We believe in you
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Since it was founded more than 100 years ago, “la Caixa” has remained true to its historical aims of encouraging saving and investment, and of driving forward socioeconomic progress in all regions in which it operates.

In this context, in 2007 the institution set up MicroBank, “la Caixa”’s social bank, with the objective of offering products and services, particularly microcredits, to those customers whose needs were not met satisfactorily by the traditional financial system.

In this period, MicroBank has achieved the key goals set out for it when it was founded: to encourage productive activity, boost job creation and support personal and family development, delivering social value while at the same time upholding the principles of rigor and sustainability inherent to a financial institution.

Over time it has positioned itself as a European leader in the field of microfinance and increasingly its short but intense experience is being analysed by other entities that see MicroBank as a successful model of how to approach a sector of the financial market that is key to economic and social recovery.

For “la Caixa”, the creation of MicroBank was a strategic decision, taken in order to increase the Group’s commitment to the social and economic environment, and one that has allowed us, once again, to anticipate and respond to some of the financial needs, that have been increased by the current state of the economy and labour market.

Providing fair, good quality access to credit for entrepreneurs, small businesses and families with limited resources is not only a social obligation but is, in these times, an absolute necessity in order to promote economic recovery.

The “la Caixa” group – and MicroBank is a clear example of this – works, day after day, to adapt to change, with the aim of providing answers to the new challenges of an evolving society. Despite the changes, which are necessary for us to move forward and grow, the three aspects, financial, commercial and social, that are integral to “la Caixa” and MicroBank will, without doubt, continue to mark our way forward.
In the last financial period we have experienced some of the toughest and most demanding economic conditions, resulting in an increase in financial worries for much of the population, especially those who are most vulnerable, both in the productive sector and in family life.

The recovery of the labour market and people’s quality of life are two vital factors that depend to a large extent on the availability of credit for those businesses that form the foundation of the commercial system and for those households least able to save. The first, because of their ability to create wealth and employment opportunities given that, significantly, small and micro businesses make up more than 90% of European companies, and the second because access to credit in times of need has a decisive impact on the economic progress of the people.

Since its creation, MicroBank has helped improve access to credit for its potential customers: those that could be served financially, but do not get enough attention from the conventional financing channels, either because the small amounts involved do not outweigh the administrative costs involved, or because the lack of financial guarantees represents a level of risk that they are not willing to take.

The significant increase in MicroBank’s activity confirms that its value proposition is relevant, meets a real need in our society and can be carried out in a sustainable way, meeting all the current requirements of the financial system to ensure its solvency and sustainability.

MicroBank’s financial solidity, the quality of its assets and the high level of efficiency of its management model, are an excellent base on which to continue expanding its business, providing the highest level of confidence to all those who back our project and providing a decisive impetus to entrepreneurs who, with their initiatives and efforts, contribute to economic and social progress.
Adapting the microcredit concept to the conditions of a country like Spain, looking for a model capable of reconciling social value with sustainability and the capacity to grow to meet a significant part of the demand, has been put to the test in 2010, a year in which the economic situation has particularly affected the most financially vulnerable segments: those whom we address.

MicroBank’s business has continued to grow, with more than 93,000 loans now granted since it began its activity, amounting to close to €600 million, although the current environment has favoured neither investment in small businesses nor family borrowing. During the past year we have granted an average of 135 microcredits a day, each of which has contributed to making a professional or personal project come true and offered new opportunities to our customers.

The experience we have gained has enabled us over time to tailor our range of products and services, making them increasingly appropriate to the different needs of each of the groups that we target. In this way, we are able to offer our customers an increasingly comprehensive and high quality service.

The positive social impact of our activity, which includes contributing to job creation and equal access to credit for lower income families, as well as promoting financial inclusion, is progressively growing stronger.

The economic situation has helped confirm that reconciling the provision of social value with sustainability is not an option, but a necessity for any microfinance project.

The positive social balance previously discussed is complemented by an excellent economic balance sheet, with high-quality, growing results derived from our everyday business and a strong financial position that is due both to the quality of our assets and to the soundness of our liabilities.

All of the above encourages us to focus our strategy for the coming years towards the expansion of our business, in order to respond to a growing share of existing demand, and to specialisation, so that access to banking services is widespread.
MicroBank, strategic keys

MicroBank, “la Caixa”’s social bank, was established in 2007 to channel microcredit activity that “la Caixa” had until then carried out through its Welfare Projects, in order to develop this economic and social activity within the parameters of rigor and sustainability inherent to a bank.

This brought to fruition the strategic desire to respond to various sectors of the population whose financial needs are not sufficiently met with a new social banking model that facilitates access to quality financial services.

During the year 2010 the bank’s activity has been fully consolidated and its contribution has become particularly relevant in the context of an economic crisis. MicroBank contributes to promoting equality of access to those banking services not always available to all individuals, professionals and micro companies.

The Bank, the only institution in Spain that specialises in microfinance, also aims to establish itself as a social banking model of reference at European level.

Using the business model it has developed, MicroBank has managed to combine the contribution of value in social terms with the creation of those resources required to ensure that the project continues to grow at the pace required by existing demand.
MicroBank, strategic keys

Mission

MicroBank offers products and financial services tailored to the needs of entrepreneurs, to those running micro companies and to families in order to contribute to:

• The promotion of productive activity and job creation through financial support for self-employed professionals and micro companies.

• Self-employment, through the creation of small businesses facilitated by granting microcredits to new entrepreneurs.

