

Microfinanzas PR Puerto Rico

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.

1,112

Total clients

570

New clients

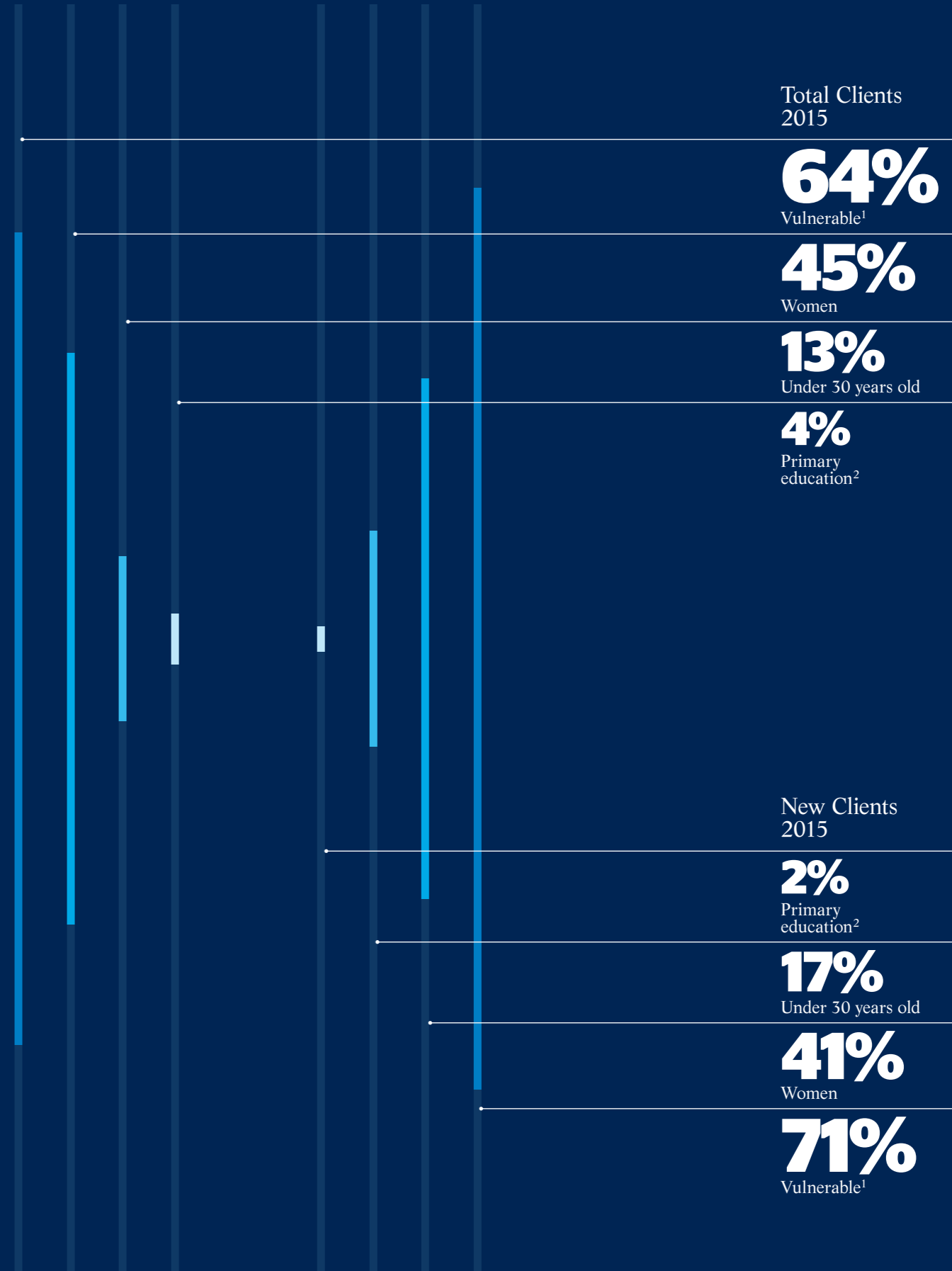
1_ According to Puerto Rico's official poverty line (distinguishing between rural and urban environments).

Source: US Census Bureau. 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).

