

BancoSol

Corporate
Responsibility

Social capital



TERM 2019

ICSR

Report

Report



CORPORATE SOCIAL RESPONSIBILITY

TERM
2019

**Social
capital**

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CORPORATE MESSAGE



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Since breaking into the financial market, one feature that highlighted BancoSol in Bolivia and the world was the high social commitment of its work. This is the “social component” that makes up the Bank’s genetic information, since this task began at the same time as the intermediation of the first loans in the 1980s.

The utopia of lending to a marginalized sector of the financial system, based on a financial model that combined the world of finance with social inclusion and value formation, became a reality that, since then, places Bolivia as a protagonist within the Microfinance sector.

We cannot hide our pride when seeing that this effort came to fruition. In 2019, Social Capital, the Program that structured BancoSol’s relationship actions with the community, completed ten years of uninterrupted work with results that surpassed the most enthusiastic projections.

The bank’s shareholders and directors are fully committed to the social mission that forms part of the Bank’s backbone coinciding fully with the vision that we promote throughout the world.

We have no doubt that the Bank’s comprehensive vision will allow us to continue as the leader that generates opportunities for small entrepreneurs to improve their own and their families’ living conditions, and also by being the generator of opportunities for the different sectors of the community, with which we relate, to develop values and principles that go beyond the financial realm.

In the same manner, we ratify the application of permanent self-evaluation processes based on precise indicators, as an indispensable mechanism for the achievement of objectives and continuous improvement.

This common practice within BancoSol’s management makes it easier for the recommendations emanating from higher levels to be applied in a timely manner, through an organizational structure that stands out due to the high level of commitment of the professionals and personnel working in the institution.

We place to your consideration the 2019 results report of our Social Capital program having the firm conviction that only one opportunity is needed for dreams to be achieved.

A handwritten signature in black ink, appearing to read 'E. Altschul', written in a cursive style.

Esteban Altschul
Chairman of the Board
Banco Solidario SA

MESSAGE FROM THE GENERAL MANAGER



MESSAGE FROM THE GENERAL MANAGER

To the Community:

The social impact that BancoSol has generated from day one of its activities does not respond neither to the incorporation of social criteria to improve the image of the organization, nor to a complementary action to the financial criteria. BancoSol was born with a social mission.

Because of this, it was natural for a Program to emerge in 2010 that, from the same name, responds to the entity's inclusive vision, becoming an essential factor to deepen relations with the community, our clients, and the different social and economic actors within the country.

As such, BancoSol's Social Capital initiative (Capital Social in Spanish) is found at the forefront in the execution of Corporate Social Responsibility actions within the financial system because we managed to generate a Program sustained on entrepreneurship, identity and culture and, of course, social inclusion.

In 2019, BancoSol's Social Capital Program celebrated its tenth year of uninterrupted work consolidating actions that further rooted our relationship with our groups of interest and the community. In addition to strengthening the comprehensive management of Corporate Social Responsibility by adhering to the Global Compact and aligning our Strategic Planning with the Sustainable Development Goals, the United Nations global initiative.

With these results during the ten years of Social Capital we accumulated more than 758,000 beneficiaries throughout the country, making us a pioneer within the Bolivian financial system in terms of responsible social investments.

The results go beyond the quantitative because the testimonies of the beneficiaries show that BancoSol's labor has had a transforming impact over their lives.

The management that we summarize in this document included the establishment of major objectives such as the promotion of children's rights, the application of our own values methodology within the Soccer and Music Schools, the promotion of Gender equality, Social Inclusion, the prevention of any type of violence, the empowerment of girls and women, the promotion of Financial Education for clients and financial users and the fostering of community development through Strategic Alliances with experts in specific areas.

It was a year of learning and growth; 365 days of advancing inclusion and generating new opportunities for the community. There is still a long way to go but, without a doubt, the experience achieved allows us to ratify our commitment towards the community.


Kurt Koenigsfest Sanabria
General Manager
Banco Solidario SA

CHAPTER

1

BANCO SOLIDARIO S.A.

HISTORY OF INCLUSION

The 1980s was marked by events that changed the course of Bolivia's social, political, and economic history. After the return to democracy and within a period of three years (1982 - 1985) the country plunged into a deep crisis marked by the seventh highest inflation in the history of the world (an inflation of 32% at the end of 1981, became a hyperinflation of 11,750% at the end of 1985), pushing public finances to bankruptcy and a dangerous deterioration of the financial system indicators.

Towards the end of the first five-year period of the 1980s, Supreme Decree 21060 closed the cycle of the state economy and led the country in a free-market model that ended the fiscal and exchange rate crisis with a high social cost translated into a labor force relocated from the public sector that immediately fed the informal economy and unemployment.

This complex scenario was aggravated by the drought of 1983 in the western region of the country, which added thousands of peasants to the army of relocated who left their lands in order to seek sustenance in the cities, mainly those of the central axis: La Paz, El Alto, Cochabamba and Santa Cruz.

In 1986, the battered financial system saw a new actor enter the scene setting its sights on that sector and laying the foundations for financial inclusion. The normative conditions and policies assumed by the entities that operated at the time, in addition to the inability of the state banks of complying with their objective of promoting development, made it impossible for the informal sector and the unemployed to access to any type of financing.

First as a Foundation and later as the first regulated microfinance Bank in Bolivia and the world, BancoSol concentrated its operations over these emerging economic actors, through a process that would later be recognized as the beginning of microcredit and microfinance.

This inclusion marked the north of a cause that many had given up on. Women, a historically relegated sector of the economy, became one of the first beneficiaries of this innovative way of facing development. Female entrepreneurs quickly became the engines of expansion and social impact within this financial engineering that transcended the provision of loans.

This financial engineering that promoted the development and expansion of strong and highly professional financial institutions with a solid social commitment, transformed into an export product, making BancoSol's recipe a benchmark around the world and a case study within the main academic training centers.



Experts assure that financial inclusion promotes people's access to financial services offered at a reasonable price and in a responsible manner, so that they can use them effectively in improving their quality of life and that of their families. BancoSol's work was precisely that: to open the doors of the financial system to those who required an opportunity.

In 2019 BancoSol deepened the contribution of the financial system through the incorporation of financial innovations that brought banking closer to the users, the promotion of the use of new digital channels, the development of financial services characterized by the addition of new technologies, the fostering of savings among micro and small entrepreneurs and the promotion of microinsurance contracting as a mechanism to facilitate crisis management among its clients, thereby ratifying the entity's commitment to the economy sector with which it began operating three decades ago.

OUR SOLIDITY

Since it began operating, BancoSol quickly placed itself among the best banks in Bolivia with a good performance in the main financial indicators.

As will be seen later in detail, BancoSol closed 2019 with a portfolio of \$1,715 million USD (5.76% more than the previous year) channeled to more than 288,000 borrowers, bringing the total number of clients (between borrowers and depositors) to over a million people.

The quality of this portfolio was reflected in the NPL ratio, one of the lowest in the National Financial System: 0.72%, which is almost half the average of entities specialized in microfinance (1.35%) and a third of the average of commercial banks (2.17%).

This result becomes more relevant when considering that within the current regulatory scenario, BancoSol decided to maintain its operations in microcredit, reaffirming its mission to serve the least favored sectors through services and products that go beyond intermediation and allow to deepen financial inclusion. Very few banks took this route; most of those that started their activity with microcredit migrated to higher operations to achieve their term goals.

BancoSol's stability did not go unnoticed by experts. Since 2008, the evaluation by Moody's Risk Rating Agency granted high levels to the entity's financial solvency. In 2019, Moody's Local BO grants AA1 as a debt issuer and AA1 for its long-term debt securities.

INSTITUTIONAL PHILOSOPHY

Mission

We are the Bank that provides the opportunity of a better future for the lower income sectors, through quality comprehensive financial services, supported by a highly committed human team.

Vision

To be the leader, benchmark and innovator of the Microfinance sector at a national and international level, promoting the development, progress, and quality of life of people with lower incomes, in a sustainable manner.

Values and Principles

BancoSol S.A.'s creed begins from its own denomination and comprises a set of values and principles that form part of the way of thinking, speaking, and acting in our organization, these values are the following:

- **Solidarity:** Permanent collaboration with the people who need it most.
- **Integrity:** Security generation through dignified, honest and transparent actions.
- **Responsibility:** To comply and be held accountable with all the obligations and assumed functions.
- **Commitment:** Continuous personal improvement as the basis of global progress.
- **Service:** Having an attitude of quality and warmth.
- **Reciprocity:** Permanent consideration for oneself and for others because "Together We Grow".
- **Coherence:** To be consistent with what we think, say, and do.

Within the framework of Transparency and pursuant to what is required by regulations, the Bank presents and discloses among its groups of interest and the community the following aspects:

- a) The mission and vision: both are published in the institutional annual report, in all areas of our offices, as well as in electronic media such as the website, the different social networks where we have presence, and also in the massive media when we are invited for advertising and/or journalistic reports.
- b) The policies, decisions and activities for which they are responsible regarding society and the environment; including policies, postulates and procedures that guide decision-making and actions, in accordance with our values. BancoSol has its origin in the purpose of solving the social and economic situation of a large part of Bolivians, such responsibility remains to date. Likewise, with respect to the environment, although the Bank, by concentrating its work within the services sector does not directly generate significant levels of pollution, it does consider environmental care practices.
- c) Known and probable impacts on society and the environment as a result of Bank policies, decisions and activities: these aspects are presented through the social balance report developed for the term, as well as the respective annexes of the regulations, where the indicators that allow knowing the impacts that have occurred in the three areas of CSR can be observed.

BancoSol respects and promotes, in all its activities and operations, the Human Rights established in the Political Constitution of the State, as well as in the Universal Charter of Human Rights.

CORPORATE GOVERNANCE

For BancoSol, Corporate Governance includes “the set of principles, policies, norms, practices, mission, vision, values, administration, and control processes of BancoSol as a formal and indivisible part routed at promoting and strengthening a culture based on business transparency.”