• Individual and family development, meeting their needs and helping them overcome temporary difficulties.

• Financial inclusion, encouraging new customers to engage in banking activity through the entity’s extensive branch network.

All of these factors have an important impact on social cohesion and the well-being of individuals and families, particularly those belonging to the most vulnerable social groups.

Activity

Since it was set up, MicroBank has granted 93,879 loans, lending €588.9 million to finance various projects. Despite the current economic climate, business performance has been generally positive, as can be seen in the chart below:

NUMBER OF MICROCREDITS GRANTED

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4,403(*)</td>
</tr>
<tr>
<td>2008</td>
<td>20,641</td>
</tr>
<tr>
<td>2009</td>
<td>32,008</td>
</tr>
<tr>
<td>2010</td>
<td>36,845</td>
</tr>
</tbody>
</table>

(*) It includes loans granted previously via “la Caixa”’s Welfare Projects.

Abel and Sonia are two siblings from León. After attending several food fairs they decided to set up their own business, distributing food products with Protected Designation of Origin status, in San Pedro de Dueñas (León).

They had already been granted a microcredit in 2004 and now, thanks to advice from the Instituto de la Juventud (Youth Institute), they have their own distribution channel through wholesalers at both regional and national level.

Entrepreneur’s name: Abel and Sonia Domínguez García
Name of business: Reino de León, Exclusivas y Distribuciones
Microcredit amount: €25,000
Total investment: €31,805
Future plans: Set up an on-line sales channel and take the first masters degree in Internet Business, having been selected by the Instituto Superior para el Desarrollo de Internet (Higher Institute for Internet Development).

ABEL AND SONIA DOMÍNGUEZ
Products with Protected Designation of Origin status

“Having access to a microcredit is a real and unique opportunity”
By type, microcredit investment volume for 2010 is as follows:

- Families: 71.6%
- Entrepreneurs: 28.4%

In addition to microcredits, which are its main business, MicroBank has since its creation developed a range of savings products and services that allow it to offer its customers a comprehensive package.

The steady growth in demand confirms the strength of the MicroBank project as well as the relevance of its offering to the needs of those sectors of the population to which it is addressed.

**Values**

**Social commitment**: promoting productive activity, job creation and consolidation, and personal and family development.

**Financial inclusion**: offering specially-tailored products and services and thereby promoting the use of banking services by those sectors of the population that have problems accessing the traditional financial system.

**Accessibility**: providing our customers with over 5,000 customer service points across the “la Caixa” branch network and providing complementary services through agreements with 417 partner entities throughout Spain.

**Security**: a rigorous financial and risk management policy has earned the trust and support of leading European financial institutions.

**Sustainability**: a pace of economic development able to meet the needs required for the bank's future growth.
Future prospects

Among other factors, MicroBank’s economic development stands out because of the growth in the business and the quality of its loan portfolio, which has established itself as one of the essential elements in ensuring the sustainability of the project.

Its high level of capitalisation and liquidity, a wide distribution network, the support of “la Caixa”, its sole shareholder, and the backing of European financial institutions are some of the competitive strengths of the institution.

All of these elements form a unique platform for the continued expansion of a business that must be complemented by the introduction of new products and services, specially-tailored to MicroBank’s customers.

The European Commission has launched various programs to encourage private initiative in the field of entrepreneurship and provide support for the creation, consolidation and expansion of micro companies as an engine for economic growth and job creation. These include the Competitiveness & Innovation Framework Programme (CIP), which is administered by the European Investment Fund (EIF) in cooperation with institutions like MicroBank and promotes access to credit for entrepreneurs who encounter difficulties in obtaining financing.

It is also worth mentioning the financial support offered by institutions like the Council of Europe Development Bank, a multilateral bank that, by providing facilities and funding to institutions like MicroBank, helps increase the scope and future sustainability of its activity.

MicroBank’s activity is part of the trend within the European Union to promote microfinance as a tool for encouraging economic and social cohesion, with an emphasis on the need to apply criteria that ensure economic sustainability when managing this activity.

**ISABEL GUERRERO CASAS**

**Small supermarket**

“Being made unemployed was the kickstart I needed to make up my mind to start my own business”

Isabel had spent her whole life in commerce and her dream was to run her own business. When she was made unemployed she decided it was time to make her dreams come true in her own town: Bailén, in Jaén.

She had her own premises, but didn’t have enough savings to do them up and open her business. She applied for a microcredit and took some courses for entrepreneurs before opening her business.

| Entrepreneur’s name: Isabel Mª Guerrero Casas |
| Name of business: El Castillo |
| Microcredit amount: €10,000 |
| Total investment: €23,000 |
| Future plans: Expand and take on another person. |
Corporate Governance

MicroBank is governed, managed and represented, within the limits of their respective powers, by its Board of Directors and by “la Caixa”, the bank’s sole shareholder. Both bodies are responsible for making any strategic decisions that may affect MicroBank and carefully monitor the bank’s activities, examining its balance sheet, financial situation and earnings, as well as the risks inherent to its business.

The Board of Directors is vested with broad powers, limited only by those conditions laid down by law and by the Company’s articles of association.

