

# Banco Compartamos Social Bond Framework



July 2020

## Contents:

1. Introduction
2. Approach to Sustainability
3. Rationale for Issuance
4. Alignment with the Social Bond Principles
  - 4.1 Use of Proceeds
  - 4.2 Process for Evaluation and Selection
  - 4.3 Management of Proceeds
  - 4.4 Reporting
5. External Review
  - 5.1 Second Party Opinion
  - 5.2 Compliance Review
6. Appendix



## 1. Introduction

Banco Compartamos S.A. Institución de Banca Múltiple ("Banco Compartamos or Compartamos") is a financial institution that offers credit, insurance, savings, transactional channels, financial literacy, among others, to a wide spectrum of people in Mexico of the low income segment. We have 29 years of experience and currently serve 2.6 million customers nationwide, the majority being female clients. Through our history, we have served over 13 million entrepreneurs, with our products and services, aiming to fulfill their dreams.

In 1990, Compartamos began operations as a Non-Governmental Organization (NGO) with the task of providing financial services aimed at the lower income segments of the Mexican population. At first, the services were directed exclusively to women, as the mainstay of the family or household, and credit was provided to micro entrepreneurs, mainly in the most underdeveloped regions of Mexico, the states of Oaxaca and Chiapas.

After 10 years operating as an NGO, Compartamos evolved into a formal financial institution (Sociedad Financiera de Objeto Limitado or SOFOL) in order to have access to capital markets and finance growth to provide our services to a higher number of people in the shortest time possible, which is one of the ways we measure our social impact. From the beginning, it was important to have professional standards in management and compliance; so being a regulated institution gave Compartamos the possibility of not only having access to credit lines with banks, but also to issue bonds in the Mexican capital markets.

We understood loans were the gateway to financial services but it did not stop there, as our clients needed a wider range of financial products and services, such as insurance, savings, transactional channels, financial literacy, among others. We believe this is the way individuals can take advantage of financial inclusion. As mentioned above, since its beginning, Compartamos had applied the best practices in accountability, transparency, internal control, corporate governance as any formal financial institution, so it was a natural process to apply in 2006 for a full banking license from the Mexican Ministry of Finance, and it was granted in the same year.

One year later, Compartamos Banco had its Initial Public Offering (IPO), in April 2007, taking advantage of the opportunity to be listed in the Mexican Stock Exchange. Becoming a leader in the Mexican microfinance industry, followed by dozens of institutions who realized the impact of these services in millions of entrepreneurs. Compartamos was among the first microfinance institutions worldwide to tap the capital markets.

Since the IPO, we have made the commitment to provide, in a timely and transparent manner, updated and periodic financial and business information. In line with this commitment, we publish



quarterly results and hold public conferences with investors and opinion leaders to discuss our firm and its performance.

The IPO also positioned Banco Compartamos as a pioneer in the financial sector by developing and working towards a robust microfinance industry in Mexico. We were fundamental to the creation and development of the microfinance industry and proved that commercial principles can be used to solve social challenges. After the Compartamos' IPO, more players came into the microfinance market, benefiting clients through a wider range of product offerings and increased competition.

As mentioned before, loans were not the only financial need from our clients. After analyzing their family and business contexts, we realized that our clients and their families face health problems, accidents and even robberies, with little or no protection for their lives and assets. Creating a prevention culture for the underserved segment was crucial for Compartamos. In this context, since 2005 we developed and started offering the first micro insurance life policies, which allowed our clients to be prepared and deal with unexpected events, to which they are especially vulnerable.

In 2012, we formed a joint-venture with one of largest Mexican insurance brokers and launched Aterna, our insurance agent, to provide our clients a comprehensive and convenient product offering. Today, Aterna is the largest broker in Latin America and provides insurance for families in underserved segments. We have an insurance product portfolio with coverage according to the needs and characteristics of our customers. Currently, we offer insurance services that protect clients in the event of theft; and prevention insurance that covers unexpected expenses caused by a cancer diagnosis, surgery, hospitalization, or death.