The good Corporate Governance practices reflect the institutional mission and vision and were reported annually through the Corporate Governance Report for the respective evaluation and approval of the Board of Shareholders, complying with the requirements set forth by the regulations established by the ASFI.

The concept handled by Banco Solidario S.A. regarding Corporate Governance corresponds to “the set of principles, policies, norms,

practices, mission, vision, values, administration and control processes of Banco Solidario as a formal and indivisible part routed at promoting and strengthening a culture based on business transparency.

In turn, Good Corporate Governance is ensured from the good relationships between the Bank’s Governing Bodies, to perform under standards of efficiency, fairness, transparency and probity, as established by the ASFI.

The Corporate Governance Bodies of Banco Solidario S.A. are regulated by their Bylaws, wherein all the determinations of institutional operation at the macro level are reflected.

BOARD OF DIRECTORS

OFFICE	NAME
Titular Director - Chairman	Esteban Andrés Altschul
Titular Director - Vice-President	Enrique Osvaldo Ferraro
Titular Director - Secretary	Diego Guillermo Guzmán Garavito
Titular Director	David Arturo Paradiso
Titular Director	María Otero
Titular Director	Livingston Parsons III
Titular Director	Sandra Hinshaw Darville
Titular Director	Laura Gaviria Halaby
Alternate Director	Michael Edward Schlein
Alternate Director	John Henry Fischer
Alternate Director	María Claudia Dabdoub de Udaeta
Alternate Director	Yrenilsa López
Titular Trustee	Ignacio Miguel Aguirre Urioste

EXECUTIVE STAFF

POSITION	NAME
General Manager	Kurt Koenigsfest S.
National Business Manager	Marcelo Escóbar F.
National Operations Manager a.i.	Nelson Nogales M.
National Risk Manager	Omar Medrano D.
National Technology and Information Manager	Carlos Otálora M.
National Audit Manager	Gonzalo Flores S.
National Finance Manager	Joaquín López B.
National Legal Adviser	Jaime Sossa M.

Our Corporate Governance is aware of and continuously monitors our Strategic Planning alignment with the objectives of Corporate Social Responsibility and Social Function. In addition, it is aimed at promoting and strengthening a culture based on corporate transparency.

Shareholders: The Shareholders Meeting ensures the proper administration of the Bank through the election of the Board of Directors. It is in this instance where the most relevant decisions for the Bank's operation are made. Its main obligations are defined in the Code of Commerce, the Financial Services Law and the Bank's Internal Bylaws.

Board of Directors: Among its functions, the Board of Directors assumes the administration of the company, the approval of institutional values, the definition of strategic guidelines and supervision of the activities that will lead to their achievement, plus the establishment of control mechanisms to ensure compliance with internal and external regulations.

In order for the work of the Board of Directors to be carried out effectively and efficiently, it maintains a position of authority and independence with Senior Management.

Senior Management: Among its main functions, it must keep the Board adequately informed, ensure the existence of a compliance function, implement personnel compensation systems, and make the Institution's information transparent for the different groups of interest.

Our General Manager fosters an action framework with adequate internal control policies and procedures.

Committees: The Bank has arranged for the creation of the following Board Committees:

- ◆ Audit Committee
- ◆ Risk Committee
- ◆ Compliance Committee
- ◆ Compensation Committee
- ◆ Corporate Governance Committee
- ◆ Physical Security Committee
- ◆ Information Technology Committee

The Committees correspond to collegiate decision-making instances, which can be of two types: those that are representative of the Board, in other words, internal bodies for the best functioning of the Board in which all or some of its members participate, and those that correspond

to Committees present within the Bank's normal operations, which do not have the attendance of Directors.

We apply a Conflict Management and Resolution Policy that establishes the action framework for the prevention and, where appropriate, the resolution of conflicts. Operationally, we have the respective Operations Manuals, Code of Ethics and Code of Conduct for all our officers; instruments that are delivered immediately to each official, for their knowledge and implementation.

■ SOCIAL CAPITAL

10 YEARS OF COMMITMENT

Social Capital is BancoSol's Corporate Social Responsibility (CSR) program, considered an intangible asset where relationships of trust, collective self-esteem, and social cohesion are embodied by the people who are part of our groups of interest (Officials, Clients, Community, State, Shareholders and Suppliers) and everyone that we reach directly or indirectly through our actions.

The Social Capital of BancoSol is the people, the men and women, our neighbors, those to whom we respond while being committed to the entity's institutional mission.

Social Capital develops relationships with the actors of society based on trust and respect, under three clearly identified lines of action:

- ◆ Entrepreneurship
- ◆ Identity and Culture
- ◆ Social Inclusion
- ◆ These lines are linked to society by the following compromise:
 - ◆ Support entrepreneurship, employment and the creation of value chains that benefit the community in an effective and positive way.
 - ◆ Contribute to access economic-financial activity, by people with limited resources who seek the opportunity to improve their quality of life.
 - ◆ Provide the opportunity to have a better future to the most depressed and low-income sectors.
 - ◆ Promote the active participation of the community through the provision of work, personal and social development.

- ◆ Create and implement plans aimed towards human development management.
- ◆ Contribute to the development, progress and growth of the people with fewer resources through a comprehensive offer of financial services.

In 2019, the Social Capital Program maintained as a premise of action the following values:

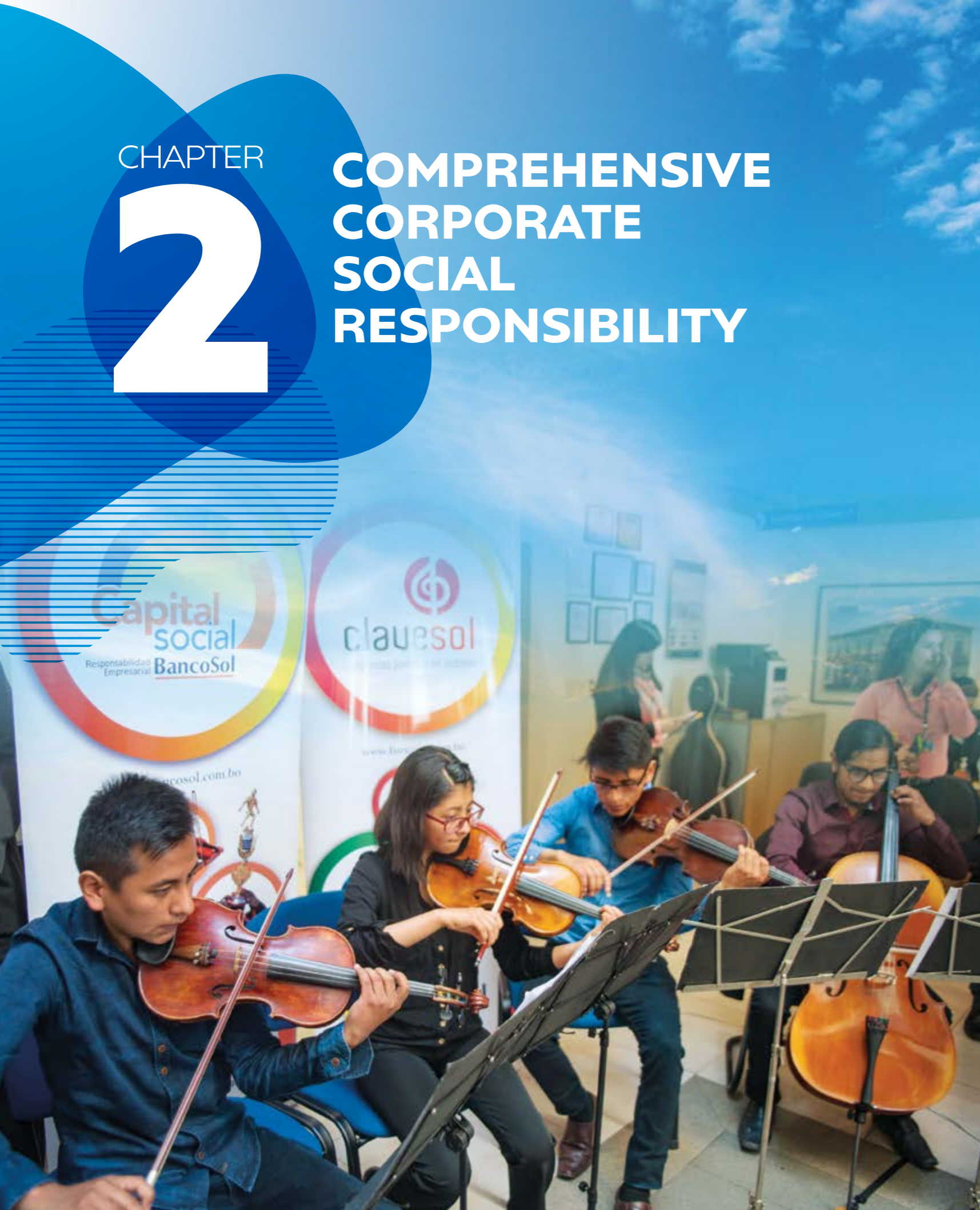
- ◆ Punctuality
- ◆ Honesty
- ◆ Responsibility
- ◆ Excellence
- ◆ Solidarity



CHAPTER

2

COMPREHENSIVE CORPORATE SOCIAL RESPONSIBILITY



MANAGEMENT APPROACH AND COMPONENTS

Since 2010, BancoSol implements Social Programs that adopt the Corporate Social Responsibility (CSR) approach to fulfill the Social Function defined in the Financial Services Law.

Our Social Responsibility is formalized through a Policy, initially approved in 2013, modified in June 2016, and ratified for term 2019. The Social Responsibility Policy establishes the framework of action, integrating the principles into the business strategy. Such policy establishes the guidelines for a socially responsible management, defines the guidelines for interaction with the groups of interest, and includes management within the economic, social and environmental dimensions.