Board of Directors
(at 31st December 2010)

Chairman
José Francisco de Conrado y Villalonga

Deputy Chairman
José Juan Pintó Ruiz

Members
Juan Carlos Gallego González
Maria Dolors Llobet Maria
François Miqueu (*)
Josep Ramon Montserrat Miró
Miquel Noguer Planas
Juan Reguera Díaz
Manuel Romera Gómez

Secretary (non-director)
Sebastián Sastre Papiol

Management Team

General Manager
Alberto López Martinez

Division Heads
Antonio Manuel Alcalá Sánchez
Núria Danés Jofre
Ramón Gatell Collell
Salvador Pané Solé

(*) Appointed by the General Board the 16th of February, 2011.
Business model

MicroBank offers its products and services through the branch offices of “la Caixa”, which has the largest distribution network in Spain, with 5,409 branch offices.

In addition, MicroBank has signed collaboration agreements with 417 entities, with the aim of promoting self-employment and facilitating access to microcredit financing, especially among those groups who are currently financially excluded or are at risk of becoming so. The benefits that MicroBank’s partner entities bring to the table include the following:

- Providing first-hand knowledge of the customers applying for microcredits, helping ensure a better evaluation of the transaction.
- Giving advice on putting together the business project and carrying out a prior assessment of its viability and rationale.
- Broadening the distribution network for MicroBank’s products and services throughout Spain.

The main contribution of the partner entities is to act as a liaison between potential clients and MicroBank, offering in many cases professional support in preparing the business project and monitoring its progress.

Sales network: 5,409 branches of “la Caixa”

Loan products: microcredits

MICROCREDITS FOR ENTREPRENEURS

Financial microcredit
- Setting up a business
- Expanding and consolidating a business

Social microcredit
- Self-employment projects

Family microcredit
- Housing
- Disabled people
- Temporary difficulties
- Family regrouping
- Transport needs

FAMILY MICROCREDS

CUSTOMER DEPOSITS

- Savings Account
- Basic Savings Account
- Current Account
- Basic current account

OTHER PRODUCTS AND SERVICES

- MicroBank Ethical Fund
- Debit card
- Bank guarantees
- Servicuenta MicroBank
- Servicuenta MicroGiros

Collaborating entities

- 86 non-profit organisations
- 3 autonomous communities
- 231 town councils
- 75 public bodies
- 12 universities
- 10 others

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- Providing first-hand knowledge of the customers applying for microcredits, helping ensure a better evaluation of the transaction.

- Giving advice on putting together the business project and carrying out a prior assessment of its viability and rationale.

- Broadening the distribution network for MicroBank’s products and services throughout Spain.

The main contribution of the partner entities is to act as a liaison between potential clients and MicroBank, offering in many cases professional support in preparing the business project and monitoring its progress.
The table below shows the different types of partner entities and the groups to which they provide their services:

<table>
<thead>
<tr>
<th>PARTNER ENTITY</th>
<th>CUSTOMER TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bodies</td>
<td>Women, Young people</td>
</tr>
<tr>
<td>Autonomous community governments</td>
<td>Self-employed business people, Entrepreneurs</td>
</tr>
<tr>
<td>Town councils and social services offering support to the unemployed and entrepreneurs</td>
<td>Unemployed people, including the long-term unemployed, Those receiving help from municipal social services, Young people and new entrepreneurs</td>
</tr>
<tr>
<td>Universities</td>
<td>University student entrepreneurs</td>
</tr>
<tr>
<td>University foundations</td>
<td>Students and alumni with small business projects</td>
</tr>
<tr>
<td>University, professional and business schools</td>
<td>Recent university graduates without professional experience</td>
</tr>
<tr>
<td>Professional and entrepreneurial associations</td>
<td>Self-employed business people and professionals, Women entrepreneurs, Young entrepreneurs</td>
</tr>
<tr>
<td>Non-profit organisations</td>
<td>The unemployed, New residents, People at risk of social exclusion, Women</td>
</tr>
</tbody>
</table>

**Barcelona Activa**

Barcelona Activa is the local development agency for Barcelona City Council and promotes employment in business. It has become a local and international benchmark through its work supporting entrepreneurship, innovation and job creation. Microcredits play a crucial role in these areas as financial tools to help inclusive entrepreneurship become a reality for many people who have been able to start their own business. It is for this reason that in 2005 Barcelona Activa and MicroBank signed a partnership agreement.

In 2010 Barcelona Activa received 101 applications, of which 57 business projects were approved following an appraisal by the technical team. MicroBank has granted 32 microcredits, reaching a 54% acceptance rate.

The 32 projects have resulted in the creation of 46 new jobs. 44% of these projects went to Spanish applicants and 56% to citizens of other countries, both member states of the European Union and others.

146 loans have been granted since February 2005, with a total value of €2,38 million.
The Secretary of State for Equality

Since it started trading, MicroBank has had a partnership agreement with the Secretary of State for Equality, aimed at women entrepreneurs who have difficulty obtaining finance due to their economic and social status.

The objective of the agreement is to provide financing, on favourable terms and without the need for guarantees, to viable women's business projects, as well as offering any necessary advice for the first two years after the microcredit has been granted. Eight women’s organisations are part of the agreement, offering advice and acting as administrative centres.

70 microcredits were granted in 2010, amounting to €1.2 million.

Since the program began, 974 credits have been granted, worth a total of €12.4 million.

Monte de Piedad

Monte de Piedad de “la Caixa” is one of the oldest pledge loan institutions still operating in Spain.

In mid 2010 MicroBank took over management of Monte de Piedad de “la Caixa” with the aim of increasing its business impact and boosting its growth.

