

Impact on entrepreneurs

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- Severity of the shock
- Household strategies
- Measures taken
- Considerations and learnings
- Customer service in 2020
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Introduction



Severity of the shock on businesses



Household strategies



Measures taken and financial solutions offered



Considerations and learnings



Customer service in 2020

Resumen de actividad		Grupo FMBBVA
Datos financieros		
Cartera bruta (usd)		1.202.427.88
Monto desembolsado en 2020 (usd)		1.054.995.67
Número de desembolsos en 2020		764.6
Desembolso medio en 2020 (usd)		9.1
Desembolsos por clientes		635.431.

Aggregate data & Notes on methodology

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The magnitude of the shock – both economic and social – generated by COVID-19 is unquestionable. Back in early March 2020, despite the difficulty of estimating the impact of the pandemic on vulnerable households but anticipating the restrictions and measures that would be taken to mitigate this impact, the Foundation rolled out several initiatives to underpin the work of our microfinance institutions in this process (see [Our response to COVID-19](#) for more information).

Around 17 thousand surveys were conducted with entrepreneurs from Colombia (Bancamía, BA), Peru (Financiera Confianza, FC), Dominican Republic (Banco Adopem, AD), Panama (Microserfin, MS) and Chile (Fondo Esperanza, FE) to analyze:¹⁸

- The impact of the COVID-19 crisis on their businesses and homes
- The measures they have taken to overcome this crisis;
- Their level of satisfaction with the financial solutions offered by the BBVAMF Group institutions; and
- Their capacity to recover

Once two rounds of surveys per country had been completed – between April 2020 and February 2021 –, we noted that the impact and measures taken by entrepreneurs lasted until well after the reopening of the economies in our footprint. Businesses were decapitalized and the savings ran out.

Entrepreneurs faced more limitations in accessing capital. The business adaptations they put in place do not appear to have been medium-term investments, but rather temporary stopgaps, and the search for other sources of income, and even for work, have been an escape valve that has entailed greater informality. In short, there has been a reverse to their progress. For most clients, their financial situation has weakened, putting their resilience to the test more than ever.

Our institutions have made available – in many countries on a massive scale– three or four-month grace periods at the beginning of the pandemic in order to smooth financial stress.¹⁹ After this period, assessments were made on a case-by-case basis as to whether to opt for restructuring, another grace period or another solution that would be the right fit for each client. These measures have been positively received.

The surveys have enabled us to build up more perspective on the situation facing entrepreneurs, which is different to the perception from the credit relationship. Payment behavior does not necessarily reflect the financial reality of the client and their household, a disparity which has been made more visible by the pandemic. During this crisis we have seen clients who, from their wish to pay, have tried to honor their obligations in spite of their financial situation. We have also seen that, due to the climate of uncertainty, entrepreneurs who were in a position to pay have not done so in order to generate a buffer that would enable them to survive if the situation got even worse. Understanding the reality of each client has been critical.

Once two rounds of surveys per country had been completed, we noted that the impact and measures taken by entrepreneurs lasted until well after the reopening of the economies

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This knowledge has enabled institutions to adapt policies, review priorities with different business areas (sales, risks), as well as rolling out simple measures (e.g. logging more than one set of contact data for each client to make our remote services more agile).

This has also helped us to continue with the adjustments that are being made to certain products and services because of the pandemic (e.g. reinforcing digital training and encouraging regular saving). Likewise, it has made it easier to identify specific initiatives, with the help of third parties, for supporting entrepreneurs (e.g. solidarity supply chains, where the distribution of food through clients who are storekeepers was coordinated²⁰) to help them adapt to the new circumstances and even to take on promotional activities under the institution's name (e.g. encouraging the sale of masks in Colombia and Chile, etc).

Our entrepreneurs are taking some time to get back on their feet in some countries (Colombia, Dominican Republic and Panama), doing so quickly in others (Peru and, to a lesser degree, Chile), but it is heterogeneous by sector. **The depth and duration of the crisis will determine whether the measures – both those taken by clients, and those taken by financial institutions and governments– have enabled vulnerable households to recover quickly and come out stronger or whether, on the contrary, they are more financially stressed and have greater difficulties in overcoming it. This would mean a step backward in the progress achieved in recent years.**

Given the scope and length of this pandemic, the resilience of entrepreneurs – their capacity to overcome a shock of this magnitude by taking measures to mitigate it– will depend to a large extent on the sustainability of the actions taken, and on external support.

Knowledge about the impact on clients has enabled institutions to adapt policies, review priorities and roll out simple measures



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More on the COVID-19 surveys

We carried out 16,881 surveys²¹ at two different times, and with different objectives. Between April and August 2020, the goal was to discover the degree to which people had been impacted, whereas between November 2020 and February 2021 we collected data about their recovery.

The surveys (two per country) were conducted with entrepreneurs in the five countries where BBVAMF institutions have a footprint.

Due to the situation generated by the crisis and the difficulties entailed in contacting clients, the first survey used different methodologies depending on the country. The second was homogeneous and coordinated centrally by BBVAMF, which made it possible to ensure quality standards and obtain results that can be compared across different geographies and segments. Wherever viable, we have noted comparisons between the first and the second surveys.

The samples have, in nearly all cases, been representative of the total client base. The results are presented by country or in aggregate form (weighted average). If the analysis is not presented for a particular country, this is generally due to the lack of quality in the responses or because the sample is unrepresentative.

	Bancamía Colombia	Financiera Confianza Peru	Banco Adopem Dominican Rep.	Microserfin Panama	Fondo Esperanza Chile
COVID Survey 1: Impact on clients					
Nº surveys	914	3,118 ²²	999	143	297
Launch date/end	Apr 1-30	July 13/ Aug 10	July 23/ Sept 1	July 3-15	July 27/ Aug 10
COVID Survey 2: Recovery					
Nº surveys	4,434	4,683	1,005	546	500
Launch date/end	Nov 12-30	Nov 10-21	Nov 10 / Dec 31	Dec 10-22	Jan 7 -Feb 12, 2021

For further detail, see Methodology Note.

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Degree of impact on businesses and recovery

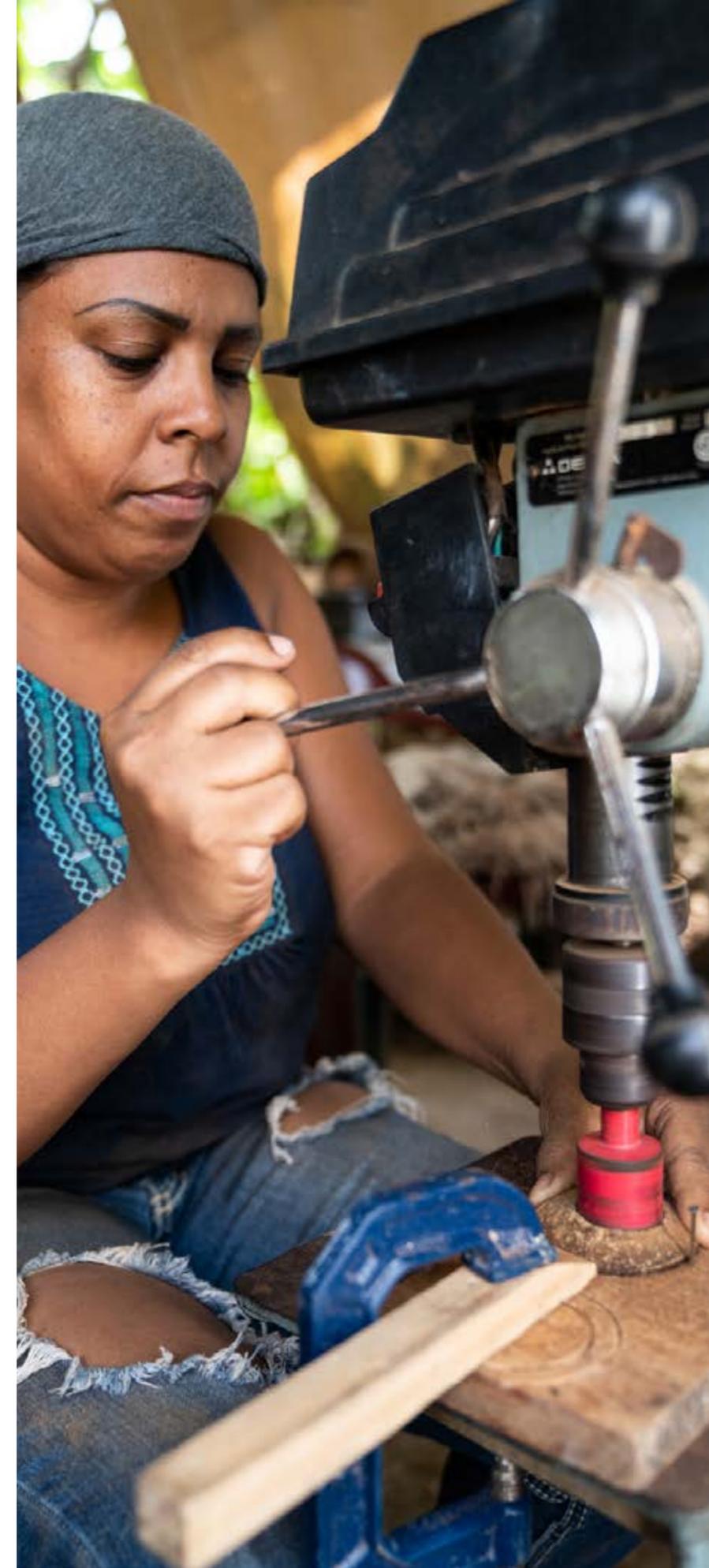
Mobility restrictions and the different measures adopted by local governments have affected the incomes of most people, particularly in the vulnerable segments that depend on informal businesses to make a living.

Severity of the shock on their businesses

Opening

At several moments during the crisis, many businesses could not continue operating: when the first survey was conducted, only 53% of our entrepreneurs were active, but by November, 84% were working, denoting an economic reactivation. Another 4% had closed down permanently. There are some interesting differences by country:

- In Colombia, Dominican Republic, and Chile there was a definite reactivation after the first survey was conducted; in Colombia, the first survey was in April, at the high point of the crisis, in Chile and Dominican Republic, the first survey was in July.
- In Peru, by July many of the mobility restrictions had been lifted, and only 28% of businesses were closed, although this could also be an outcome of the high level of informality among these entrepreneurs.²³
- In Panama, in November the economy still showed no signs of reactivation; it has been particularly slow due to the impact and magnitude of the crisis across the nation



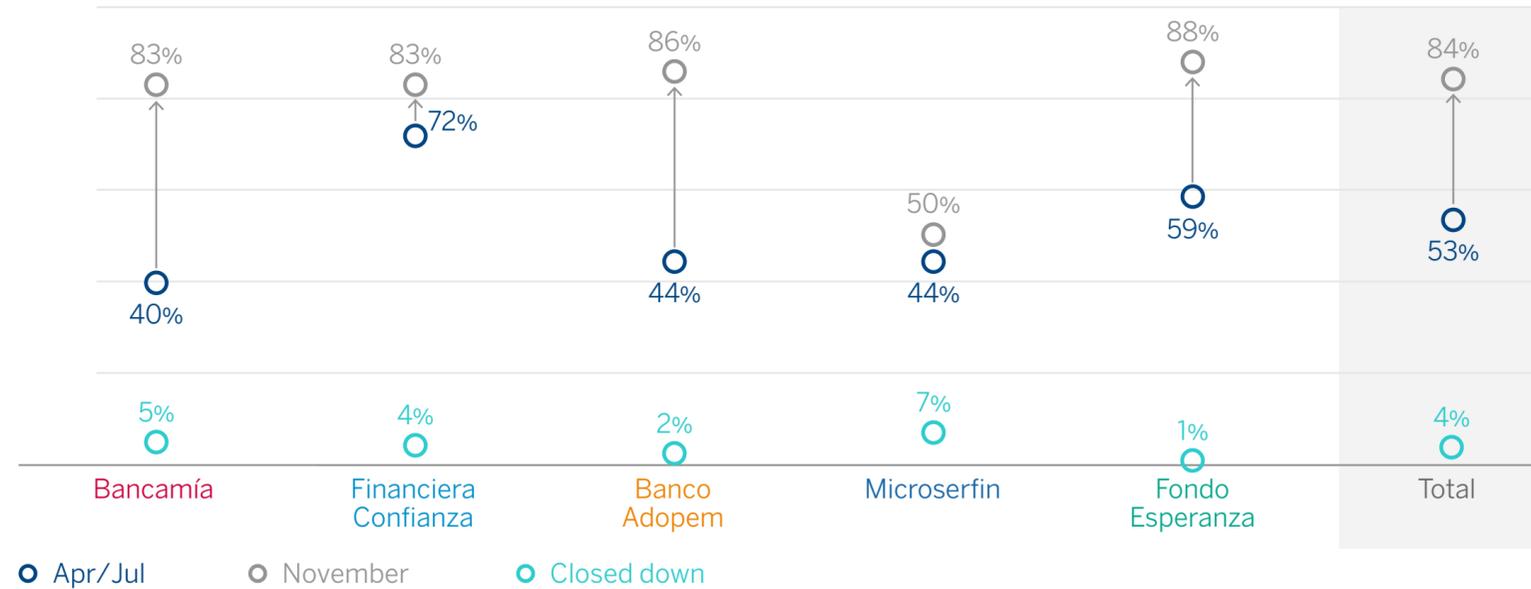
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Degree of impact on businesses and recovery

1 Opening up of businesses

All clients surveyed



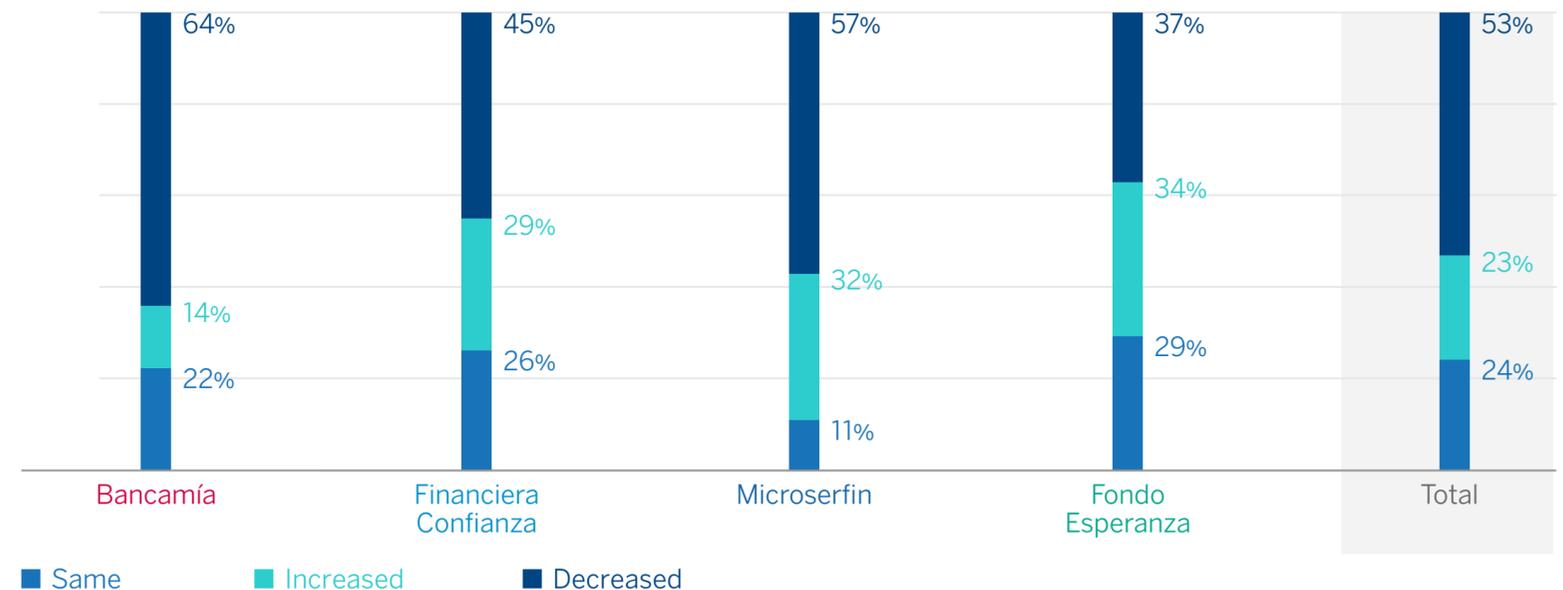
In November the degree to which businesses were open (84%) was significantly up from July (52%), but most still had sales that were lower than before COVID-19

Sales

In November, 53% of entrepreneurs reported that sales were still lower than pre-crisis sales the year before. The impact of the drop in sales has been less sharp in Chile. This is because the measures (apparently less severe) have been applied differently; instead of being nationwide, as in the other countries, they were adopted by region, which meant that operability in general has been maintained more widely.²⁴

2 Income reduction

All clients surveyed by November 2020



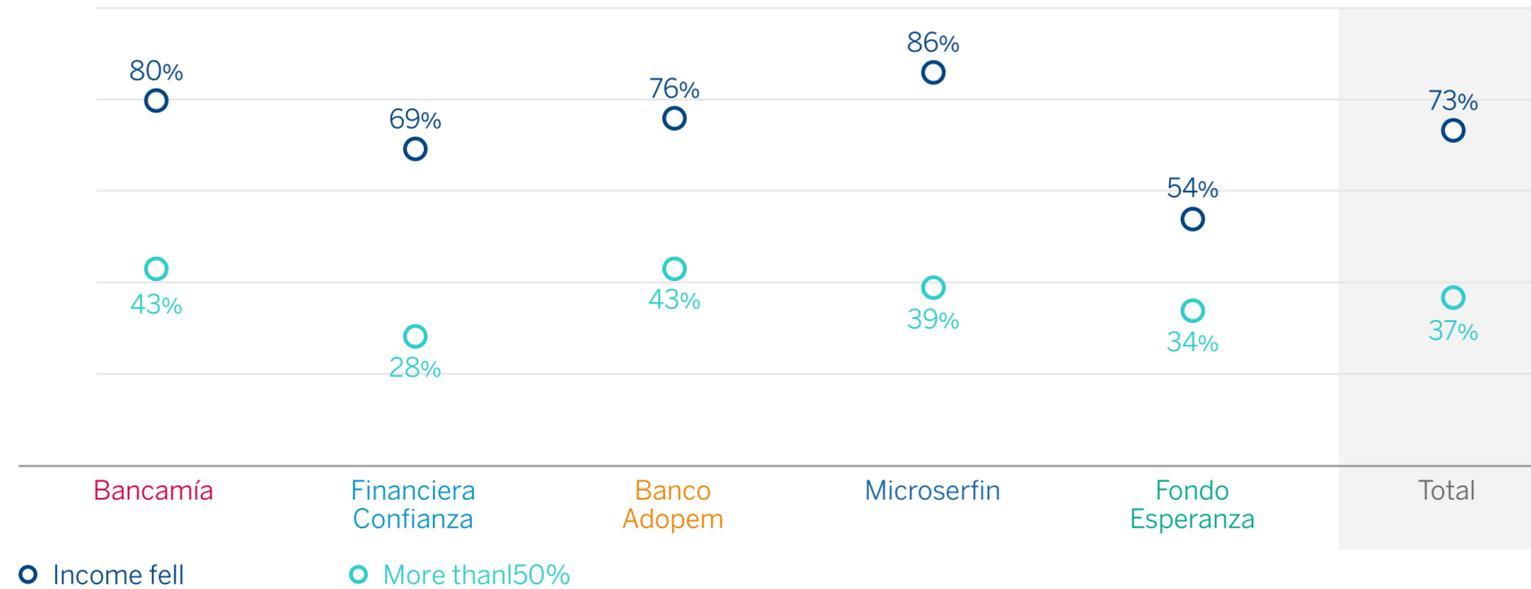
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Degree of impact on businesses and recovery

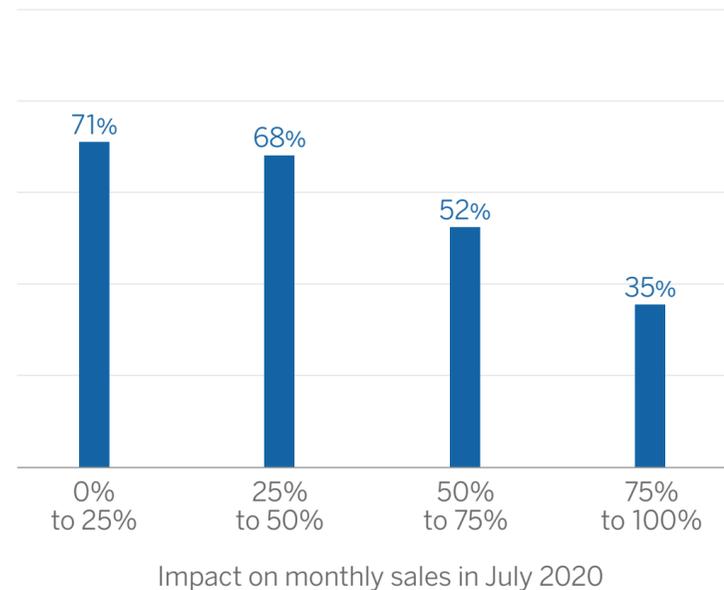
3 Reduction in sales during the COVID period (March to November 2020)

All clients surveyed



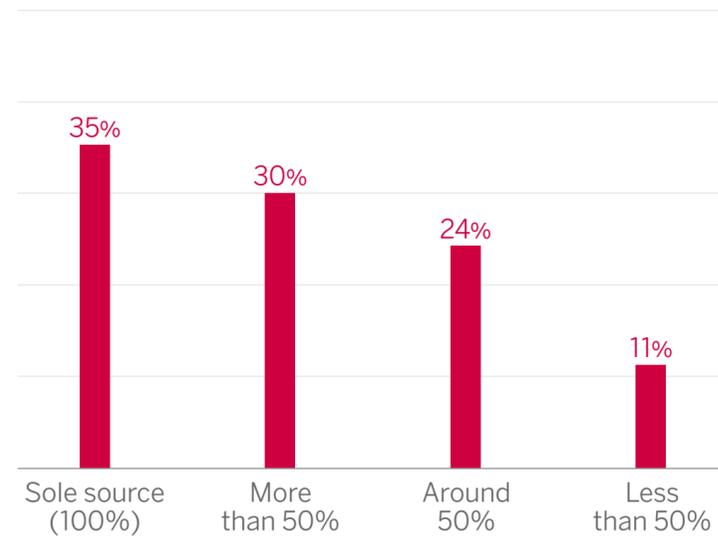
4 Panama. Businesses open November 2020

All clients surveyed by December 2020



5 Colombia. Businesses closed permanently

All client closures, by income source



Accumulated reduction

In the accumulated period from March to October, 73% of the businesses that remained open had lower incomes, and 37% were turning over less than half (compared to the months prior to the pandemic). In other words, one in three entrepreneurs had lost at least six months' income over a year.