Additionally, BancoSol has established Information Disclosure policies for the Groups of Interest for their Interaction and Cooperation with the Environment.

BancoSol implements a Social Responsibility Program with high impact social projects. Likewise, it adopts the inclusive business approach with the provision of comprehensive financial services focused on the base population of the pyramid.

Our bank is found committed towards responsible social banking, implementing a comprehensive triple-bottom line program (social, economic and environmental dimensions).

By acting in accordance with our institutional mission, BancoSol demonstrates solid customer orientation, systematically invests in the development of innovative products and services, and promotes quality customer service. This strategy is based on proper talent management and the adoption of ethical and transparent behavior by our officials.

CSR RATING

In coordination with the relevant areas, year after year, Social Capital validates the CSR implementation processes in strict observance of what is required by the rating company AESA Ratings.

This consultant has been conducting the Corporate Social Responsibility Performance evaluation for three consecutive years, wherein BancoSol obtained a Rating of 8.7 in the 2017 term, 9 points in the 2018 term, and 9.5 for the 2019 term out of a maximum of 10 points, committing and strengthening the work by the entity's groups of interest.

DRSE Rating - Level 1	SCALE	SCORE
DRSE Rating - Level 1	R1	9.5

SCORECARD - LEVEL 1		
EVALUATION AREAS	ATTRIBUTE	SCORE
Framework Evaluation	Very Strong	9.4
Strategic Social Framework and CSR Management	Very Strong	10
Customer Relationship	Very Strong	9.9
Relationship with Other Groups of Interest	Strong	9.6
Environment	Suitable	8.2

Source: AESA Ratings 2012 - 2018

R1: BSO maintains Very Strong social commitment translated into objectives, strategies, policies, procedures and results

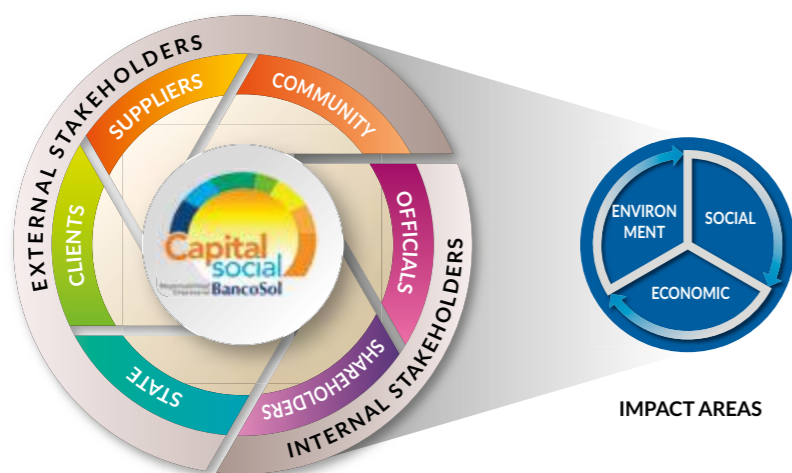
RATING HISTORY		
Term 2014:	na	na
Term 2015:	na	na
Term 2016:	na	na
Term 2017:	R2+	8.7
Term 2018:	R1-	9.0

SOCIAL BALANCE

In compliance with current regulations established by the ASFI, for the third year, BancoSol has prepared the institutional Social Balance for term 2019, which shows the commitment to the purposes of the function established in Financial Services Law No. 393.

GROUPS OF INTEREST

Within the framework of BancoSol's Strategic Planning, the bond between the groups of interest (stakeholders) and their impact within the framework of the Social, Economic and Environmental impact, was strengthened:



The 2019 term was the year of the strengthening of the comprehensive management of the Corporate Social Responsibility program. This process began with the prioritization of the Groups of Interest, the definition of Materiality and the alignment of the Sustainable Development Goals to the Bank's Strategic Planning.

The results of this process will be reflected in a Sustainability Report and in the COP Report to be presented to the Global Compact during the next Term.

GLOBAL COMPACT

The Global Compact is an initiative mandated by the United Nations that works for a more sustainable and inclusive global economy, promoting the implementation of 10 Universal Principles in Human Rights, Labor Standards, Transparency and Anticorruption and the Environment areas to form part of the strategy and operations of companies and facilitate actions for enterprises to work towards the Sustainable Development Goals.¹



Red Bolivia

The 2019 term, constituted for BancoSol the year of joining this initiative on a voluntary basis, adding itself to the more than 13,000 signatory entities in more than 160 countries ² with a high commitment towards Corporate Social Responsibility.

The senior management of our bank assumes the commitment to work every day for the fulfillment of and contribution to, from our institution and our business, the Sustainable Development Goals.

¹ Definition taken from <http://www.pactoglobal.org.bo/que-es-el-pacto-global/>
² Idem

SUSTAINABLE DEVELOPMENT GOALS

The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development -approved by world leaders in September 2015 at the historic United Nations summit- officially entered into effect on January 1, 2016. With these new universally applicable Goals, within the next 15 years, countries will intensify efforts to end poverty in all its forms, reduce inequality and fight climate change while ensuring that no one is left behind.³



LINKAGE TO THE SDGs

After a long work process, BancoSol managed to link its Strategic Planning with the Sustainable Development Goals (SDGs). With the support and rigorous and detailed work carried out by ICR Systems & Management consultants, we managed to define that our institution contributes to the following SDGs:

Comprehensive CSR Management ¿How does BancoSol contribute to the SDGs?

	<p>The bank's mission is to provide opportunities and fight poverty through comprehensive microfinance, thereby making effective BancoSol's greatest contribution towards the Global Goals. Every year the entity performs a poverty reduction measurement through the results reached with the products and services provided to our clients.</p>		<p>The essential objective of supporting micro and small entrepreneurs makes it possible to reduce poverty gaps and create opportunities for women, youngsters and vulnerable groups.</p>
	<p>The work conducted at the free soccer (CopaSol) and music (ClaveSol) schools will be strengthened to contribute to the formation of soft skills in the children of clients, the vulnerable groups, and the community.</p>		<p>Through the Financial Education Program, micro and small entrepreneurs have adequate information to make financial decisions. They are trained in the benefits of savings, the use of digital banking, and the possible risks that must be considered before procuring a financial service. BancoSol has the Smart Campaign international certification for quality and customer protection. In the same manner, providing an efficient operation from the use of time to the use of material resources and energy, contributes to the SDGs.</p>
	<p>Throughout the process of human resource insertion, Human Talent policies are applied that establish guidelines aimed at promoting gender equality and equity.</p>		<p>BancoSol performs a biennial measurement of greenhouse gases to identify the impact caused to the environment by the consumption of electricity, water and paper in the organization. Depending on the results, prevention plans are conducted within the framework of the environmental policy.</p>
	<p>BancoSol offers adequate working conditions that go beyond what is set forth by law. Its main contribution within this field is job generation in the country through financing for micro and small entrepreneurs.</p>		



³ Concept and image, extracted from <http://www.nu.org.bo/agenda-2030/>

CHAPTER

3

SOCIAL PERFORMANCE

OUR CLIENTS

COMMITMENT TO OUR CUSTOMERS

The access to comprehensive financial services for lower income sectors guides our corporate strategy.

We assume a firm commitment to deepen financial inclusion, by focusing our portfolio on the microcredit segment, designing modern customer service channels and deepening financial inclusion by expanding access to micro-insurance and mass savings collection nationwide.

Our organizational culture and values make employees aware and concerned about respectful customer treatment, while systematically measuring client satisfaction. BancoSol invests in technology to advance access to electronic channels according to the needs of its market segment.

Additionally, we manage responsible social banking through the robust and consistent practice of Client Protection Principles.

MANAGEMENT APPROACH AND COMPONENTS

The granting of loans is regulated by the Credit Policy and an articulated set of Manuals approved by the Board of Directors. These documents clearly reflect a prudential profile and formalize the process for requesting, analyzing, approving, disbursing, conducting follow-up and recovering loans.

Operating from a specialized microfinance strategy, BancoSol enjoys a solid credit technology. Internal regulations determine the procedures to be followed for the granting of loans, preventing the over-indebtedness of clients. Compliance with the credit process is also verified within practice, with there being solid internal controls for granting loans and conducting comprehensive risk management.

Quality service constitutes an essential component of interaction with our clients. The solid organizational culture and values make our collaborators aware and concerned about the respectful treatment of our customers, something that has been institutionalized among our entire staff.

Within this framework, BancoSol has a Code of Conduct where it registers the general principles and specific guidelines for customer service. On the other hand, it implements a Customer Service Protocol that allows progress to be made in standardizing the provision of financial services.

Our management approach addresses indicators of financial inclusion, customer satisfaction, service channel map, and claims procedure management.

GOOD PRACTICES (SMART CAMPAIGN)

BancoSol establishes a management approach focused on Client Protection and especially on the prevention of over-indebtedness. Our institution is part of voluntary initiatives certifying transparency and good practices.

Through our adherence to the SMART CAMPAIGN, the Bank commits to implementing client protection standards within the institution. The Bank has a Smart Campaign Certification regarding good customer protection practices.

This international certification allows a totally transparent work in microfinance regarding the prices, terms, and conditions of all financial products. The same consists on working to prevent and avoid over-indebtedness, in addition to using respectful and ethical collection practices with our clients. It also provides communication channels with the bank, not only measuring satisfaction levels, but also the concerns of our customers and users. And lastly, the confidentiality of our customers' information is guaranteed.

CUSTOMER SERVICE AND CLAIMS MANAGEMENT

On term 2019, BancoSol presented two technological solutions developed in a strategic alliance with FINCONNECTA, a global FinTech company formed with financing from the Inter-American Development Bank (IDB), translated into the Chatbot called SOLBot and in SOLMail.