This step has been taken in line with the socially-beneficial and inclusive work that MicroBank carries out through the provision of microcredit to people facing difficulties accessing the traditional credit system. Monte de Piedad grants secured loans on jewellery to people that due to their work, family or financial situation may find it difficult to access credit or who have exhausted the traditional avenues of funding.

To take out this type of loan, which currently has a minimum value of €300, the customer must visit Monte de Piedad de “la Caixa”’s office in Barcelona. Here the maximum loan amount is calculated, based on a valuation. When the loan expires, and the customer settles the amount owed, the items are returned.

<table>
<thead>
<tr>
<th>MONTE DE PIEDAD DE “LA CAIXA” RUN BY MICROBANK</th>
</tr>
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<tbody>
<tr>
<td>Loans granted</td>
</tr>
<tr>
<td>Customer portfolio</td>
</tr>
<tr>
<td>Outstanding balance</td>
</tr>
<tr>
<td>Jewellery valued</td>
</tr>
<tr>
<td>Total valuation amount</td>
</tr>
<tr>
<td>Staff</td>
</tr>
</tbody>
</table>

Products and services

All products and services offered by MicroBank aim at promoting financial inclusion, productive activity, job creation and personal and family development.

MicroBank’s loans offer is structured in two microcredits types: microcredit for entrepreneurs and microcredit for families. In mid 2010, MicroBank has included pledge microcredit in its offer. The main conditions attached to and characteristics of each of these microcredit types are as follows:

**Microcredits for entrepreneurs**

- **Financial Microcredit**: this is a personal loan aimed at self-employed professionals or entrepreneurs and small businesses in need of finance to start up, expand or consolidate their activity, or meet their cash-flow needs. The maximum loan amount in this case is EUR 25,000. There is no need to provide any collateral and the loan must be paid back within 5 years, with a 6 month grace period. A basic requirement for the granting of this type of loan is that a business plan is presented so that a viability study can be carried out.

  Self-employed professionals or entrepreneurs with annual incomes of less than EUR 60,000 may apply, as well as micro-companies with fewer than 10 employees and a turnover of less than EUR 500,000.

- **Social Microcredit**: this is a personal loan of similar characteristics to the Financial Microcredit, but designed to provide financing for self-employment projects presented by people who may not have easy access to the traditional credit market, but who have received financial advice from one of MicroBank’s collaborating entities, prior to the concession of the microloan. It will also be necessary to provide a business plan, which in this case will be accompanied by a viability report from the collaborating entity that has advised the customer.
**Microcredits for families**

- **Family Microcredit**: this is a personal loan aimed at people with an annual income of less than EUR 18,000, to finance projects related to their personal and family development, or to meet any needs derived from exceptional or unforeseen personal circumstances. Some of the most common cases include: house improvements and other housing related expenses, health, education, needs arising from dependency or disability situations, family regrouping, or the acquisition of a vehicle. The maximum loan amount in this case is EUR 25,000. There is no need to provide any collateral and the loan must be paid back within 6 years, with a 12 month grace period.

- **Family Microcredit**: this is a personal loan aimed at people with an annual income of less than EUR 18,000, to finance projects related to their personal and family development, or to meet any needs derived from exceptional or unforeseen personal circumstances. Some of the most common cases include: house improvements and other housing related expenses, health, education, needs arising from dependency or disability situations, family regrouping, or the acquisition of a vehicle. The maximum loan amount in this case is EUR 25,000. There is no need to provide any collateral and the loan must be paid back within 6 years, with a 12 month grace period.

**Pledge microcredits**

- **Pledge Microcredits**: A minimum loan of €300 in which the applicant posts jewelry as collateral. This type of microloan is designed for those people who, due to their labour, financial or personal circumstances, find it difficult to access traditional credit sources.

MicroBank also offers a range of banking products which, while offering all of the standard services of a financial institution, are adapted to the bank’s customer profile.

**Savings and current account products**

- **MicroBank Basic Savings Account and MicroBank Basic Current Account**: these instant access deposit accounts allow the customer to make deposits or withdrawals at any time. They are exclusively aimed at people with earnings below the minimum wage and whose pay-cheque, pension or subsidy is directly deposited into this account, as well as recipients of a Social Microcredit. Both products are aimed at promoting financial inclusion and no maintenance fees are charged.

"Thanks to the new wheelchair, my life has got a lot better because I’ve become more independent”

José Alfonso applied for a family microcredit from MicroBank in order to be able to buy a wheelchair and improve his quality of life. For him, the payment terms of the loan were key.

This young man, who lives in Castellón and now wants to be able to have his own place, works for a public organisation in the area and is actively involved with several entities as well as participating in forums on disability.

**José Alfonso López Marín**

**Microcredit use**: Purchase and adaptation of an electric wheelchair.

**Microcredit amount**: €6,056

**Future plans**: José Antonio wants to have his own home.
• **MicroBank Savings and Current Account**: these instant access deposit accounts also allow the customer to make deposits or withdrawals at any time. The MicroBank Savings Account is aimed at customers who do not meet the requirements for the Basic Savings Account. The Current Account is designed for recipients of MicroBank’s Financial Microcredits and non-profit organisations.

• **MicroBank “Servicuenta” and “Servicuenta MicroGiros”**: this is a current or savings account offering services adapted to new residents’ needs. In addition, MicroGiros allows customers to send money remittances to their country of origin.

All MicroBank deposits can be accessed through “la Caixa”’s wide ATMs network.