This has exposed households to a high risk of falling into poverty. For example, in Panama, of clients whose incomes in July 2020 had dropped by more than 75%, only 35% had managed to keep their businesses open by December of that year, compared to 71% of those whose losses in July were less than 25%.

Permanent closure

The steeper the fall in sales, the more likely the closure. 4% of our clients had pulled down the shutters for the last time by November. It was particularly bad in Colombia, Peru, and Panama. For example, in Colombia, 5% of the businesses that Bancamía had helped to come about closed for good. For most people, the business was the main source of household income.

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Degree of impact on businesses and recovery

Activities are classified by impact, whether they have closed and how sales have dropped:

Activities as they have been impacted in Colombia, Peru & Dominican Republic

Classified as heavy, significant or moderate impact

		Heavy impact	Significant impact	Moderate impact
Total	% Clients	33%	30%	37%
Colombia	% Clients	32%	25%	43%
	Activities	<ul style="list-style-type: none"> • Catering • Textile (manufacturing & sales) • Beauty salons • Itinerant selling • Manufacturing • Food 	<ul style="list-style-type: none"> • Catalog sales • Transport • Construction • Sale of food (wholesale) • Other (retail & wholesale trade) • Other services • Other prod./transf. 	<ul style="list-style-type: none"> • Livestock farming • Mixed farming • Crops • Food stores / pharmacies
Peru	% Clients	26%	33%	41%
	Activities	<ul style="list-style-type: none"> • Catering • Transport • Construction • Textile manufacturing 	<ul style="list-style-type: none"> • Sales of food (wholesale) • Textile (wholesale) • Others 	<ul style="list-style-type: none"> • Grocery stores • Cereal farming • Livestock farming • Mixed farming
Dominican Republic	% Clients	58%	21%	22%
	Activities	<ul style="list-style-type: none"> • Catering • Textile (retail) • Sale of food (wholesale) • Transport • Textile manufacturing 	<ul style="list-style-type: none"> • Grocery stores / pharmacies • Itinerant selling • Livestock farming • Other prod./transf. • Other trade (wholesale) • Construction • Other services 	<ul style="list-style-type: none"> • Beauty salons • Crops • Food production • Other trade (retail)

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Degree of impact on businesses and recovery

Although there are variations by country, in general we can see:

- Grocery stores /mini-markets are the big winners from the crisis, together with farming; the latter sector is driven mainly by men.
- The textile trade and food services (catering) have been the hardest hit. In Colombia these are managed by poorer entrepreneurs and by women, while in Peru, they are managed by men, and they are better off and better educated.

In all sectors women have suffered worse losses in sales than men, particularly in Dominican Republic. This is mainly because women are over-represented in those activities that have suffered more of a negative impact from the crisis, such as trade, the manufacturing industry, catering and restaurant businesses. For further information, see [\[COVID-19's impact on women\]](#).

Recovery

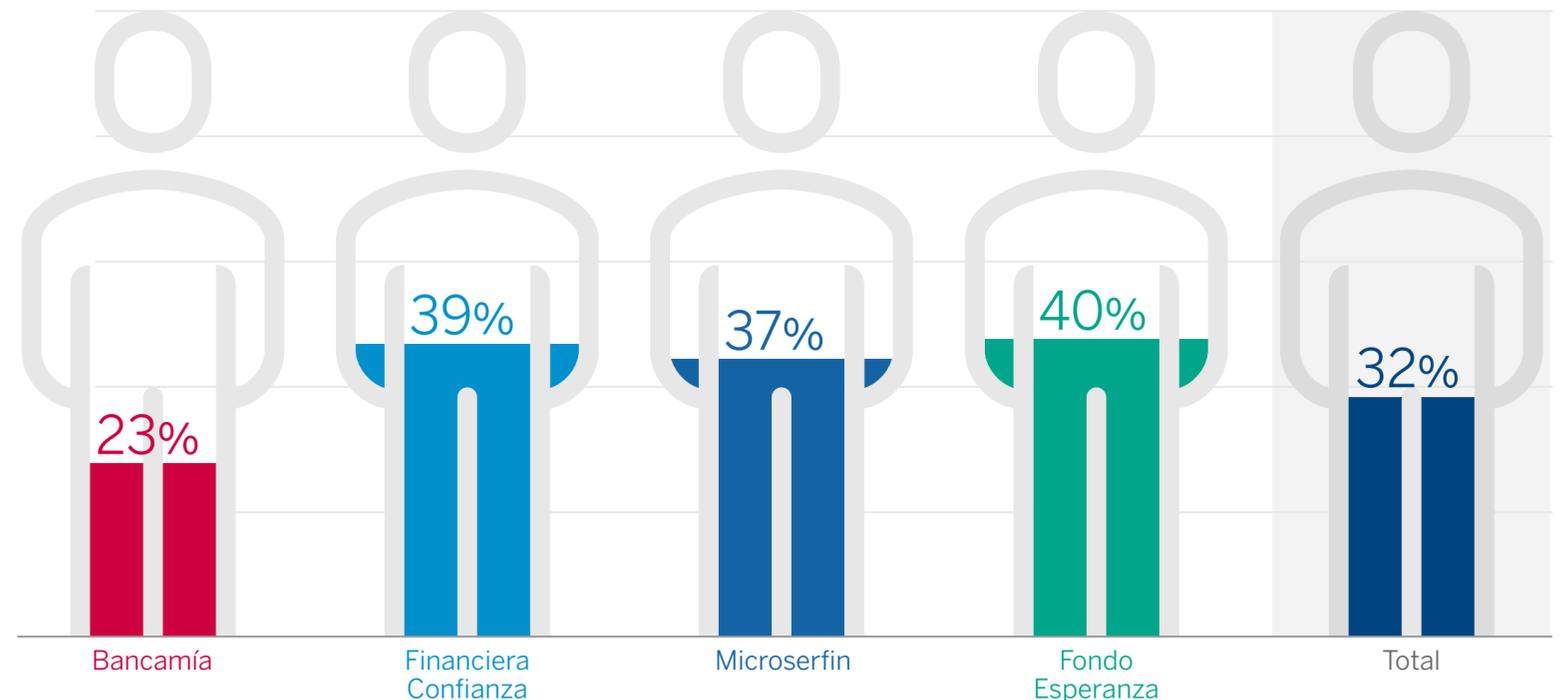
Entrepreneurs' reactivation has been evident, both in terms of reopening and increased incomes. What is more, on average, 32% of entrepreneurs whose incomes had fallen between March and October recovered in November, equaling and even increasing their pre-crisis sales volumes. Peru and Chile stand out, with a particularly strong recovery (39% and 40% respectively).

The duration of the crisis is going to play a central role in the total likely impact. Given that it isn't over yet, depending on the measures or restrictions applied by governments and the vaccination rates, the recovery data may change, especially bearing in mind the sensitivity of the most vulnerable sectors.

One in three entrepreneurs recovers within eight months

6 Entrepreneurs who have recovered

All clients surveyed whose sales fell in the accumulated March-October 2020 period, and who have equalled or increased them by Nov



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Degree of impact on businesses and recovery

The recovery varies according to the country. In Peru, the clients with bigger incomes are recovering; among these the predominant activity is food wholesaling. In Colombia the clients with higher incomes are based in the country's southern zone, where they have farming-related occupations.

In general, we can say that clients' expectations for their recovery are positive: in Colombia, 51% said that they could get back to their previous sales levels in under six months, and in Peru, 53% opined the same. Given the magnitude of the shock, this is a sign of optimism.

Half of our entrepreneurs hope to have recovered in under six months



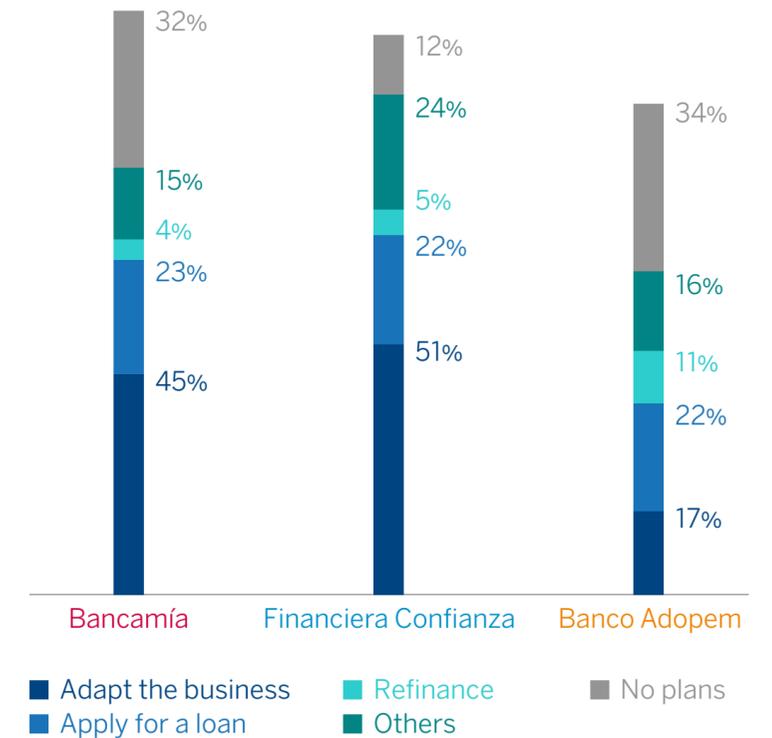
7 Expectations of recovery

All clients surveyed by November 2020



8 Recovery plans

All clients surveyed by November 2020. Multiple response



Adaptation is a predominant feature among businesses' recovery plans, that is, changing or diversifying their activity, followed by applying for a loan (except for Banco Adopem in Dominican Republic).

Bearing this in mind, it is important to offer services that are tailored to help entrepreneurs to get back on track. Lending is one of the first tools required and is a response to the lack of liquidity needed to buy stock²⁵ although we expect business upgrades and investments in assets will also be needed.

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Household strategies

To cope with the situation of financial stress, households began to use their savings. As the crisis became chronic, entrepreneurs turned to different alternatives to make an income.

Impact on saving

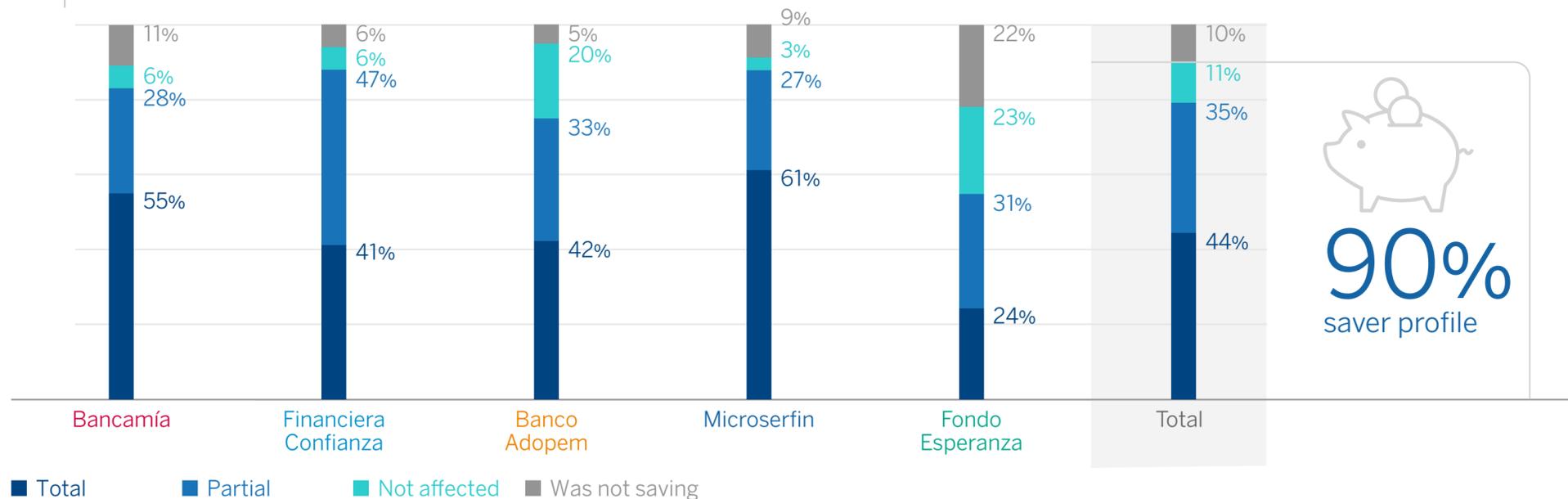
Half of entrepreneurs saw their savings capacity totally wiped out, although this effect softened from July to November (in Peru it improved by 15 p.p. and in Dominican Republic by 12 p.p.).²⁶ This figure shows the serious impact on household economies, since the client base is essentially that of a saver (90% have that profile), even though these savings are modest.

The correlation between the impact on sales and the savings capacity of entrepreneurs has remained: the greater the fall in sales, the greater the impact on saving. As is the case with sales, entrepreneurs are optimistic about their capacity to save: 53% expect to be able to return to saving in under a year.

On this issue, the effect among Colombian and Dominican women stands out. Their savings capacity has been more affected because a higher proportion works in activities impacted by the crisis (in Colombia, 78% have suffered a heavy impact, compared to 22% of men, and in Dominican Republic 81% of women have been badly affected, compared to 19% of men). However, the opposite has occurred in Peru, where 32% of women have experienced a sharp impact, compared to 78% of men.

9 Degree of impact on saving capacity

All clients surveyed by November 2020



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Household strategies

Diversifying income sources

With the lack of social safety nets²⁷ in a crisis environment, clients were forced to diversify their sources of income, which entailed uncertainty and volatility about the continuation of their activities.

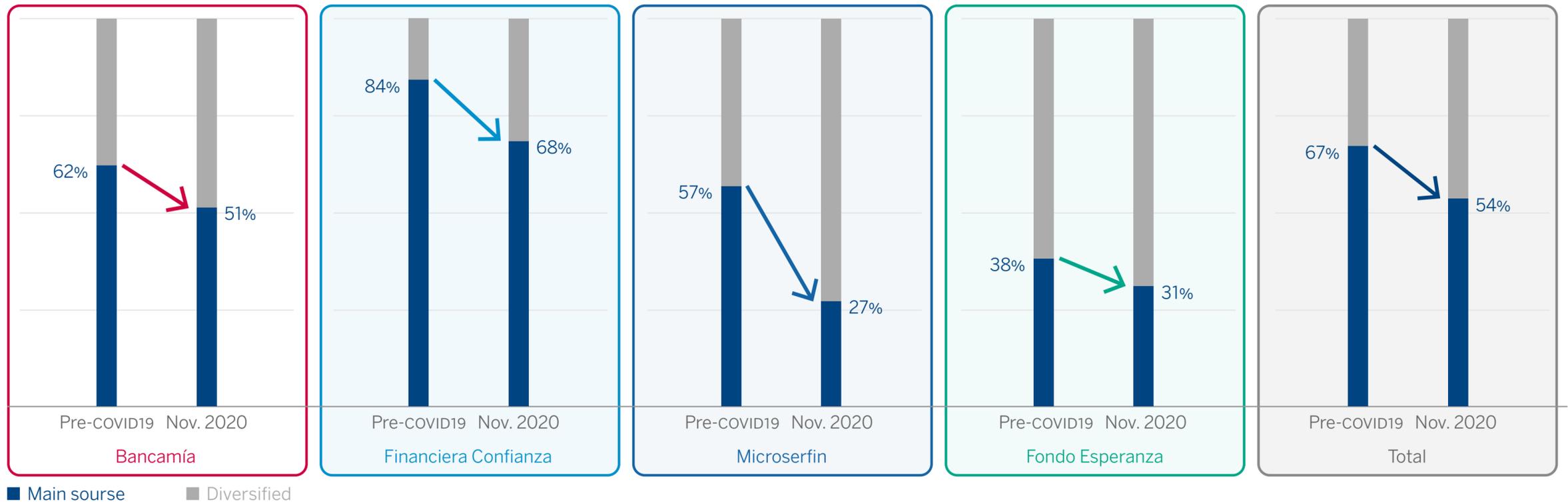
The proportion of households with a productive business as their main source of income fell from 67% in July to 54% in November. When asked about these alternative income sources (from other household members), new activities and services predominate (46%), and to a lesser degree, wages (27%).

37% of clients received public grants that varied in nature depending on the client profile (rural, older people, etc.), frequency and amount.

With the lack of social safety nets in a crisis environment, clients were forced to diversify their sources of income

10 Diversifying income sources

All clients surveyed by November 2020



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Household strategies

Chilean and Panamanian entrepreneurs have received the most (over 70% were beneficiaries of grants), followed by Dominicans. In fact, in Chile, 85% of businesses that were closed down received grants, compared to 68% of those that remained open. In most cases, the amount provided covered between two and three basic food baskets.

It is difficult to assess the efficacy of these grants. In terms of savings capacity, there has not been a mitigating effect once the state subsidies were received. 60% of entrepreneurs have seen their savings capacity completely cancelled, independently of whether they have received help or not. This low degree of mitigation can be explained because these grants likely went to cover basic spending needs, so the savings client profile—90% of our clients fall into this category—has not been impacted

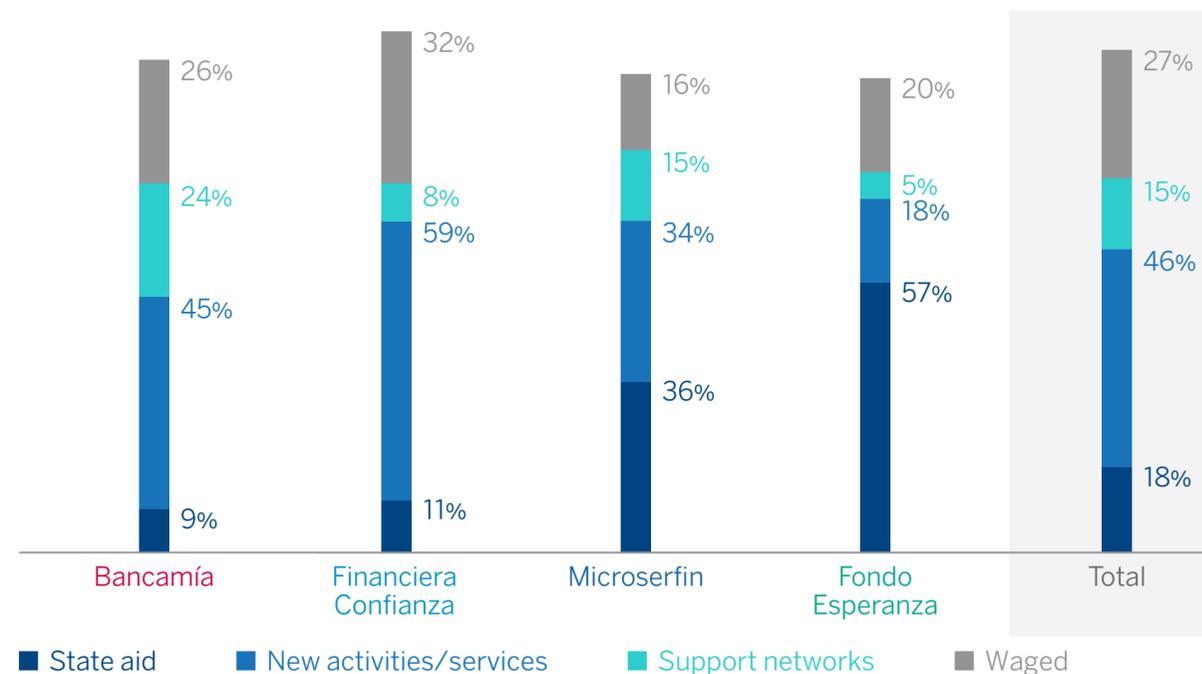
Given the difficulty of getting these grants to the vulnerable population, microfinance institutions have become strategic allies in distributing them. In Colombia, Peru, and Dominican Republic, over 470 thousand people have benefited from state grants. A large proportion of them have been able to obtain these funds after formalizing deposit accounts with our institutions.

