

# Banco Adopem Dominican Republic

Classification by the principal vulnerability dimensions of new clients taking out their first loan in 2015, and of total clients who had a loan with the institution at the end of 2015.

Later in the chapter we examine clients in more detail, what they do and how they have performed. The lines presented are in scale with the percentages.

**361,722**

Total clients

**217,992**

Credit clients

**67,411**

New credit clients

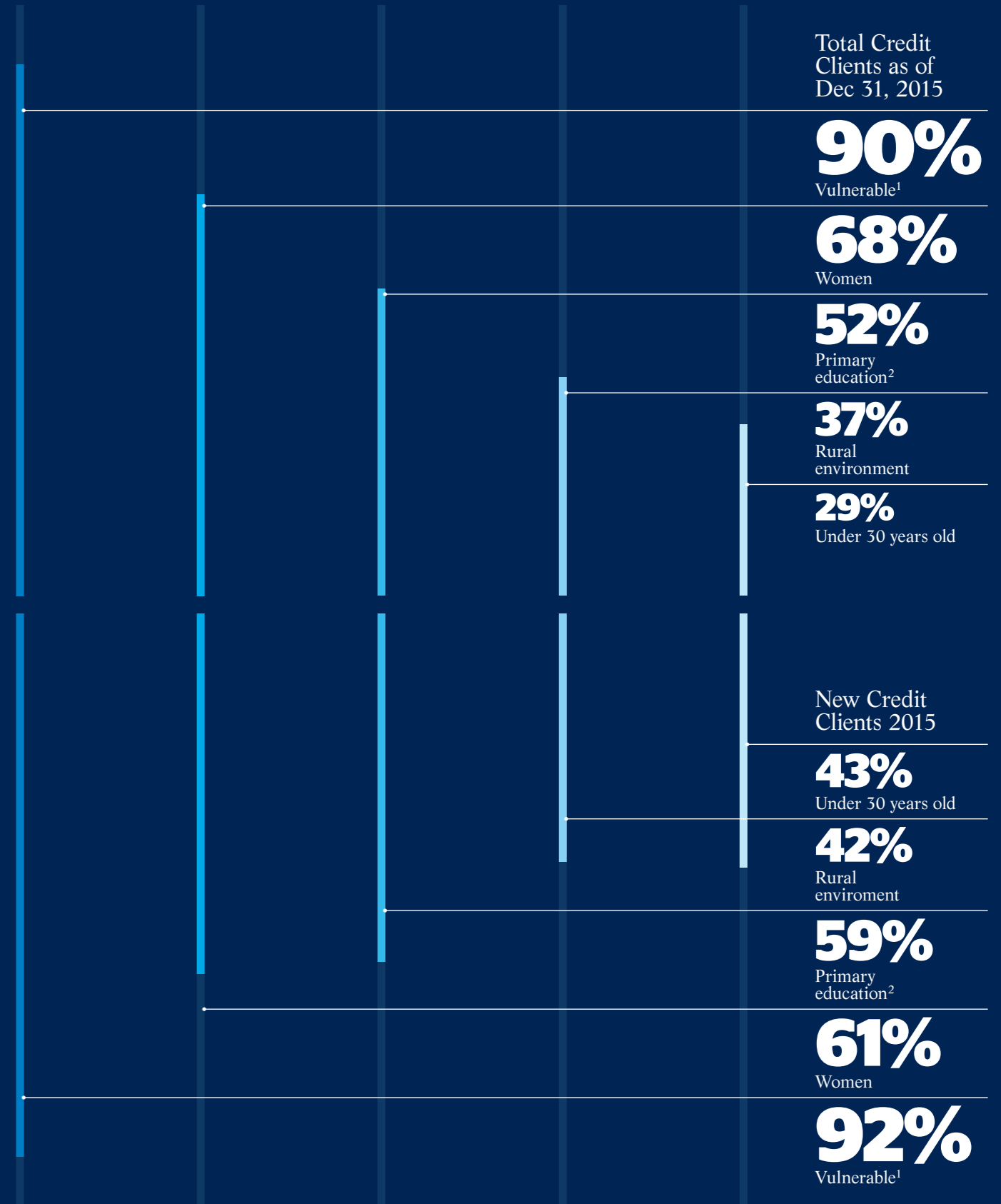
1\_According to Dominican Republic's official poverty line (distinguishing between rural and urban environments).

Source: Ministry of the Economy, Planning and Development. Clients whose net income (i.e. profit obtained

from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 5 times

the poverty line of their corresponding country and type of environment (rural/urban).

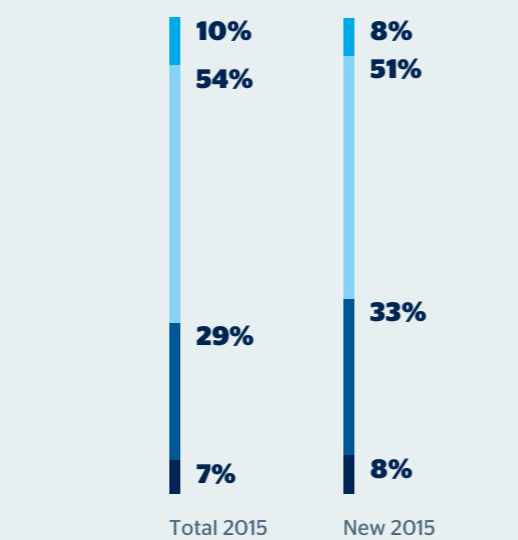
2\_Clients with primary education at best, as proportion of all credit clients.



# Our clients and our scale

Banco Adopem retains its focus on serving low-income clients. **90% of its clients are financially vulnerable**, the highest proportion in the BBVAMF Group.