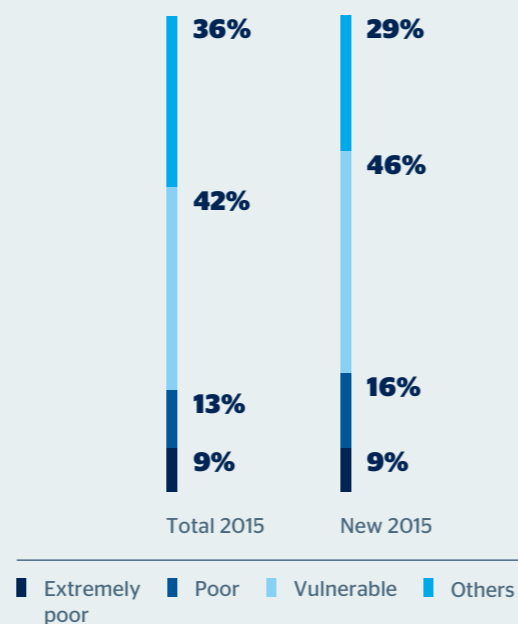
2_ Clients with primary education at best, as proportion of all credit clients.



Our clients and our scale

Microfinanzas Puerto Rico remains focused on serving low-income entrepreneurs in Puerto Rico. **64% of its clients are economically vulnerable.**

Client economic vulnerability ¹



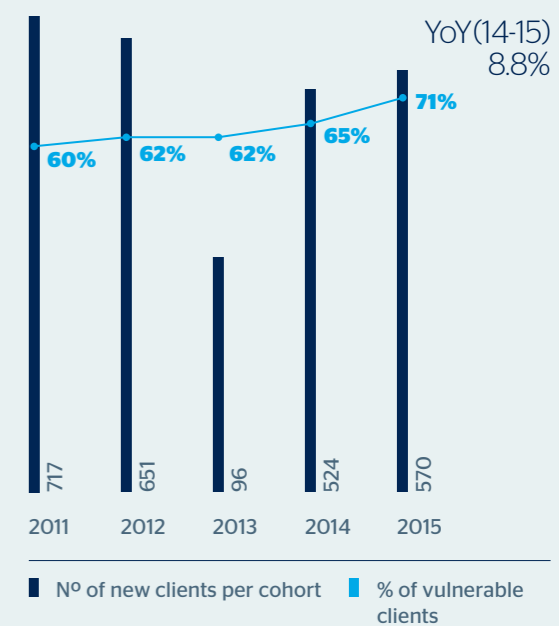
Source: Microfinanzas PR. BBVAMF calculations.

1_According to Puerto Rico's official poverty line (distinguishing between rural and urban environments). Source: US Census Bureau. 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 who joined during the year (new clients).

The last few years have seen a **growing trend in signing up new clients, particularly vulnerable clients.**

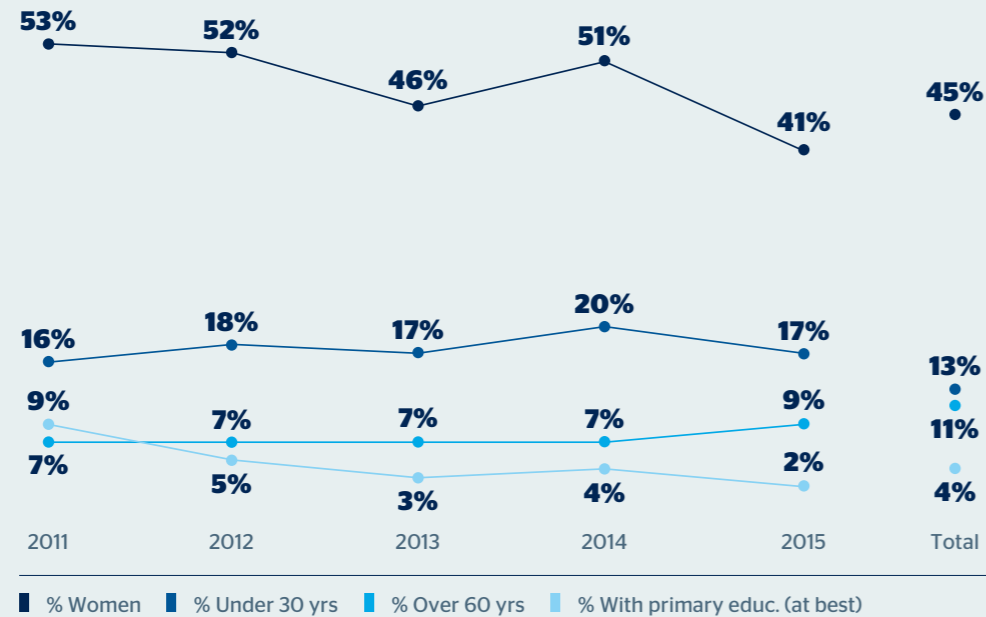
New credit clients ²



Source: Microfinanzas PR. BBVAMF calculations.