Geolocation tools, the branch network of institutions across territories and speed of distribution have been key in delivering the subsidies. For more information about how the State grants have been channeled, see [\[Our response to COVID-19\]](#)

Nearly half of entrepreneurs (46%) sought out new activities or services to diversify their sources of household income

11 Alternative income sources

All clients surveyed by November 2020



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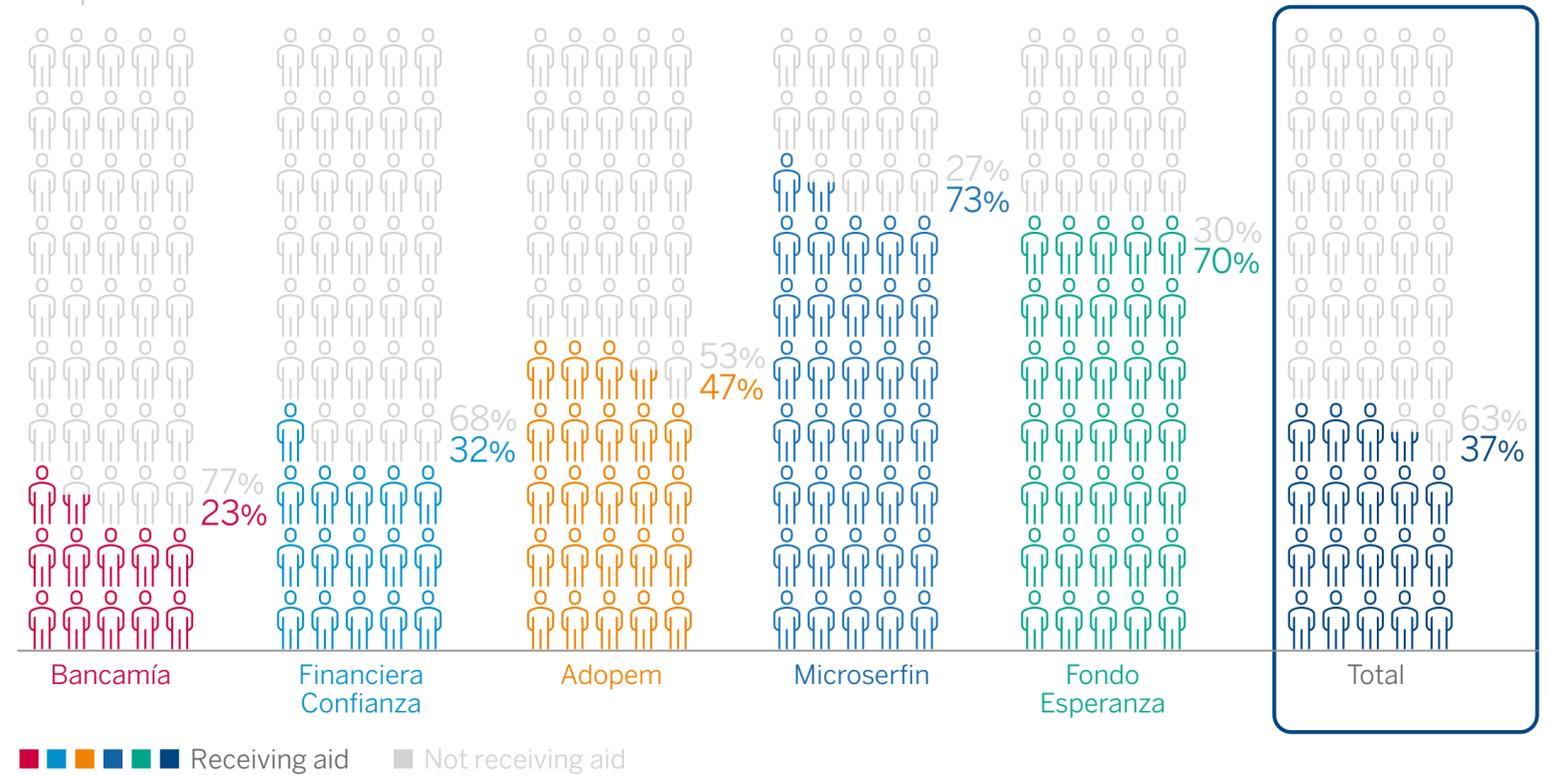
As the crisis drags on, low-income households' revenues may fall below pre-COVID-19 levels, especially once state subsidies come to an end. Although there are large national aid packages, reactivating the business in the informal economy is perhaps the sole mechanism for survival.

Nearly 500 thousand households received government transfers

Given the difficulty to do deliver government subsidies to vulnerable populations, microfinance institutions have become key allies in the distribution of these

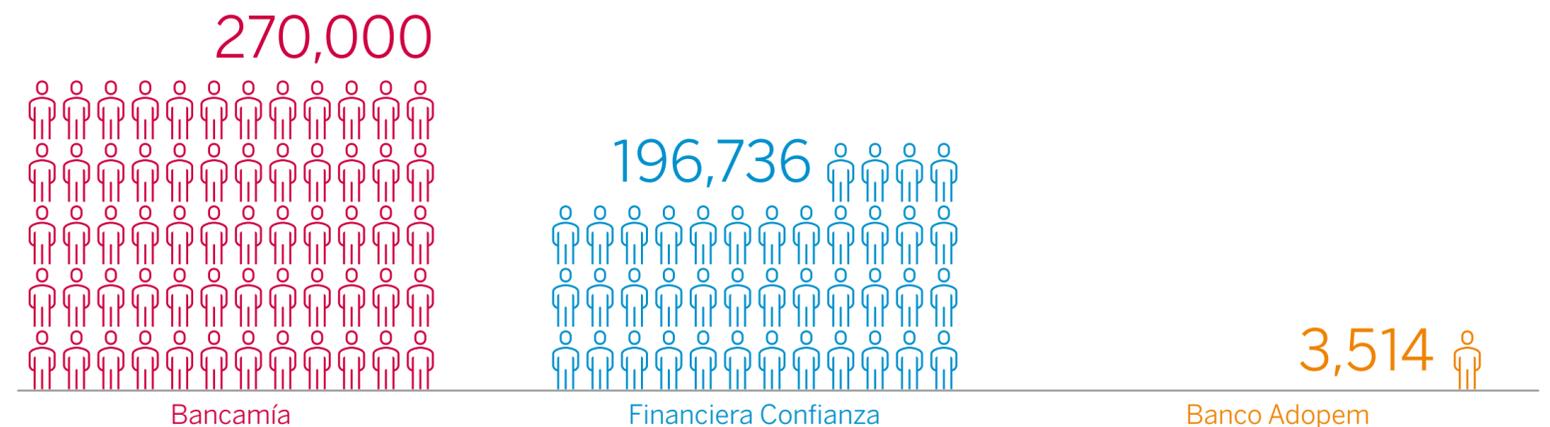
12 Government transfers / State aid

All clients surveyed by November 2020



13 Clients who were beneficiaries of state aid

◀ Total clients



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Measures taken and financial solutions offered

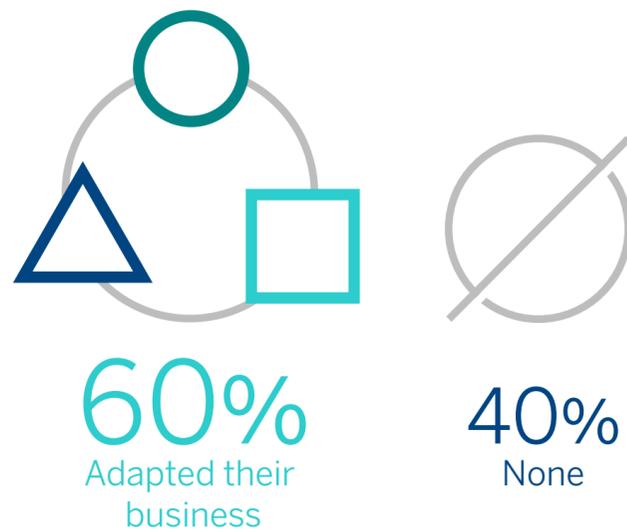
Faithful to their lifestyle, and used to the unexpected, nine out of ten clients used multiple strategies to cope with the crisis. The more affected they were in terms of income reduction, the more alternatives they sought.²⁸ Their huge efforts, both in terms of adapting (diversifying, changing their business, digitalization, home deliveries) and finance (using their savings, formal/informal loans, support from family members) were very apparent.

For example, in the case of Microserfin, in Panama, only 40% of clients who had not taken any measures were still operating in December 2020, compared to 60% still operating who had put measures in place.

In those cases where they have been obliged to close the previous business, two are the measures that have been taken most frequently by the clients: change of activity, a measure that has been used mostly in order to start a new business, or the search for employment. In any case, this highlights the precarity facing small-scale entrepreneurs. These measures became more widespread the longer the crisis lasted.

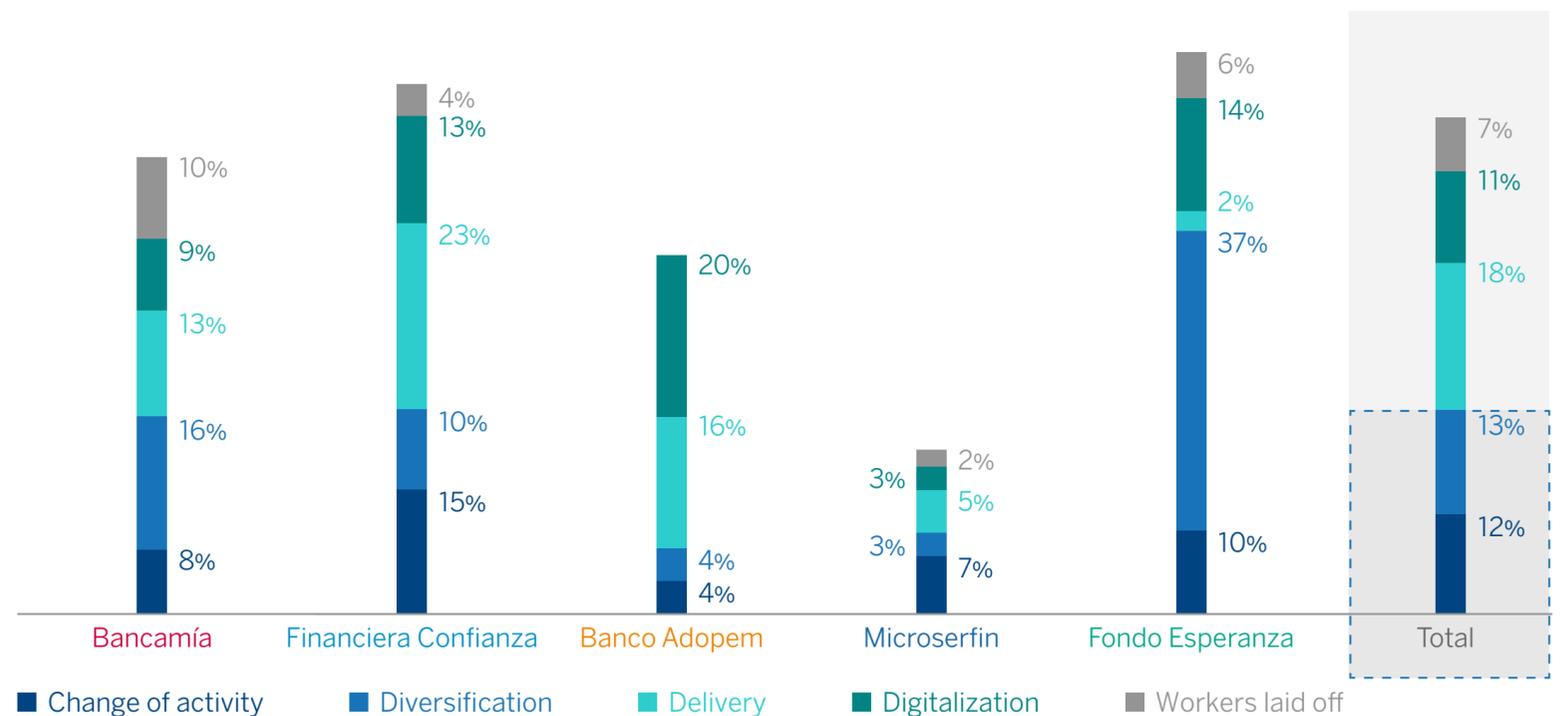
14 Panama. Open for business: measures taken

All clients surveyed by Nov



15 Business adaptation measures

All clients surveyed by Nov. Multiple response.



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Measures taken and financial solutions offered

In Dominican Republic we noted that among those clients where the business was not their main source of income– and as such was a small, immature investment– there has been a greater tendency to look for a job elsewhere. That is, these entrepreneurs were probably still at a very early stage of development, which is why they couldn't resist the shock. In view of the circumstances, clients felt forced to look for an alternative in an informal job market that is even more precarious.

Looking for a new job is a measure that clients have adopted in different ways, depending on the country. It has been an especially common recourse taken by men in Panama and Colombia and by young people in Peru and Dominican Republic.

Although microfinance encourages entrepreneurs to grow and move on from mere subsistence activities to microenterprises, and from these to small and medium companies, this process takes time and faced with a shock of this magnitude, this route is blocked.

Business adaptation measures

Since their businesses are their main source of income, entrepreneurs viewed them as the priority solution for getting through the crisis. The most important measures were change or diversification of activity, and home deliveries.

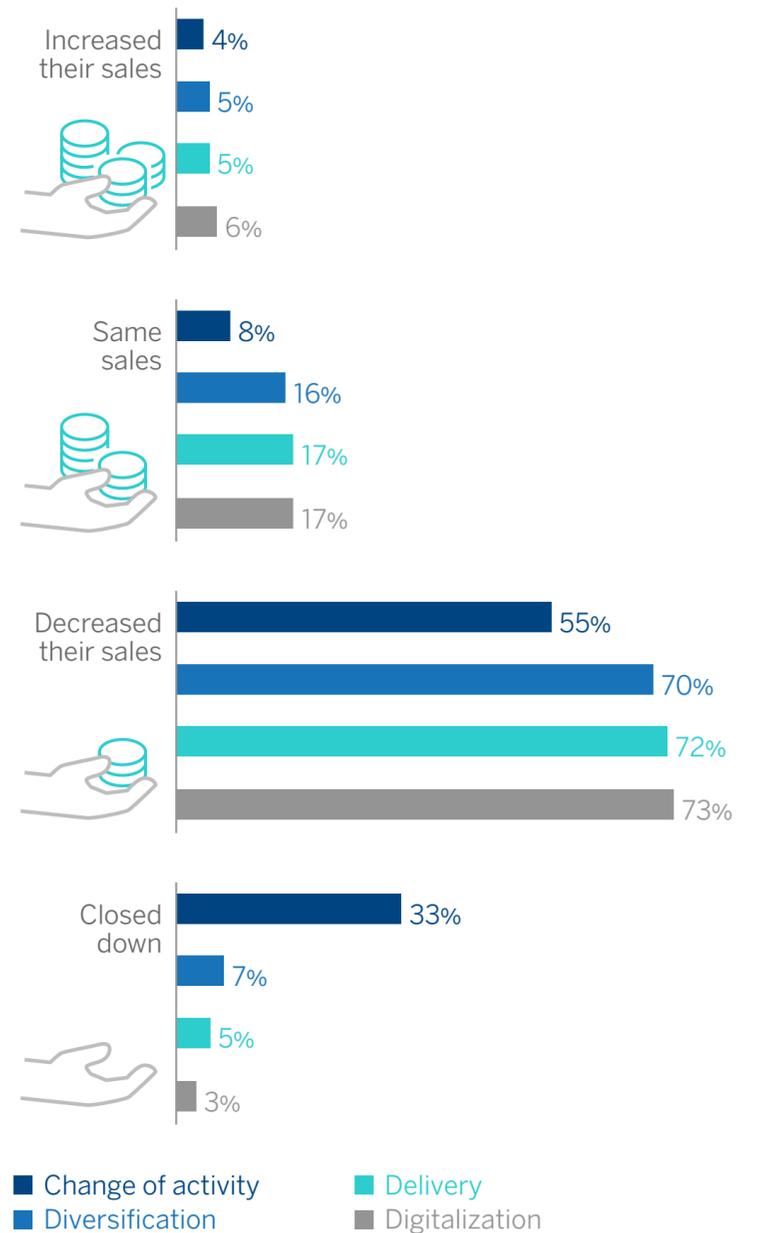
Digitalization has not been taken up so much (11% on average) except in countries with good connectivity, such as Chile, where 26% of clients adopted these measures. Unfortunately, many workers have been laid off in Colombia and Panama (exactly where most work was to be found), giving rise to the destruction of informal employment.

In July the adaptation measures became more widespread, predominating among those whose incomes had been hardest hit. Those who closed had not taken measures, simply changing their activity in order to set up another business.

Those who closed, had not taken measures because instead they changed their activity in order to set up another business

16 Adaptation measures, by impact

All clients surveyed by November 2020. Multiple responses



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Measures taken and financial solutions offered

Unlike the surveys conducted in other countries, we have not seen the sale of assets taken up by households as a strategy on a significant scale in our footprint (in fact it is the least adopted measure, in just 9% of households), denoting less vulnerability and/or more facilities within reach to keep their businesses afloat. It has been used among the hardest hit clients (e.g. dressmaking)

"My business, like so many others, has been affected by the pandemic. I've taken measures to avoid closing and to be able to work. I work until 1 o'clock, and only by appointment. I don't take more than four clients. I am promoting my business on Instagram and WhatsApp. On Saturdays I stream live videos with techniques so my clients can do reductive massages, exfoliation, etc. to make the most of the time they have to look after themselves at home. You can do it! Get up, keep active, because if I did it, you can too".

Beauty salon,
Dominican Republic

**Differences by country:****Colombia**

- Home deliveries were used mainly for catering.
- Uptake of digitalization was good in beauty salons.
- A noticeably high proportion of worker layoffs (10%) and sale of assets (15%).

Peru

- Good take-up of home delivery services (in nearly all industries).

Dominican Republic

- Managing clients through WhatsApp has been popular in the retail textile and footwear trade and also in hairdressers. Grocery stores have used it the least.
- Home deliveries and sales have been taken up most by street sellers and other product retailers.
- Grocery stores have been particularly prone to diversification.

Chile

- A higher proportion of clients have gone digital (26% compared to the overall average of 11%).
- Entrepreneurs in the services sector, the hardest hit, have experimented the most with adaptation measures.

Panama

- The most widely used strategies have been diversification/change of activity.

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Measures taken and financial solutions offered

Point of sale

In Dominican Republic and Chile²⁹ we note that entrepreneurs who were already selling online or through their own premises have managed to mitigate the shock from their reduction in sales, compared to those who were itinerant salespeople or sold out of rented premises, on a market stall, in their homes or through intermediaries. Furthermore, there are variations between countries. For example, in July, itinerant selling in Dominican Republic was the medium used by 31% of businesses. This percentage dropped to 13% in December. But this did not happen in Chile.

In Chile, the businesses that held up better and remained open in July (between 60 and 72% were open, depending on the combination of sales channels) were those that sold online (41% of the total that are still open for business) or those with their own premises (10% of the total). Clients who had more than one sales channel (digital and others) also did better.

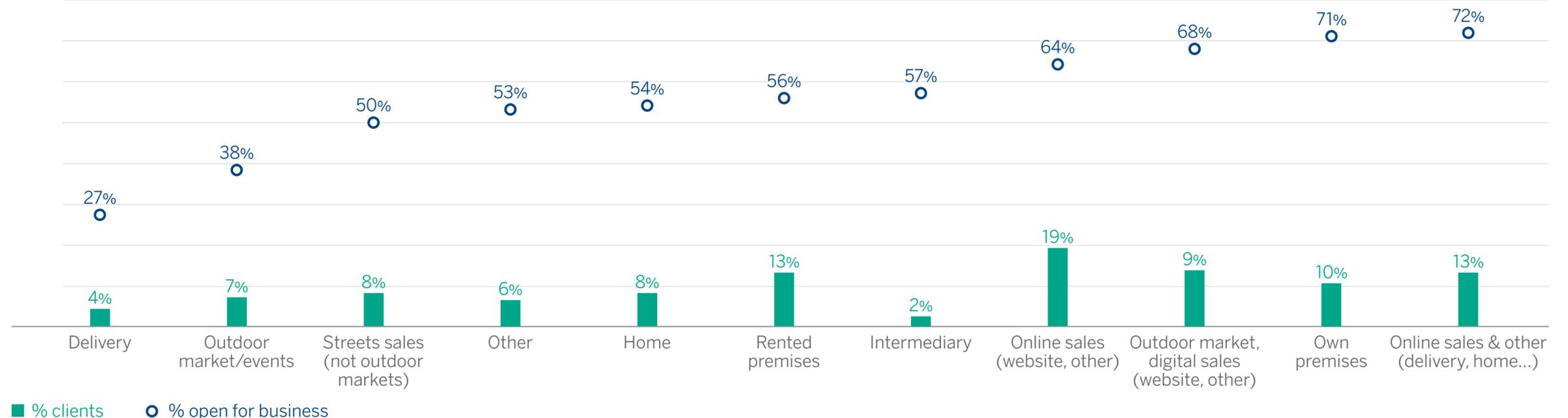
"A year ago, I decided to set up a specialty tea business. After trying some teas in the south of my country, I was interested in learning how they were prepared so that I could make them myself. At the beginning, I only sold my tea to friends, family members and contacts. Then the pandemic started, and I had no way of selling. I already had accounts on Facebook and Instagram, so I started selling there, which I found really hard to do. Now I am trying to open up a space on a web platform that lets me interact with other women and get help to upgrade my enterprise".