## Client economic vulnerability<sup>1</sup>



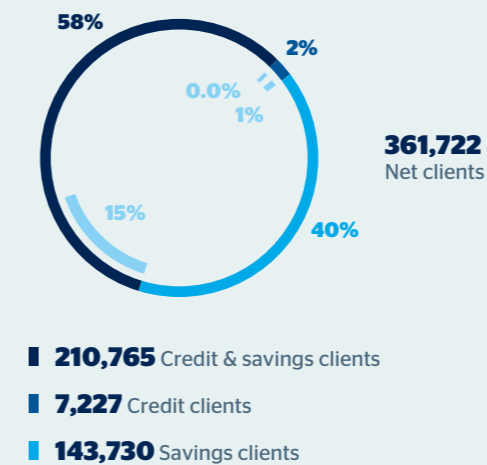
■ Extremely poor ■ Poor ■ Vulnerable ■ Others

Source: Banco Adopem. BBVAMF calculations.

1\_According to Dominican Republic's official poverty line (distinguishing between rural and urban environments). Source: Ministry of the Economy, Planning and Development. Clients whose net income (i.e. profit obtained from their micro-enterprise) divided by the number of members in the family unit (per capita) is no more than 3 times the poverty line of their corresponding country and type of environment (rural/urban).

2\_Takes into account clients that joined during the year (new clients).

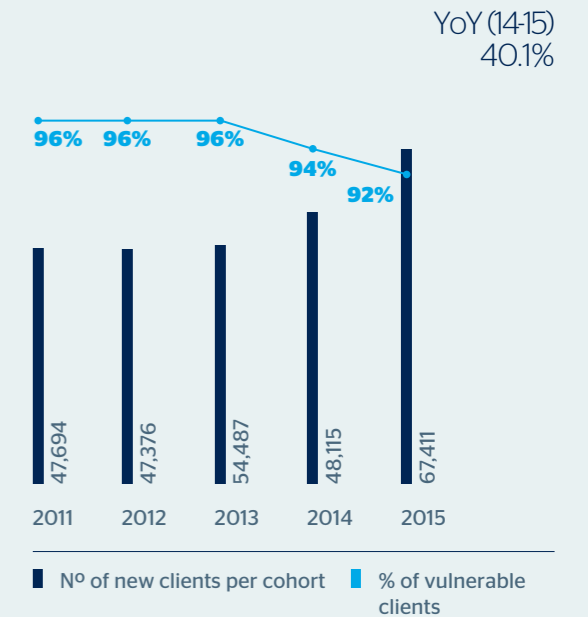
## Clients by type of product



■ % of total clients with non-mandatory insurance products within each product segment

Source: Banco Adopem. BBVAMF calculations.

## New credit clients<sup>2</sup>

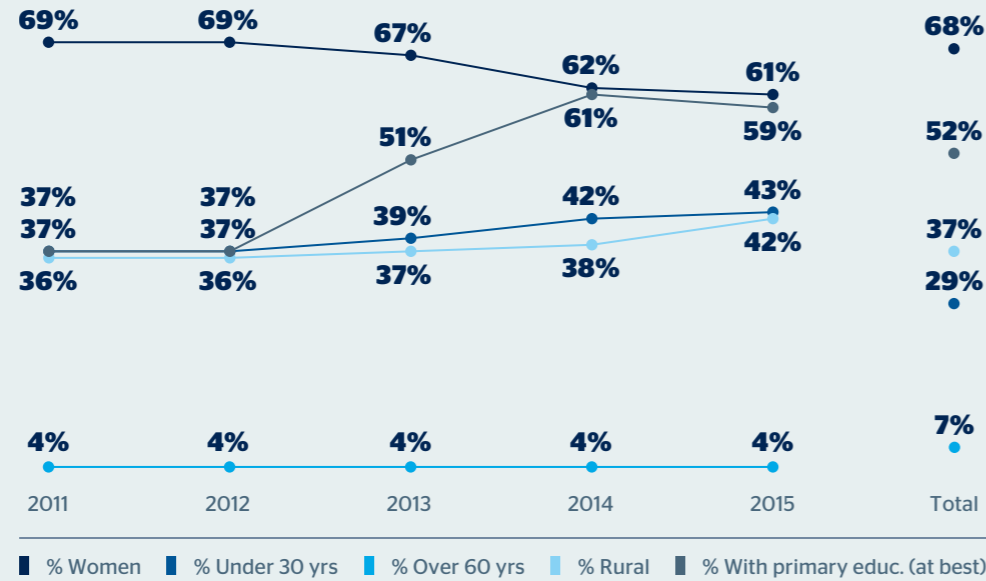


Source: Banco Adopem. BBVAMF calculations.

The very significant increase in the acquisition of new clients has kept the percentage of vulnerable clients above 90%; of all BBVAMF Group institutions, this is the highest proportion.