BancoSol's ChatBot is a solution for Facebook Messenger that provides service to clients and users of the entity to answer frequently asked questions, provide information regarding products, services, and channel communications to the banking channels by phone and email. The service can be accessed from a computer or smartphone so its use is quite simple and effective.

SolMail is a free service designed to keep BancoSol customers informed about the movements in their savings account through a daily statement via email. The clients of BancoSol can request the service at any of the BancoSol Agencies at no cost, and once activated, the customer will be able to check the balance and movements of his/her Savings Account daily by email from a computer, smartphone or any electronic device having an internet connection.

These tools allow more Bolivians to be included in the financial system with the purpose of having high-quality comprehensive services through technology offered by BancoSol to the country's micro and small entrepreneurs. The solutions are designed to provide a secure and scalable integration between the core banking systems and financial technological solutions.

BancoSol establishes standardized procedures for handling claims in the Claims Manual. The customer service platform staff manages the claims system at the Claim Point and has the appropriate training.

At the national level, the Operations Sub-Management is responsible for claims management and sends monthly reports to the Financial System Supervision Authority (ASFI).

BancoSol uses a specialized system for the registration, systematization and monitoring of claims. It complies with the financial consumer care regulations of the Financial System Supervisory Authority (ASFI) and the annual comprehensive auditing process verifies its compliance. We implemented two additional alternatives for receiving complaints: i) telephone communications attended and registered in the Call Center; and ii) claims registration on the institutional website.

BRAND POSITIONING

In 2019, a brand positioning study was carried out with the objective of evaluating the positioning, satisfaction, value attributes and the image of the BancoSol brand as a Financial Intermediation Institution specialized in Microfinance.

BancoSol continues to be a leader in Microfinance in Bolivia and the world. At the end of the 2018 term, we had a stable participation of 37%.

According to the results of the "Brand Positioning" Study, BancoSol is included in the Top of Mind (TOM) index with 54.2% of spontaneous recall nationwide and a satisfaction rate of 73.4%.

CAPACITARSE

CapacitaRSE forms part of the Corporate Social Responsibility Program called Social Capital.

The same seeks to strengthen technical knowledge within our clients on the subject of Entrepreneurship and Business Planning, allowing them to grow as micro-entrepreneurs and position their businesses.

During the 2019 term, this work was carried out in a joint effort with two outstanding institutions, the Emprender Futuro Foundation and Interwave SOLutions, obtaining the following results:

WORKSHOP	No. OF SCHOLARSHIPS
AWARDED EMPRENDER FUTURO FOUNDATION	
24E - Entrepreneurship Workshop	1,824
2 Day - Management Skills	247
PLEI - Management Skills	5
INTERWAVE SOLUTIONS	
Master Business of Street (MBS)	526
Total	2,602

OUR OFFICIALS

For the Bank, its team of collaborators constitutes a priority interest group within the implementation of the Comprehensive Social Responsibility Program.

BancoSol has a national presence and applies a comprehensive human talent management policy, which defines the guidelines for recruitment, selection, induction, training, promotion and salary compensation.

The policies facilitate adequate diversity management at the national level, continuous improvement and equal opportunities.

At the end of 2019 term, the Bank has 3,044 people at the service of the institutional mission. A breakdown by city is found below:

BREAKDOWN BY DEPARTMENT		%
Beni:	31	0.2%
Cochabamba:	682	26.7%
El Alto:	668	20.5%
La Paz:	503	14.1%
National Office:	172	6.9%
Oruro:	74	3.0%
Pando:	14	0.2%
Potosí:	35	0.5%
Santa Cruz:	618	22.6%
Sucre:	137	2.3%
Tarija:	110	3.0%
Total employees	3,044	100%

GENDER EQUALITY

Each of the activities of our Bank considers and applies gender equality, valuing the importance of the contribution made by each and every one of our colleagues. The 2019 term closed with a 50-50 distribution in the women / men hiring ratio:

BREAKDOWN BY GENDER	
Male	1,526
Female	1,518
Total	3,044

In the 2019 term, all the female officials who hold Leadership positions were trained online on the subject of “Female Leadership”, guided by a professional Coach who provided them with tools to exercise Conscious Leadership with the aim of empowering them in their leadership and being able to exercise it effectively in their work, family and personal environment.

STAFF TRAINING AND DEVELOPMENT

Throughout the term, several training sessions were carried out aimed at updating the normative / functional knowledge required for professional development and managerial trainings to allow acquiring new knowledge applicable within the personal development of the different areas, contributing to the effective and efficient achievement of objectives.

Within this framework, BancoSol has a comprehensive training program, achieving the following average results by levels and category of employees:

AVERAGE TRAININGS PER CATEGORY		
Executive Staff	27.89	Hours
Middle Management	28.51	Hours
Operational Personnel	43.73	Hours

With the aim of recognizing the efforts of the most outstanding Business Advisors of the different Regional Offices, we reward the “comprehensive” performance demonstrated through the compliance of the assigned goals and the exercise of competences, through our HONOR ROLL.

Each term there’s a ceremony in which BancoSol values the commitment of the officials with the presentation of recognitions to appreciate and value their permanence within the BancoSol family.

Also, all the officials who achieved professional formation achievements during the term are recognized, because BancoSol highlights the effort made by officials in their professional training and the contribution they generate with this growth to their daily work duties.

“2nd International Meeting of Business Advisors - Action Network”

For the second consecutive year, 6 Advisors who stood out for their comprehensive work conducted during the term, represented BancoSol at the 2nd International Meeting of Advisors - Action Network.

During 5 days, with the company of Business Advisors from different countries, meeting in Panama this time, they learned and shared more information about the Microfinance sector in the region, transmitting their knowledge and carrying the name Banco Solidario S.A. very high.

During the 2019 term, the Corporate Social Responsibility area, called Social Capital, was in charge of conducting the training with all the staff of our institution, under an E-Learning modality in which the following topics were addressed:

- ◆ Comprehensive CSR Management
 - Sustainable Development
 - Sustainable Development Goals
 - Groups of Interest
 - Strategic Planning Alignment with the SDGs
- ◆ Normative compliance
 - Social Function and CSR
 - CSR Rating
 - Financial Education
- ◆ High Social Impact Programs

PERFORMANCE EVALUATION

BancoSol develops a performance evaluation system by competencies. This system evaluates two types of competencies: Essential competencies that measure the person’s values and their consistency with the bank’s values. And management competencies that measure the performance of the person in office. At the closing of the 2019 Term, the percentage of personnel evaluated was 86%.

WORKING ENVIRONMENT

Every year we systematically measure the working environment with a national scope: National, Regional and Agency Offices.

In 2018, the Organizational Climate survey was applied in November 2018 to the entire personnel, through the consultant Buenas Prácticas S.R.L. Staff participation was 89%.

Like in every term, the application for the Environment survey was planned for the month of November 2019, but it could not be carried out due to the social conflicts that happened in our Country, postponing the application date to the first semester of the 2020 term.

The National Human Talent Sub-Management articulates non-monetary benefits for officials at the national level. Health campaigns, specific Parent School courses to support stress management, self-esteem in children, rewards and punishments, among other topics, are highlighted. All these activities reinforce the positive perception regarding the Working Environment.

Additionally, as with Social Capital, there are Internal Programs that contribute to improving the Working Environment: Extra Mile (Volunteering), Happiness Program.

DIVERSITY AND EQUAL OPPORTUNITIES

We have Human Talent management that recognizes generational diversity, fosters inclusion, and provides equal opportunities for professional development to the men and women within the institution.

BREAKDOWN BY AGE GROUP		%
Between 18 to 30	1,056	35%
Between 31 to 40	1487	49%
Between 41 to 50	380	12%
Over to 50	121	4%
Total	3,044	100%

REMUNERATION

In our institution, we oversee the balance and consequent remunerative treatment of all our officials, this with the goal of maintaining fair treatment among all our officials.

WAGE GAP	%
Ratio of the total annual remuneration for the highest paid individual of the supervised entity to the total annual average remuneration of all employees	15.10
Ratio of the percentage increase in total annual remuneration for the highest paid individual of the supervised entity to the average percentage increase in total annual remuneration for all employees (excluding the highest paid person)	0
Relationship between the supervised entity's minimum wage and the national minimum wage	1

HAPPINESS PROGRAM

The well-being of our officials is important to Banco Solidario S.A. and for Social Capital, it is for this reason that the Happiness Program carries out activities within the Bank to break the routine. In February we commemorated the "International Day of Happiness" together with the United Nations Population Fund (UNFPA) where four agencies in the city of La Paz were visited with the concept "Happiness deserves me", seeking their wellness and benefiting our officials in Potosí, Oruro, Beni and Pando, with our anti-stress massages. During the last months of the year we participated in the worldwide movement of Securities Banking. We achieved the participation of 1,494 officials at the national level.

EXTRA MILE VOLUNTEER PROGRAM

Banco Solidario S.A. works actively with its male and female officials in volunteering activities that help improve the community by building houses for children with cancer, reforesting the city, among others. To date, we achieved the participation of 235 volunteers.

OUR SUPPLIERS

BancoSol has a Supplier policy established for transparent contracting thereof, in addition to supporting the work of Bolivian entrepreneurs.

PERCENTAGE OF SUPPLIERS	%
National Suppliers	97.38%
Foreign Suppliers	2.62%
Total	100%

FINANCIAL EDUCATION

BancoSol developed naturally one of the current inclusion pillars: Financial Education. The entry of micro and small entrepreneurs into the formal financial system opened up, at the same time, a world of accounting and financial processes with which they never had contact.

Because of this, the first solidarity loans channeled by BancoSol were accompanied by small training workshops provided by the loan officers and heads of banking agencies themselves, so that new Microfinance users would develop the skills that would allow them to deal with this baggage of unavoidable processes and mainly for them to have the necessary knowledge to make their financial decisions.