Specialty teas, Chile

17 Chile. Open for business, by sales channel

All clients surveyed by July 2020



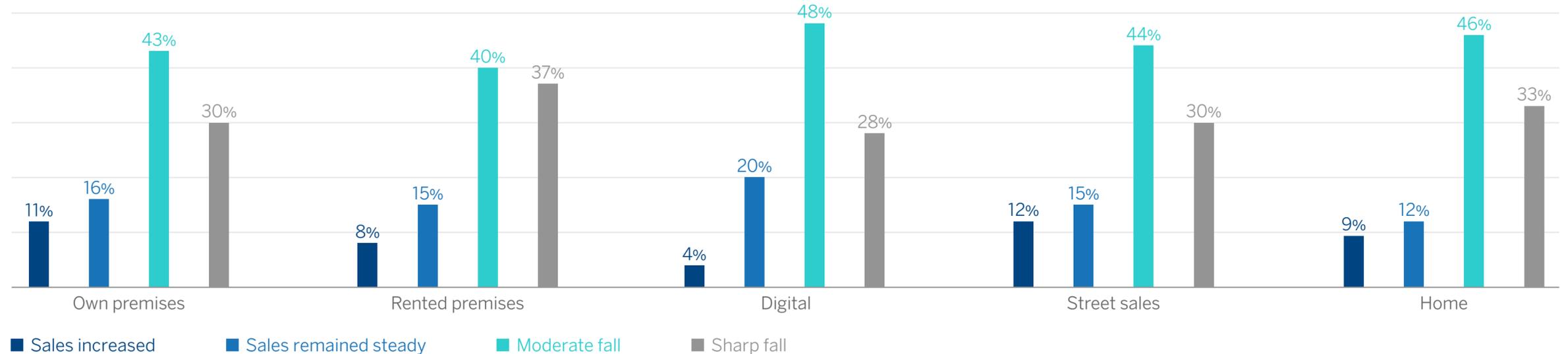
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18 Dominican Republic. Impact on sales by channel

All clients surveyed by November 2020



In Dominican Republic the main increases in sales and lowest number of closures were among businesses that sold out of their own premises or online. What is more, from July to December there were businesses that abandoned their rented premises or itinerant sales in favor of operating from home. This is because of the cost savings or opening up new sales channels (e.g. from home) in order to survive. We note two main trends in activities with high representation among our client base:

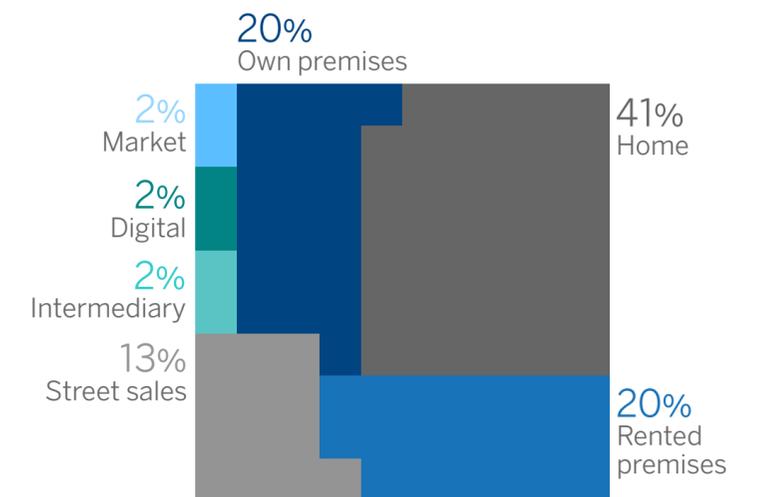
- Grocery stores (most of which operate out of commercial premises), have continued to keep their owned premises as the main point of sale. However, their presence in rented premises has fallen significantly.

- Food services have cut their on-site activities by half, selling mainly out of homes. We assume that this is due to having swapped face-to-face sales out for home deliveries.

As the client profile gets older, they are more likely to have their own, rather than rented, premises. The digital sales medium is used almost exclusively by young clients.

19 Dominican Republic. Point of sale

All clients surveyed by November 2020



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Digitalization

There is an enormous opportunity ahead for digitalization, since it has been shown that the use of digital channels to reactivate businesses has been effective in increasing their revenues³⁰. Most of our clients have access to smartphones (62%), but only 1% is "highly digital"³¹, that is, uses a variety of digital channels to sell their products/services.

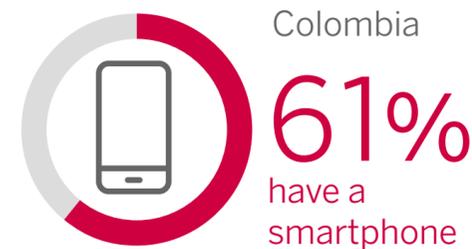
Digitalization measures tend to be used by clients with a higher educational level, young people and those with more spending capacity. To democratize the use of digital channels, access must be improved (e.g. connectivity), as must usage (i.e. digital training). Throughout 2021 the Foundation is running digital training (e.g. in Chile) and connectivity programs (e.g. in Colombia and Peru) to meet these needs and replicate viable solutions in all the countries where it operates.

There is an enormous opportunity ahead for digitalization to reactivate businesses

* **High digital level:** someone with a post-payment plan on their smartphone who uses a range of networks (Facebook, Instagram, etc.), not only for social purposes but also productive ones (i.e. to manage their business)
Moderate level: person with a smartphone and several payment plans who uses some kind of social media, particularly for personal reasons.
Low level: person without a smartphone or with pre-payment plans, who only uses the phone for calls.

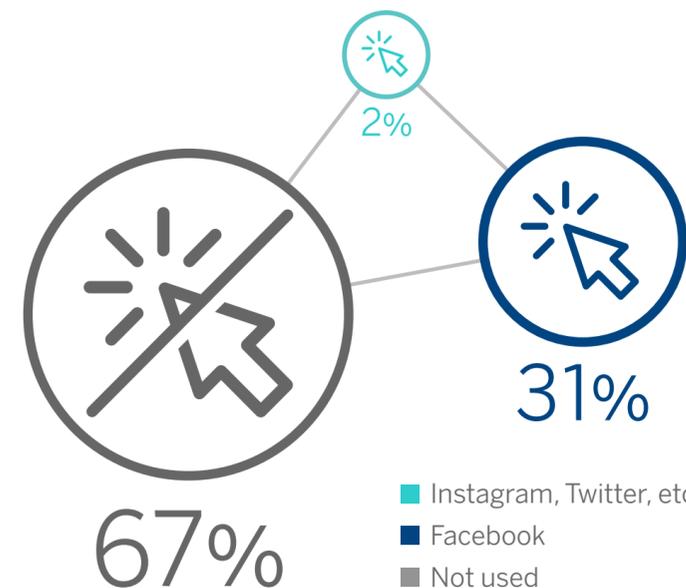
20 Smartphone

All clients surveyed in Peru & Colombia (November 2020)



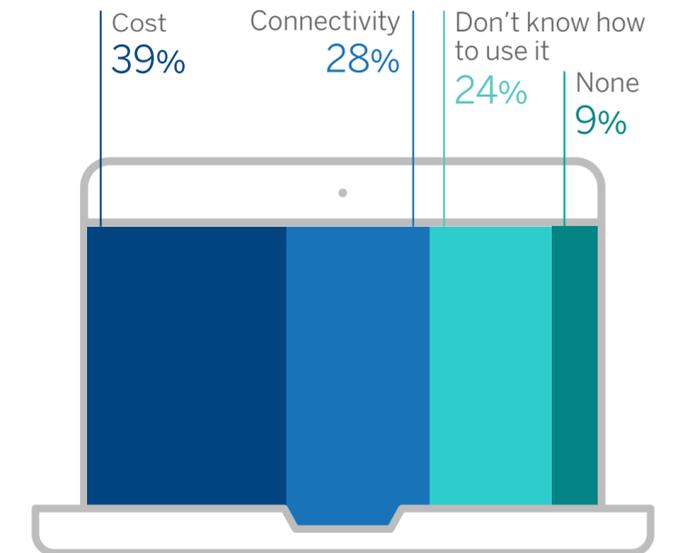
22 Digital platforms used during lockdown

All clients surveyed in Peru (November 2020)



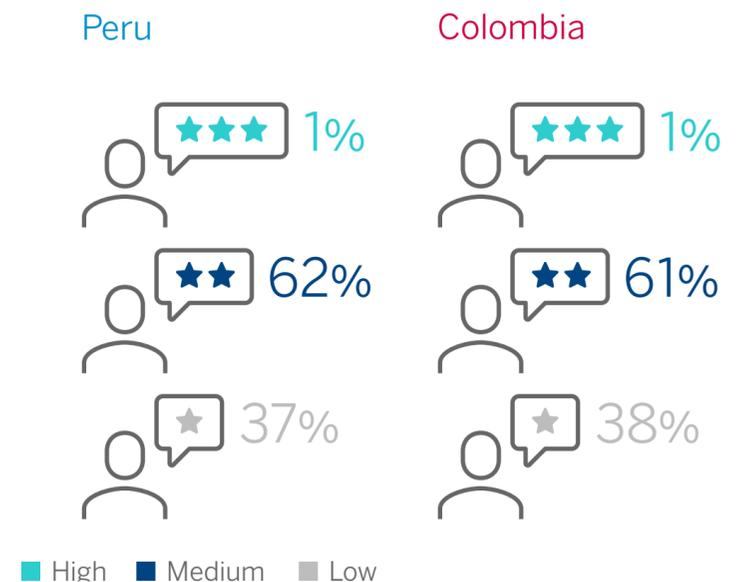
21 Restrictions on internet use

All clients surveyed in Colombia (November 2020)



23 Digital client scoring*

All clients surveyed in Peru & Colombia (November 2020)



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Financial measures in households

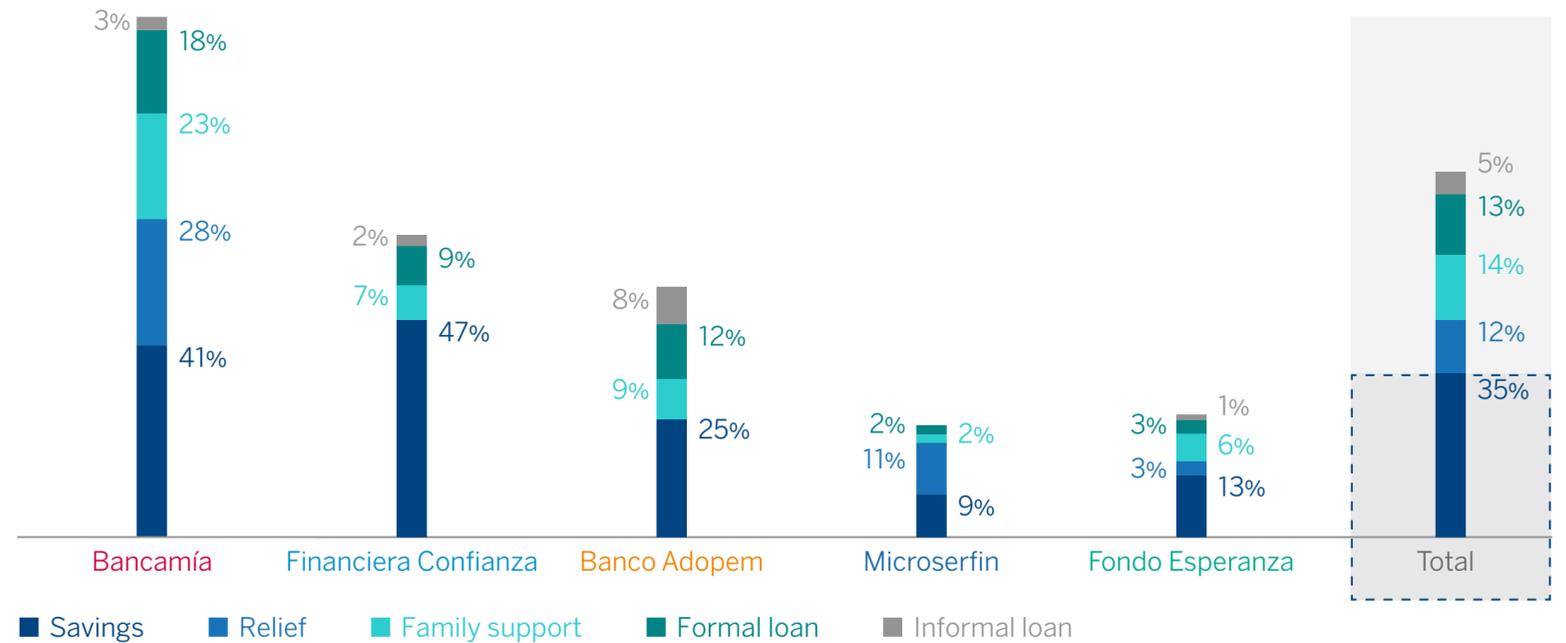
In most contexts people use their savings as their main survival mechanism against the crisis caused by the virus (35% in November), which suggests that they are fulfilling their purpose of smoothing spending. This is in line with observations in other countries³².

In July, we noted a reduction in the dependence on savings and a larger number of clients had recourse to multiple mechanisms for survival or to reactivate their business, such as taking out loans from a financial institution or lenders, which suggests that their savings buffer had been exhausted³³. For example, in Dominican Republic, the use of savings, the measure that most clients had been taking in July, fell from 31% of clients at that time to 25% in November, whereas applications for loans went up (28% of clients applied in November, compared to 22% in July).

The greater the impact suffered, the more that financial measures were used. If forced to shut down, the next step, predominately, was to look for a job.

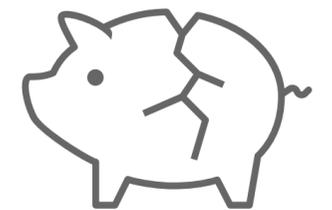
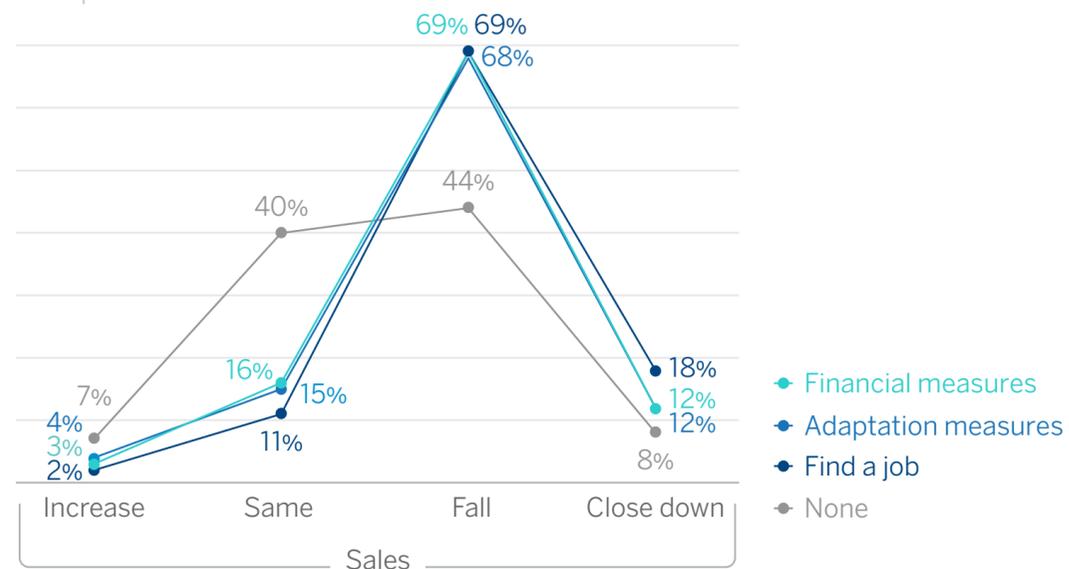
24 Financial measures adopted

All clients surveyed (November 2020). Multiple response



25 Financial measures, by impact

All clients surveyed (November 2020). Multiple response



Less use of savings indicates that the savings buffer has been exhausted

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So, we see that household financial management is rational: they turn to savings or to family networks when they are going through a bad patch. Formal loans, in particular, are sought by clients in a better situation, and by those who have come out reinforced by the crisis (e.g. grocery stores), while fewer have turned to informal loans (5%).

The reactivation has thus been accompanied by greater interest in formal lending (13%) and financial relief (12%). The case of Colombia stands out (18% have had recourse to formal credits and 28% to financial solutions). This is possibly due to the variety of financial solutions offered by the country's institutions and their frequency (there have already been four waves of special financial programs, compared to two in Peru).

Financial measures have been used rationally: in those cases most affected by the pandemic, lending predominates.

The use of financial measures has been rational: in those cases which have been less impacted by the pandemic, credit has predominated over other forms of financing

Financial measures



Formal lending (Microfinance institution or bank)

- The least affected clients use more financial measures. In Bancamía it was noted that the least vulnerable use these methods.
- Informal lending: Although its part in the surveys taken as a whole is a small one, with an average of just 5%, they show that the activities that turn to informal lenders (e.g. wholesale food sales and food production) have been most impacted by closures.



Use of savings

- Measure most used by clients
- Used by the hardest hit clients.



Family support / networks

- Used by the hardest hit clients.

Impact on entrepreneurs

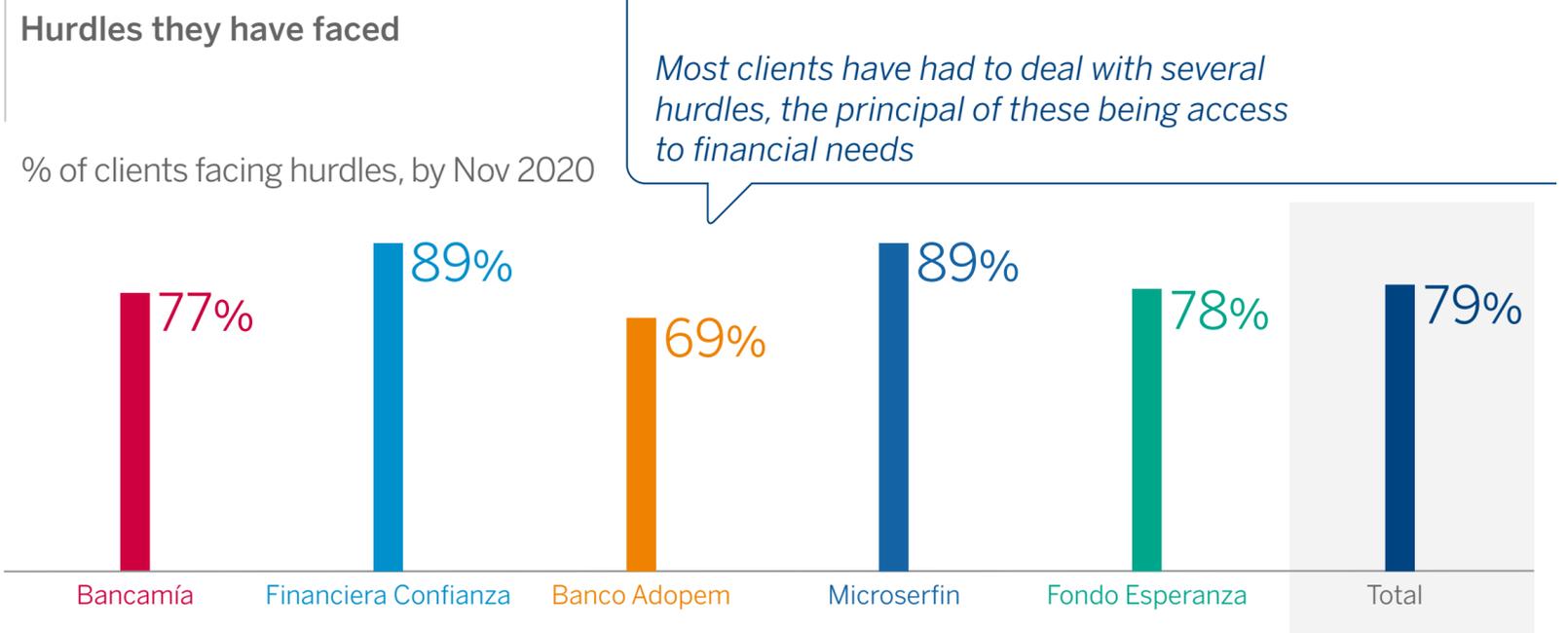
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Financial solutions made available

At first, at the beginning of the pandemic, serving them in the context of lockdown and crash of economic activity, BBVAMF institutions designed reprogramming operations (grace periods) for those clients who were up to date with their payments, in order to postpone their payment schedules. In some case, this reprogramming was on a massive scale, automatic and formed part of governmental measures in support of borrowers. In other countries there was a case-by-case assessment to select the most appropriate and convenient reprogramming option for each client.

BBVAMF has supported its clients since the beginning of the COVID-19. pandemic. In a context of widespread uncertainty, it has rolled out multiple measures to make its terms more flexible and worked with clients to continue providing support.