Given the need to provide a complete range of financial products and services to our clients, in 2013, we evolved to Genera, the holding company that has Banco Compartamos as its main subsidiary and a leading entrepreneurial group dedicated to promoting financial inclusion. Genera was a result of the need to support Banco Compartamos' activities through different companies specialized in financial solutions for our clients.

Compartamos is committed with providing access to convenient financial products and services through our distribution channels' strategy, considering both physical and digital channels. The digital strategy includes App, electronic banking and mobile banking, and we continue expanding our transactional channels for the benefit and convenience of our clients. At the end of 2019, more than 100,000 users had joined the bank's customer base through these means. These distribution and access efforts not only respond to our clients' need to reduce the time and money invested per transaction, but also improve client experience with the financial system.

The physical strategy is supported by our transactional network, where clients can collect and pay their loans, with extended hours and locations close to their homes or businesses. Banco Compartamos also worked on optimizing its branches, selecting and keeping the ones that



benefited clients the most. In Mexico we have the largest network, with over 40,000 points throughout the country. It is a network integrated by alliances with our own branches, banks, supermarkets and banking correspondents.

A key piece of this strategy is led by Yastás, launched back in 2011, it is the largest bank correspondents manager in Mexico, with over 4,600 affiliated businesses and provides people access to financial operations from Banco Compartamos, and other large banks such as Banorte and Banco del Bienestar; service payments, mobile top-up and remittance payment, in places where banking infrastructure is limited or non-existent. This has allowed us to take financial products and services to remote locations in need. Only during 2019, Yastás carried out a total 18.1 million operations.

In 2009, the social rating agency, MicroRate, performed an evaluation of our social results and commitment with extremely positive results. Compartamos obtained one of the highest possible results that a microfinance institution can achieve. The report highlighted Compartamos social return on investment as very high, with good social performance and excellent level of social commitment. It also pointed out the level of client penetration as excellent, with most clients representing the poorest microcredit niche.

As a client-centered company our commitment to service has led us to reduce our clients' risk and work towards improving the sustainability of our relationship with them. In 2012, we developed our Client Protection Index (IPAC, for its Spanish Acronym) aligned with the international SMART Campaign initiative to build mutually beneficial relationships.

The Client Protection Index was incorporated into our operation, introducing an internal monitoring system that allows us to measure levels of compliance with seven principles of client protection. This internal monitoring system allowed us to measure compliance with minimum standards and best practices in client protection.

The seven principles include:

1. Appropriate product design and distribution
2. Prevention of over-indebtedness
3. Transparency
4. Reasonable prices
5. A fair and respectful treatment of clients
6. Customer privacy protection
7. Customer complaints resolution mechanisms

Since 2018, all our employees take an annual Client Protection certification to know and apply the principles in their daily work.



As a basic element for financial inclusion, we believe financial literacy is important to our operations. For most of our clients, we are their first contact with the financial industry and the first financial services they receive. Following this logic, we know that our job is not only to provide them loans, but also provide them with tools to make better business decisions. For this reason, financial literacy is an inherent aspect of the objective of financial inclusion that we have set for ourselves. Therefore, we carry out different initiatives with clients, employees, and the community to use financial services to their advantage. We believed that more informed and educated individuals will always be better clients.

88% of our clients in Mexico are women, and in consequence our loans are instrumental for women entrepreneurship and empowerment. They allow women to start or develop an enterprise that could be a fundamental step towards financial independence in the long run. We also bring financial services to underserved populations and provide access points for the unbanked to carry out day-to-day transactions. We have a physical presence in 89% of the municipalities in Mexico, through almost 800 offices and branches.

We know financial inclusion continues to be a challenge, so we actively strive to close this gap through products engineered to meet the needs of the people, mostly those without credit history. Our credits are key for the underserved and unbanked population to enter the financial system and access tools that allow them to improve their quality of life and build a credit history, necessary to access any meaningful financial services.

We trust people and their ability to develop, so we grant loans based on their word and reputation, as we know they are committed to meeting their payment obligations and see in us a great ally to continue growing. That is how we understand human value: to trust in people.

We know the importance of credit in the lives of our clients, as it enhances the possibility of setting and achieving financial and personal goals. As such, we offer our clients convenient and simple loan options, with terms and eligibility clearly laid out. We are characterized by the simplicity of our processes, straightforward procedures and minimal requirements in order to obtain a loan.