**Services**

Lastly, to complete its range of services, MicroBank offers its customers the following:

• **MicroBank Visa Electron**: a debit card designed for MicroBank customers, with access to cash through “la Caixa”’s ATMs network and the possibility to debit payments from their savings or current account. There are no fees or commissions.

• **Guarantees and pre-guarantees**: designed for individuals, particularly young and elderly people, who must provide a guarantee to a third party in order to rent a property. Also aimed at self-employed entrepreneurs and professionals who wish to expand their business.

• **Línea Abierta**: A 24/7 online banking service that allows MicroBank customers to carry out their banking transactions at any time, any day of the year. This platform features 19 languages, multi-channel access (Internet, mobile phones, TV) and the CaixaProtect® anti-fraud system.

**MicroBank’s Ethical Fund**

During 2010, MicroBank has brought to the market an Ethical Fund designed for all those people and entities who may be interested in socially-responsible investing.

MicroBank FI Ethical Fund is an investment fund investing worldwide in variable-interest securities, and corporate and government fixed-income bonds. It combines traditional investment criteria – profitability, risk and liquidity – with ethical and social responsibility criteria. In addition, the fund has a charitable component.

This Ethical Fund invests in companies which are proven to have a high level of compliance with ethical criteria. These companies are tested against certain specific criteria, which can be negative (military, nuclear, tobacco) and positive (corporate governance, human rights, environment and relationship with stakeholders).

The Fund, which takes investments EUR 600, is advised by an external ethical commission, integrated by experts from the academic world, businessmen and NGO representatives, who offer their advice on which criteria to follow and also supervise the portfolio’s ethical performance.

MicroBank FI Ethical Fund gives 25% of its management commission to selected non-profit organisations, including Intermon-Oxfam, Médecins sans Frontières (MSF), the Red Cross and Caritas. In addition, “la Caixa” Foundation contributes with an equivalent amount to an international co-operation project selected by the Fund’s Advisory Commission.
Customer profile and destination of loans

MicroBank offers its products and services to the following customers:

• **Entrepreneurs, self-employed professionals and micro-companies** that require financing in order to start up, expand or consolidate their business. These customers’ needs are met through Financial Microcredits.

• **New entrepreneurs** who, due to financial, social or cultural circumstances, find themselves at risk of financial exclusion—such as young people, women, the unemployed, new residents…— and who propose a viable business plan that may increase productivity and promote job creation. These projects are financed through Social Microcredits.

• **Families and individuals** with annual incomes of less than EUR 18,000 who must meet family obligations or overcome temporary difficulties. This type of needs and projects are financed through Family Microcredits.

Maria del Rocío and her husband have six children and they were both unemployed when they decided to open a bookshop for children and youngsters that also specialises in university text books, in Alcalá de Henares. They also have a play area.

Their philosophy is to work closely with their customers to meet their needs and encourage reading. María del Rocío thinks that financial necessity makes entrepreneurs work hard to make their dreams come true.

**Entrepreneur’s name:** María del Rocío Mena Montoro

**Name of business:** Nova Complutum

**Microcredit amount:** €15,000

**Total investment:** €54,000

**Future plans:** Continue book-signings by new authors and gradually include well-known writers, as well as carrying on the story-telling, painting and art workshops that help develop their business.

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**MARÍA DEL ROCÍO MENA**
Children’s bookshop

“Financial investment is key to the success or failure of a business”
Customer Profile

During 2010, more than 6,011 business projects have been financed, and more than 30,834 family credit needs have been met.

The following charts show our customer distribution according to gender:

- 50.8% of microloans are granted to women.

MicroBank’s customer profile broken down by age is as follows:

- 39.1% of microloans are granted to people under 35 years old.

El Nucli is an establishment which specialises in alternative entertainment products and is located in the Sants neighbourhood of Barcelona. The three entrepreneurs became friends when they were working in another shop in the city. Having gained some experience, they decided to open their own shop.

In addition to selling alternative games, from the Rubik’s cube to role-playing games, they also have a toy library where fans of this kind of pastime can go to share their hobbies.

Entrepreneur’s name: Marc Nieto, Gimena Pombo and Marc Parellada

Name of business: El Nucli

Microcredit amount: €20,000

Total investment: €24,000

Future plans: Add more products to their existing catalogue and increase their stock in order to be able to start selling on-line.
Our customer portfolio can also be broken down by country of origin:

- Spain: 76.9%
- America: 10.3%
- Rest of Europe: 7.4%
- Asia: 3.4%
- Africa: 2.0%

23.1% of MicroBank’s customers are foreign nationals.

**Destination of loans**

The analysis of Family Microcredits granted during 2010 allows us to check whether the destinations given to these loans effectively respond to the ones that this product was designed for:

Microcredits granted to entrepreneurs show the following distribution:

- Starting up: 39%
- Business expansion: 61%

Their break down, according to the economic sector in which the financed business operates, is as follows:

- Retail: 41%
- Services: 35%
- Catering: 17%
- Design and manufacturing: 4%
- Health and education: 3%

- Housing: 40.2%
- Transport: 27.4%
- Family needs: 14.4%
- New residents: 5.5%
- Disabled: 5.0%
- Health: 3.3%
- Education: 2.8%
- Other: 1.4%
# Financial data for 2010

## Key indicators

### BUSINESS AND RESULTS

(in thousands of Euros)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance sheet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>322,242</td>
<td>244,893</td>
<td>149,123</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>90,736</td>
<td>79,959</td>
<td>73,346</td>
</tr>
<tr>
<td>Loans to customers (gross)</td>
<td>325,134</td>
<td>237,688</td>
<td>147,061</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>22,828</td>
<td>11,179</td>
<td>2,048</td>
</tr>
<tr>
<td>Resources obtained from credit institutions</td>
<td>179,623</td>
<td>128,018</td>
<td>48,718</td>
</tr>
</tbody>
</table>