<p>Liquidity</p> <p>The most important. Financial needs both on the demand side (entrepreneurs' own customers don't want to buy their products) and supply (credit, family support, etc. to be able to buy inputs).</p>	<p>Government restrictions</p> <p>On mobility. These have particularly affected those activities requiring direct contact with clients and those selling non-essential goods.</p>	<p>Personal issues</p> <p>Fear of the contagion is the overriding problem, especially in businesses with direct contact with the public, such as grocery stores.</p>	<p>Adapting the business model</p> <p>This became significantly more prevalent after July but varies by country. The main issues were the difficulty of using digital tools and, in the farming sector, distribution difficulties (especially in Peru). Nevertheless, the latter problem has not shown up particularly in these surveys.</p>
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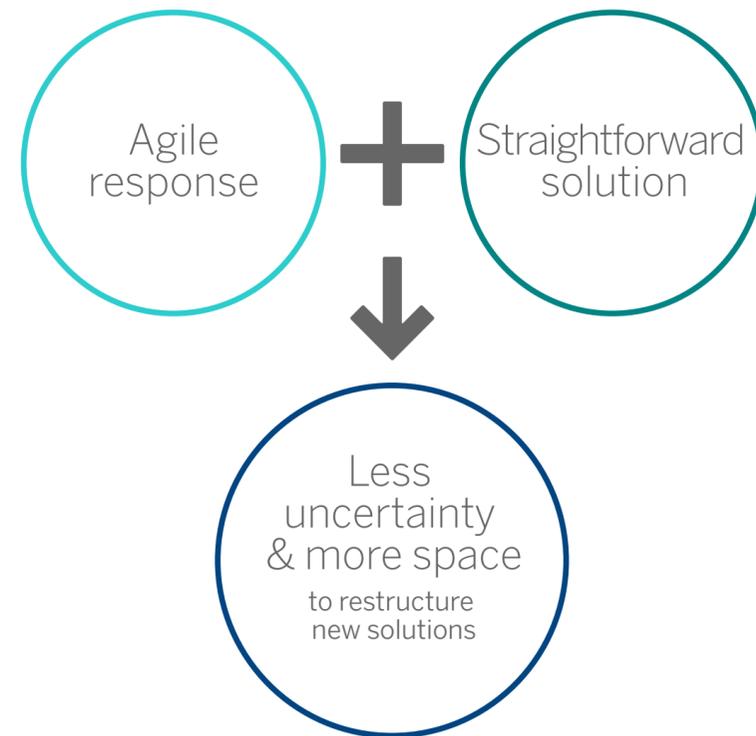
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At a later stage, once economic activity had partially resumed, the institutions in the BBVAMF Group contacted each client individually to identify their situation and needs at that moment. For example, the level of reactivation of their economic activity, how it had affected their family unit and their business, and their expectations and credit needs, among other issues. This has enabled BBVAMF institutions to offer the most suitable financial relief for clients in their post-pandemic reality.

This was how solutions that already existed in our institutions to support clients and normalize situations were deployed. In some cases, innovative credit solutions adapted to the extraordinary needs required by the context were structured. All these actions were taken to serve not only the needs and capacities of clients, but also the sustainability of institutions and their liability in taking on risks and losses. For more detail on the relief portfolio, see [\[Our response to COVID-19\]](#).



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Financial solutions

In general terms, these financial solutions have ranged across the following:

Delay in financial obligations

Moratoria (grace periods):

One-off or roll-over. This instrument postpones clients' payment obligations without downgrading them in the institution's system or in central credit bureaus, and without applying late payment charges. The aim was to avoid an even greater negative impact on the circumstances of clients who had temporarily suspended their economic activity or were going through a short-term hiccup in their capacity to pay.

- All institutions.

Freezing installment payments: Installments maturing during lockdown were postponed by some entities to the end of the loan period, without applying additional interest payments.

- Fondo Esperanza

Freezing of days in default: Some institutions froze the number of days payments were delayed and the credit rating that clients had before the pandemic, thus freezing at that point the downgrading they would otherwise have suffered in credit bureaus and on the accounting treatment of those loans.

- Banco Adopem & Financiera Confianza.

Restructuring & renewals

Credit restructuring: Extension of the loan term to adjust the installment to the client's new credit & financial situation, sometimes with changes to the rate.

- All institutions.

Renewals with or without new grace periods:

The renewals of clients whose payments were up to date were structured. The previous loan was cancelled without applying closure fees and a new loan was originated, in some cases postponing the first installment for one, two or three months.

- All institutions.

Others

Write-offs without rescheduled remaining payments: In some cases a percentage of back payments that have accumulated during the pandemic (interest and sometimes part of the principal) were written off to help the client get up to date with the loan, or directly to cancel the remaining balance, whether by structuring a new payment plan, or to pay it all off in one go.

- All institutions.

Payment agreements for accumulated interest charges: Bancamía structured interest-free loans to help pay off interest charges that had mounted up during the payment holidays.

- Bancamía.

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Assessment of financial solutions made available

62% of the clients surveyed have benefited from some sort of solution during the crisis. For 43% of them, this relief has allowed them to carry on operating. Those entities with less of a track record/experience in supplying these financial solutions have had a lower rate of uptake among their clients. In Dominican Republic only 35% had taken advantage of these options. Even so, it has enabled most to keep their businesses open (27% of the total).

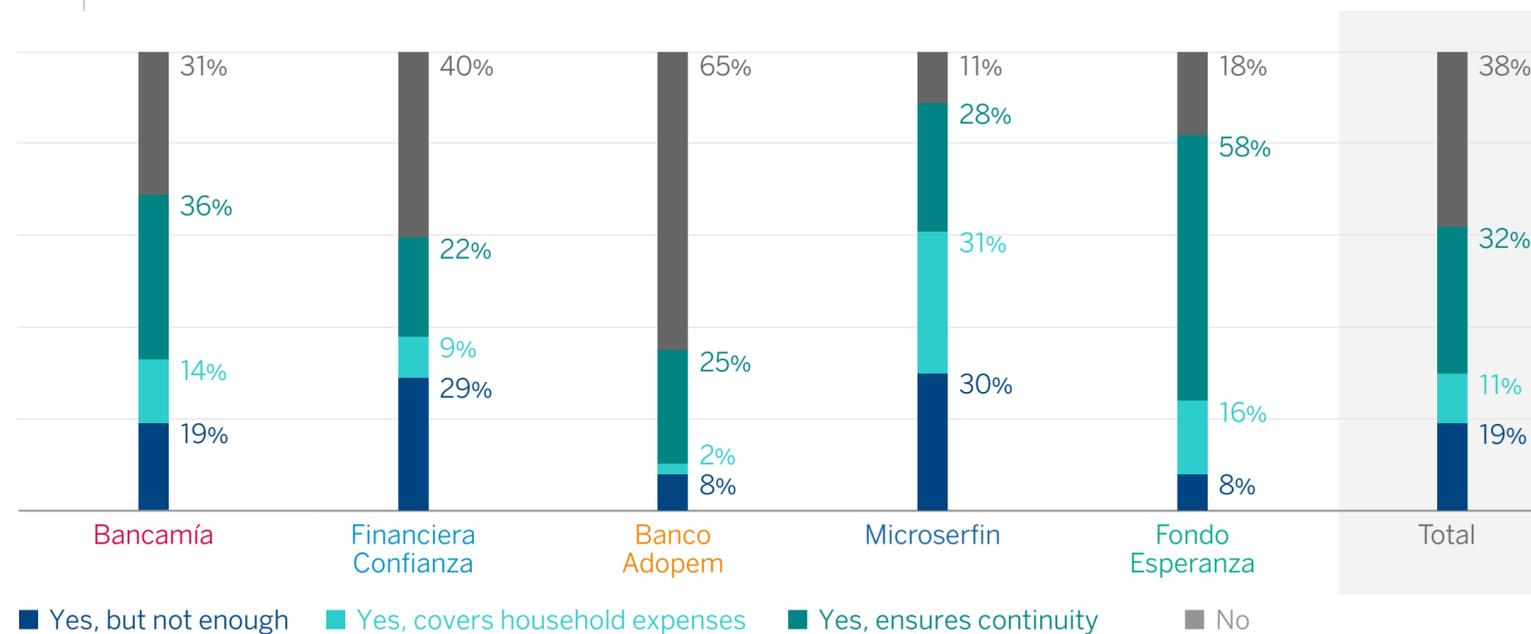
When we checked the uptake of these measures against the degree to which clients had been impacted, we could see that the greater the impact, the more financial solutions they were offered. This is the case with Bancamía, where we see this positive correlation.

We did not see widespread signs of the impact of refinancing on savings capacity. Only in Dominican Republic were there indications that these solutions have mitigated the negative impact of the crisis on the savings capacity of the middle-aged segment.

With 43% of clients having been refinanced, not only is it the segment that has made the best use of its operating performance, with the help of grants, but it has also managed to avail itself of these measures to minimize the impact of the crisis on its savings capacity. Thus, while 51% of non-refinanced, middle-aged clients stated that their savings capacity had been wiped out, we saw that, in the case of the refinanced clients, this percentage fell to 35%.

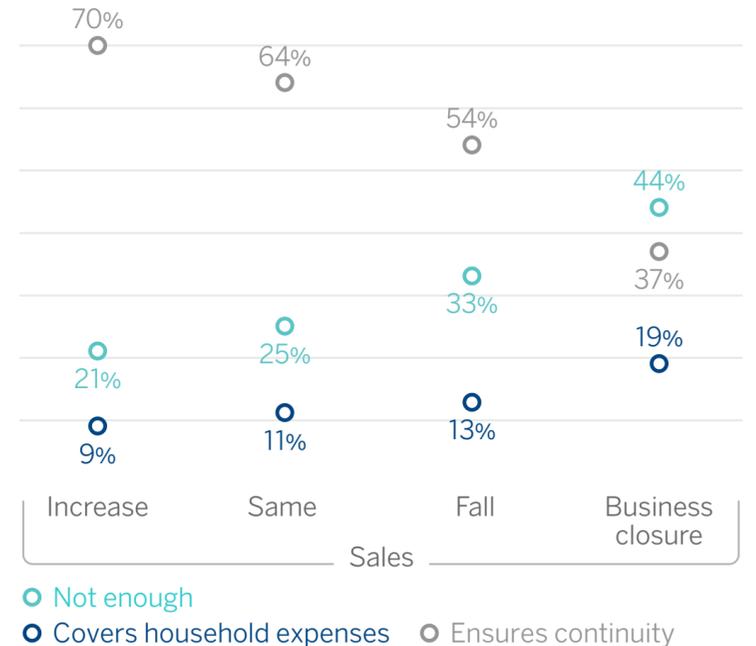
26 Assessment of the financial solution

All clients surveyed by November 2020



27 Assessment of the financial solution, by degree of impact

All clients surveyed in November 2020



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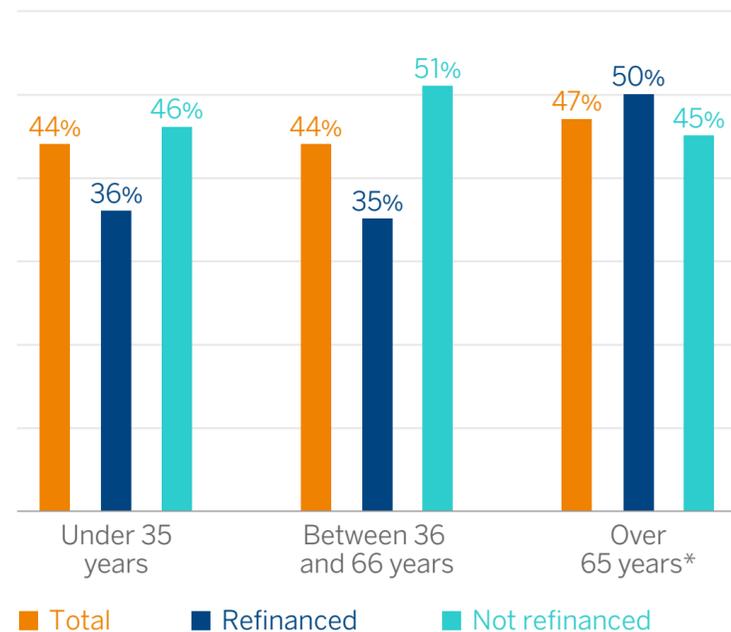
Measures taken and financial solutions offered

Financial solutions have shown that they are effective in helping entrepreneurs, particularly in view of the fact that the lack of liquidity has been a major difficulty they have had to face³⁴. However, they have not been sufficient. In those cases where incomes have been more impacted, these measures have not been totally appropriate for their needs, although they have enabled 56% to meet their household expenses or to carry on operating. In other words, the financial solutions, although suitable for some of the clients' needs, cannot cover all the contingencies they are facing.

Among the barriers facing entrepreneurs is the reduction in purchases by their customers because they have less money. Furthermore, lack of liquidity has limited the acquisition of the commodities and inputs they need for their businesses, which has pushed down sales volumes and made it hard to meet fixed overheads such as rental payments.

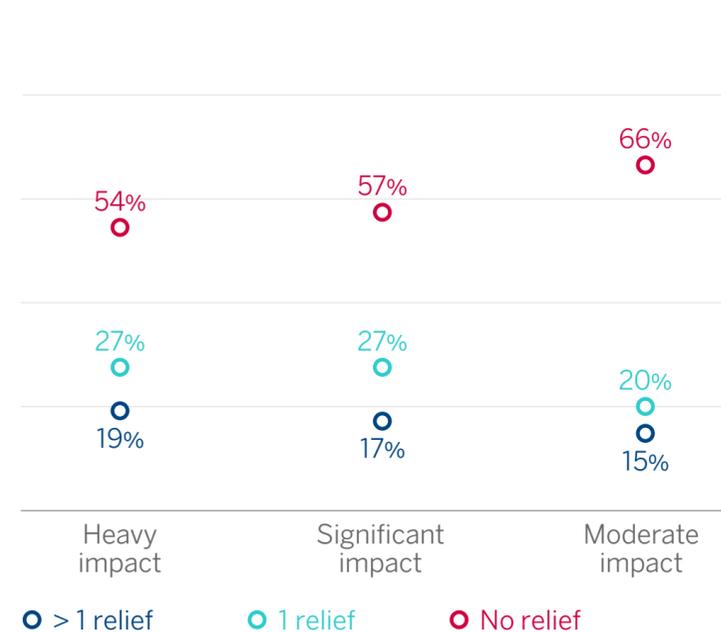
Therefore, the provision of financial solutions that gave them breathing space in the liquidity squeeze facing clients and enabled them to reactivate their business has been key, but insufficient.

28 Dominican Republic. Financial solutions vs. savings capacity
Clients whose savings capacity has been totally wiped out



* The number of saver clients over 65 is not statistically significant

29 Colombia. Financial solutions offered, by degree of impact
All credit clients by November 2020



"My business has been very difficult during this pandemic. For the first three months they didn't let me work. Then we opened the business, but only four days a week, and at other times only for three. The business has only given me just about enough to survive, but not what it should. Bancamía has been a really powerful ally for me. Its support has helped to provide economic relief, and that is important for all microentrepreneurs".

Sales of prepared food, Colombia



Considerations and learnings about the impact of COVID-19

Changes in habits/living

The data indicate that the crisis has caused greater vulnerability in households and has forced them to make changes in how they earn their living:

- **Scanty incomes and fewer savings will require them to adjust how they make their living³⁵.** Households in precarity may have to rein in their spending, and perhaps even fall into worse levels of poverty. Less vulnerable households, as well as tightening their consumption, probably have to move home/location. This might entail migrations (e.g. from urban to rural areas).
- **Re-skilling/innovation.** Higher rates of unemployment and of national poverty will increase competition, introducing new skills and ideas, which will require new business competences and innovation.
- **To guarantee a stable client base, entrepreneurs will have to look for new sales channels, most of them digital.** The difficulty of selling at markets (at least in the short term) as well as the convenience of using digital channels, taken up by consumers, will entail a change in purchasing habits. Furthermore, home nesting may delay or all but eliminate informal sales.

Changes in the sectoral composition

In a highly unstable income environment, the need to look for alternatives in the short term will require making investments or short-term forays into activities that may turn out to be even less productive. We expect a change in the composition of activities, with a heavier weighting in the primary sector, for the tertiary sector (services) to become less important for entrepreneurs, and less change for those in trade, although we believe that their incomes will be more volatile.

Transformation of activities. The duration of the crisis will partially condition whether these changes in the productivity of activities, are greater or smaller, especially for the entrepreneur profile we serve:

- **Theory 1:** lower productivity. A response to one-off needs to get through the tough moment of shrinking revenue (e.g: moving from selling clothes to selling masks); or
- **Theory 2:** greater or equal productivity. Adapting the business profile. There are several options:
 - Change in the value chain. Given their knowledge of the sector, the entrepreneur migrates towards a more productive level (e.g. in the food sector, they move from production to retail sales).
 - Greater efficiency in the sales channel. Entrepreneurs change to a channel/ selling point to another with lower overheads (e.g. someone who previously sold their pies out of an informal stall, now produces them at home and does home deliveries, reducing their costs and increasing their product line).
 - Change of activity. This most radical change depends on the entrepreneur's skills (e.g. a cook closes their restaurant and reinvents themselves, giving online cookery classes)

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2020 Performance

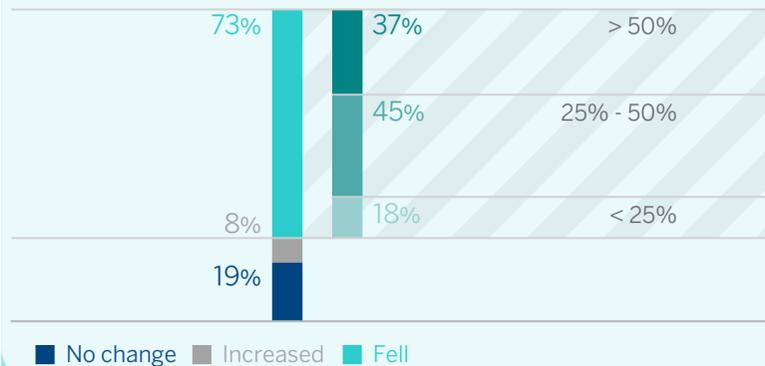
Severity of the impact on their business activity

Microenterprise openings



Reduction in sales

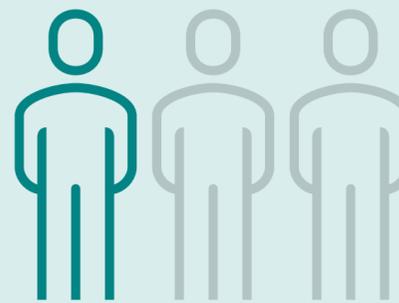
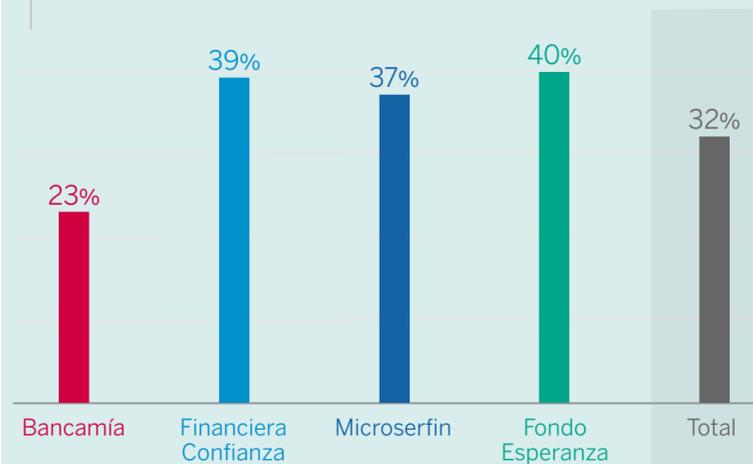
Mar-Nov period 2020



1 in 3 clients Has lost more than four months' worth of income since the start of the pandemic.

Recovery in the short term

Businesses that recover their pre-crisis sales levels



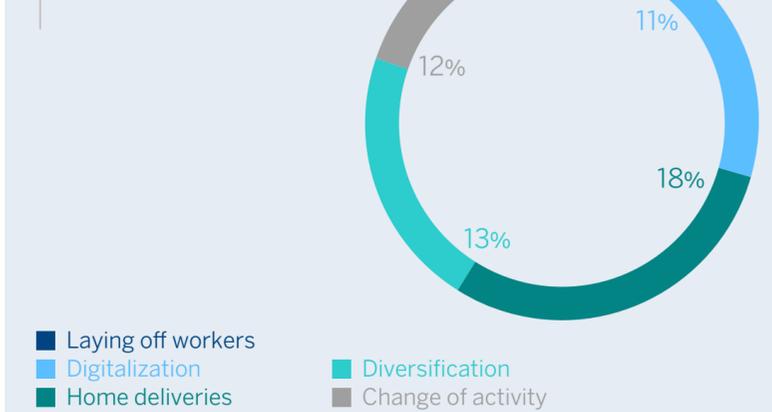
1 in 3 clients recovers in 8 months

Entrepreneurs' economic recovery is evident, both in terms of reopening rates and in revenue growth.

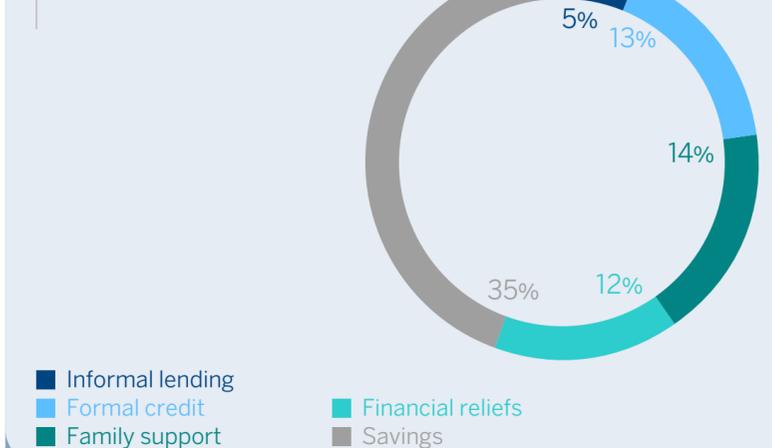


Multiple coping measures

Business adaptation measures



Financial resources



9 out of 10 entrepreneurs have taken a measure of some kind.