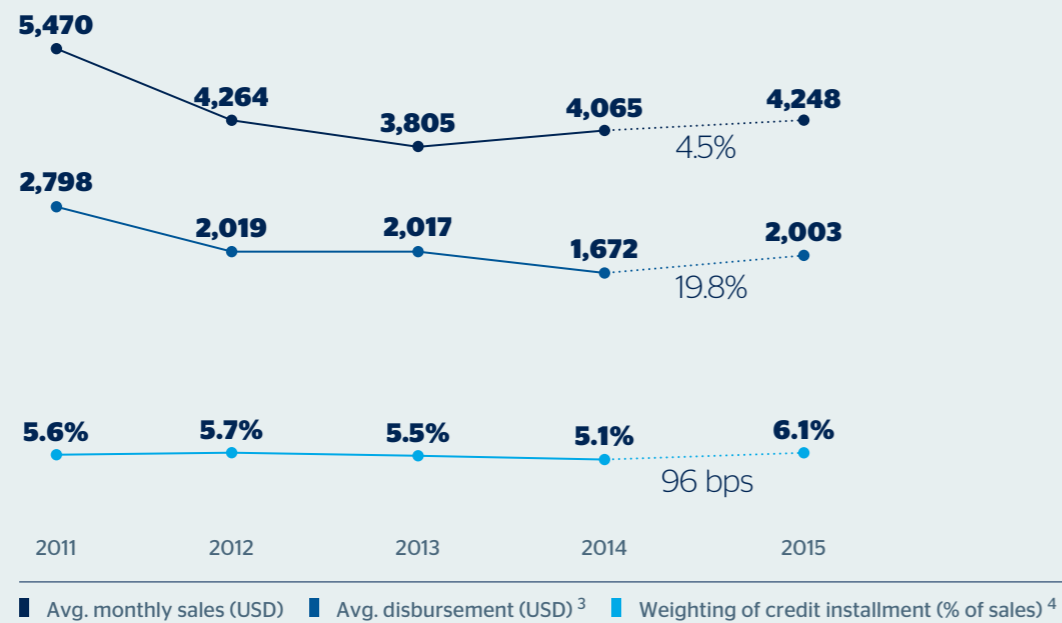
- Although nearly half of clients are women, there has been an increase in the proportion of male clients in recent years. (see next page)
- The weight of the loan in new clients' monthly sales at the outset has remained stable at around 6% in the last few years. (see next page)

Profile of our credit clients²



Source: Microfinanzas PR. BBVAMF calculations.

Sales, disbursement & weight of credit installment²



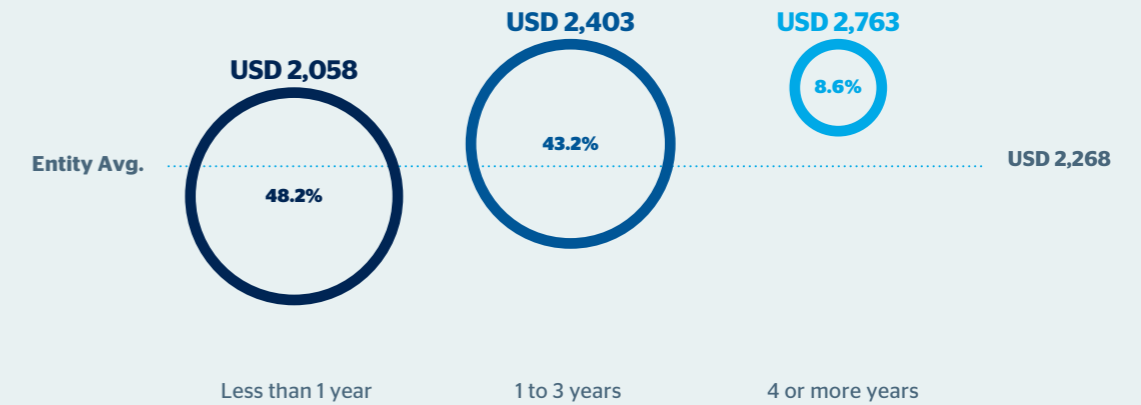
Source: Microfinanzas PR. BBVAMF calculations.