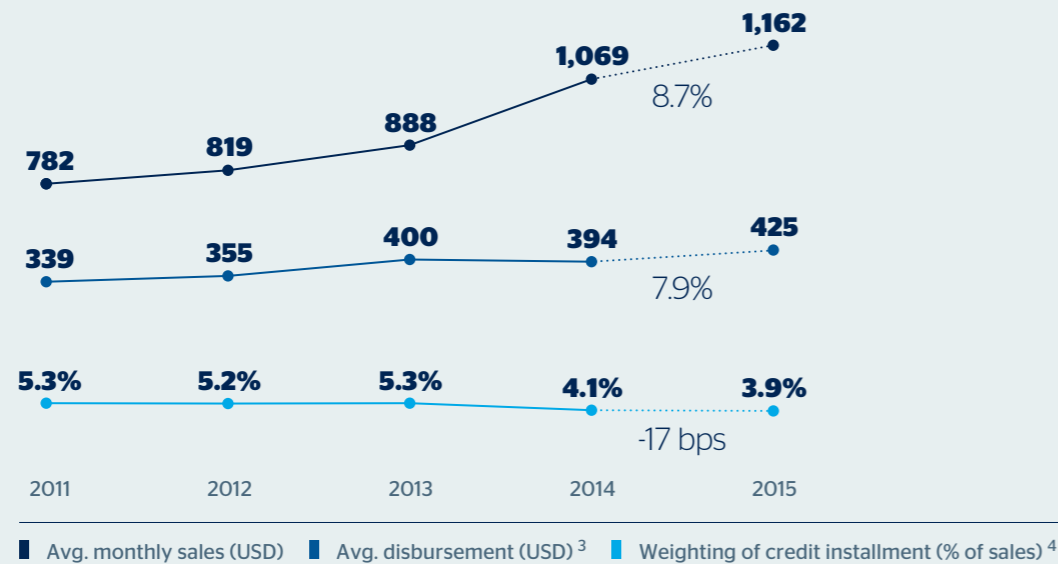
- Women make up more than two thirds of Adopem's clients. More clients with primary education (at best) have signed up, and the proportion of rural clients and those under 30 years have increased slightly too. (see next page)
- The weighting of the credit payment installment (as a % of monthly sales) has fallen in the last few years for new clients, given that the increase in average disbursements has not kept up with sales levels, as reported by clients. (see next page)

**Profile of our new credit clients<sup>2</sup>**



Source: Banco Adopem. BBVAMF calculations.

**Sales, disbursement & weight of credit installment<sup>2</sup>**



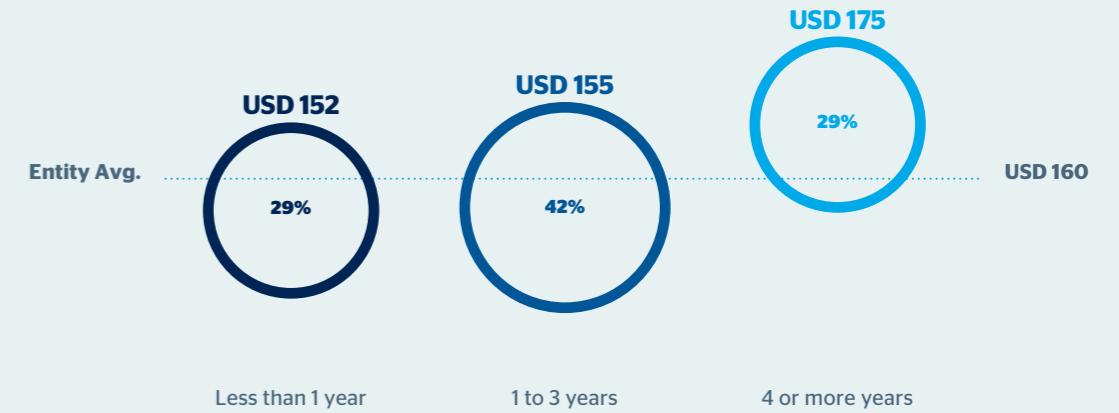
Source: Banco Adopem. BBVAMF calculations.

2\_Takes into account clients that joined during the year (new clients).

3\_Average disbursement, calculated as the average first disbursement for new clients each year.

4\_Weight of the installment calculated as an average ratio (installment divided by sales) of each client.

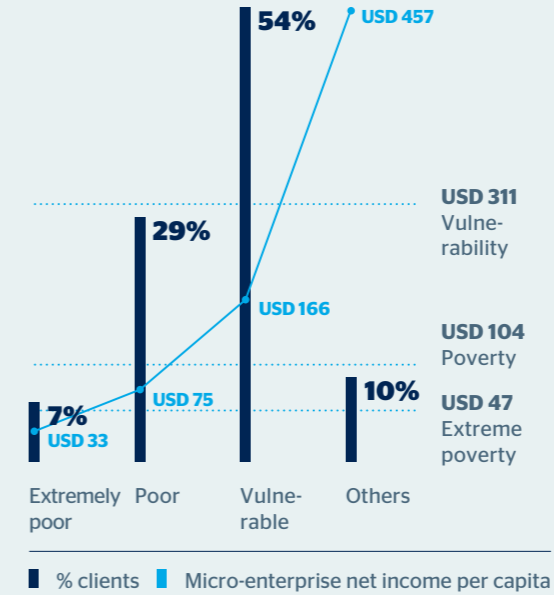
**Average per capita micro-entrepreneurial net income, by client seniority<sup>5</sup>**



Circle area represents the % of total clients

Source: Banco Adopem. BBVAMF calculations.

**Average per capita micro-entrepreneurial net income, by client vulnerability<sup>5,6</sup>**



5\_Data for the current portfolio as of December 31, 2015.

6\_Poverty lines are for the urban environment.

Source: Ministry of the Economy, Planning and Development. Banco Adopem. BBVAMF calculations.

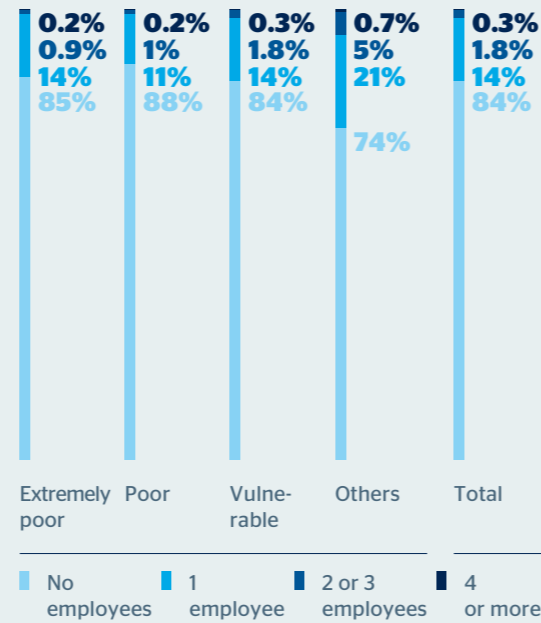
Clients' average monthly net income per capita is **USD 160.**

- The relative stability of per capita monthly net income over time is accounted for by the influx of new clients with higher levels of sales and net income.
- Average per capita net income of 54% of clients, classified as vulnerable, is USD 5.50 a day; that of the 36% who are poor or extremely poor is, on average, USD 2.20 a day.
- The non-vulnerable segment has an average monthly net income of USD 457, less than twice the vulnerability line.