The topics that were addressed then and that now seem a daily occurrence (what is a loan, how and why to provide for the payment of installments, what is saving, what is income, what is expenditure, etc.) were, again, the trigger for the emergence of financial education, a foundation of the modern financial system.

Years later, BancoSol structured this facet of its unusual way of approaching the relationship with its clients in a Financial Education Program that in 2019, and after becoming one of the columns of the CSR Program, was extended to other groups in the community with more ambitious and long-term training objectives.

In line with the ASFI regulations, the 2019 Term Financial Education program was developed. To the end of December, the results of the program were as follows:

EDUCATION PROGRAMS

Workshop for Clients - Users (On-site)

The Financial Education workshops for Clients and Users follow a strategy of visiting clients in Markets, Universities, Neighborhood Councils and Institutions of the different cities, with On-site lectures that comply with the provisions of the ASFI regulations, to provide training regarding the Rights and Obligations of the Financial consumer. As of December 31, 4,077 clients / users were trained in the ten main cities of the country.

It should be noted that of this total figure, 1,000 people correspond to training conducted with the Elderly and People with Disabilities.

Welcome Folder

Every new client of our financial institution had access to a "Welcome Folder", containing important information allowing them to know the benefits and risks that they assume when accessing a loan.

This folder is delivered by a BancoSol official, who accompanies the material with an explanation of the content and the actions to be followed, including a questionnaire to be completed by clients. As of December 2019, 14,969 Welcome Folders were delivered to our clients.

Turn Yourself ON

The Platform Assistants identified clients who opened savings accounts and while the operator registers the account, they are given digital Tablets to access tutorial videos on the Bank's services and channels, such as: How to use Infosol, How to use Solnet, How to use ATMs, and about our BancoSol App. The total impact as of December was of 20,475 views and clients who received this information.

Discover

Discover (Descubre) is the first digital and interactive financial education platform in Bolivia, developed by banks that belong to the Association of Private Banks of Bolivia (Asociación de Bancos Privados de Bolivia, ASOBAN). In the 2019 term, through BancoSol, 8,285 financial consumers were trained in its DESCUBRE Platform.

Digital Financial City

An event that brings together Financial Intermediation Entities, Supplemental Financial Services Companies, Market Participants of Securities and Entities of the Insurance Market, promoting the generation of businesses and financial education. This great event had the registration of 8,553 people.



INFORMATION PROGRAMS

Staff Training on "E-Learning"

BancoSol executed training programs directly or in coordination with training specialists for all officials who have contact with clients and users, with the premise of transmitting the actions that involve providing a Quality and Warmth type of service. 3,000 officials were trained.

Row Dividers (Videos)

The users of our financial institution have access to information allowing them to make appropriate decisions through different channels and means offered by BancoSol.

In 2019, there were a total of 11,676,733 tickets served at the cashiers at the end of December, throughout the country. We assume that the information is assimilated by the 1.5% of customers who can watch the videos, making a total of 175,151 people among customers and/or users who watch the videos that are broadcasted at the row dividers.

Financial Education Islands

Those places designated by the Financial Entity where you can find clear and didactic information on the topics of the Financial System.

These Financial Education Islands are found in 6 of the most visited agencies, in the cities of Sucre, La Paz, El Alto, Cochabamba, Tarija and Santa Cruz. As a result, we have 3,209 people who have used this information resource.

Website and Social Networks

In the 2019 term, there are a total of 122,949 people reached with the contents on Financial Education both on our website (www.bancosol.com.bo) and through interactions in our social network posts.

Information Sub-Program



COMMUNITY PROGRAMS

The Community represents one of the groups of interest of greatest impact and importance, and where several programs promoting culture and sports are executed.

CLAVESOL

In support of culture and identity, activities were started with children and youngsters from the ClaveSol Free Schools, where the teaching of classical stringed instruments (violin, viola, cello and double bass) is taught through a methodology based on the values of the Social Capital program.

The term began with five training points. In the city of La Paz: San Calixto School, Jaime Sáenz District House next to the Arco Iris Foundation Headquarters in Villa San Antonio and the CARE Periferica Headquarters. In the city of El Alto: Ciudad Satelite and Cosmos 77 Headquarters. During the month of May, 2 new points were opened: at the Garita de Lima Zone in the city of La Paz and at the Casa Capellánica in the city of Sucre. At the end of the term, there were a total of 596 children and adolescents registered in the cities of La Paz, El Alto and Sucre. In the 2019 term, in commemoration of the 10 years of Social Capital, the recording of the ClaveSol Orchestra album was achieved, containing ten songs with the participation of diverse and renowned Bolivian artists.

COPASOL

Soccer is one of the most practiced sports in the world. Thus, through methodical, constant, and comprehensive training, the same seeks to strengthen different values in school children and adolescents, through its own values-based methodology and the application of Neuro-Soccer. This work is conducted by recognized Professionals in the field of sports, including a sports director, coaches, a psychologist, and a physician.

We currently have eight sites in various cities in the country, La Paz: Obrajes headquarters, CARE Periférica headquarters, Bajo Conchupata headquarters and Munaypata headquarters. Ciudad Satelite and Cosmos 77 Headquarters. Cosmos 7 headquarters. In Santa Cruz: Urbanizaciones Unidas, 6to anillo. In Cochabamba: OTB Air Force, Cancha el Pantanal and in the city of Tarija: Morros Blancos neighborhood. At the closing of the 2019 term, we have a total of 1,102 children and youngsters registered in the different cities.

At CopaSol and ClaveSol schools we have teachers trained in Sign Language and Braille Reading, we are also promoters of the Culture of Peace, working with tools for managing emotions and promoting the topic among the community.

CORRESOL

In the case of Santa Cruz, the 11K El Torno race was suspended and the amount allocated to the organization of the race was donated in equipment to the firefighters and volunteers who battled against the fires in the Chiquitanía. In the month of September, the Cochabamba pedestrian race was held, with the participation of 1,594 athletes, in alliance with the Habitat for Humanity Foundation in support of its program "Waiting for you at home" that provides housing solutions for minors suffering from immunological diseases.

Due to the national situation, the El Alto 11K Pedestrian Race was not carried this term, with the same being postponed for next year.

ACCIÓN SOL

This program was created in order to provide help in the field of basic health and necessities to people with limited resources who require payment for treatments, surgical interventions or medical care. To date the most relevant cases include: payment for the recovery treatment of child Cristófer Loayza, Mr. Andrés Mamani and Mr. Rubén Huanca who also belong to the ClaveSol school of the city of La Paz, a donation to the association of deaf people and support for the event for children with Down Syndrome, achieving this way a total impact for 1,290 benefited people. A water collection campaign was also conducted for the people affected by the landslide of the Bajo Llojeta neighborhood of the city of La Paz, achieving a donation of 2,192 packages of water.

MIC BANCOSOL

In September 2019, the MIC BancoSol Cultural Space celebrated two years of opening the path to other types of entrepreneurs who, like the informal ones of the 1980s, required an opportunity to develop their talent.

The MIC BancoSol Cultural Space, with presence in the cities of La Paz, Cochabamba and Santa Cruz, consolidated its purpose of creating a space for new generations of artists to present their creations, and for artisans, clients of the entity, to exhibit their labor converted into works of art.

This cultural space for microfinance is composed of a Museum with the history of microfinance, a Gallery for the exhibition of works by emerging visual artists, and an exhibition room for the works of artisans who are clients of the entity. The project was strengthened with the opening of a new space called MIC Reading, another ambitious initiative that seeks to provide customers and users with a different place where they can enjoy simple but profound literary works.

Promoting Bolivian production and culture during the 2019 term, six cycles were established throughout the year, where 36 artists and 18 clients were presented, achieving the sale of 191 works.

STRATEGIC ALLIANCES

The commitments with our strategic allies were reaffirmed: Aldeas Infantiles S.O.S., Plan Internacional and Habitat for Humanity. This term we added to our strategic allies the Arco Iris Foundation and the United Nations Population Fund (UNFPA). Jointly with all of them we commit ourselves to continue working in new fields of action to continue with the process of providing a better quality of life, promoting the care and protection of the fundamental rights of thousands of Bolivians. Mention must also be made about the strong work commitment with the Autonomous Municipal Governments of La Paz and El Alto.

VOLUNTARY COMMITMENTS

BancoSol as a leader of the Microfinance sector in Bolivia assumes voluntary commitments at the international level that demonstrate our firm commitment towards socially responsible banking.

Currently, we assume the following commitments:

◆ Global Alliance for Banking on Values

The Global Alliance for Banking and Values (GABV) is a network of banking leaders from around the world committed to advancing positive change within the banking sector. The collective goal is to change the banking system to be more transparent, to support economic, social and environmental sustainability, and is comprised of a wide range of banking institutions that serve the real economy.

◆ Mix Market

It is a platform that enables its users to assess market conditions, individual FSP performance, and value the financial inclusion landscape.

◆ SMART CAMPAIGN

Through our adherence to the SMART CAMPAIGN, the Bank commits to implementing client protection standards within the institution. The Bank has a Smart Campaign Certification regarding good customer protection practices.

◆ UNFPA - Nairobi World Summit ICPD 25 - Advancing the Promise



The Summit took place in Kenya, Nairobi from November 12 to 14, 2019, where the five main topics were addressed: Gender Equality, Youth Leadership, Political and Community Leadership and Innovation.

The Nairobi Summit revitalized the global community, gave new life into the ICPD agenda, and sustained the achievements obtained since 1994. It was a space where governments and other organizations announced voluntary and global commitments, which will accelerate the progress and fulfillment of the SDGs.

Banco Sol participated in the Summit thanks to the direct invitation of UNFPA Bolivia to the Social Capital area and its manager, with the purpose of socializing the results obtained with the alliance as well as expressing the commitments as a private institution.