2_Takes into account clients who 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 a ratio average (installment divided by sales) of each client.

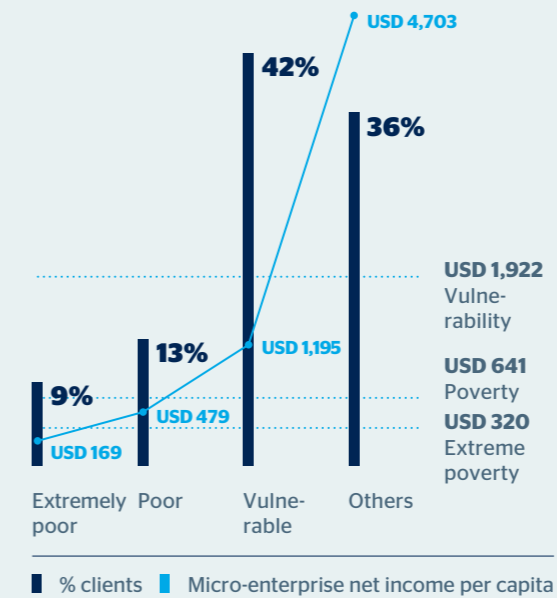
Average per capita micro-entrepreneurial net income, by client seniority⁵



Circle represents the % of total clients

Source: Microfinanzas PR. BBVAMF calculations.

Average per capita micro-entrepreneurial net income, by client vulnerability^{5,6}



Source: US Census Bureau Microfinanzas PR. BBVAMF calculations.

5_Data of current portfolio as of December 31, 2015.

6_Poverty lines are for the urban environment.

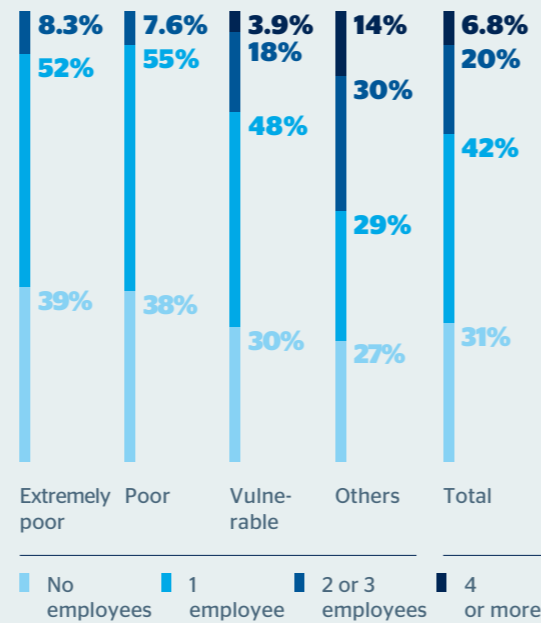
22% of clients served live on USD 12 per person per day.

- Practically half of Microfinanzas PR's clients signed up in the last year and their per capita average monthly net income is lower than the average for the institution's clients as a whole.
- Microfinanzas PR clients' per capita average monthly net income is 18% higher than the vulnerability line; however, an ample majority of clients (64%) lives on a lower net income.

Our clients' enterprises

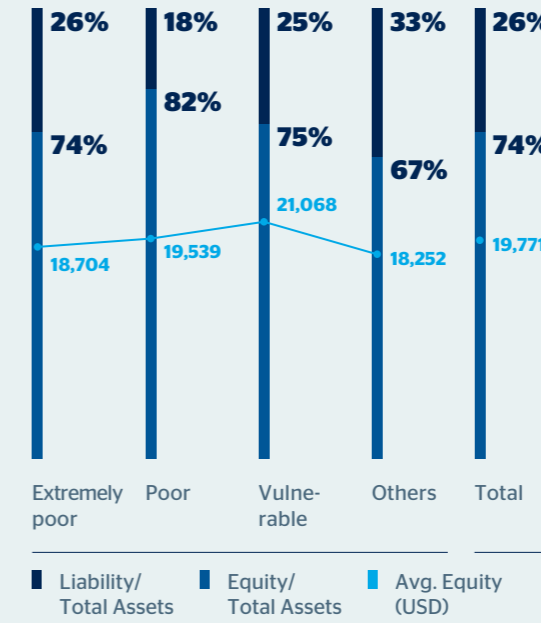
- 87% of clients operate in the tertiary sector (trade and services).
- Clients' capacity to generate employment increases as their vulnerability lessens. 69% of micro-entrepreneurs served by the institution create employment.