In terms of corporate governance, we distinguish ourselves by adopting and executing the best national and international corporate governance practices. Last year, 2020 Women on Boards and Women Corporate Directors recognized us as one of the listed companies with the highest participation of women on its Board of Directors.

Moreover, in terms of accountability and transparency, we ranked in first place on the 2019 Corporate Integrity Ranking, made by Mexicanos Contra la Corrupción y la Impunidad (Mexicans Against Corruption and Impunity) and Transparencia Mexicana (Mexican Transparency).

In recent years, we have made significant investments to further increase our product offerings



with the acquisition of Intermex (2015), a company focused on remittance services, and the investment in ConCredito (2018), a company focused on consumer lending. Additionally, in 2016, we launched Fiinlab, an innovation laboratory with the purpose of creating new business models for financial inclusion based on technology.

We have laid out the bases to pursue our strategic plan for 2019-2022, in which we aim to achieve a more competitive model, while still keeping our clients and their needs as the main driving force for all our actions, and being faithful to our commitment to financial inclusion.

Today in Mexico, Banco Compartamos is the largest microfinance entity by market share from clients and portfolio. We are the microfinance referent in the financial sector.

## 2. Approach to Sustainability

For 29 years, we have contributed to the development of communities in Mexico, finding people with capacity, potential and desire for a better quality of life. Committed to our social pledge we decided to earmark up to 2% of our net profits annually for projects that have a material social impact.

In March 2017, Innovations for Poverty Action (IPA) published research on women's economic empowerment through financial inclusion. This study concluded that even though demand- and supply-side barriers to women's financial inclusion were vast, appropriate product design features can help overcome these barriers. These design tweaks, when taking into account specific needs and preferences of woman, can enhance their access to financial products. Therefore, we are committed to constantly improving our services and being open to feedback to improve both the access and the features needed from our clients, especially women. The MILK (Micro insurance Learning and Knowledge) also offers studies on this topic.<sup>1</sup>

We promote an active participation in activities that contribute to the community's wellbeing: education, volunteering, donations, contingencies and environment.

Since 2015, we have had an alliance with Instituto Nacional para la Educación de los Adultos (INEA, for its Spanish acronym), a government institution dedicated to providing education to adults and young individuals of 15 years of age or more, that did not formally receive basic education – in most cases lacking literacy abilities. This alliance is promoted within our clients and their families so they can have access to a better **education**. Currently, over 7,000 clients and their family members have benefited from this alliance.

---

<sup>1</sup> <https://www.poverty-action.org/study/microcredit-women-mexico>



Among our employees, we actively promote **volunteering**. Our main program is Día Compartamos con la Comunidad, where clients, families and employees, team up to rehabilitate public spaces and organize health brigades in order to improve the communities. In 2019, 12,641 employees participated in volunteering activities.

As a result, from our social pledge we promote a **giving culture** and invite our employees to donate a percentage of their income to sponsor any civil society organization. In Q1' 2020, over 10,000 employees participated by donating to their organization of choice.

The communities where we operate sometimes have a common denominator: they are exposed to natural disasters. When these events occur we activate **contingency** plans to aid people and contribute to the reactivation of local economies. In 2019, we partnered with other institutions for the reconstructions of 7 schools in Oaxaca, Puebla, and Chiapas, as well as a public market, in Juchitán, Oaxaca, places affected by the earthquakes that occurred in 2017.

Due to the recent pandemic generated by COVID-19, all our employees in Mexico are protected with an insurance policy for the wellbeing.

Since our beginning as an NGO, we have been committed to providing people equal access to development opportunities. As a public company listed in the Mexican Stock Exchange we believe in the value of sustainable development and we are aware of our impact on the environment and our ecological footprint.

We work alongside our employees and the community on sustainable actions towards world environmental conservation. We monitor our greenhouse gas emissions, evaluating our consumption of electricity and fossil fuels, and make a correct separation of waste in all our facilities.