# Our clients' enterprises

- 16% of clients take on at least one employee, and the rate of employment creation is greater in less vulnerable segments.
- 96% of clients have a business in the tertiary sector (trade and services); nearly 79% are in trade. The distribution remains for both rural and urban areas.

## Micro-enterprises' employee breakdown<sup>7</sup>



Source: Banco Adopem. BBVAMF calculations.

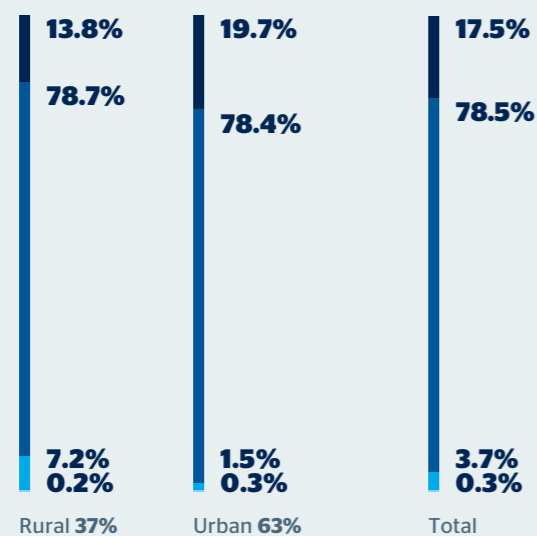
## Assets, liabilities and equity by vulnerability<sup>8,9</sup>



Source: Banco Adopem. BBVAMF calculations.

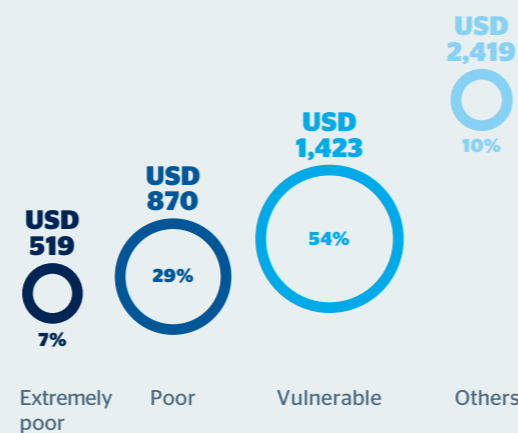
- The degree of leveraging remains the same, whatever the category of vulnerability.
- The financial burden of the loan installment on sales falls as clients become less vulnerable. The average works out at 5%.
- The gross margin (net income + installment) over sales is 39% on average for all vulnerability sectors.

## Economic activity<sup>7</sup>



Source: Banco Adopem. BBVAMF calculations.

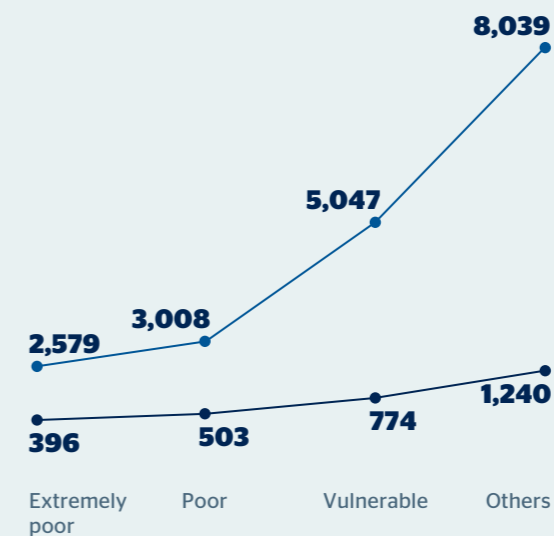
## Average monthly sales by vulnerability<sup>7</sup>



Circle represents % of total clients by vulnerability

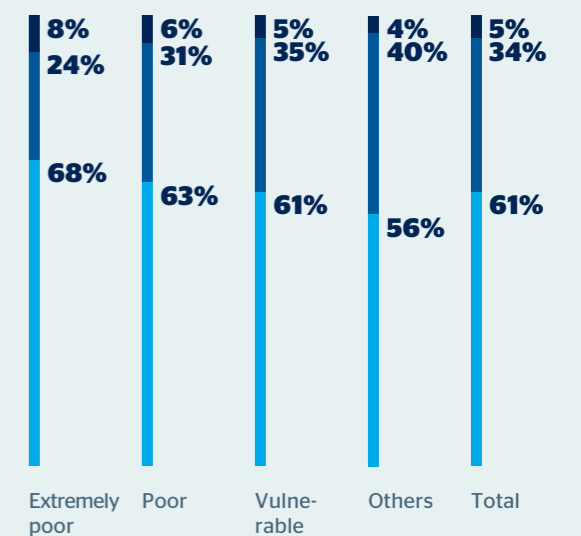
Source: Banco Adopem. BBVAMF calculations.

## Assets and average disbursement by vulnerability<sup>9</sup>



Source: Banco Adopem. BBVAMF calculations.

## Loan installment, expenses & margins (as % of sales)<sup>10</sup>



Source: Banco Adopem. BBVAMF calculations.

7\_Data for the current portfolio as of December 31, 2015.

