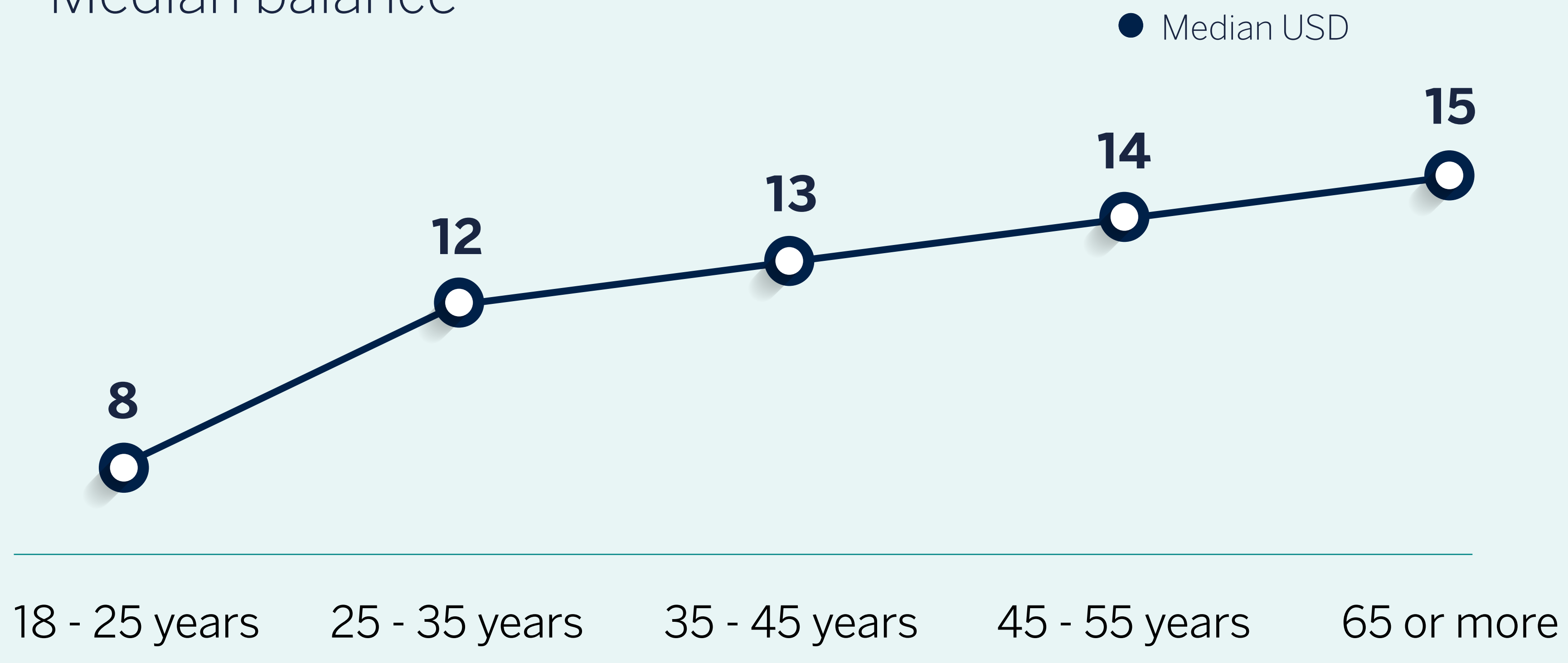
Technology and paying with one's mobile phone will have a positive impact over the next few years on our clients' transaction banking and saving rates. Digital payments are developing fast and will be increasingly frequent. Reducing costs, together with access to formal saving, will make these operations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

[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).

38 Savers, by seniority
Median balance



39 Savers, by age group
Median balance



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

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, microcredits 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.

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