Moreover, we invite our employees and their families to take care of the **environment** by participating in activities that promote sustainability. In 2019, we planted trees on two hectares of the Sierra de Guadalupe State Park, in the State of Mexico.

Banco Compartamos has a long history of accessing capital markets for social and sustainability purposes, dating back to 2004 when Compartamos Banco became the first microfinance institution in the world to issue an award winning local investment grade bond backed by a partial credit guarantee from the International Finance Corporation (IFC)<sup>2</sup>. For the first time, the issuance connected institutional investors with primarily women borrowers in rural areas of the country.

### 3. Rationale for Issuance

---

<sup>2</sup><https://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/1f70cd9a07d692d685256ee1001cdd37/28ecf7581df95a1c85256ee4004cf096>





The issuance of social bonds will consolidate inclusive finance as an asset class with the potential to attract a diverse investor base aligned with the same social and economic inclusion objectives. The issuance of our Social Bonds will solidify Banco Compartamos’ position as a leading innovator in inclusive finance and the international capital markets. Through the issuance of these type of instruments we hope to inspire other similar companies to do the same.

## 4. Alignment with the Social Bond Principles

The Social Bond Principles, 2020 (“SBP”)<sup>3</sup>, as administered by the International Capital Market Association (“ICMA”), are voluntary process guidelines for best practices when issuing Social Bonds. The SBP recommend transparency, disclosure and promote integrity in the Social Bond Market. The Banco Compartamos Social Bond Framework is aligned with the four core components of the SBP including use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

### 4.1 Use of Proceeds

The net proceed on any subsequent transactions will be used for investments in eligible assets, including: To finance or refinance our existing and future loan portfolio; to support the development of existing and additional products and services, such as micro insurance, transactional channels, savings, and financial education, aligned with our medium and long-term strategy to service the low-income segment of the Mexican population; among others.

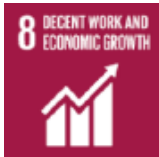

Proceeds will be used immediately used as described above and aligned with the “Eligibility Criteria” outlined below. We intend to allocate an amount equal to the net proceeds as soon as possible and within one year of issuance.



We are aligned with the purposes of the United Nations Sustainable Development Goals, and intend the Social Bond to satisfy such purposes.

“Eligibility Criteria” are outlined below:

SBP Eligible Category	Examples	Target Population	Eligibility Criteria
-----------------------	----------	-------------------	----------------------

<sup>3</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<p>Employment generation - Microfinance and Entrepreneurs Financing</p>  	<p>Crédito Comerciante (CCR) (Loans for Micro/Small Businesses)</p> <p>Crédito Individual (CI) (Personal)</p> <p>Crédito Adicional (CA) (Additional loans)</p> <p>Crédito Crece y Mejora for CCR and CI (Improvement loans)</p>	<p>Micro-businesses and small companies</p> <p>Rural businesses</p>	<p>Micro-businesses and small companies defined as those where:</p> <ul style="list-style-type: none"> <li>Number of employees are mostly 10 members</li> </ul> <p>All the underserved segments in Mexico, specially segments C-, D+ and D</p> <table border="1" data-bbox="911 541 1425 842"> <thead> <tr> <th>Socioeconomic level</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>A/B</td> <td>3.9%</td> </tr> <tr> <td>C+</td> <td>9.3%</td> </tr> <tr> <td>C</td> <td>10.7%</td> </tr> <tr> <td>C-</td> <td>12.8%</td> </tr> <tr> <td>D+</td> <td>19%</td> </tr> <tr> <td>D</td> <td>31.8%</td> </tr> <tr> <td>E</td> <td>12.5%</td> </tr> </tbody> </table> <p>Level C-: Nearly three out of every four households (74%) at this level have a head of household with studies higher than Elementary School. Just over half (52%) have a fixed internet connection in the home. In relation to spending, 38% is dedicated to food and spending on transportation and communication reaches 24%.</p> <p>Level D+: In just over 6 out of 10 households at this level (62%), the head of the household has a higher education than Elementary School. Only 22% of households have a fixed internet connection in the home. Spending on food increases to 42% and spending on education is 7%.</p> <p>Level D: In 56% of the households at this level, the head of the household has completed Elementary School. Internet access at home in these homes is very low, at only 4%. About half of the expenditure (46%) is devoted to food and only 16% to transport and communication.</p> <p>Source: <a href="#">AMAI</a></p>	Socioeconomic level	Percentage	A/B	3.9%	C+	9.3%	C	10.7%	C-	12.8%	D+	19%	D	31.8%	E	12.5%
Socioeconomic level	Percentage																		
A/B	3.9%																		
C+	9.3%																		
C	10.7%																		
C-	12.8%																		
D+	19%																		
D	31.8%																		
E	12.5%																		