8\_Assets and equity calculated at the time of credit evaluation (i.e. not including the microcredit granted).

9\_Data for the current portfolio as of December 31, 2015.

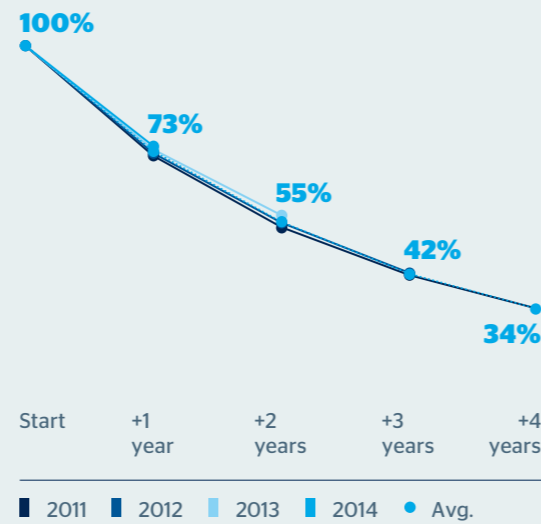
10\_Calculations based on those clients reporting expenditures.

# Our clients' development

After two years, 35% of clients classed as poor at the outset have come off the poverty line.

- Similar client retention rates trends in the last 4 cohorts analyzed. Client loss after one year remains, on average, around 27%. Adopem has the best client retention rate of the BBVAMF group after 4 years.
- Since 2011 over 14,000 current clients classed as poor when registering have come off the poverty line.

## Retention (by cohort)<sup>11</sup>



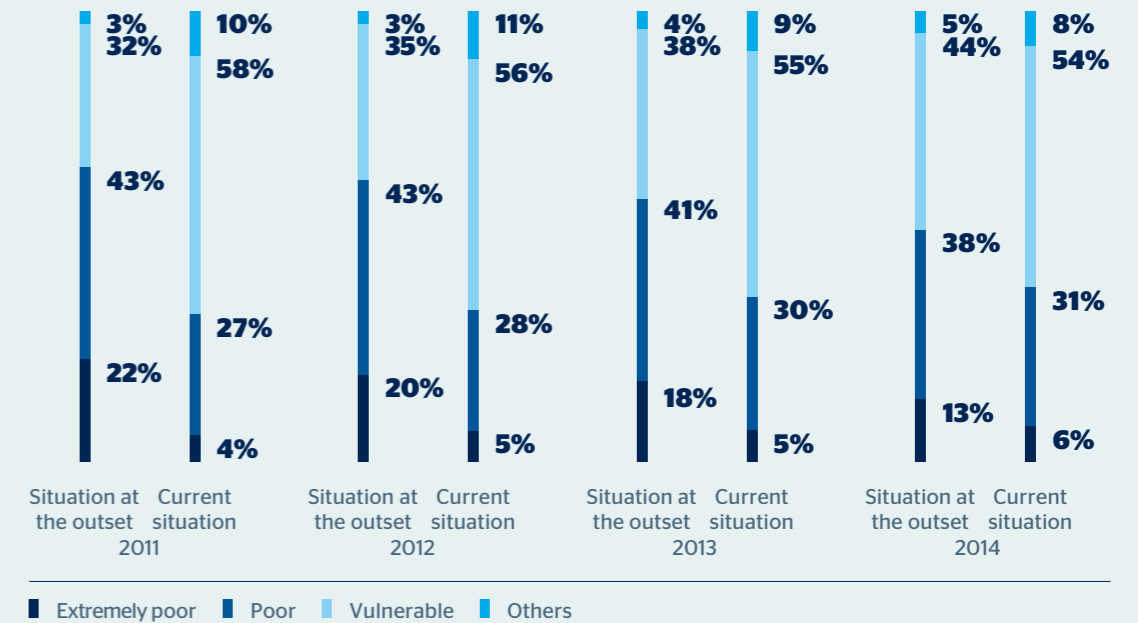
Source: Banco Adopem. BBVAMF calculations.

11\_Percentage of clients in each cohort still current as of December 31, 2015.

12\_Shows the situation at the outset and the current situation as of December 31, 2015 of clients in each cohort current at that time.

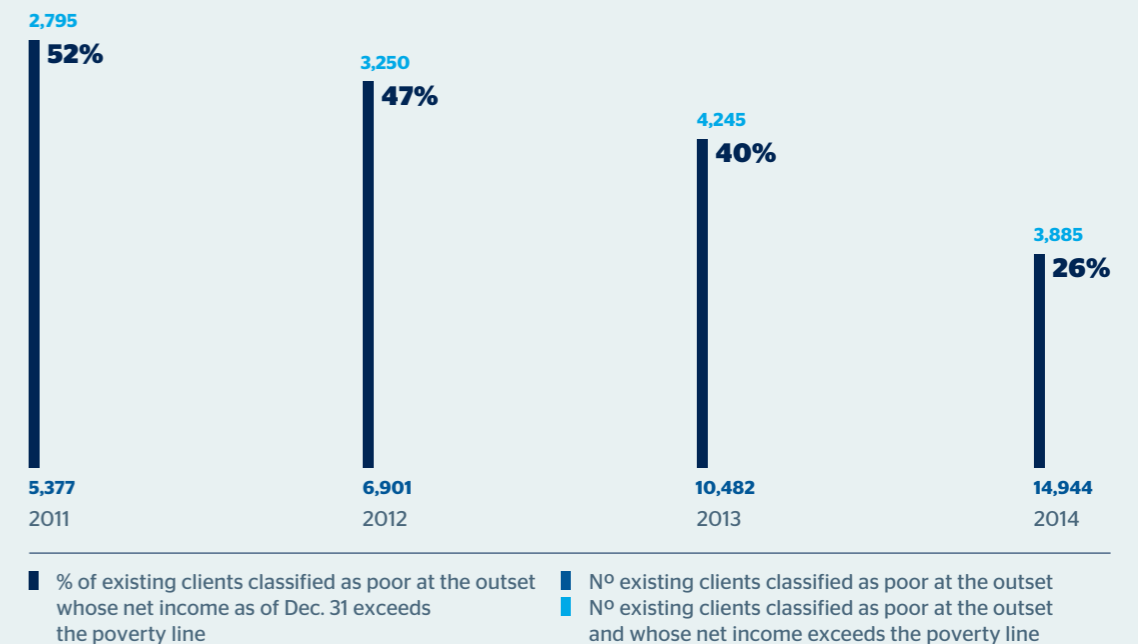
13\_Clients participating in the sample are current clients and have had their data updated in the last 12 months.