Micro-enterprises' employee breakdown⁷



Source: Microfinanzas PR. BBVAMF calculations.

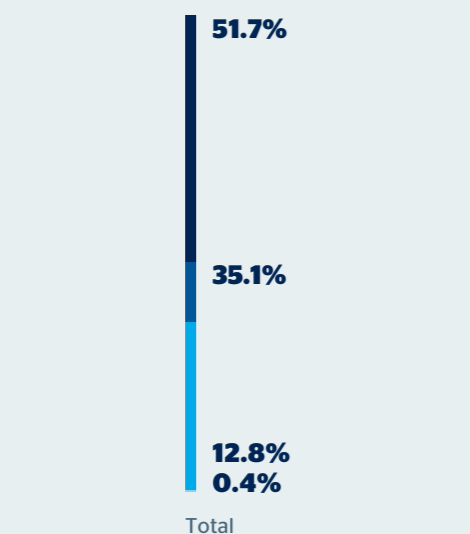
Assets, liabilities and equity by vulnerability^{8,9}



Source: Microfinanzas PR. BBVAMF calculations.

- The ratio of average disbursement as a proportion of assets is similar through all segments (6% of total assets), except for the non-vulnerable, where it represents 10% of total assets.
- However, as the client becomes less vulnerable, the weight of the installment in their sales falls.

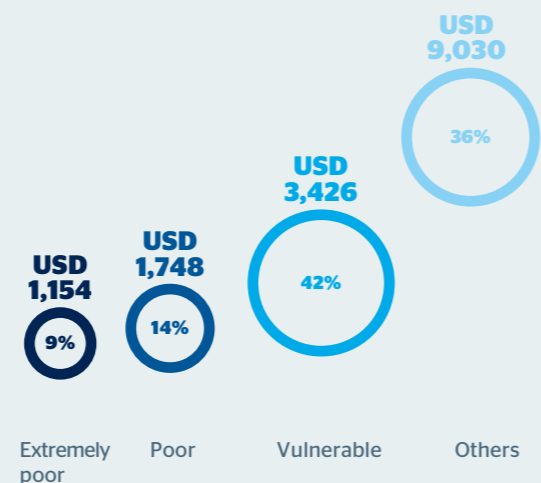
Economic activity⁷



■ Services ■ Retail & Wholesale Trade ■ Production/Transformation ■ Agriculture

Source: Microfinanzas PR. BBVAMF calculations.

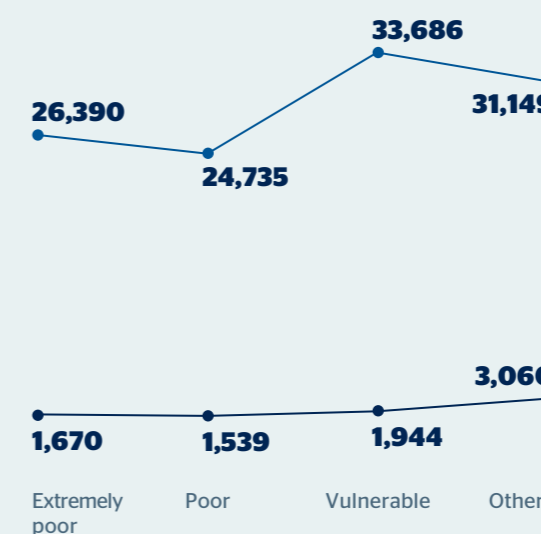
Average monthly sales by vulnerability⁷



Circle represents % of total clients by vulnerability

Source: Microfinanzas PR. BBVAMF calculations.

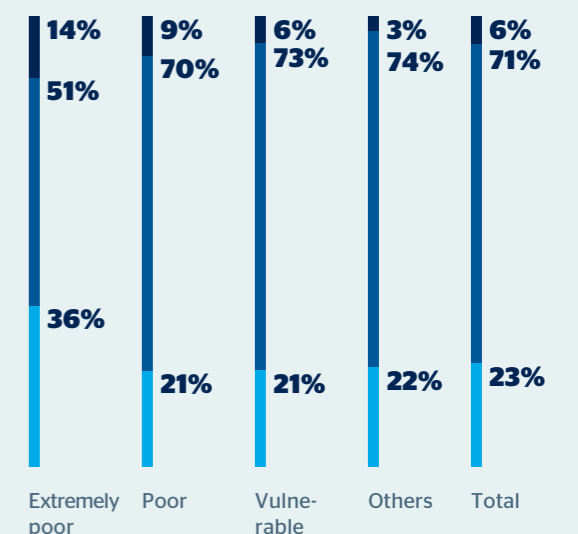
Assets and average disbursement by vulnerability⁹



■ Avg. disbursement/transaction (USD) ■ Avg. assets (USD)

Source: Microfinanzas PR. BBVAMF calculations.