<p>Socioeconomic advancement and empowerment - Programs to support women-owned businesses</p> 	<p>Crédito Mujer (CM) (Loans for Women)</p> <p>Crédito Individual (CI) (Personal Loans)</p> <p>Crédito Adicional (CA) (Additional loans)</p> <p>Crédito Crece y Mejora for CM and CI (Improvement loans)</p>	<p>Women entrepreneurs</p> <p>Women head of household</p>	<p>Female business owner requirements:</p> <ul style="list-style-type: none"> <li>▪ Between the ages of 18 and 98 years old</li> <li>▪ Being part of a minimum group of 10 female entrepreneurs</li> <li>▪ Valid voting card, proof of current address, start or have your own business</li> <li>▪ Number of employees cannot exceed 10 members</li> </ul> <p>All the underserved segments in Mexico, specially segments C-, D+ and D</p>
<p>Access to essential services – financial</p> 	<p>Crédito Individual (CI) (Personal)</p> <p>Crédito Comerciante (CCR) (Loans for Micro/Small Businesses)</p> <p>Crédito Crece y Mejora for CM, CCR and CI (Improvement loans)</p> <p>Investments to expand access to a wide range of micro insurance products and transactional banking products and services via Yastas</p>	<p>Excluded and/or marginalized populations and /or communities</p> <p>Bottom of the Pyramid</p>	<p>Underserved population, with little or no credit history and accessing a financial service for the first time</p> <p>Women and men looking to start a business, or have a current business and seek to invest in it</p> <p>All the underserved segments in Mexico, specially segments C-, D+ and D</p>

Banco Compartamos loans are productive (working capital loans) primarily for female entrepreneurs with limited or no credit history to finance business expansion. We expect a majority of the use of proceeds will be allocated towards such female focused loans. Our credit methodology ensures that customers have access to business opportunities. The impact of our operation spans beyond financials and the asset turnover because our clients can receive up to



three credits in a 12-month period. Depending on the needs and personal situation of every client, one can decide to increase or decrease the amount of the loan. Clients can stabilize their income by utilizing our loans and as a result better plan future decisions.

Banco Compartamos has policies and methodologies in place to mitigate over indebtedness among vulnerable segments, such as no opening or administration fees, no early-repayment fees, free life insurance on second group loan, among others. In 2012 we developed our Client Protection Index (IPAC, for its Spanish Acronym) complying with the standards and practices of client protection of Smart Campaign. In 2018 we started an internal Client Protection Certification. These services are available for all clients of Banco Compartamos.

Our customers' financial track records (positive and negative) are reported to the national credit bureau of which Banco Compartamos is a major contributor in terms of number of borrowers reporting. We believe that the development of a credit history is one of the main benefits that our customers receive. Banco Compartamos is also a founding member of the Mexican microfinance association "Prodesarrollo", which plays an important role sharing best practices and increasing communication among industry participants to prevent over indebtedness.

Businesses and assets that are involved in the following will be ineligible as Use of Proceeds of a Banco Compartamos Social Bond issue:

- i. Nuclear power generation
- ii. Defense / controversial weapons
- iii. Alcohol
- iv. Gambling / adult
- v. Mining

See Appendix for further information on loan characteristics and insurance services provided.

## 4.2 Process for Evaluation and Selection

Our Executive Committee and the Directors Committee, are the two most senior operating and management bodies that define and supervise the strategy of Banco Compartamos and review, evaluate, and recommend to the board and management diverse actions and policies in alignment with our social vocation. These two committees will be in charge of evaluating and selecting eligible projects, as part of their normal tasks and duties.