## Client economic vulnerability (by cohort)<sup>12,13</sup>



Source: Banco Adopem. BBVAMF calculations.

## Clients overcoming poverty (by cohort)<sup>13</sup>

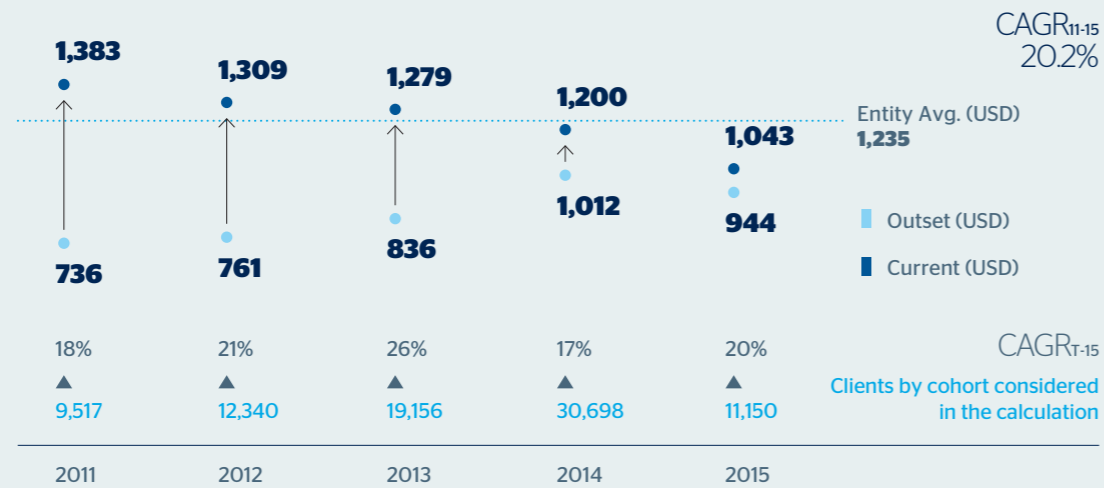


Source: Banco Adopem. BBVAMF calculations.

The **faster growth of net income over sales suggests an efficiency improvement** by micro-enterprises during their relationship with Adopem.

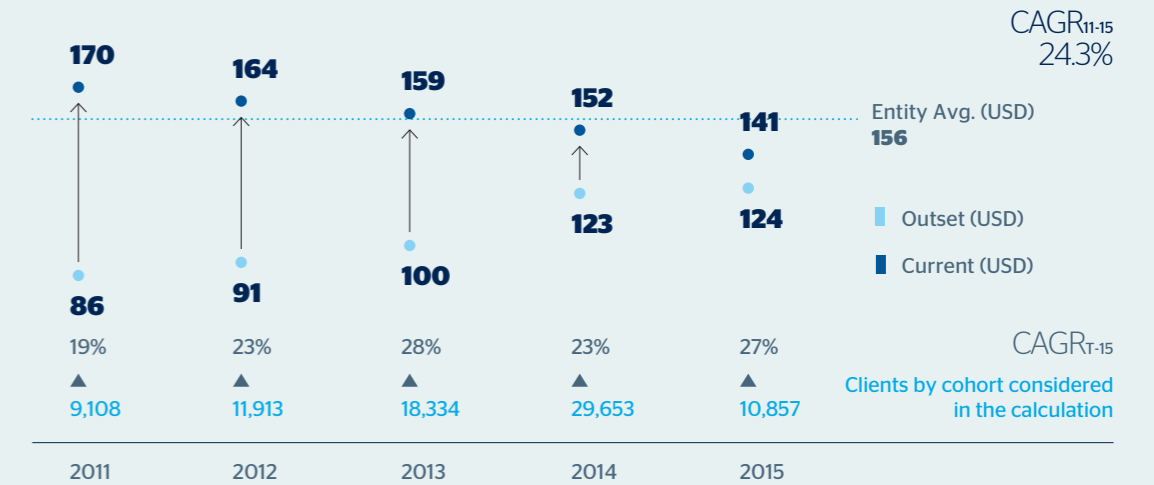
- There is a high and sustained increase in sales, net income and assets of clients' businesses.