BancoSol was the only private company to attend the Nairobi Summit and participate in the commitments in order to comply with the agenda. The commitment assumed by our institution is the following:

“To ensure the continuous approach of the theme of pregnancy prevention in girls and adolescents, and sexual violence, through the strengthening of comprehensive sexuality education developed through soccer and music schools for populations within vulnerable situations, from a comprehensive perspective which includes mothers, fathers and those co-responsible for rights.

Likewise, the strategy proposes promoting respect for diversity through the entity’s products and services, contributing to the construction of a more just society, from a gender perspective and a culture of peace.

The continuity of BancoSol S.A.’s Social Capital program seeks to establish solid links between the community and private companies, to encourage the formation of positive citizen values, and to generate opportunities for the improvement of their quality of life.

The soccer and music schools (CopaSol and ClaveSol) will contribute to this purpose, since through the practice of this sport, changes in habits and attitudes of children and youngsters will be promoted through methodical teaching that develops values.”

◆ GLOBAL COMPACT

BancoSol joined this global initiative voluntarily, with the commitment to work towards the fulfillment of the Sustainable Development Goals.

During the 2019 term, our institution was part of the Children’s Table of the Global Compact Bolivia Network promoted by the Confederation of Private Entrepreneurs of Bolivia through its Corporate Social Responsibility Unit.



NATIONAL AND INTERNATIONAL ASSOCIATIONS

- ◆ ASOBAN
- ◆ ASOFIN
- ◆ Confederation of Private Entrepreneurs of Bolivia
- ◆ FELABAN
- ◆ GABV
- ◆ ACTION Network
- ◆ MicroFinance Network (MFN)
- ◆ World Economic Forum
- ◆ Bolivian-German Chamber of Commerce and Industry
- ◆ AMCHAM Bolivia
- ◆ Renaissance Executive Forums
- ◆ FOROMIC
- ◆ INFOCRED
- ◆ ACCL S.A.
- ◆ ATC

AWARDS AND RECOGNITIONS

The greatest recognition given to BancoSol during the 2019 term was the “Liberty Torch” in the Merit degree of the Municipal Autonomous Government of La Paz, for its contribution and the work conducted in the heritage conservation of the houses in the area of San Pedro, where your National Office and the San Pedro agency are located.

During the 2019 term, Capital Social, BancoSol’s Corporate Social Responsibility (CSR) Program was distinguished with the Paul Harris Award for Business Excellence 2019 due to its contribution and generated social impact. The recognition summarizes the work executed by BancoSol with the purpose of fulfilling an essential objective: to strengthen ties with the community and improve the living conditions of Bolivians throughout the country.

Throughout the 19 versions of the Paul Harris Award organized by the Rotary Club Chuquiago Marka, BancoSol repeatedly placed itself within

the select group of entities that year after year stand out for making efforts to benefit Bolivians through a Corporate Social Responsibility Program with high social commitment.

Additionally, and through its Social Capital program, recognitions were received from the various partners and institutions with which the Corporate Social Responsibility area works. Among those that stand out:

- ◆ Recognition of the Corporate Social Responsibility Program
COSAS MAGAZINE - CAF DEVELOPMENT BANK OF LATIN AMERICA - EUROPEAN UNION MINISTRY OF DEVELOPMENT PLANNING.
April 2019
- ◆ Recognition to “Capital Social”
FRUTIMARKETING - MBS AWARDS
January 2019
- ◆ Recognition of the Corporate Social Responsibility Program
AUTONOMOUS MUNICIPAL GOVERNMENT OF LA PAZ - ZEBRA URBAN EDUCATORS.
November 2019

CHAPTER

4

ECONOMIC PERFORMANCE



LOANS

The Bank's portfolio grew by 5.76% compared to the end of December 2018. In absolute terms, the portfolio went from \$1,621.96 million USD to \$1,715.42 million USD, in other words, growing by 93 million USD.



At the closing of the 2019 term, the default portfolio index remained low, staying at 0.72%, compared to 1.35%, which was the indicator of the institutions that make up the Association of Financial Institutions Specialized in Microfinance of Bolivia - ASOFIN.

Arrears Portfolio / Gross Portfolio	2018	2019
Banco Sol	0.63%	0.72%
Microfinance Banks	1.29%	1.35%
Commercial Banks	1.95%	2.17%
Bank System	1.70%	1.83%
Gross Portfolio Growth	2018	2019
Banco Sol	11.4%	5.8%
Microfinance Banks	11.7%	5.6%
Commercial Banks	12.7%	6.8%
Bank System	11.9%	7.3%

The continuous improvements to credit technology, the efficient administration of credit products portfolios, the improvement of control systems and the intensive training of human resources constitute the set of reasons that have allowed us to achieve these results.

SUSTAINABILITY AND CONTINUOUS IMPROVEMENT OF BANCOSOL'S CREDIT TECHNOLOGY

During the 2019 term, and like any other year, the policy of reviewing, updating, and improving credit regulations has been maintained. During this term, the changes have been aimed at simplifying the requirements

and conditions for the granting of loans, as well as the search for agility within the process of evaluation and approval of loan operations, aspects that allow us to provide a timely response to the financing needs of our clients, both old and new

Likewise, we have increased support for the Productive and Agricultural sectors, constantly training our staff and improving our technology destined to these sectors that are especially important within the national economy.

All the improvements made have been accompanied by the work and commitment of our officials, the result of which has allowed us to achieve the strategic objectives defined by our Institution, maintaining the quality of our portfolio.

It is important to highlight that, during this term, BancoSol maintains compliance with the portfolio goal destined to loans of the Productive and Social Interest Housing Sectors.

In line with our Institutional Mission and Vision, our growth has focused on microentrepreneur clients, serving, and working closely with the lowest-income segments of our country.

With regards to the number of clients, at the end of 2019, we maintained a significant market share with 41.47% of the total number of microfinance banks.

ADMINISTRATION OF THE LOAN PORTFOLIO

The results show that the following objectives were achieved:

- ◆ Portfolio management specialized by amount, strengthening the management of credit risk.
- ◆ The improvement of the processes for requesting, evaluating, approving and disbursing loans, satisfying in a timely manner the needs of our clients, was achieved, mainly privileging the Productive Sector of Microentrepreneurs.
- ◆ The implemented control mechanisms have enabled our Business Advisors to improve loan evaluations and develop a deeper analysis to grant operations, maintaining the quality of our portfolio.

Based on the strengthening and continuous training of our sales force composed of Business Advisors, Business Managers, Agency Managers, Regional Business Sub-Managers and Regional Sub-Managers of Commercial and Productive Banking, we were able to respond to the proposed changes.

PORTFOLIO PERFORMANCE BY PRODUCT

During the 2019 term, the product with the largest participation in the Bank's loan portfolio was "Sol Productivo", with 53.80% and growth of \$59.57 million USD, on its part "Sol Individual" intended to finance working capital and investment, had a participation of 19.32%.

Regarding Customers, the products with the highest absolute growth were: Sol Productivo with 7,893 and Sol Vivienda with 6320 clients.

In terms of number of operations, the products with the highest absolute growth were: Sol Productivo with 12,063 and Sol Vivienda with 6,562.

The average loan (Amount disbursed) at the end of the 2019 term, reached \$7,737 USD; the "Sol Vivienda Social" product has the highest average loan, with \$ 26,859 USD.

The following table shows that 40.40% of BancoSol's operations are concentrated in amounts disbursed up to \$5 thousand USD, this same stratum represents 13.90% of the portfolio as of December 2019; the following stratum (greater than \$5 thousand USD and up to \$10 thousand USD) concentrates 30.88% of the number of operations and 27.48% of the portfolio at the indicated cut. The stratum of disbursed amount greater than \$10 thousand USD registers a portfolio participation of 58.62%, however, it concentrates only 28.72% of operations.

Ranges in USD	Amount (in thousands USD)	Participation %	No. of Loans	Participation %
- 5,000.00	238,435,193.94	13.90%	127,290	40.40%
5,001.00 10,000.00	471,432,993.10	27.48%	97,302	30.88%
10,001.00 onwards	1,005,547,682.99	58.62%	90,482	28.72%
TOTALS	1,715,415,870.02	100.00%	315,074	100.00%

INDICATORS TO HIGHLIGHT

- ◆ One of the lowest arrears rates within the National Financial System: 0.72%
- ◆ An adequate and prudent growth of the loan portfolio within the National Financial System: 5.76%.

PUBLIC DEPOSITS

The savings accounts balance in 2018 was of \$476 million USD, representing a growth of 5.22% compared to the previous term, while the number of accounts exceeded 898,000 (3.65% more in relation to 2018). This growth shows the confidence that the institution generated for the new savers.

Term Deposits were of \$742 million USD (-1.96% than the previous year), a decrease that was mainly due to the conflicts of the last quarter while the number of deposits reached 33,202.