Loan installment, expenses & margins¹⁰ (as % of sales)



■ Loan installment (%) ■ Net income (%) ■ Expenses (%)

Source: Microfinanzas PR. BBVAMF calculations.

7_Data for 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).

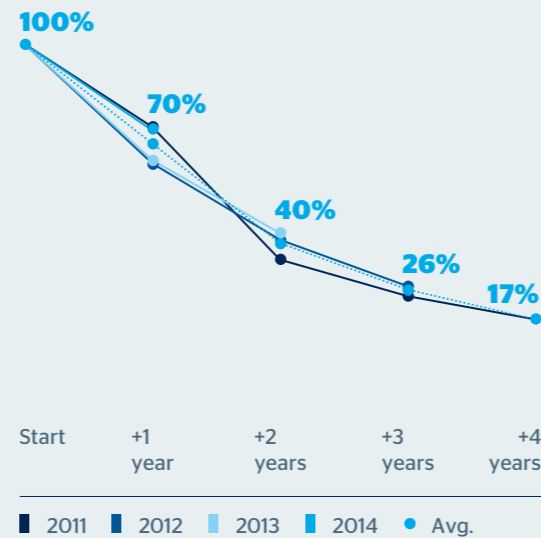
9_Data of current portfolio as of December 31, 2015.

10_Calculations based on clients reporting expenditures.

Our clients' development

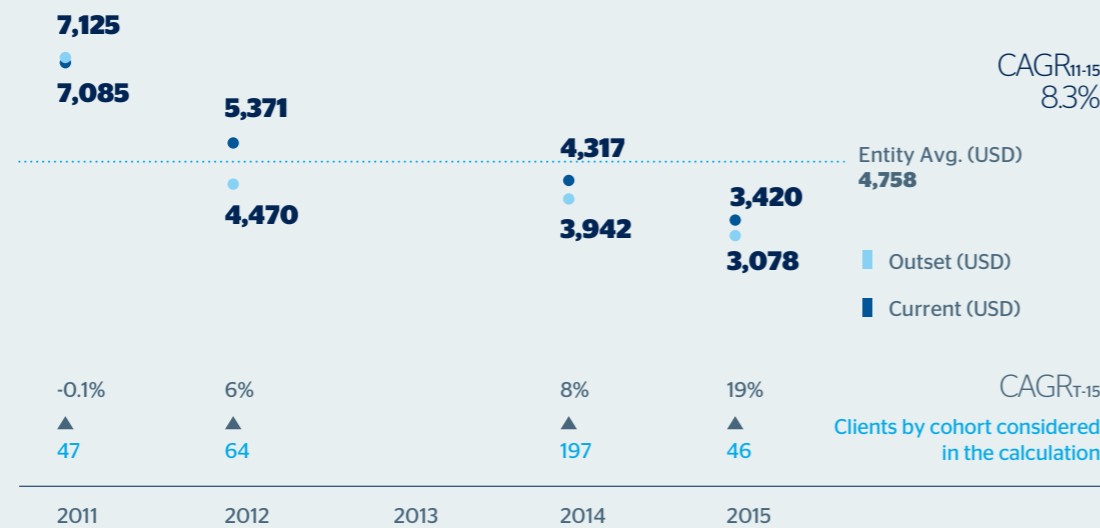
- Microfinanzas PR's client retention rate trend remains similar to previous years. On average, 70% of clients continue to bank with the MFI after a year, and only 40% do so after two years.

Retention (by cohort)¹¹



Source: Microfinanzas PR. BBVAMF calculations.