**Average monthly sales** (by cohort) (USD)<sup>14</sup>



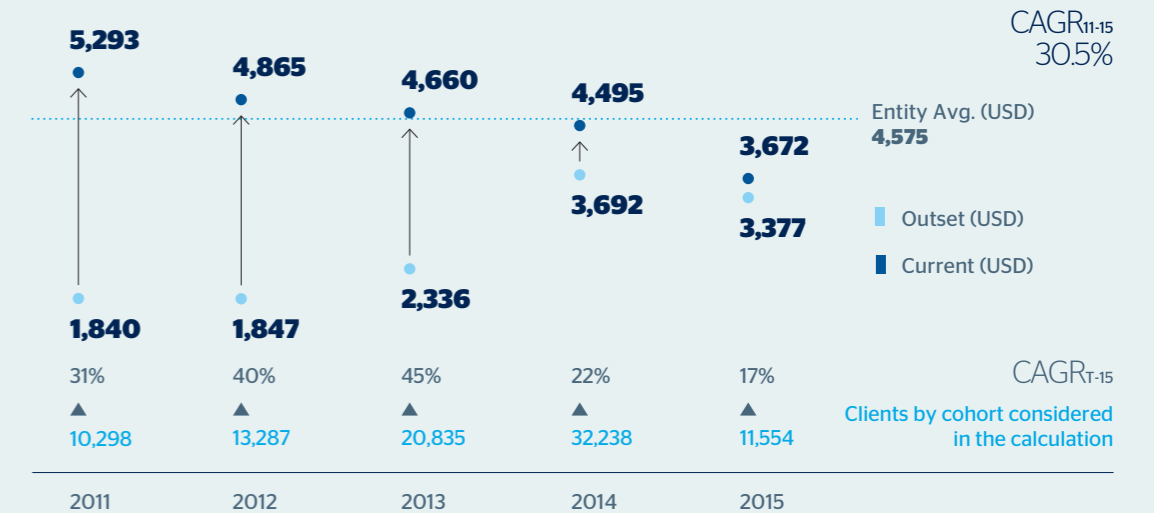
Source: Banco Adopem. BBVAMF calculations.

**Average monthly net income** (by cohort) (USD)<sup>14</sup>



Source: Banco Adopem. BBVAMF calculations.

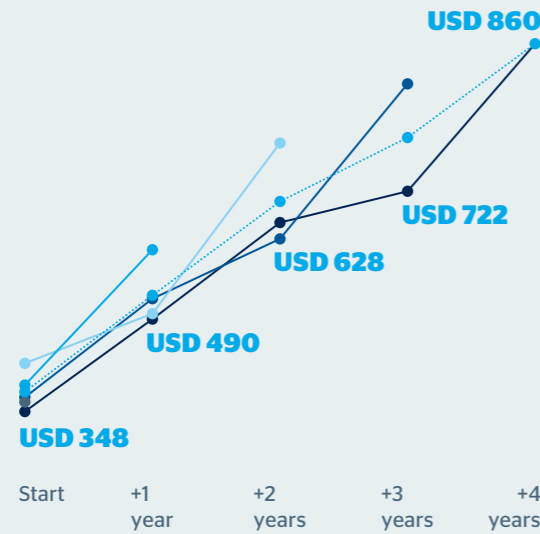
**Average assets** (by cohort) (USD)<sup>14</sup>



Source: Banco Adopem. BBVAMF calculations.

<sup>14</sup>Data of current clients as of December 31, 2015, and that have had a data update in the last 12 months. The situation at the outset is shown (data in their cohort year) and their situation at the end of December 2015. The outset is the moment that the first loan was granted.

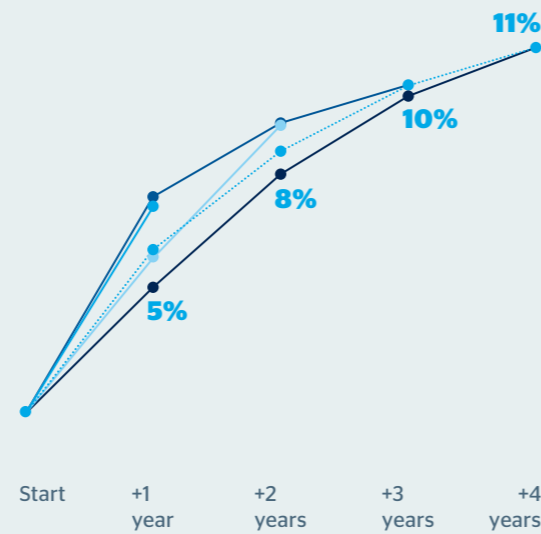
**Average disbursement per transaction** (by cohort)<sup>15</sup>



Legend: 2011, 2012, 2013, 2014, 2015, Avg.

Source: Banco Adopem. BBVAMF calculations.

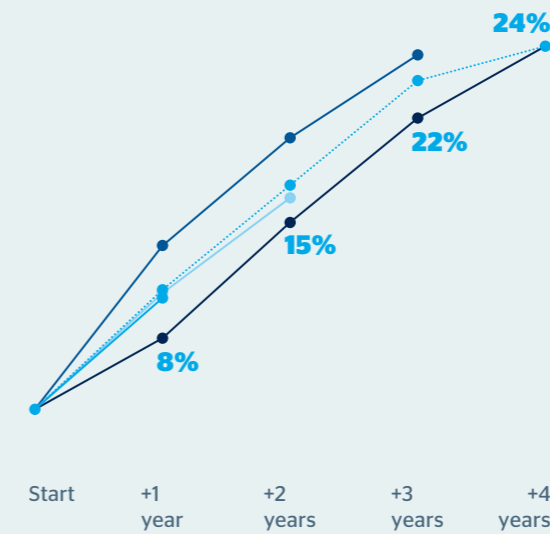
**Job creation** (by cohort)<sup>16</sup>



Legend: 2011, 2012, 2013, 2014, Avg.

Source: Banco Adopem. BBVAMF calculations.

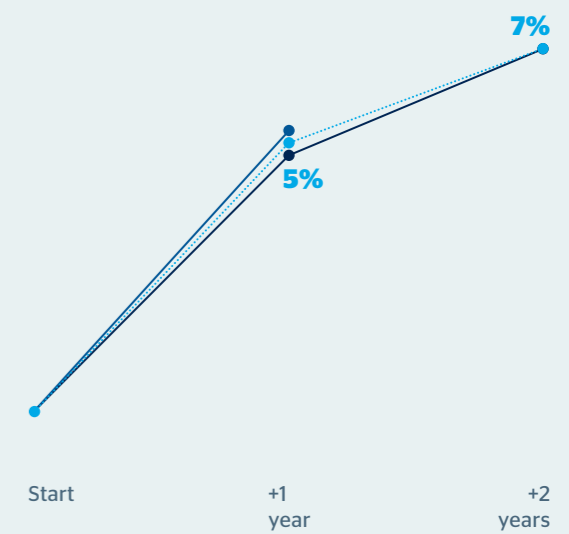
**Client improvement in healthcare** (by cohort)<sup>18</sup>



Legend: 2011, 2012, 2013, 2014, Avg.