### Income statement

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>25,147</td>
<td>17,633</td>
<td>8,006</td>
</tr>
<tr>
<td>Gross income</td>
<td>34,670</td>
<td>27,260</td>
<td>15,304</td>
</tr>
<tr>
<td>Operating income</td>
<td>15,486</td>
<td>9,369</td>
<td>4,992</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>15,486</td>
<td>9,369</td>
<td>4,992</td>
</tr>
<tr>
<td>Net profit</td>
<td>10,777</td>
<td>6,613</td>
<td>3,434</td>
</tr>
</tbody>
</table>
Since MicroBank’s set up, it has granted 93,897 microcredits (including 1,006 microloans granted through “la Caixa”’s microfinance programme prior to MicroBank’s creation), for a total amount of EUR 588.9 million.

The detail of accumulated business results per microcredit type since the beginning of MicroBank’s activity, and the customer portfolio on 31st December 2010, that is, existing microloans with outstanding balances at that date, are as follows:

*(in millions of Euros)*

<table>
<thead>
<tr>
<th>Microsystems type</th>
<th>N.</th>
<th>Outstanding</th>
<th>N.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Microcredits for entrepreneurs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microcredits for entrepreneurs</td>
<td>12,894</td>
<td>108.5</td>
<td>18,646</td>
<td>207.3</td>
</tr>
<tr>
<td>Social Microcredit</td>
<td>1,002</td>
<td>7.7</td>
<td>2,580</td>
<td>33.4</td>
</tr>
<tr>
<td>Financial Microcredit</td>
<td>11,892</td>
<td>100.8</td>
<td>16,066</td>
<td>173.9</td>
</tr>
<tr>
<td><strong>Microcredits for families</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Microcredit</td>
<td>51,561</td>
<td>216.5</td>
<td>74,245</td>
<td>365.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>64,455</td>
<td>325</td>
<td>92,891</td>
<td>573.2</td>
</tr>
<tr>
<td>Previously granted</td>
<td>1,006</td>
<td>15.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>93,897</td>
<td>588.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
During 2010, MicroBank has approved 36,845 loan operations for a total of EUR 212.08 million. Credits were granted for an average amount of EUR 5,755; or EUR 10,026 for credits given to entrepreneurs projects. MicroBank approved a high percentage of the projects submitted for their appraisal, thanks to the individualised analysis of each project and the use of risk appraisal models.

Regarding the evolution of data from 2009, there has been remarkable growth, both in the number of new contracts and in the total amount granted. With regards to the number of new contracts, there has been an increase of 13.2%, while the total amount loaned has experienced a growth of 16.7%. The following charts show these comparable data:

**NEW CONTRACTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,641</td>
<td>32,008</td>
<td>36,845</td>
</tr>
</tbody>
</table>

+13.2%  

**AMOUNT GRANTED**  
In millions of Euros

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>138,068</td>
<td>176,778</td>
<td>212,080</td>
</tr>
</tbody>
</table>

+16.7%  

With regards to MicroBank’s liabilities, they are as follows:

**EXISTING CONTRACTS**  
(in thousands of Euros)

<table>
<thead>
<tr>
<th></th>
<th>N. balance</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>MicroBank current account</td>
<td>7,250</td>
<td>4,481</td>
</tr>
<tr>
<td>MicroBank savings account</td>
<td>48,802</td>
<td>18,347</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>56,052</strong></td>
<td><strong>22,828</strong></td>
</tr>
</tbody>
</table>

|                      | 12,478 |

|                      | Cards |

**Financing model**

MicroBank’s business model rests on three cornerstones:

- The entity’s own capital and reserves, totalling EUR 90.73 million, of which EUR 50.99 million were provided by “la Caixa”, while the rest derives from accumulated reserves and profits from previous years.

- Customer resources captured via the bank’s savings products, current accounts and savings accounts, totalling EUR 22.8 million.

- Financing received from credit entities, including:


  - Loans from the Council of Europe Development Bank (CEB), with a limit of EUR 80 million, of which EUR 78.9 million had been drawn down at the end of 2010.

Regarding the bank’s liabilities, a total of 56,052 contracts had been signed on 31st December 2010. With regards to cards, a total of 12,478 had been contracted and were still active on 31st December 2010.
The following chart shows the distribution of MicroBank’s financing on December 2010:

Financing provided by the Council of Europe Development Bank (CEB), and customer’s deposits, contribute to the diversification of the bank’s finance sources and to its sustainability.

“la Caixa”, MicroBank’s sole shareholder, as well as offering a high degree of equity, also provides all the financial resources needed to support the bank’s growth.

**Risk management policy**

MicroBank’s risk management policy makes use of an array of quantification tools and techniques for the measuring, monitoring and management of risk, in accordance with the Basel Committee on Banking Supervision’s standards and best practices.

Risks undertaken as a result of the bank’s activities can be classified as follows: credit risk, arising both from universal banking and investment banking activities; market risk, including structural balance sheet interest rate risk, the price or rate risk associated with treasury positions, and currency risk; liquidity risk; operational risk; and regulatory compliance risk.