## 4.3 Management of Proceeds



Banco Compartamos will manage the allocation of the net proceeds of their Social Bonds to Eligible Assets using a portfolio approach. An amount equivalent to the net proceeds of the Social Bonds will be allocated to an Eligible Assets, selected in accordance with the use of proceeds criteria and evaluation and selection process stated above. The Executive Committee and Finance Department will oversee the allocation process. Banco Compartamos will strive to achieve a level of allocation for the Eligible Assets that matches or exceeds the balance of net proceeds from its outstanding Social Bonds. Pending full allocation of an amount equal to the net proceeds, proceeds will be held in accordance with Banco Compartamos’ portfolio policies.

In the case of divestment or if an asset no longer meets the “Eligibility Criteria”, the asset will be removed and replaced by other Eligible Projects as soon as possible. Payment of principal and interests will be made from our general account and not be linked to performance..

## 4.4 Reporting

Until all the proceeds have been allocated, and on a timely basis in case of material developments, Banco Compartamos will publish an Annual Social Bond Report on its website [], which will include:

Allocation Reporting:

- i. Amount of net proceeds allocated to each Eligible Category
- ii. Selection of brief asset descriptions
- iii. Outstanding amount of net proceeds yet to be allocated to assets at the end of the reporting period

Expected Impact Metric Reporting, where feasible, may include:

SBP Eligible Category	Example of Social Key Performance Indicators (KPIs)
Access to essential services	<ul style="list-style-type: none"> <li>• Number of beneficiaries</li> <li>• Number/volume of loans provided</li> <li>• Number of life insurance policies provided</li> <li>• Number of first-time loan recipients</li> <li>• Customer retention rate</li> <li>• Number of clients benefiting from financial capability building programs</li> <li>• Number of clients with access to digital tools</li> </ul>
Employment generation	<ul style="list-style-type: none"> <li>• Number of micro and small enterprise companies benefited</li> <li>• Amount disbursed/number of disbursements to micro and small enterprise companies</li> </ul>

	<ul style="list-style-type: none"> <li>• Number of rural business owners benefited</li> <li>• Amount disbursed/number of disbursements to rural business owners</li> </ul>
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> <li>• Number of women-owned business benefited</li> <li>• Amount disbursed/number of disbursements to women-owned business</li> </ul>

## 5. External Review

### 5.1 Second Party Opinion

Banco Compartamos has retained Sustainalytics, an independent and reputable consultant with a proven environmental and social track record, to provide a Second Party Opinion (SPO) on the environmental benefits of Banco Compartamos’ Social Bond Framework as well as the alignment to the SBP. The SPO is available on the SPO provider’s website.

### 5.2 Compliance Review

Until all the proceeds have been allocated, Banco Compartamos will appoint Sustainalytics (or any other party appointed by Banco Compartamos as a successor for Sustainalytics) to conduct a compliance review on an annual basis to provide assurance that an amount equal to the net proceeds of the Social Bond has been allocated in compliance with all material respects of the eligibility criteria set forth in this Social Bond Framework.

## 6. Appendix

At Banco Compartamos we have two types of loan offerings, Group and Individual. Among our Group methodology we have two products: Credito Mujer (CM) and Credito Comerciante (CCR). On the other hand, our Individual methodology contemplates Credito Individual (CI).

As we report in our 2019 Anual Report from the total clients, 65% have Crédito Mujer, 30% represents Crédito Comerciante and 5% are Crédito Individual.

### Portfolio participation

- Crédito Mujer 57%
- Crédito Comerciante 20%
- Crédito Individual 23%

### Crédito Mujer (CM) description

Loan for women integrated into a group, who require short-term financing for working capital and/or investment in their business, who carry out legal economic activity through their own business or want to start one.