Source: Banco Adopem. BBVAMF calculations.

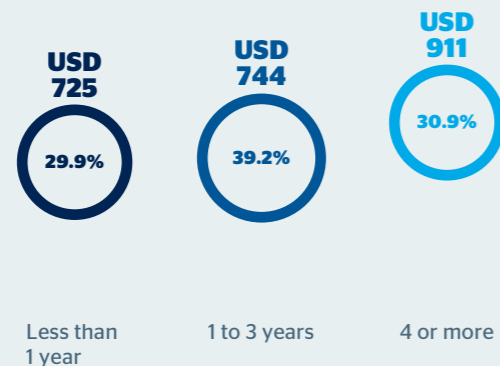
**Client improvement in housing** (by cohort)<sup>19</sup>



Legend: 2013, 2014, Avg.

Source: Banco Adopem. BBVAMF calculations.

**Average monthly sales by employee**<sup>17</sup>



Circle represents % of total clients whose micro-enterprises has, at least, one employee

Source: Banco Adopem. BBVAMF calculations.

- Continuous and systematic increase in clients' average disbursement, nearly doubling over two years.
- After two years, on average, 8% of clients create at least one new job position.
- Monthly sales per employee are higher among clients the longer they have been with the institution, suggesting an increase in productivity over time.

- After two years on average, 15% of clients have upgraded their healthcare cover.

- 7% of clients have improved their housing conditions after two years.

15\_Average disbursement, calculated as the total disbursement made in a year divided by the number of transactions by each client participating in the disbursement in said year.

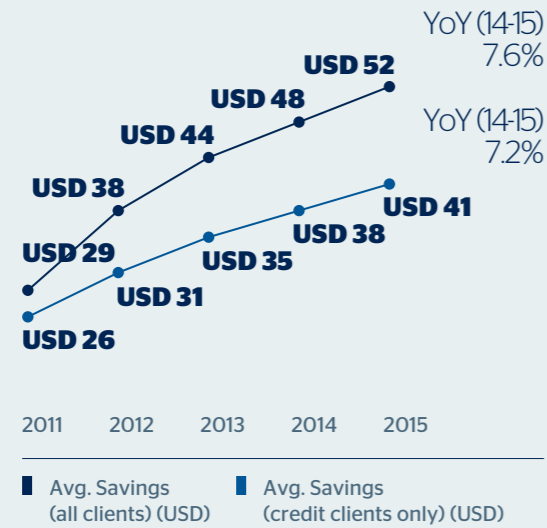
16\_Proportion of enterprises, of those still current in each cohort, that have increased their payroll.

17\_Only clients who have at least one employee on the payroll are included.

18\_Proportion of clients still current in each cohort who have moved from not having health insurance to having some, from having public insurance to having a mixed or private one, or from having a mixed insurance to a private one.

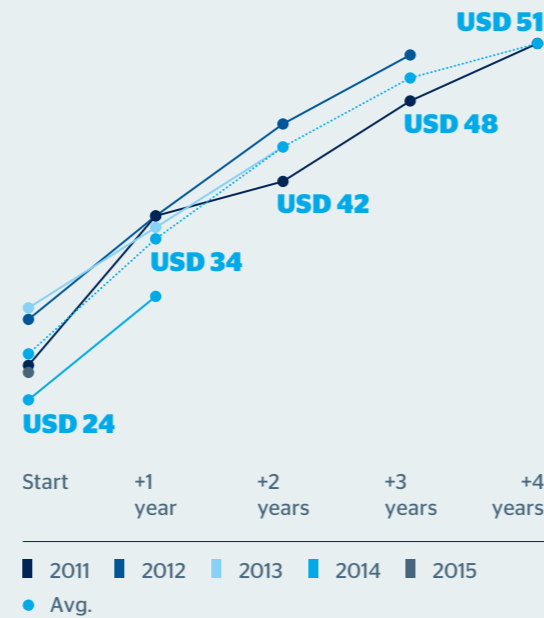
19\_Proportion of clients still current in each cohort who have moved into their own home, made home improvements or increased the number of rooms in their home from when they registered at the outset.

Average savings (of existing clients)<sup>20,21</sup>



Source: Banco Adopem. BBVAMF calculations.

Average savings (by cohort)<sup>21,22</sup>



Source: Banco Adopem. BBVAMF calculations.

Comparing annual cohort performances confirms the trend of **increased savings.**

- Sustained growth of average savings, for both asset clients (CAGR<sub>11-15</sub> 12%) and clients in general (CAGR<sub>11-15</sub> 16%).

20\_ Includes the overnight and term savings of current clients each year.

21\_ Average saving calculated for all clients with a balance of USD 1 or more (in local currency equivalent) on all dates.

22\_ Savings of clients current in each cohort having both credit and savings.

# Activity data

## Summary of activity<sup>23</sup>

	Total
Gross loan portfolio (USD)	111,779,893
Total disbursed in 2015 (USD)	133,861,505
Nº transactions in 2015	210,405
Average disbursement in 2015 (USD)	636
Deposits & other (USD)	51,000,274
Nº Employees	1,238
Nº Offices	70
Clients receiving financial education	16,051

Source: Banco Adopem. BBVAMF calculations.

23\_ Data as of December 31, 2015.