Our risk management policy is guided by the following general principles:

- We apply the same risk valuation procedures as “la Caixa”, in a wide sense, and duly adapted to the specific characteristics of our customers and products, always placing particular relevance on our own appraisal of the project.

- The Bank’s own microcredit regulations are applied, regarding permitted transactions and detailing the procedures to follow when accepting, granting, monitoring and managing possible defaults on Social, Financial and Family Microcredits.

- When granting microloans, we apply certain criteria specifically adapted to the probability of incurring losses on each of our microcredit lines, both for our generic and substandard provisions, and also for those derived from insolvency circumstances. This is particularly relevant, given that MicroBank does not require collateral for its microloans.

In the specific case of Social Microcredits, the bank relies on specialised staff to supplement the usual procedures applied by “la Caixa”. Each proposal is carefully analysed in order to assess its viability and either approve or reject the transaction, which, for this type of microlending, will be formalised without any form of collateral other than the applicant’s personal guarantee.

MicroBank’s Investment and Risk Control department strictly monitors the quality of all approved transactions and the evolution of the risk profile of granted microloans, as well as their subsequent default probability.
MicroBank, a benchmark in European microfinance

MicroBank’s activity falls within the European Commission’s remit to foster private initiative in the area of self-employment and also offer support for the creation, consolidation and expansion of micro-companies, which drive growth and generate jobs, favourably affecting social cohesion.

An indication of the great interest aroused by MicroBank’s activity and business model in the main European institutions which operate in this area, has been its requested participation in many conferences and seminars, notably:

- A presentation given to the Council of Europe Development Bank (CEB), in Brussels, on the social welfare banking model.
- Participation in the seminar Developing a code of good conduct for microfinance institutions, in Brussels.
- Participation in the XXVII General Assembly of the International Association of Collateral and Social Credit Entities, in Lima (Peru).
- A presentation on the social welfare banking model given to the MicroFinance Club, Madrid.
- Participation in the conference, Microfinance in Europe, Brussels.

MicroBank is a highly regarded entity within Europe, a fact proven by the collaboration agreements reached with two of the main entities through which Europe’s support of microfinance projects is being channelled.

COLLABORATION WITH EUROPEAN INSTITUTIONS

European Investment Fund
- European Investment Fund (EIF): European Union agency for the provision of finance to SMEs.
- The agreement falls within by the European Union’s Competitiveness & Innovation Framework Programme (CIP).

Purpose: Provisioning for insolvency risk
Transactions included: Social and Financial Microcredits
Period: 4 years (2008-2011)
Maximum amount guaranteed: EUR 18 million
Provision volume: 75% of the Social and Financial Microcredit portfolio in accordance with CIP criteria

Council of Europe Development Bank
- Council of Europe Development Bank: Entity implementing the Council of Europe’s solidarity policies.

Purpose: Loan transactions
Transactions included: Social, Financial and Family Microcredits
Period: 1st.- 8 years (2008-2016)
2nd.- 8 years (2009-2017)
Amount loan: EUR 80 million

Signing of the agreement between MicroBank and the CEB, attended by Juan María Nin, CEO of “la Caixa”; José Francisco de Conrado, Chairman of MicroBank; Rafael Alomar, Governor of the CEB; and the entity’s Vice governor, Apolonio Ruiz Ligero.
The Promotion of Microfinance in Europe. May 2010

On 7th May 2010, MicroBank organised the conference El impulso de las microfinanzas en Europa (The Promotion of Microfinance in Europe) with the aim to help promote the development of microfinancing amongst Europe’s banks.

For one day, “la Caixa”’s social bank gathered more than 200 attendees in the CosmoCaixa, Barcelona, in order to share experiences and introduce MicroBank as a model of social banking specializing in microloans that follow criteria of profitability and sustainability.

The conference became a meeting point and a space for thought on the role of banks in Europe’s microfinances, as well as positioning MicroBank as the European example for the promotion of microloans as a tool for economic development and social cohesion.

The event, inaugurated by Her Majesty Queen Sofia, was attended by representatives from various European Union agencies and around a hundred financial entities from Europe, America and Japan. In addition to “la Caixa”’s CEO, Juan María Nin, and MicroBank’s Chairman, José Francisco de Conrado, some of the most notable speakers included: Richard Pelly, Chief Executive of the European Investment Fund (EIF); Apolonio Ruiz Ligero, Vice-Governor of the Council of Europe Development Bank (CEB); and Raymond Maes, from the European Commission’s Directorate-General of Employment, Social Affairs and Equal Opportunities.
Microbank, a guest of honour in Hong Kong

During its first three years of life, MicroBank has also managed to arouse interest outside the European Union. José Francisco de Conrado, MicroBank’s Chairman, met with the Hong Kong Monetary Authority, that country’s main financial authority, and with relevant Board Members of the Bank of East Asia (BEA), of which “la Caixa” is a shareholder. He was welcomed by BEA’s Chairman, David K. P. Li.

Accompanied by other Board Members of the “la Caixa” Group, MicroBank’s Chairman also held meetings with high ranking officials from the Home Affairs Department of Hong Kong’s Government, in order to introduce to them the entity’s social banking model, pioneer in Spain.

This Hong Kong visit answered to this country’s authorities’ interest, and that of the Bank of East Asia (BEA), in getting to know the structure and business model of “la Caixa”’s social bank, as well as certain aspects that have been key to the project’s success.