Evolution of deposits from the public 2014 - 2019
(Expressed in thousands of USD)

SAVINGS ACCOUNTS						
	2014	2015	2016	2017	2018	2019
Balance in savings accounts (in thousands of USD)	287,938	317,813	339,530	384,423	453,271	476,923
Variation %	20.72%	10.38%	6.83%	13.22%	17.91%	5.22%
Number of accounts	698,022	738,440	781,347	843,601	867,220	898,848
Variation %	8.93%	5.79%	5.81%	7.97%	2.80%	3.65%
Average balance in USD	413	430	435	456	523	531
FIXED-TERM DEPOSITS						
	2014	2015	2016	2017	2018	2019
Amount in FTD (in Thousands of USD)	557,586	628,451	686,244	681,630	757,188	742,363
Variation %	7.65%	12.71%	9.20%	-0.67%	11.08%	-1.96%
Number of Deposits	10,498	10,766	11,072	12,142	17,985	33,202
Variation %	-18.17%	2.55%	2.84%	9.66%	48.12%	84.61%
Average amount in USD	53,114	58,374	61,980	56,138	42,101	22,359
Total Deposits from the public	845,523	946,264	1,025,774	1,066,053	1,210,458	1,219,286

FUNDING

The evolution of funding shows a total of \$1,650 million USD, broken down as follows:

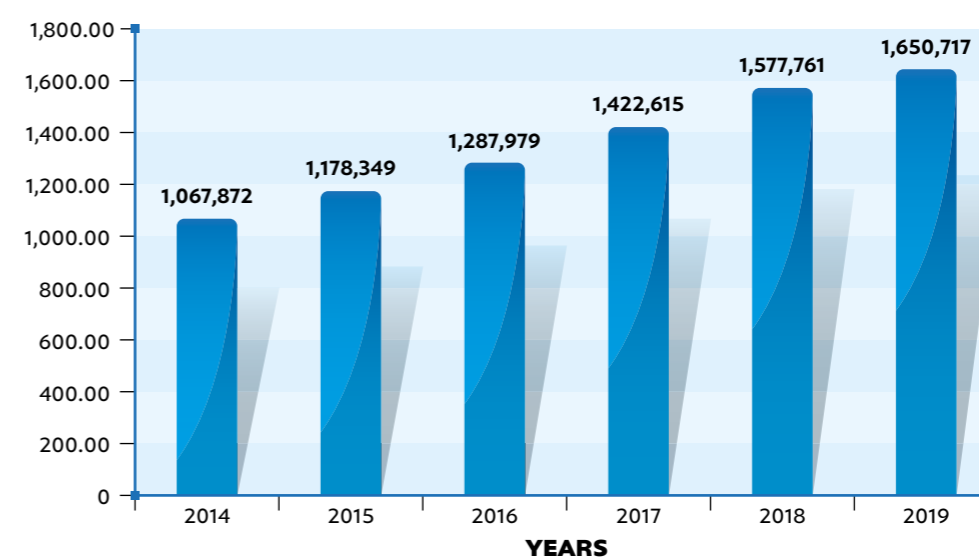
- ◆ \$476.92 million USD correspond to Savings Accounts (28.9%)
- ◆ \$742.36 million USD to FTD (45%)
- ◆ \$48.10 million USD (2.9%) to Subordinated Obligations
- ◆ \$72.88 million USD (4.4%) to Bonds
- ◆ \$310.43 million USD (18.7%) to other financing.

These figures show the diversity and versatility of BancoSol's Funding, allowing it to achieve portfolio growth.

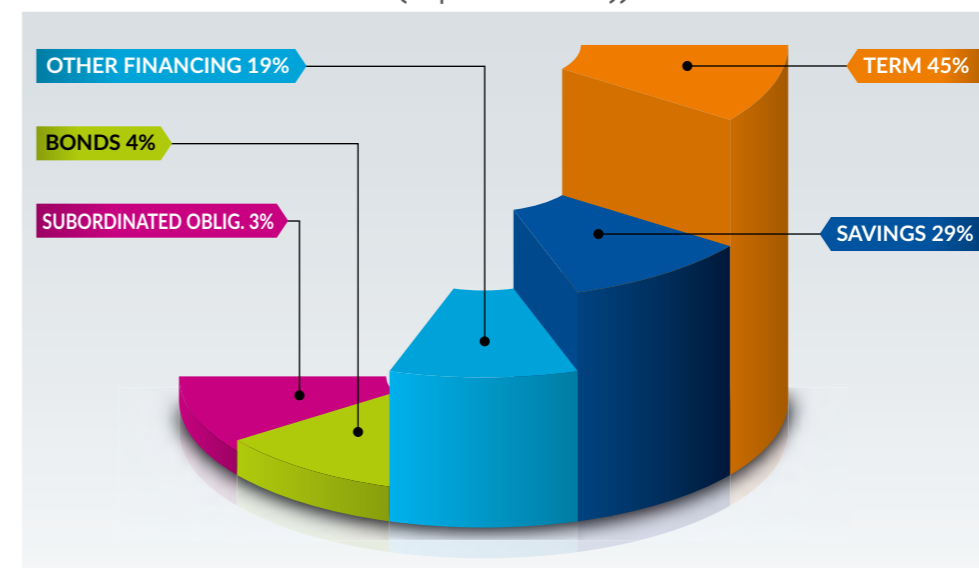
Funding Evolution 2014 – 2019
(Expressed in thousands of USD)

YEAR	Savings	%	Term	%	Extern. Finan.	%	SUBORDINATED OBLIGATIONS	%	Bonds	%	Other Financ.	%	TOTAL
2014	287,938	27.0%	557,586	52.2%	2,478	0.2%	28,717	2.7%	97,668	9.1%	93,486	8.8%	1,067,872
2015	317,813	27.0%	628,451	53.3%	1,652	0.1%	28,717	2.4%	97,668	8.3%	104,048	8.8%	1,178,349
2016	339,530	26.4%	686,244	53.3%	826	0.1%	19,461	1.5%	97,668	7.6%	144,251	11.2%	1,287,979
2017	384,423	27.0%	681,630	47.9%	0	0.0%	27,697	1.9%	97,668	6.9%	231,198	16.3%	1,422,615
2018	453,271	28.7%	757,188	48.0%	0	0.0%	37,901	2.4%	72,886	4.6%	256,515	16.3%	1,577,761
2019	476,923	28.9%	742,363	45.0%	2,000	0.1%	48,105	2.9%	72,886	4.4%	308,439	18.7%	1,650,717

Funding Evolution 2014 – 2019
(Expressed in thousands of USD)



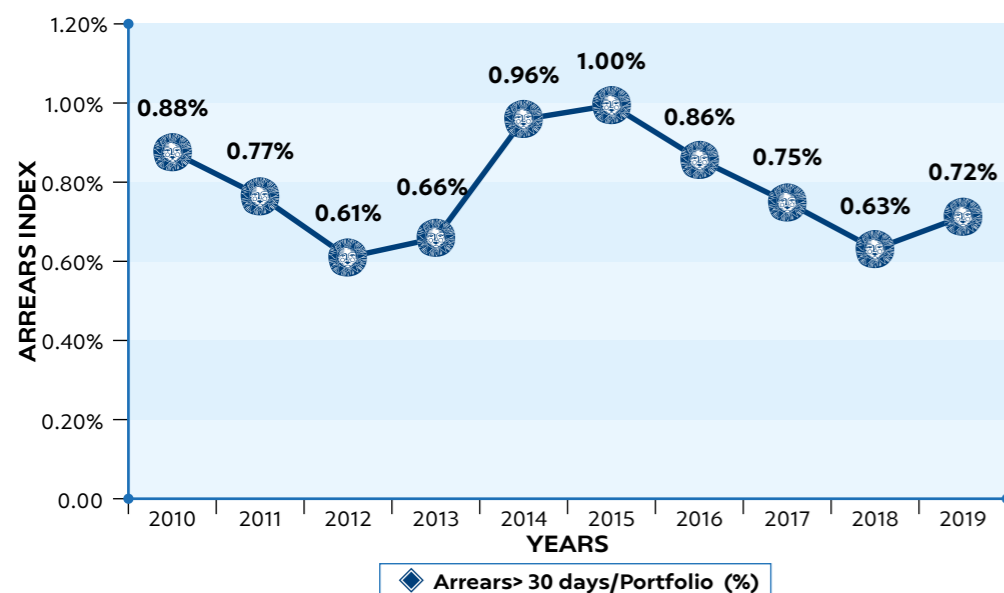
2019 Funding Composition
(Expressed en %)



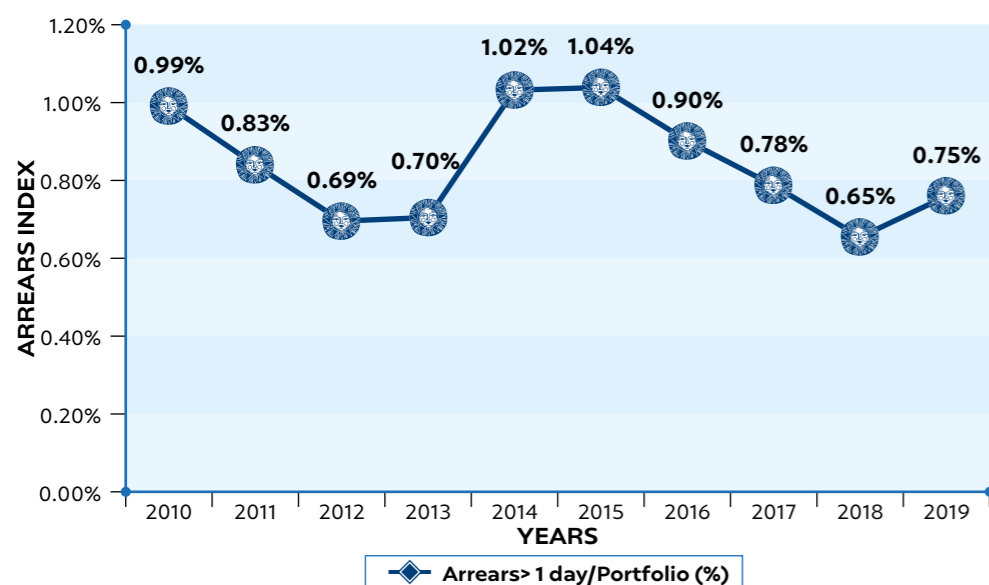
ARREARS BEHAVIOR

Through time BancoSol registered a low level of non-performing loans, a result that was remarkable due to being less than the average of the national banking system. As of December 2019, the portfolio in arrears reached 0.72% (arrears greater than 30 days/portfolio), while arrears greater than 1 day was of 0.75%.

Arrears Evolution 2010 – 2019
(Greater than 30 days)



Arrears Evolution 2010-2019
(Greater than 1 day)



CHANNEL MAP

INNOVATIVE SERVICES AND CHANNELS TO REACH THE POPULATION

A characteristic of BancoSol was the constant innovation of customer service channels with the purpose of facilitating access and take financial services to areas and regions that previously did not have them.