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COVID-19 increases vulnerability and forces change

New sales channels:
using digital channels to re-energize businesses has proven to be an efficient way of raising revenues

New skills & innovation
in business to adapt to competition

Expansion of the farming sector
and the food chain



Digitalization, enormous opportunity

Access

This is fundamental in providing internet access as the first step towards greater inclusion.



New living habits

Housing

This will be an essential good for the future which will likely need greater investment.



Education

Investment is needed in re-skilling. e.g. digitalization of businesses, or new skills that enable people to change their activity.



Adapting farming businesses

The situation represents an opportunity to accompany them as they raise their productivity or prepare to deal with unforeseen climate events.



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Two types of increasingly differentiated profiles are emerging:

- **Born entrepreneurs, who have notable entrepreneurial skills**, may have several businesses (not all of them productive), and are used to reinventing themselves. Their financial needs continue to be mainly credit; they may be more in need than before of access to, or the possibility of managing, a range of financial products.
- **“Weekenders”**. Entrepreneurs whose business remains, or becomes, their secondary source of income, even a marginal one. Nevertheless, they retain a financial relationship with the institution (e.g. savings accounts, insurance policies, etc.) and their needs become more personal (e.g. home improvements, education, others). They will require different services.

“In March I went into quarantine. And since the store was shut, a lot of people lost their jobs. I kept in contact through social media and people checked in with me there. As I still had inventory, I started to sell wholesale. At that point Reactiva³⁶ helped me. That was how I started investing in summer fabrics: I make some of the garments and I outsource the rest of the work to others. If I stop working, three more families will, too”.

Pajama business,
Peru

The manner in which entrepreneurs and their households recover will determine whether a large proportion of the business fabric can be developed sustainably. In all cases, entrepreneurship is, now more than ever, a crucial source of income for the most vulnerable.



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Customer service in 2020

The value offering in 2020 focused mainly on supporting the close to one million entrepreneurs with loans, because the need for support was urgent and pressing. This was backed up by an offer of deposits, which was appreciated by clients, both in terms of the products made available and the branch network distribution of institutions, resulting in a 22% increase in savings clients. The welfare offering (housing, sanitation and education) and environmental action remained stable.

Disbursements in 2020, a sign of reactivation

In 2020 over 458 thousand entrepreneurs renewed their loans (35% less than in 2019) and 139 thousand were new clients³⁷. Most of them in Peru (the country where the recovery has been most swift), followed by Colombia (with a higher proportion of farming entrepreneurs) and Chile, also recovering fast. Dominican Republic, due to the high concentration of retail trade activities, has been harder hit.

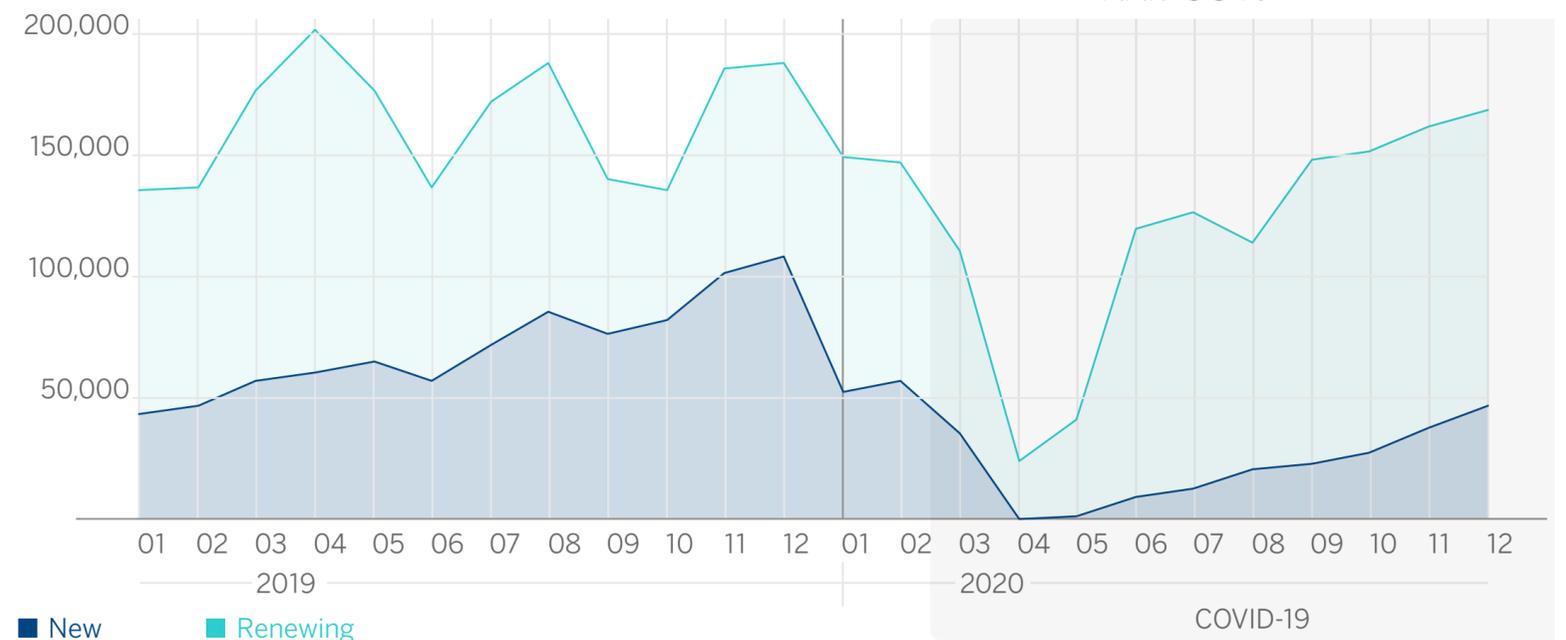
Of new clients served, 33% were joining the formal financial system for the first time

30 Entrepreneurs served in 2020

Entrepreneurs with new or renewed loans

Renewing **458 thousand** clients
AAR-18%

New **139 thousand** clients
AAR-53%



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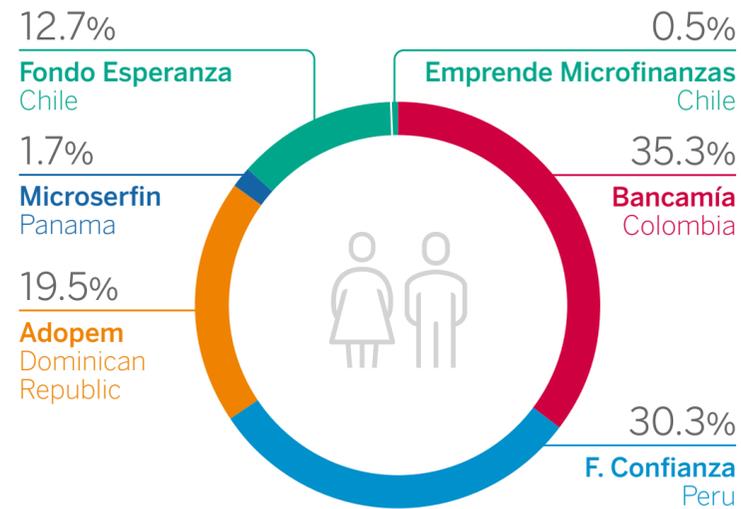
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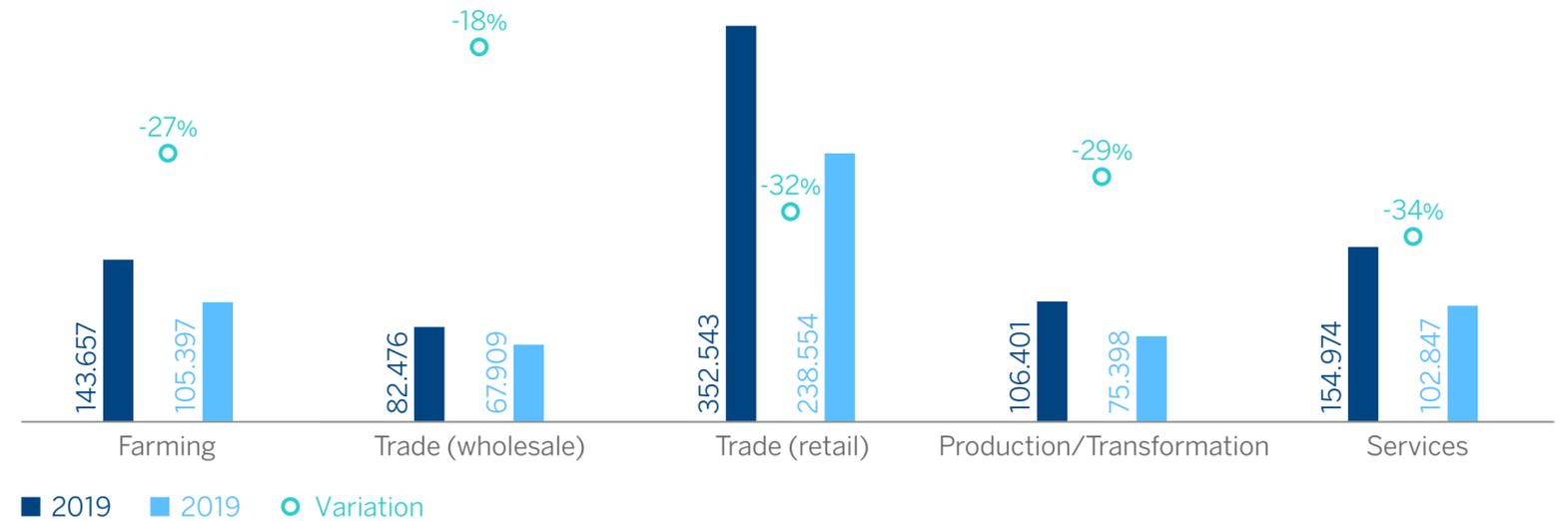
31 Entrepreneurs served by country

Entrepreneurs with new or renewed loans



32 Entrepreneurs served by sector

Entrepreneurs with new or renewed loans



As was to be expected, the entrepreneur profile served has varied a great deal during the pandemic. Grocery stores stand out as those gaining the most, against hospitality, which suffered the most. These impacts and activity rankings vary significantly between countries.



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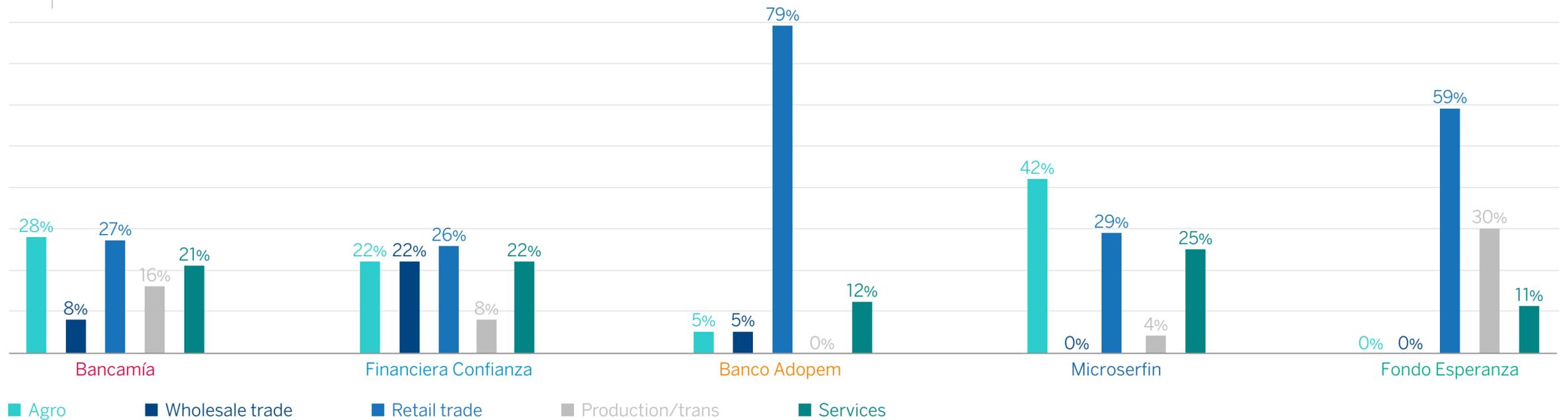
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33 Entrepreneurs served by sector, by country

Entrepreneurs with new or renewed loans



Reactivated profile

As was to be expected, the profile of those who have applied for a loan has changed a great deal since 2019. The most significant differences are:

- Steeper drop in loan applications in the retail trade sector. Although the grocery stores have recovered the most (accounting for 34% of loans in the trade sector in 2020), small textile stores (26%) haven't done so well. Instead, there has been growth in new stores with seasonal products (37%).
- Fewer requests for credit in the services sector. Here, the weighting of activities has altered, with less lending demand from beauty salons (14% in 2019 compared to 16% in 2020), while transport and catering have remained fairly stable (as discussed, the latter has reinvented itself with home deliveries).
- A drop in lending in production/transformation. This is mainly due to food manufacturing (affected by lower supply) and textile manufacturing. Together they account for 62% of this sector.
- There was a significant increase in the farming sector (including agriculture, livestock and mixed farming) and, to a lesser extent, wholesale trade. This final segment, led mainly by wholesale foodsales, accounts for 56% of the entire sector



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Since the beginning of the pandemic, the demand for credit has been greater among entrepreneurs working in activities providing essential goods, particularly when they involve the food chain. Thus, sales of food and beverages, small kiosks and convenience stores, and the farming sector in general (livestock, cereals and mixed) have been the most active and the least impacted by the crisis. In this sector, with a more rural and masculine profile, few clients have been banked since 2019: just 10 thousand.

In comparison with the third quarter of the year, when most of the entrepreneurs applying for loans had stores selling essential goods or were working in farming, in December we noted greater diversification. As the situation began to normalize (4Q20), businesses reactivated and a specific profile recovered: retail trade, urban.

The differences by country were significant*:

Differences by country

Colombia

- Demand for credit has been highest in the farming sector (32% of disbursements to Dec 20 compared to 25% in Dec 19).
- The remaining sectors are slowly stabilizing, although to a lesser degree than in 2019.

Peru

- Wholesale trade (especially food) and the farming sector have taken a larger share. Nevertheless, since July we have recorded a swift reactivation in all sectors.

Dominican Republic

- Reactivation is slow because our entrepreneurs work in textiles and footwear (44% of all our clients). Grocery stores and wholesale food sales are driving the reactivation.
- The services sector, which accounted for 13% of all renewals in 2019, represented just 9% in December 2020.

Chile

- Driven by grocery stores and wholesale food sales.
- Chile is the country that perhaps has the widest range of traders. There is a degree of stability (e.g. sales of precious metalwork, artisanal products, others). These businesses also use digital tools more proactively than in other countries³⁸.

Panama

- Focus is predominantly on the farming sector, which accounts for nearly half of all loans in 2020 (47% in 2020 compared to 40% in 2019), followed by grocery stores (28% of the businesses reactivated in 2020).

* For more details, see country reports (only available in Spanish).

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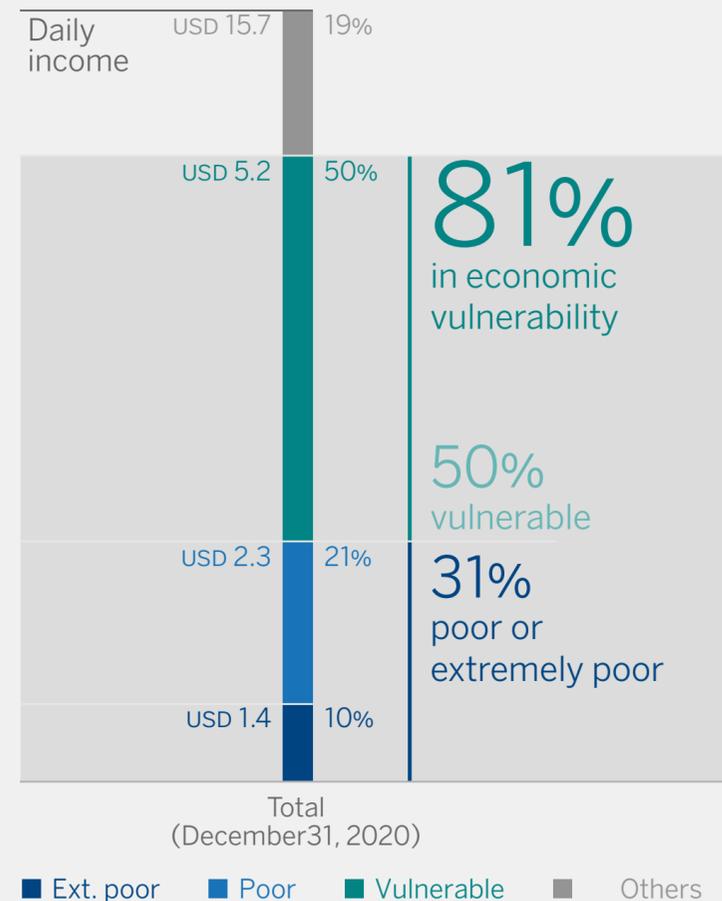
Growth in businesses served in 2020

We note a clear bias in the profile of credit entrepreneurs served: they predominantly work in sectors that have been less affected by the pandemic. In fact, surveys demonstrate that the entrepreneurs who apply for loans are those that find themselves in a relatively solid position.

That is why there has been positive growth in the financial volumes of the entrepreneurs served in 2020. Although their sales have grown at a slower rate (12% in 2020 compared to 18% in 2019), their surpluses have remained the same, at 18%. This better management of surpluses was an outcome of cost savings on the part of many entrepreneurs, especially in the services sector, where the gross margin had improved, rising from 53% in 2019 to 59% in 2020. This cost reduction may be due to alterations made to lifestyle, as has been seen in Kenya, where a study has found that non-essential expenses such as travel and entertainment have been reduced³⁹.

34 Economic vulnerability

All credit clients



35 Social vulnerability

All credit clients



- 60%** Women
- 32%** Rural environment
- 38%** Primary education at best
- 20%** < 30 years old
- 13%** > 60 years old

The numbers in the economic vulnerability profile rose slightly at the beginning of the pandemic since farming entrepreneurs generate low incomes. However, as traders returned to their activities (grocery stores and others, with higher incomes), the effect has been offset, so that by the end of the year the profile was similar to the previous year: 81% of all clients were in a situation of economic vulnerability (compared to 82% in 2019).

* Current clients at 12.31.20

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Customer service in 2020

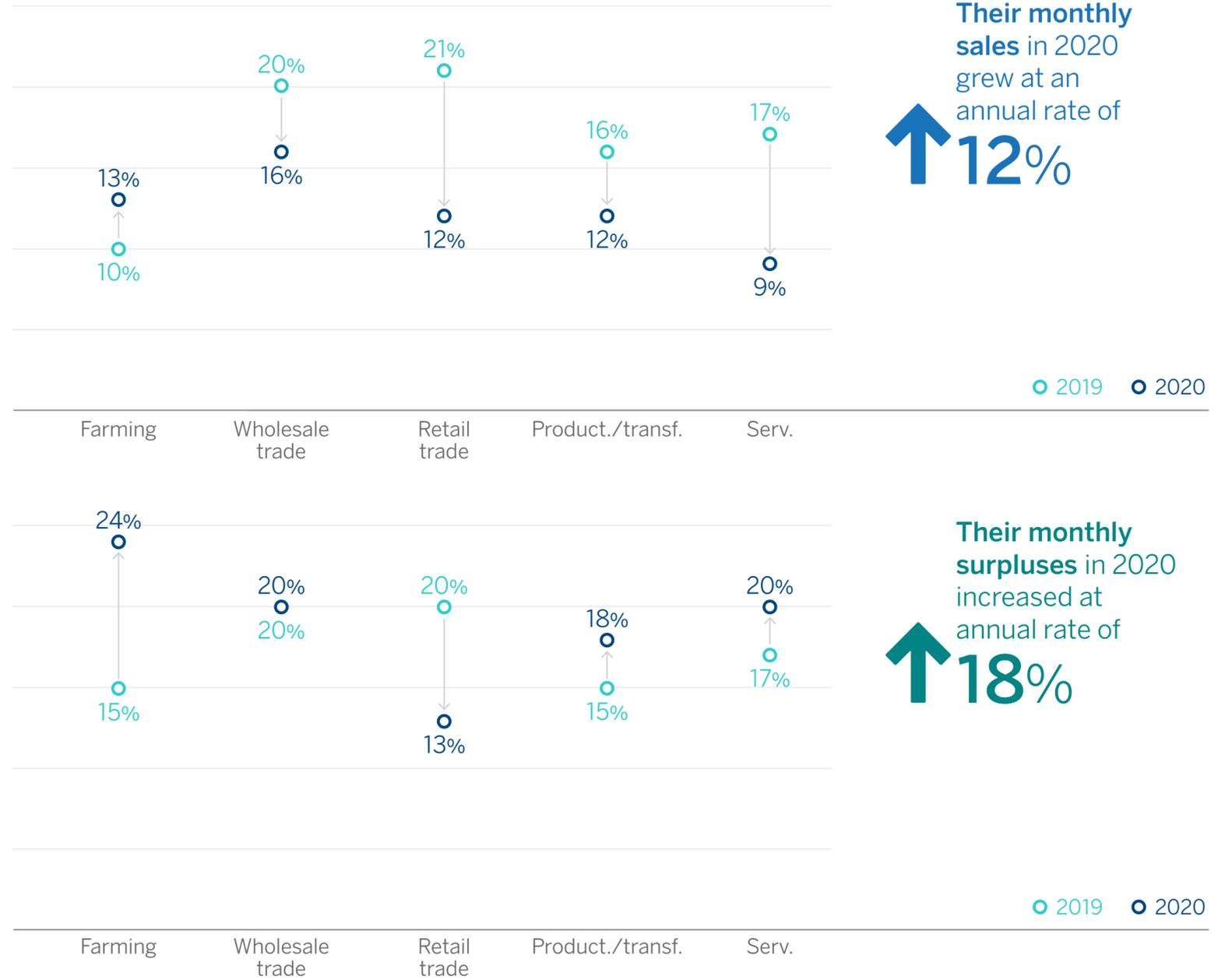
Entrepreneurs served in 2020 have thus posted excellent results. Sales have grown positively in all countries, although at a slower rate than in 2019. In Peru and Dominican Republic this trend holds in terms of surpluses. By contrast, in Colombia, surpluses across the board have grown above 2019's historical performance, reflecting a significant cost saving capacity. The farming sectors in Colombia and Peru meanwhile, have both enjoyed significant growth in surpluses (+20%).