Loan destination:

1. Working capital: purchase of inventories, raw materials or merchandise
2. Fixed assets: purchase of machinery, tools, equipment or improvements on the premises

General Characteristics:

- Groups of 10 to 50 women, 10 people minimum per group
- Official ID
- Age 18-98 years old
- Group Guarantee
- Loan Size: 5,000 MXN to 70,000 MXN (USD 226 to USD 3,172)
- Average ticket: 8,013 MXN (USD 363)
- Term: 16 weeks

Client Profile (Crédito Mujer and Crédito Comerciante)

- Distribution by gender: 89% women, 11% men
- Age breakdown: 33% 23-35 years old; 39% 39-52 years old; and 17% above 54 years old

- Main commercial activities: 35% shoes and clothes sales, 13% food and 6% grocery stores
- Family: 17% one kid, 26% two kids; 23% three kids; 21% more than three kids
- Education level: 25% elementary school; 57% high school

#### Crédito Mujer (CM)

- Average loan per client: 63% between Ps. 5,000 to 12,000 ( USD 226 to USD 542)
- Main states served: Veracruz, Estado de México and Puebla
- Income household (per month): Ps. 6,600 to Ps. 11,235 (USD 298 to USD 507)
- Family providers: 78% from two or more family members / Four people live in the same home

#### Crédito Comerciante (CCR)

- 68% of our clients are women
- Average loan per client: 74% between Ps. 6,000 and Ps. 12,000 (USD 271 to USD 542)
- More client concentration: Estado de México, Veracruz and Ciudad de México

#### **Crédito Comerciante (CCR) description**

Loan for women and men, integrated into a group, who require short-term financing for working capital or investment in their business, who carry out legal economic activity through their own business.

Loan destination:

1. Working capital: purchase of inventories, raw materials or merchandise
2. Fixed assets: purchase of machinery, tools, equipment or improvements on their business

General Characteristics:

- Group loan for working capital purposes
- Groups of 5 to 20 members (men and women), 5 people minimum per group
- Group Guarantee
- Age 20-98 years old
- Loan Size: 6,000 MXN to 60,000 MXN (USD 271 - USD 2,719)
- Average ticket: 6,572 MXN (USD 297)
- Term: 5 to 6 months

#### **Crédito Individual (CI) description**





It is a non-revolving personal loan for women and men, whose purpose is to solve a need for working capital or purchase of fixed assets for their business.

- Loan destination

1. Working Capital: Purchase of inventories, raw material (among others) for its transformation or commercialization

2. Fixed Assets: Purchase of machinery, tools or equipment that is used for the manufacture and / or sale of the product or remodeling of the commercial premises

General Characteristics:

- Keep a commercial activity for a year
- Personal guarantee (only if applicable, according to risk level)
- 20-79 years old
- Loan Size: 20,000 MXN to 200,000 MXN (USD 1,000 – USD 9,064)
- Average ticket: 23,463 MXN (USD1,063)
- Term: 6 to 24 months

Client Profile

- 80% of the loans are allocated between Ps. 20,000 to Ps. 50,000. (USD 904 to USD 2,260)
- Mainly in urban areas (Ciudad de México, Chiapas and Estado de México)
- 90% have their commercial activities in a shop (rented or owned)
- Main commercial activities: grocery stores, food and textile sales
- Distribution by gender: 57% women, 43% men
- 60% are between 30 and 49 years old
- Education level: 23% elementary school and 56% high school

### **Our insurance products:**

**Compartamos Protección:** A volunteer insurance targeted to all our loan clients, specialized to cover expenses health problems such as cancer, heart attacks and other medical conditions.

**Seguro Básico:** A basic life insurance for those who open a credit with us, which protects with an insured sum in case of death.

**Seguro para tu envío:** Protects remittance payment theft.

**Seguro de robo:** Protects in the event of theft.

## Disclaimer

The information and opinions contained in this Banco Compartamos Social Bond Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. None of Banco Compartamos or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Banco Compartamos policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Banco Compartamos and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Banco Compartamos as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. Banco Compartamos has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Banco Compartamos Social Bonds. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by Banco Compartamos in any Social Bonds that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against Banco Compartamos; any such legally enforceable obligations relating to any Social Bonds are limited to those expressly set forth in the indenture and notes governing such Social Bonds. Therefore, unless expressly set forth in the indenture and the notes governing such Social Bonds, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if Banco Compartamos fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of Banco Compartamos or any member of Banco Compartamos. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Banco Compartamos or any member of Banco Compartamos. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.