The positive response from clients and financial users to these alternative channels developed by BancoSol showed the effectiveness of the proposal.

At the end of 2019 the volume of transactions in Fixed Agencies, Mobile Agencies, Automatic Teller Machines (ATM), the SMS message banking service (InfoSol), Sol Amigo Points, Sol Amigo Express Points (Non-financial Correspondents) and internet banking services (AppSol and SolNet), exceeded 30 million.

This figure shows a constant growth with respect to past efforts evidencing the need of the market, something that encourages us to continue deepening creative solutions for the banking process within peri-urban and rural areas.

FIXED AGENCIES

As of December 2019, BancoSol has 60 fixed agencies in urban areas and 42 agencies in intermediate and rural areas, demonstrating its commitment towards its clients and users throughout the country.

SOL AMIGO ATTENTION POINTS

One of the most outstanding creations of BancoSol in the financial system were the Sol Amigo Points. By being strategically located in small businesses and shops, the same allow financial services to reach places that do not have access to a fixed agency.

To December 2019, the Sol Amigo Points network added more than 6.4 million transactions, turning it an important channel for customer service and financial users.

SOL AMIGO EXPRESS NON-FINANCIAL CORRESPONDENTS

BancoSol revolutionized the financial market with the introduction of the Non-Financial Correspondents (Corresponsales No Financieros, CNF) service called Sol Amigo Express. Like Sol Amigo, they are installed in small neighborhood shops with the addition that financial transactions can be conducted without the need for a Bank official to carry out the operation. At the end of 2019, 355 Sol Amigo Express Points operated in the cities of La Paz, El Alto, Cochabamba, Santa Cruz, Oruro, Chuquisaca, and Tarija. They conducted more than 724,000 transactions.

What is remarkable about the new service is that it turned entrepreneurs into Non-Financial Correspondents of the Bank since they were in a position to carry out financial transactions through an electronic Point of Sale (POS) equipped with a fingerprint reader and a wireless network, enjoying all the safety and effectiveness conditions of a conventional agency.

In this manner, BancoSol ratified its service vocation by generating new tools so that micro and small entrepreneurs and the population in general can access quality financial services.

AUTOMATIC TELLER MACHINES

At the end of 2019, the ATM network reached 202 machines, placing BancoSol among the entities with the most service points nationwide and carrying out more than 3.1 million transactions.

MOBILE AGENCIES

At the beginning of the decade, BancoSol took the initiative of creating Mobile Agencies as an alternative for financial services to reach peri-urban and rural areas.

With mobile agencies, most entrepreneurs located in these areas had their first contact with a financial institution, thereby, once again, fulfilling our purpose of deepening financial inclusion.

The mobile agencies operate in El Alto, Santa Cruz, and Cochabamba; at the closing of the term, BancoSol had six Agencies in operation that visit different communities in these areas in a daily manner.

SOLNET AND APPSOL

BancoSol was the first microfinance bank to make online banking available to its clients. In 2019, this proposal was strengthened through its digital banking platform composed of: Solnet, internet banking, and AppSol, the application for mobile phones and tablets. At the term's closing, more than 1.8 million transactions were registered through these channels.



CHAPTER

5

ENVIRONMENTAL PERFORMANCE

Climate Change constitutes a global concern, for this reason, and being committed to society, we assume the responsibility of adopting actions surrounding this problem.

■ ENVIRONMENTAL POLICY

As of 2017, the Social Capital Unit has its Environment Policy duly approved and effective until 2019, with the same aiming to establish guidelines to reduce greenhouse gas emissions that are generated in the performance of the Bank's activities, especially those derived from energy consumption, in order to contribute to the mitigation of climate change.

In this manner, BancoSol has been generating awareness among the groups of interest through the implementation of direct actions for the care and preservation of the environment, training in good environmental practices such as the application of the 3R's (Recycle, Reduce and Reuse resources), and undertaking work that generate a social environmental awareness; the plan is to use them to reduce its impact index on the Carbon Footprint.

■ CARBON FOOTPRINT MEASUREMENT¹

During a Biennial term, BancoSol performs the measurement of the Carbon Footprint of our institution. The Independent Consultant Servicios Ambientales (SASA) carried out the work for the 2019 term.

The methodology for calculating the Carbon Footprint complies with the guidelines established in the International Standard ISO 14064-1:2006, and the technical guidelines established by the IPCC. According to ISO 14064:1 the emissions are classified into:

- ◆ Scope 1. Direct GHG Emissions: Emission sources that are owned or controlled by the organization. Emissions under this scope are of mandatory reporting.
- ◆ Scope 2. Indirect GHG emissions from energy: Indirect GHG emissions that come from the generation of electricity of external origin, consumed by the organization. Emissions under this scope are also of mandatory reporting.
- ◆ Scope 3. Other Indirect GHG Emissions: Indirect GHG emissions occur as a consequence of the organization's activities, but they come from sources that are not controlled by the organization. Emissions under this scope are of voluntary reporting.

¹ Carbon Footprint Measurement Report prepared by SASA for the 2019 Term.



In this evaluation, 446 financial attention points were considered nationwide, including 111 fixed agencies and branches, 6 mobile agencies, 1 collection agency, 8 windows, 196 ATMs and 124 Sol Amigo points. The information was added per regional office, as follows:

1. National Office (La Paz)
2. La Paz Regional
3. Eastern Regional (Santa Cruz and Beni)
4. Cochabamba Regional
5. Potosí Regional
6. Chuquisaca Regional
7. Tarija Regional
8. El Alto Regional
9. Pando Regional
10. Oruro Regional

For quantification, the following emission factors were considered:

Emission factors employed.

EMISSION FACTOR		
Scope 1	Gasoline	IPCC, Guidelines for National Greenhouse Gas Inventories, Vol. 2: Energy, Chap. 3, 2006. Poder Calorífico: YPFB Refinación.
	Diésel	IPCC, Guidelines for National Greenhouse Gas Inventories, Vol. 2: Energy, Chap. 3, 2006. Poder Calorífico: YPFB Refinación.
	Gas natural vehicular	IPCC, Guidelines for National Greenhouse Gas Inventories, Vol. 2: Energy, Chap. 3, 2006. Poder Calorífico: ANH, 2018.
Scope 2	Electric power	Developed by Servicios Ambientales S.A., from the information provided by the National Chamber of Freight Forwarders (CNDC), 2017.
Scope 3	Paper	Emission factor per kg of paper produced developed by the company Suzano from Brazil, 2015.
	Solid waste	IPCC, Guidelines for National Greenhouse Gas Inventories, Vol. 5: Waste, 2006 and characteristics of landfills in Bolivia.

Source: SASA

BancoSol's Carbon Footprint for the 2019 term was 3,740 tCO₂e, composed in the following manner: 3,267 tCO₂e correspond to Scope 1 and 2 emissions, and 474 tCO₂e correspond to Scope 3 emissions. These emissions equal the carbon dioxide that 12,450 trees absorb during a 10-year period, or the electricity consumption of 2,660 homes in the city of La Paz in one year.

The Eastern, La Paz, El Alto and Cochabamba Regionals account for 83% of the Carbon Footprint. Emissions from electricity consumption represent 41% of the total footprint. Considering the emissions per official, the El Alto Regional (0.22 tCO₂e) and Cochabamba (0.26 tCO₂e) are the ones that have the best performance, followed by the Oruro

Regionals (0.47 tCO₂e), La Paz (0.57 tCO₂e), Eastern (0.61 tCO₂e), Pando (0.64 tCO₂e), Tarija (0.73 tCO₂e), and finally, the regional offices of Sucre and Potosí (0.76 and 0.95 tCO₂e respectively).

Fuel consumption, specifically gasoline, becomes relevant in the Regional offices due to contributing 28% to the bank's total Carbon Footprint. These emissions have a high reduction potential if efficiency measures are applied for the use of Bank-owned vehicles.

COMPARATIVE ANALYSIS OF DIFFERENT BANCOSOL TERMS

The following table summarizes the characteristics of the evaluation of years 2017 and 2019.

Characteristics of the evaluations conducted in BancoSol.

YEAR	EVALUATED REGIONAL	SCOPE 1	SCOPE 2	SCOPE 3	# OF OFFICIALS	TOTAL HC	HC PER CAPITA SCOPE 1 AND 2 ⁵
2017	La Paz Regional	-Gasoline -Diesel -Vehicular natural gas	-Electric power	-Paper -Waste - Air travel	2,913	4,645	1.07
	East Regional						
	Cochabamba Regional						
	El Alto Regional						
	Chuquisaca Regional						
	Potosí Regional						
	Oruro Regional						
	Tarija Regional						
	Pando Regional						
	2019						
East Regional							
Chuquisaca Regional							
El Alto Regional							
Chuquisaca Regional							
Potosí Regional							
Oruro Regional							
Tarija Regional							
Pando Regional							

Source: SASA

It is worth mentioning that the emissions factor for the use of electrical energy in the 2019 term decreased from 430 to 315 grams of CO₂e per kWh.

In general terms, the HC of 2019 decreased in relation to the previous evaluation of the year 2017.

⁵ Carbon Footprint Measurement Report prepared by SASA: For the HC per capita of 2017, Scope 3 emissions were not considered in this section, to be comparable with the 2019 per capita

CONCLUSIONS

BancoSol managed in 2019, to fulfill the mission that inspires it, something that represented a high effort to maintain the service with quality and warmth to people with lower incomes. This result would not have been possible without the dedication of all the Bank's collaborators and their constant adherence to the institutional creed.

We maintain leadership in the fulfillment of our mission and have become regional and international benchmarks in the conceptualization and practice of microfinance, under a challenging regulatory environment.

The challenges posed by the environment have prepared us to take a new leap of relevance in improving our services to the satisfaction of our groups of interest.

This commitment motivates us to continue working to build a better country, promoting, training and believing in our entrepreneurs who help us to grow together with their work.