We also note that in Colombia⁴⁰ they have increased their assets, although at a slower rate than in 2019 and that, because of the amounts involved, we understand that this is management of working capital, i.e. management of stock/liquidity.

We should point out that this information is biased, since the renewals are for clients with businesses that are operating and have payment capacity; those whose sales have dropped or who have closed their businesses are not represented

36 Growth in sales/surpluses

↳ Credit clients with renewals in 2020 and 2019



Their monthly sales in 2020 grew at an annual rate of **12%**

Their monthly surpluses in 2020 increased at annual rate of **18%**

Impact on entrepreneurs

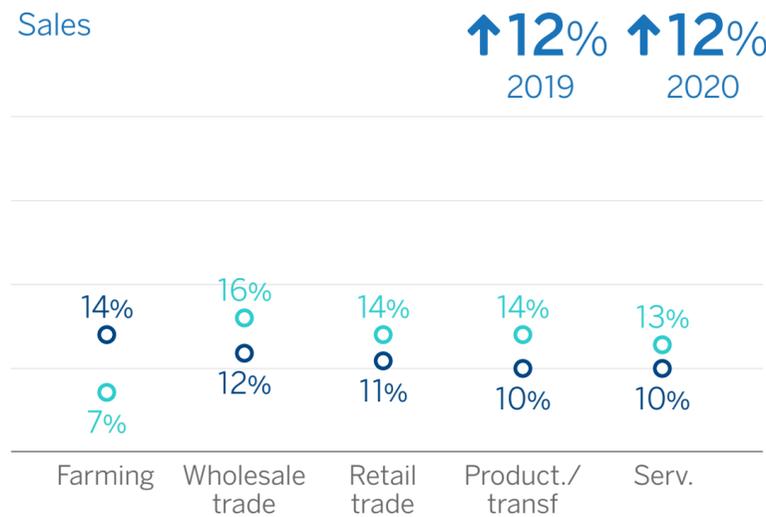
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37a Growth in financial volumes, by country

↖ Credit clients with renewals in 2020 and 2019

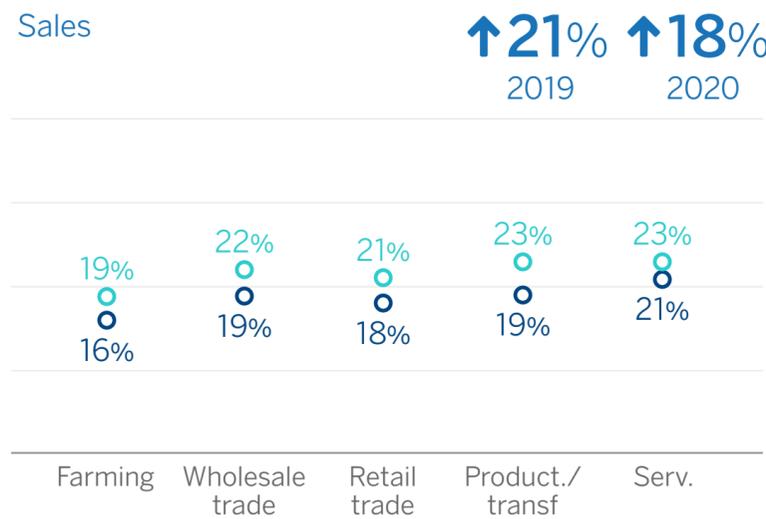
Colombia



In Colombia, most entrepreneurs who renewed were those who had suffered least from the crisis, notably the farming sector. Furthermore, entrepreneurs have demonstrated great capacity to adjust their costs, shown in higher growth of surpluses than sales.



Peru



In Peru, unlike Colombia, business reactivation has been diverse and swift, and this is reflected in its rate of growth: 18% in sales and surpluses. The growth in surpluses was bigger in 2020 than in 2019, although not in sales. The farming sector stands out, with high growth rates compared to 2019. The country is a true picture of Peruvian entrepreneurial spirit and of the great diversity in the sectors served.



Impact on entrepreneurs

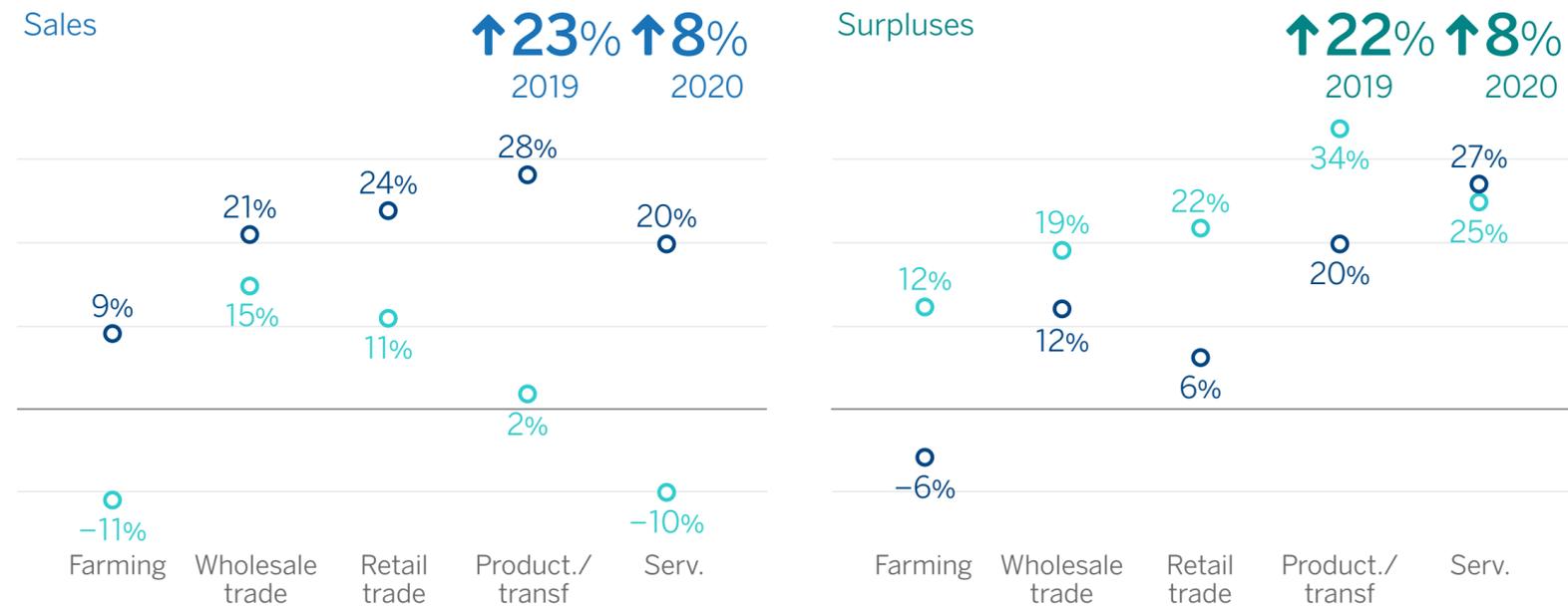
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37b Growth in financial volumes, by country (cont.)

↳ Credit clients with renewals in 2020 and 2019

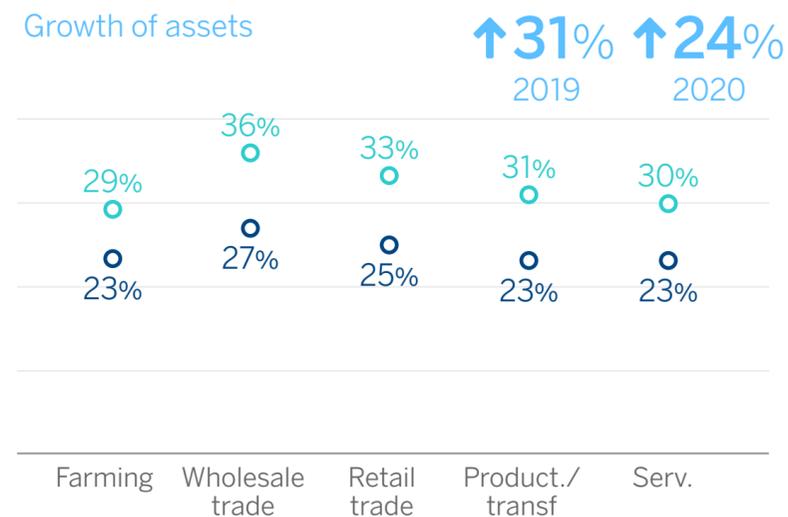
Dominican Republic



Dominican Republic – where over 80% of entrepreneurs are tradespeople and 44% work in the textile industry – has been harder hit. Thus, sales and surpluses report setbacks in business growth rates over 2019.



Colombia



For more performance information on Colombia, see our [Bancamía report](#); for Peru, the [Financiera Confianza report](#); for Dominican Republic, [our Banco Adopem report](#) (all in Spanish).

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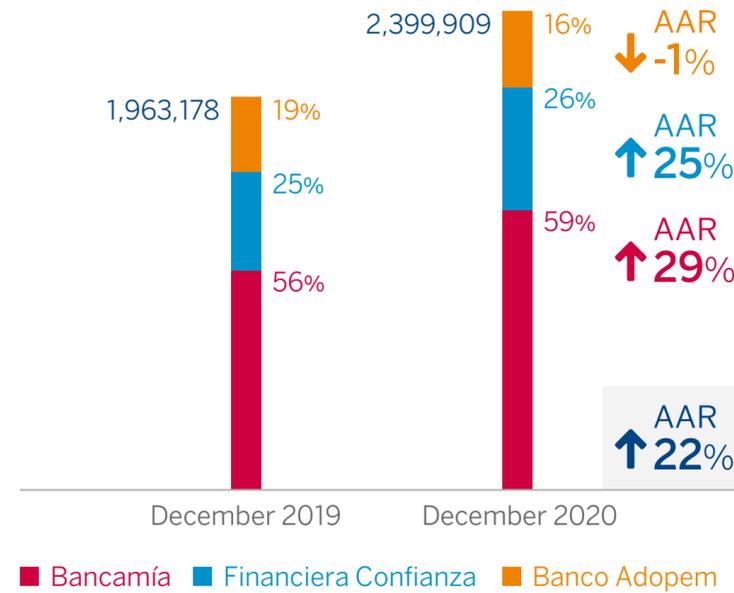
Savings, concentrated on new depositors

The number of savings clients has increased in all countries (+22%) from 2019, and have centered on non-vulnerable clients, reflecting the solidity and reputation of BBVAMF institutions. Clients' strategies have differed from country to country:

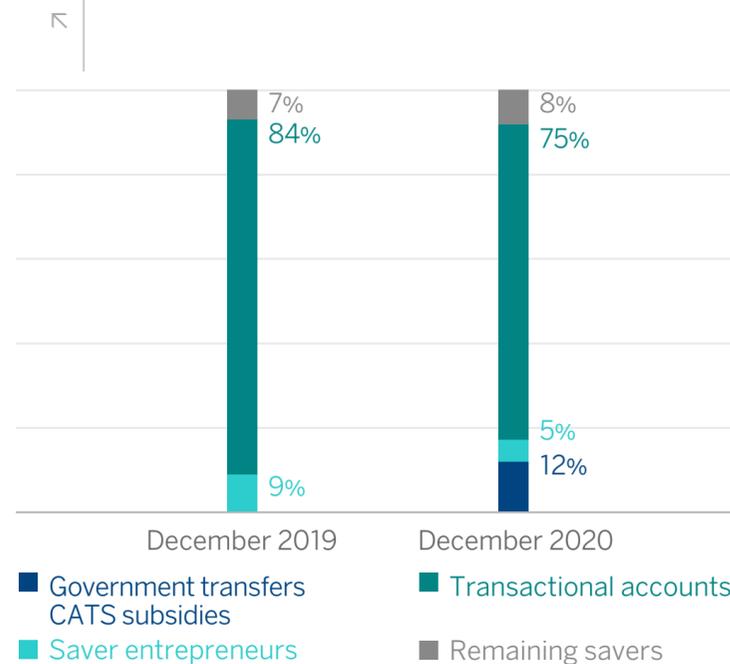
- In Bancamía, Colombia, the growth driver are new depositors. 28% of the balance on December 31, 2020 had been deposited by new clients, and 98% of these new deposits belongs to clients who do not have loans with us, principally clients with term deposits (TD) (76%). The balance of clients who have banked with us for longer has risen by 12%, making a decisive contribution to the 19% growth in the balance held for credit-only clients with TD (66% of the balance held for longer-term customers).
- In Financiera Confianza, Peru, growth comes from new depositors, where government transfers account for 20% of the total sum.
- In Banco Adopem, Dominican Republic, both new and longer-term depositors are the drivers of growth. 6% of the balance to December 31 comes from new depositors, and 5% is held for saver-only clients. The largest growth comes from the longer-term client segment, with a stand-out contribution made by credit clients, which has expanded by 13%.

38 Savings clients, changes

↳ Clients with a savings product of some kind



39 Breakdown of savings clients



Impact on entrepreneurs

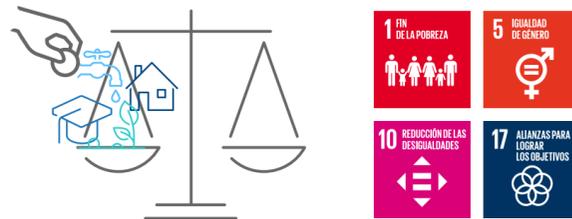
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Serving basic needs and improving resilience

BBVAMF institutions have developed initiatives that encompass housing, sanitation, education and green loans. By the end of December 2020, 58 thousand clients had received a product that met their basic housing and/or educational needs, for a total value of USD 46 million.

Backing integrated development



The pandemic created the need to serve vulnerable households' increasingly varied requirements, recognizing the multidimensional nature of their welfare

Multidimensional initiatives

Employment

171,883 people hired
-18% vs. 2019
of our clients take on
at least one employeeo



Displaced people

Migrants & refugees
Total clients at December 31, 2020 in Colombia & Panama
44,144
USD 70,144,398



Women's empowerment



Issuance of Commercial Paper
with the IFC (World Bank)
Chile
USD 25,000,000

Gender lending
EIB (European Invst. Bank)
Dominican Rep.
USD 8,300,000

Social Gender Bonds arranged
by BBVA
Colombia
USD 54,000,000

Housing upgrades & sanitation



Housing upgrades
Colombia, Panama,
Dominican Rep. y Panama
40,443
USD 25,249,867

Sanitation
& water
Peru
8,093
USD 19,281,224

Green products



Farming & parametric
insurance
Colombia
4,475

Green loans
MeBA program
Colombia y Rep. Dominicana
2,023
USD 1,382,157

Health



Healthcare insurance
& medical assistance
Colombia, Peru, Panama & Chile
82,069

Education



Scholarship
Program
children of
entrepreneurs
With BBVA Colombia

Educational loans
for children
Colombia, Peru & Dominican Rep.
2,993
USD 713,897

Training
401,648 people
-41% vs 2019

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Customer service in 2020

Housing

40,443 clients
USD 25 million outstanding amount

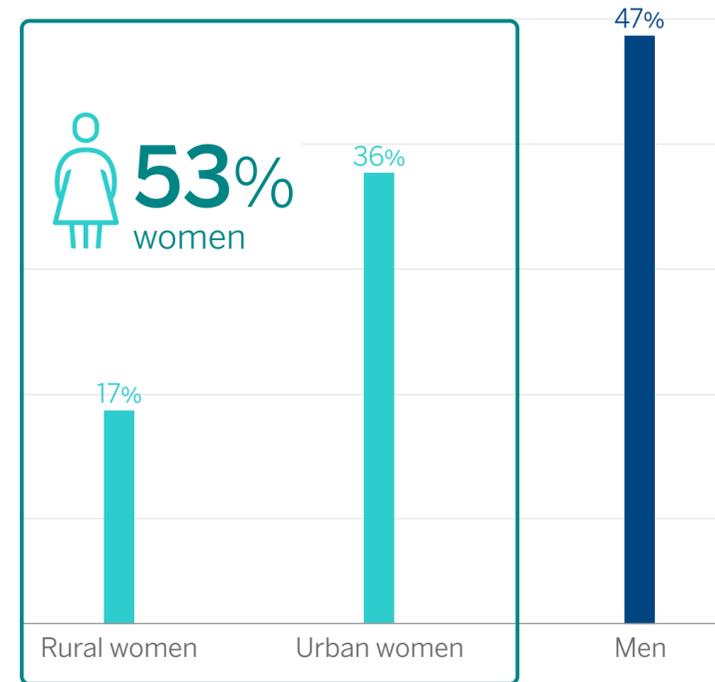
These loans have the principal aim of financing housing upgrades, whether access to running water or sanitation, and better housing materials.

Clients are mainly urban women working in the services sector or small-scale trade, such as grocery stores, textiles (retail) and hospitality. Many of them are responsible for large households with more than 3 members and in many cases need to work from home in order to strike a balance between making a living and bringing up their children and looking after the home.

These clients tend to be people with lower economic vulnerability, who use these loans to deal with new poverty dimensions, such as their home (multidimensional poverty), and thus to building a better future for themselves (67% of clients consider themselves economically vulnerable).

40 Products for home improvements

All credit clients



Sanitation

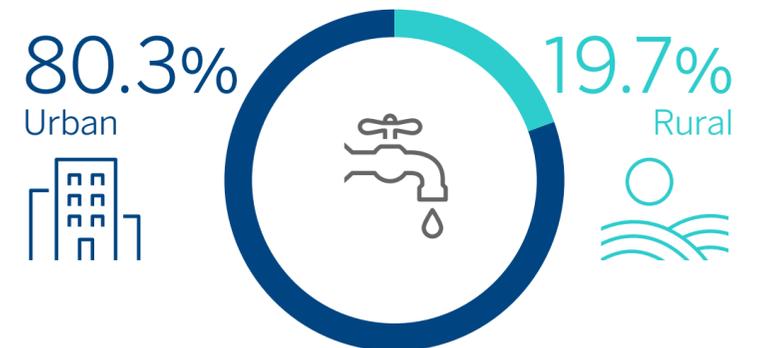
8,093 clients
USD 19 million outstanding amount

This initiative⁴¹, one of the housing programs, is being run in Peru by Water.org, a partnership to ensure that the most vulnerable entrepreneurs have housing that is more sanitary and safer, since they are currently living in badly built homes made of adobe or brushwood.

Most clients live in urban areas. 80% have deficient access to water and sanitation. These loans enable them to finance access to clean water and drainage, which help to reduce health risks.

41 Sanitation

All credit clients



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Education

2,993 clients
USD 0.7 million outstanding amount

Educational products are lines of credit to finance entrepreneurs' own education or that of their children and/or family members. They are mainly designed to pay matriculation, board and lodging or other tertiary education fees to encourage the uptake of higher education and vocational training, such as diplomas, technical programs, university courses and language learning. This product is available mainly in Peru and clients are mostly urban (80%) and/or women working in service-related enterprises or small-scale trade (69% of the total).

The client profile is noticeably younger (54%) and has a higher level of education: 80% have higher than primary education, thus breaking the circle of future exclusion.

Respect for the environment

Green loans: **2,023** clients
USD 1.3 million outstanding amount

BBVAMF has signed several partnership agreements with UN Environment (MEbA) and local institutions in support of sustainability strategies so that entrepreneurs adopt environmentally responsible measures that protect natural resources.

Programs are underway in Colombia and Dominican Republic providing lines of green credit for farming clients. The purpose is to enable them to finance the purchase of environmentally efficient technologies that reduce energy consumption and increase their business productivity, such as water pumps for irrigation, energy-efficient ovens and stoves, and refrigeration and illumination systems, among others. They may also finance climate-change mitigation adaptation measures, such as soil regeneration, organic farming and solar energy systems.

Most clients are men living in rural areas, generally with low levels of formal education, with 60% of these having primary education at best. On average they get by on monthly incomes of USD 367 (or USD 4 a day for each family member), and 85% are in economic vulnerability.

Migrants, displaced persons and post-conflict areas

Loans: **44,110** clients
USD 70 million outstanding amount

A number of support programs for migrants and displaced persons, targeting areas that suffered most from armed conflict, have been opened through the Foundation's institutions, thus contributing to these groups' economic and social development and to curing their longterm scars.

These initiatives have principally served women (57%), in high economic vulnerability (87%).

Likewise, many of these people have benefited from educational modules, adapted to their needs as entrepreneurs, especially bearing in mind that 4 out of 10 have primary education at best.

These clients have an average monthly surplus of USD 501, while a 3-person household has an income of USD 158, which works out as USD 5.3 per person, per day.