Average monthly sales (by cohort) (USD)^{12,13}

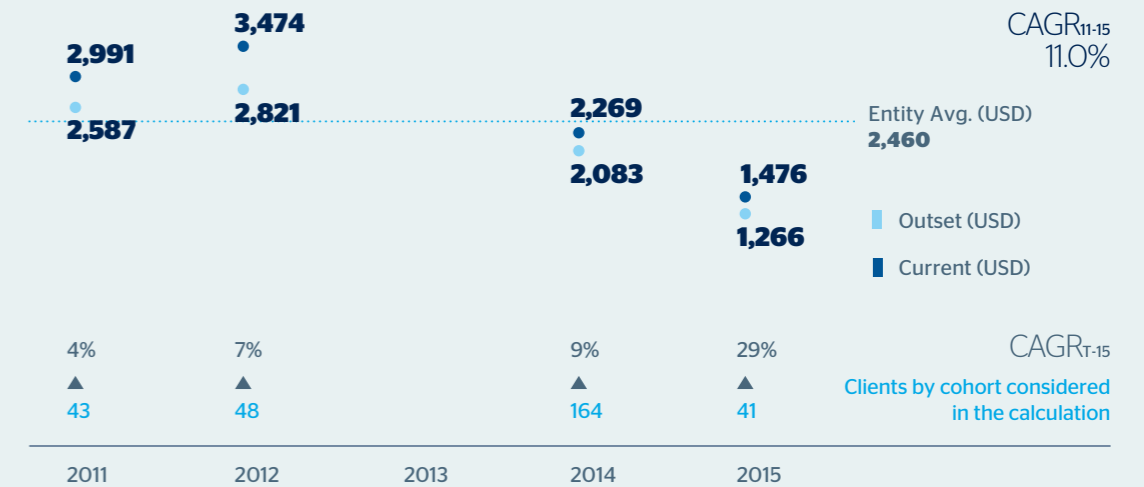


Source: Microfinanzas PR. BBVAMF calculations.

- Net income has grown faster than sales in recent years, suggesting an improvement in business management.

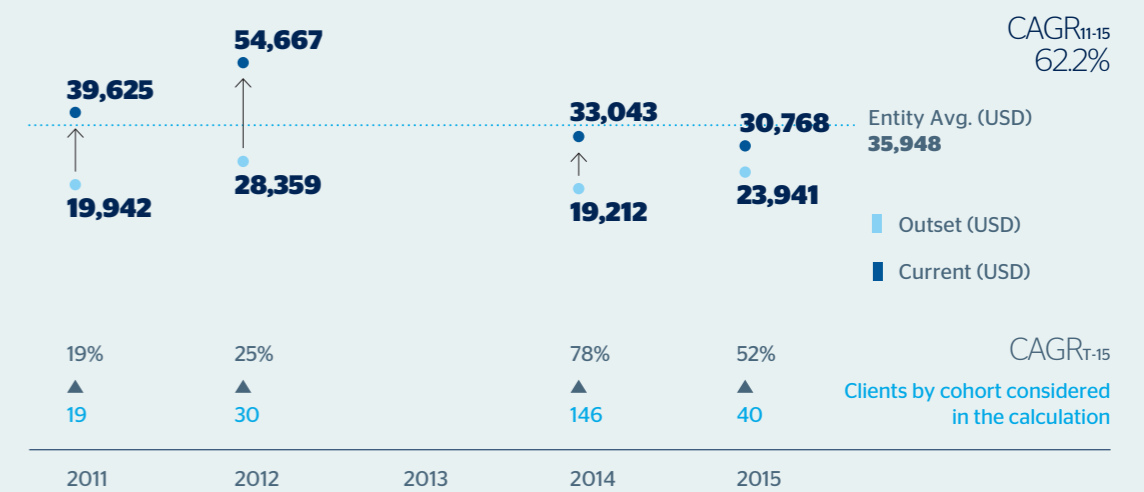
- New cohorts are confirmed as having lower monthly sales and lower monthly per capita net income.

Average monthly net income (by cohort) (USD)^{12,13}



Source: Microfinanzas PR. BBVAMF calculations.

Average assets (by cohort) (USD)^{12,13}



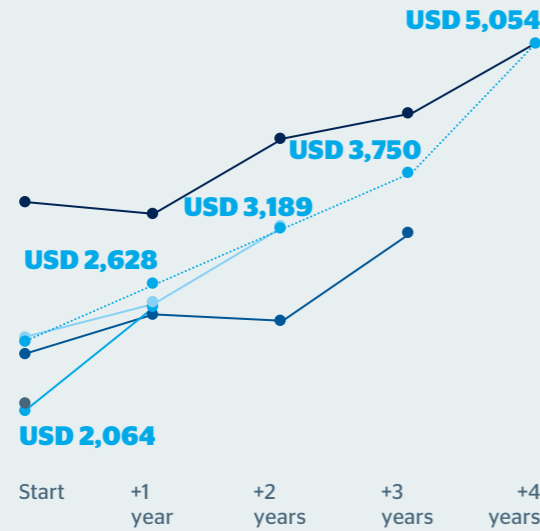
Source: Microfinanzas PR. BBVAMF calculations.