Helping those who most need it

 **44,144**
Displaced persons & refugees
 Colombia, Panama & Dominican Rep.
USD 70,144,398

BBVAMF. Aggregate data

Data as of December 31, 2020

Exchange rate at December 31, 2020

COP/USD	PEN/USD	DOP/USD	PAB/USD	CLP/USD	CLP/USD
3,432.496	3.624	58.184	1.000	710.950	710.950

Activity summary	BBVAMF Group	Bancamía	Financiera Confianza	Banco Adopem	Microserfin	Fondo Esperanza	Emprende Microfinanzas
Financial data							
Gross loan portfolio (USD)	1,202,427,884	430,724,924	572,528,825	107,254,702	23,620,461	58,327,032	9,971,940
Amount disbursed in 2020 (USD)	1,054,995,676	259,753,825	562,771,460	94,115,999	8,323,828	124,969,956	5,060,607
Number of disbursements in 2020	764,669	187,898	287,471	105,149	5,225	176,989	1,937
Average disbursement in 2020 (USD)	1,380	1,382	1,958	895	1,593	706	2,613
Deposits & others (USD)	635,431,531	194,965,263	373,824,965	66,641,303	—	—	—
Operating data							
Nº of employees	7,609	3,195	2,302	1,280	216	544	72
Nº of offices	583	212	203	70	27	56	15
People receiving financial education	401,648	248,809	49,808	56,708	5,988	40,335	—

Our clients	BBVAMF Group	Bancamía	Financiera Confianza	Banco Adopem	Microserfin	Fondo Esperanza	Emprende Microfinanzas
Total clients	2,612,144	1,422,185	683,166	381,746	14,468	106,583	3,996
Number of credit clients	837,947	295,908	253,489	163,503	14,468	106,583	3,996
As a % of all BBVAMF Group credit clients	—	35%	30%	19%	2%	13%	1%
Number of savings clients	2,399,909	1,409,287	616,448	374,174	—	—	—
As a % of all BBVAMF Group savings clients	—	58.7%	25.7%	15.6%	—	—	—

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Our credit clients	BBVAMF Group	Bancamía	Financiera Confianza	Banco Adopem	Microserfin	Fondo Esperanza	Emprende Microfinanzas
New clients	139,561	32,557	78,267	10,263	1,574	16,900	—
Vulnerability of credit clients (% clients)							
Extremely poor	15.4%	8.9%	14.1%	4.7%	3.1%	40.7%	—
Poor	24.9%	34.9%	21.4%	24.7%	19.4%	19.5%	—
Vulnerable	43.8%	46.5%	42.5%	58.2%	62.8%	33.3%	—
Total vulnerability	84.1%	90.3%	78.1%	87.5%	85.3%	93.5%	—
Others	15.9%	9.7%	21.9%	12.5%	14.7%	6.5%	—
Rural	27.6%	44.2%	22.3%	39.5%	46.7%	11.2%	—
Women	58.1%	50.9%	58.4%	59.2%	43.3%	71.3%	—
Women's profile							
Poor	46.3%	48.6%	40.5%	30.8%	28.7%	67.2%	—
Total vulnerability	87.9%	92.5%	82.4%	89.0%	92.6%	95.8%	—
Primary education at best	23.2%	30.6%	11.1%	50.8%	21.7%	20.9%	—
Rural	22.4%	37.2%	17.6%	38.1%	36.7%	11.5%	—
Net monthly p.c. income (USD)	—	—	—	—	—	—	—
With primary education, at best	25.3%	34.5%	11.2%	53.1%	26.9%	21.1%	—
Young (< 30 years old)	38.4%	28.1%	43.2%	48.6%	20.8%	30.9%	—
Old (> 60 years old)	5.9%	9.7%	4.6%	3.6%	7.4%	5.9%	—
Economic sector (% credit clients)							
Agriculture	18.8%	32.7%	18.5%	3.4%	32.9%	0.7%	—
Production/transformation	11.7%	13.7%	8.7%	0.2%	2.0%	29.9%	—
Retail trade	31.6%	25.5%	22.9%	78.7%	37.7%	55.3%	—
Wholesale trade	18.0%	9.7%	27.4%	4.7%	0.4%	—	—
Services	19.9%	18.4%	22.5%	13.0%	26.9%	14.2%	—
Average monthly sales (USD)	1,138	1,065	1,243	980	1,310	956	—
Average assets (USD)	190	133	212	158	243	226	—

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Our credit clients	BBVAMF Group	Bancamía	Financiera Confianza	Banco Adopem	Microserfin	Fondo Esperanza	Emprende Microfinanzas
Total clients							
Vulnerability level of credit clients (% clients)							
Extremely poor	9.8%	4.8%	11.5%	2.7%	3.3%	35.9%	—
Poor	21.0%	27.0%	17.7%	16.6%	15.6%	17.7%	—
Vulnerable	49.9%	52.0%	42.9%	61.3%	62.9%	37.3%	—
Total vulnerability	80.7%	83.7%	72.1%	80.6%	81.7%	90.9%	—
Others	19.3%	16.3%	27.9%	19.4%	18.3%	9.1%	—
Rural	32.0%	43.6%	20.4%	41.2%	44.1%	11.0%	—
Woman	59.7%	54.0%	54.2%	66.5%	42.6%	80.4%	—
Women's profile							
Total vulnerability	84.2%	87.1%	75.5%	82.0%	85.3%	93.3%	—
Primary education at best	36.1%	43.7%	15.5%	45.3%	26.7%	31.9%	—
Rural	26.4%	35.5%	15.9%	37.5%	35.4%	11.1%	—
With primary education, at best	37.6%	46.9%	15.7%	47.9%	31.7%	31.2%	—
Young (< 30 years old)	19.7%	13.0%	27.6%	24.0%	10.2%	13.9%	—
Old (> 60 years old)	12.9%	17.9%	8.8%	10.0%	14.9%	12.9%	—
Economic sector (% credit clients)							
Agriculture	19.1%	30.2%	22.1%	4.7%	34.7%	0.5%	—
Production/transformation	11.8%	14.9%	8.8%	0.2%	5.3%	29.4%	—
Retail trade	40.2%	26.3%	25.0%	78.0%	31.4%	58.8%	—
Wholesale trade	10.7%	7.9%	22.4%	5.2%	0.5%	—	—
Services	18.3%	20.7%	21.8%	11.9%	28.2%	11.3%	—
P&L - Margins over sales							
Cost	57.0%	58.4%	58.3%	61.2%	43.3%	43.3%	—
Income	43.4%	41.7%	41.7%	40.5%	57.0%	56.8%	—



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Credit clients' performance	BBVAMF Group	Bancamía	Financiera Confianza	Banco Adopem	Microserfin	Fondo Esperanza	Emprende Microfinanzas
Cohort performance							
Monthly sales growth (avg. CAGR)*	12.0%	12.0%	18.0%	8.0%	—	—	—
Monthly net income growth (avg. CAGR)*	18.0%	24.0%	18.0%	8.0%	—	—	—
Asset growth (avg. CAGR)*	24.0%	24.0%	—	—	—	—	—

Our relationships**New credit clients**

Average disbursement of new credit clients (USD)	838	822	1,009	357	1,089	345	—
Average installment as % of sales of credit clients (%)	10%	8%	11%	5%	8%	14%	—

Revolving clients

Average retention of credit clients							
After first year	65.4%	78.4%	57.5%	74.0%	75.2%	45.3%	—
After second year	42.1%	49.8%	34.7%	56.3%	43.2%	30.8%	—
After third year	29.7%	34.4%	24.0%	42.2%	30.7%	24.2%	—
Average recurrence of credit clients							
Cycle 2	50%	46%	49.2%	56.7%	39%	59%	—
Cycle 3	29%	24%	28.5%	34.5%	17%	40%	—
Cycle 4	17%	13%	17.3%	20.0%	7%	28%	—

* Disbursements in 2020 to clients who have renewed at least once, compared against the latest information on their sales, surpluses and assets. CAGR (new methodology).



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Information limitations

Information limitations

Comments

Difficulty in collecting information.

It was impossible to pay visits to clients during 2020 because of the mobility restrictions, making it more difficult to collect information, which generated a bias that we estimate to be less than 15%. Information we believe to be unreliable (e.g. on assets) has not been presented.

Lack of information on certain variables.

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

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

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

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 viewed as 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 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 microfinance institution's (MFI) criteria and those of its agents/officers. In a very few cases, there are variables with definitions or nuances at a local level or variables that are only collected in certain countries.

- 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. state of housing, 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.

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Notes on methodology | Surveys

Around 17 thousand surveys were conducted, in two rounds, with entrepreneurs in Colombia (Bancamía - BA), Peru (Financiera Confianza - FC), Dominican Republic (Banco Adopem - AD), Panama (Microserfin - MS) and Chile (Fondo Esperanza - FE).

Impact survey

	Colombia Bancamía (BA)	Peru Financiera Confianza (FC)	Dominican Republic Banco Adopem (AD)	Panama Microserfin (MS)	Chile Fondo Esperanza (FE)
Sample. Selection criteria	Quota sampling & simple random sampling inside the quotas	Simple sampling without replacements – MSE clients nationally (spread over territories)	Representative sample by areas & activity	Size of population – total portfolio	Sample calculation nationally, with proportional assignment by geographical area
Confidence level	95%	99%	95%	95%	95%
Margin of error	3.2%	4%	4%	5%	6%
N° of people surveyed	914	3,118	999	143	297
Response ratio	49%	79%	45%–21%	30%	90%
Data survey launched	May 2020	July 2020	July 2020	June 2020	July 2020
How survey was conducted	Google Forms/ Internal call center	Google Forms/ Officers	Internal call center	Google Forms/ External call center	Mailing/self-reported
Monitoring & quality controls	<ul style="list-style-type: none"> • Daily monitoring • Monitoring of recordings • Feedback sessions with agents 	<ul style="list-style-type: none"> • Progress monitoring • Data quality control of surveys conducted 	<ul style="list-style-type: none"> • Daily monitoring of the number of replies • Quality control when the survey is complete, making corrections where possible; verification of additional comments made by clients about their diverse circumstances 	<ul style="list-style-type: none"> • Daily monitoring of the number of surveys carried out • Constant communication with the call center agent to corroborate the status of our clients' phone lines, annexing client list to offset the sample shortfall 	<ul style="list-style-type: none"> • Daily monitoring of the number of replies • Quality control when the survey is complete, making corrections where possible (validation of identity card n°, for matching against FE's internal data base)



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Notes on methodology | Surveys

Recovery survey

	Colombia Bancamía (BA)	Peru Financiera Confianza (FC)	Dominican Republic Banco Adopem (AD)	Panama Microserfin (MS)	Chile Fondo Esperanza (FE)
Sample. Selection criteria	Random by office. Performing clients, validated as representative of the portfolio. A minimum of representation from key sectors.			Stratified sampling by farming, trade, services	Random sampling by activity and region
Confidence level	99%	99%	99%	99%	99%
Margin of error	3%	3%	4%	4%	4%
N° of people surveyed	4,434	4,683	1,005	546	500
Response ratio	56%	94%	68%–22%	50%	46%
Data survey launched	November 2020	November 2020	November 2020	December 2020	January 2021
How survey was conducted	Officers	Officers	Call center	Officers	Call center
Monitoring & quality controls	<ul style="list-style-type: none"> • Daily monitoring • Monitoring of recordings • Feedback sessions with agents 	<ul style="list-style-type: none"> • Progress monitoring • Data quality control of surveys conducted 	<ul style="list-style-type: none"> • Daily monitoring of the number of responses • Quality control when the survey is complete, making corrections where possible; verification of additional comments made by clients about their diverse circumstances 	<ul style="list-style-type: none"> • Daily monitoring of the number of surveys carried out • Constant communication with the call center agent to corroborate the status of our clients' phone lines, annexing client list to offset the sample shortfall 	<ul style="list-style-type: none"> • Daily monitoring of the number of responses • Quality control when the survey is complete, making corrections where possible (validation of identity card n°, for matching against FE's internal data base)



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Methodological explanations of the variables and indicators chosen

Variables chosen for consideration

Variable**Comments****New credit clients**

New clients are defined as those who have had a loan with the Group at some point during the year and had not previously had a loan with any BBVAMF Group institution.

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.

Microserfin

The client's address determines the environment, according to the parameters of the province and the district.

**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.

**Emprende
Microfinanzas**

There is no individual (by client) environment indicator. Clients are grouped by commune and a rural percentage for each area is assigned according to the Chilean Statistics Organization (2017 census).

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Methodological explanations of the variables and indicators chosen (cont.)

Variables chosen for consideration

Variable

Economic sectors

Data from financial statements (balance sheets and P&L)

Comments

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; 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; administrative and support service activities; public administration and defense, compulsory social security; education; human health and social work activities; arts, entertainment and recreation; other services; activities of households as employers, households' non-differentiated goods- and services-producing activities for own use; activities of extraterritorial organizations and bodies.

Financial variables shown are those reported by clients at:

- The latest disbursement or update available, whatever the date, when the charts refer to renewing clients or current portfolio.
- The exceptions to this methodology are the performance charts (e.g. growth of average monthly sales), which require disbursements to have taken place in the previous 12 months.

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Methodological explanations of the variables and indicators chosen (cont.)

Variables chosen for consideration

Variable	Comments
Household size	Household members are defined as <i>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.</i> Since July 2018, as a result of system changes and better checking, Microserfin has updated the value of this variable for clients who have renewed a loan, assigning a backdated value to the variable.

Selected indicators

Indicator	Comments
Dataset analyzed	The indicators measure clients with a productive unit (micro-enterprise), thus excluding loans to employees. Some clients earn wages from other jobs, generally temporary ones, as well as their productive unit. This type of client has been kept in the analysis, provided the change is temporary. Institutional clients and employees have been excluded from the indicators for savings clients. Financial health calculations have used all clients (not only credit clients) currently holding a product. Institutional clients are not included.
Financial variables	Financial variables shown are those reported by clients at: <ul style="list-style-type: none"> • Final: The last disbursement or update available when the charts refer to renewing clients or current portfolio. • Penultimate: When the metric is an evolving one, as in variations in sales or in surpluses.

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Methodological explanations of the variables and indicators chosen (cont.)

Selected indicators

Indicator	Comments
Monthly per capita surplus/net income	<p>The monthly per capita earnings figure is used as the measure of a client's disposable revenues. The surplus (business revenues, less direct and indirect business costs) is divided by the number of people in the household. If necessary, it is calculated by month. Other household income or costs are not included in the calculation for two main reasons:</p> <ul style="list-style-type: none"> • The aim is to show the impact of the enterprise on clients and their families, rather than revealing the entire household income from other sources. • The information about the client is related to the loan and to the information pertinent for this transaction, so there is no control over the frequency or continuity of any other income unrelated to the microenterprise. Obtaining full documentary proof would be difficult to achieve. <p>Monthly net income is divided by the number of household members to understand its impact on the household as a whole. The household size is the number of people living in one place who share the food budget. It is a more stable figure than the number of dependents, which can vary over time.</p> <p>Monthly net income is calculated from the situation immediately before granting the loan, so does not include the repayment outstanding on the installment.</p>



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Methodological explanations of the variables and indicators chosen (cont.)

Selected indicators

Indicator	Comments
<p>Economic vulnerability</p>	<p>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.</p> <p>Clients with monthly income below the extreme poverty line will be classified as <i>extremely poor</i>. Those between the extreme poverty and poverty lines will be classified as <i>poor</i>.</p> <p>A third category is made up of <i>vulnerable</i> clients, those with monthly per capita net incomes less than three times the national poverty line. 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.</p> <p>The reference to clients under the poverty line or in poverty groups together the <i>extremely poor</i> and the <i>poor</i>. The term 'vulnerability' covers all three segments: <i>extremely poor</i>, <i>poor</i> and <i>vulnerable</i>.</p> <p>Remaining clients are classified as <i>others</i>.</p>

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.⁴²

Relative income distribution of clients who fall into poverty

Initial relative income	100% Max.	99%	95%	90%	75%	50%	25%	10%	5%
Rural	46.3	7.86	3.94	2.91	1.96	1.44	1.18	1.07	1.03
Urban	31.35	5.49	3.30	2.57	1.79	1.35	1.13	1.05	1.02



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Methodological explanations of the variables and indicators chosen (cont.)

Selected indicators

Indicator	Comments
<p>Financial data performance and variation in the poverty segment</p>	<p>Data from those clients who were current at some point in the previous 12 months, and who have updated their information, was used to calculate performance indicators such as the progress made in terms of financial variables (sales and monthly earnings, assets, equity) and the reduction in the poverty segment. Where information was updated after the disbursement, this information is used to calculate performance.</p>
<p>CAGR & AAR</p>	<p>Compound annual growth rate (CAGR) and average annual rate (AAR). CAGR is calculated as the average growth of financial values for clients who have renewed in 2019 and 2020.</p>



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National poverty lines

The official extreme poverty and poverty lines are taken for each country, depending on whether the locality 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	2019 lines updated with Dec CPI (1.61%)	2020	Extreme poverty	108,645	148,543
			Poverty	214,366	367,395
	National Statistics Department DANE (10) ⁴³	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	



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National poverty lines (cont.)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Peru	2019 lines updated with Dec CPI (2%)	2020	Extreme poverty	161	199
			Poverty	265	384
	National Statistics & Informatics Institute (INEI) ⁴⁴	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	



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National poverty lines (cont.)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Dominican Republic	2019 lines updated with Dec CPI (3.7%)	2020	Extreme poverty	2,380	2,484
			Poverty	4,911	5,516
	Ministry for the Economy, Planning & Development (MEPyD) ⁴⁵	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	



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National poverty lines (cont.)

Poverty lines in all countries except for Chile

Country	Source	Year	Poverty level	Rural (LOC)	Urban (LOC)
Panama	2019 lines updated with Dec CPI (0%)	2020	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry ⁴⁶	2019	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry	2018	Extreme poverty	60	71
			Poverty	108	145
	Finance & Economy Ministry	2017	Extreme poverty	59	70
			Poverty	107	144
	Finance & Economy Ministry	2016	Extreme poverty	59	70
			Poverty	106	144
	Finance & Economy Ministry	2015	Extreme poverty	59	69
			Poverty	105	141
	Finance & Economy Ministry	2014	Extreme poverty	59	69
			Poverty	105	142
Finance & Economy Ministry	2013	Extreme poverty	56	66	
		Poverty	102	137	

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National poverty lines (cont.)

Poverty line in Chile

In 2015 the Social Development Ministry (SD Ministry) published a new methodology (NM) in consensus with a wide variety of experts⁴⁷, because “the traditional measurement was no longer reflecting the situation of poverty in which many families were living”⁴⁸.

The aim was 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 updated⁴⁹ 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.

- **Relation between extreme poverty and poverty:**

Extreme poverty line for an average household: $EPL = \frac{2}{3} PL$

where

PL: Poverty line, EPL: Extreme poverty line

- **Extreme poverty line:** This value is set so that EPL covers food, clothing and housing⁵⁰. 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).



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National poverty lines

Poverty line in Chile (cont.)

The new poverty lines 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 income) 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Extreme poverty (LOC)	1	85,838	85,838	91,274	95,888	100,944	103,139	105,653	108,696	111,957	115,316
	2	139,444	139,444	148,275	155,771	63,985	167,550	171,633	176,577	181,874	187,331
	3	185,210	185,210	196,939	206,896	217,805	222,541	227,963	234,530	241,566	248,813
	4	226,528	226,528	240,874	253,051	266,394	272,187	278,819	286,850	295,456	304,319
	5	264,825	264,825	281,596	295,832	311,431	318,203	325,956	335,345	345,405	355,768
	6	300,875	300,875	319,929	336,103	353,825	361,519	370,327	380,995	392,425	404,198
	7	335,157	335,157	356,382	374,399	394,140	402,711	412,523	424,406	437,138	450,252
	8	367,996	367,996	391,300	411,082	432,758	442,168	452,942	465,989	479,969	494,368
	9	399,622	399,622	424,929	446,412	469,950	480,169	491,869	506,038	521,219	536,856
	10	430,209	430,209	457,454	480,580	505,920	516,922	529,517	544,770	561,113	577,946

	Household size	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Poverty (LOC)	1	128,758	128,758	136,911	143,832	151,417	154,709	158,479	163,044	167,935	172,973
	2	209,168	209,168	222,413	233,657	245,977	251,326	257,450	264,865	272,811	280,995
	3	277,817	277,817	295,409	310,344	326,707	333,811	341,945	351,795	362,349	373,219
	4	339,794	339,794	361,310	379,577	399,591	408,280	418,228	430,275	443,183	456,479
	5	397,240	397,240	422,394	443,748	467,146	477,304	488,934	503,018	518,109	533,652
	6	451,315	451,315	479,893	504,154	530,737	542,278	555,491	571,492	588,637	606,296
	7	502,739	502,739	534,573	561,598	591,210	604,066	618,785	636,609	655,707	675,378
	8	551,998	551,998	586,950	616,624	649,137	663,253	679,414	698,984	719,954	741,552
	9	599,438	599,438	637,394	669,617	704,925	720,254	737,804	759,056	781,828	805,283
	10	645,319	645,319	686,180	720,870	758,881	775,382	794,276	817,155	841,670	866,920

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Currency exchange rates

All the (historical) data from MFIs is incorporated in local currency and the exchange rate applicable on December 31, 2020 is applied so that exchange rate fluctuations do not impact the conclusions.

Country	Exchange rate	Source
Colombia	COP/USD 3.432,496	BBVA Bank, mid-market rate on December 31, 2020
Peru	PEN/USD 3,624	BBVA Bank, mid-market rate on December 31, 2020
Dominican Republic	DOP/USD 58,184	BBVA Bank, mid-market rate on December 31, 2020
Panama	PAB/USD 1,000	BBVA Bank, mid-market rate on December 31, 2020
Chile	CLP/USD 710,950	BBVA Bank, mid-market rate on December 31, 2020