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

12_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.

13_96 existing clients from the cohort of 2013 are not considered relevant for the analysis.

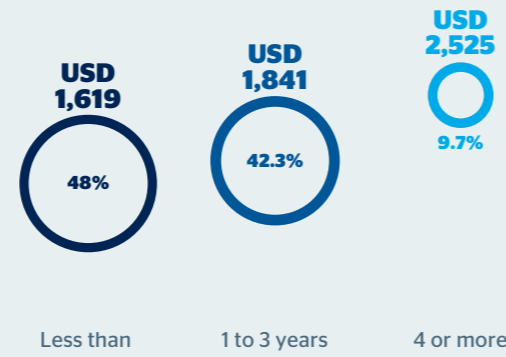
Average disbursement per transaction (by cohort) (USD)¹⁴



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Microfinanzas PR. BBVAMF calculations.

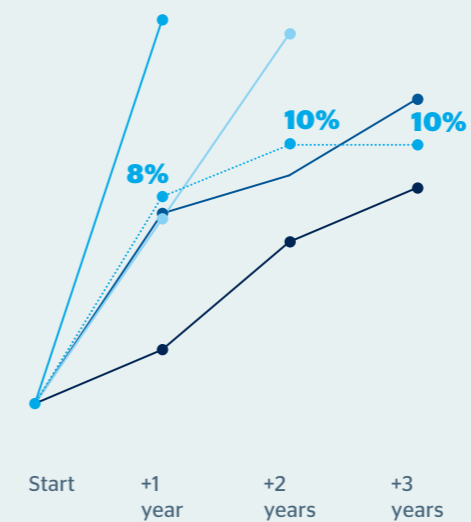
Average monthly sales by employee¹⁶



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

Source: Microfinanzas PR. BBVAMF calculations.

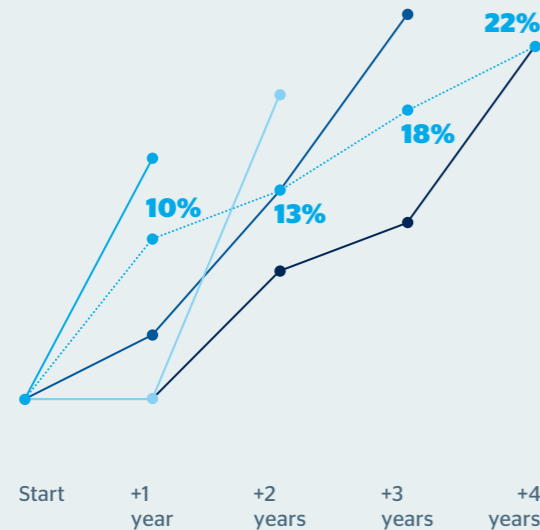
Client improvement in healthcare (by cohort)¹⁷



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Microfinanzas PR. BBVAMF calculations.

Job creation (by cohort)¹⁵



■ 2011 ■ 2012 ■ 2013 ■ 2014
● Avg.

Source: Microfinanzas PR. BBVAMF calculations.

- Average disbursement increases steadily the longer the client remains with the institution.
- **13% of Microfinanzas PR clients create at least one new job after two years with the institution and 22% have done so after four years.**

- In the first four years with the MFI, 6% of clients served extend their healthcare cover.

14_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.

15_Proportion of business from that current in each cohort, which has increased their payroll.

16_Only clients who have at least one employee in charge are included.

17_Proportion of current clients in each cohort who have moved from no health insurance to having some, from public insurance to a mixed or private one, or from a mixed insurance to a private one.

Activity

data

Summary of activity¹⁸

	Total
Gross loan portfolio (USD)	1,924,276
Total disbursed in 2015 (USD)	2,246,296
Nº transactions in 2015	961
Average disbursement in 2015 (USD)	2,337
Deposits & other (USD)	NA
Nº Employees	20
Nº Offices	1
Clients receiving financial education	NA

¹⁸Data as of
December 31, 2015.

Source: Microfinanzas PR. BBVAMF calculations.