The Chairman of MicroBank, José Francisco de Conrado, visits the Hong Kong Monetary Authority, accompanied to his left by the entity’s Chief Executive Mr. Norman Chan and other directors.
At the start of 2010, MicroBank published a report on the social impact of its microcredits on the entrepreneurs that received them, carried out by ESADE business school.

The survey analyses the social and economic impact of entrepreneurs microcredits and their contribution to the creation of jobs.

With regards to **Social Microcredits**, these were the report’s main conclusions.

- 80% of microcredits were used to start up new businesses. Mostly, these were in the service sector and small retail businesses.

- Recipients showed their satisfaction with the microloan, that they had accessed through MicroBank’s collaborating entities, whose advisory work and processing of the microloan was highly rated in the vast majority of cases.

- 80% of micro-company owners asserted that they could not have opened their business without the microloan.

- Most micro-company owners with an open business thought their quality of life had improved. Most micro-company owners, even those with a closed business, felt better prepared to face the future thanks to their experience.
With regards to Financial Microcredits, the report’s main conclusions were the following:

- 77% of financed business projects belonged to self-employed professionals. Thus, in most cases, they created self-employment.

- 56% of microloans were used to expand an already existing business, while the remaining 44% was destined to start up new businesses.

- The retail sector concentrated 41% of micro-financed projects, with clothing and food constituting the main segments. The rest was mostly destined to the service sector, particularly to the following segments: catering (19%); provision of services to businesses; construction; and health and beauty (these last three representing 11%).

- 76% of cases generated sufficient profit to pay back the loan’s monthly instalments right from the start.

- 69% of micro-entrepreneurs stated that they could not have started their business without the aid of the microloan.

The general conclusions on MicroBank’s social impact were the following:

- MicroBank’s microloans were a key tool for the creation of micro-companies. Thus, they promoted self-employment and the creation of jobs.

- It should be noted that businesses launched with the aid of MicroBank’s microloans, and analysed in this report, had a success rate of 77%.

- Most micro-entrepreneurs stated that they could not have started their business without the aid of the microloan. This is especially relevant, as micro and small businesses form the backbone of Europe’s economy and constitute an essential factor for social, financial and regional cohesion.

- Microcredits contribute to the social, professional and financial development of their recipients. On the one hand, they aid in their financial and professional development by allowing entrepreneurs to generate bigger profits and work opportunities, while on the other, they contribute to fight financial exclusion by facilitating access to credit.

- From a social point of view, microcredits promote the participation and decision-making of women within their communities. In addition, regardless of gender, there is a positive impact on the community’s level of integration, as well as on the recipient’s personal abilities and readiness to deal with future challenges.

Martín had spent several years working in different beauty salons in Barcelona. With a partner, he decided to start his own hairdressing salon in the centre of Barcelona, “different from the typical salon”, he says.

They chose a microcredit from MicroBank because of the speed of the process as well as because of the type of finance they needed. Offering a modern, casual style, the business has gradually added new services, such as beauty treatments, to those on offer.

<table>
<thead>
<tr>
<th>Entrepreneur’s name: Martín Alejandro Robledo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of business: Rulo</td>
</tr>
<tr>
<td>Microcredit amount: €15,000</td>
</tr>
<tr>
<td>Total investment: €32,000</td>
</tr>
<tr>
<td>Future plans: Take on a new employee before their first year in business is up.</td>
</tr>
</tbody>
</table>

Martín Alejandro Robledo
Hairdress
“It was the right moment in my life to start our own beauty salon, based on our ideas and concepts”
Impact of microcredits on job creation

Microloans promote, mainly, self-employment and, in second place, the creation of jobs. According to this report’s data, and including the micro-entrepreneur, the surveyed businesses generated an average of 1.57 jobs. These jobs doubtless contribute to the integration of members of the micro-entrepreneur’s community and may constitute a means of incorporation into the labour market.

From this report’s data, we can gather that MicroBank has contributed, since it started to operate, to the creation or consolidation of more than 32,000 jobs.

LUIS MIGUEL CLEDERA
Fashion and accessories shop

“I didn’t make up my mind until I lost my job, and without the microcredit I wouldn’t have taken the chance”

Luis Miguel became unemployed in September 2009 and only then did he begin to think of turning one of his passions into his first business: a stores with all types of accessories and products related to bullfighting and the world of horses in Linares, Jaén.

After a few queries at the Chamber of Commerce in Linares, he applied for the microcredit that has helped him start up the business. He also sells camping equipment, flamenco dresses and other garments related to folklore.

Entrepreneur’s name: Luis Miguel Cledera Mendoza
Name of business: Albero Mendoza
Microcredit amount: €12,000
Total investment: €14,637
Future plans: Luis Miguel is waiting for the current financial situation to improve before starting to expand his business across Spain through franchises.
Isabel González is a widow and her son, Adriano, is severely handicapped. She has a two-storey house in Villajoyosa (Alicante) and needed to install a lift so that her son could move around the house more easily and to make it easier for both of them when he left the house.

Thanks to the family microcredit, Isabel was able to install a lift in her house and make her son’s life better.

**Name:** Isabel González Calatayud

**Microcredit use:** Purchase of lift for her home.

**Microcredit amount:** €9,100

**Future plans:** Isabel struggles every day to improve her son’s wellbeing and quality of life.

Acabados y Tintes Orduña specialises in dyeing and textile finishing and is based in Valencia. The company is a workers’ cooperative, made up of most of the ex-employees from the now defunct Acabados Textiles Orduña.

Some of them applied for a microcredit to add to the working capital of the new company. The current workforce is made up of 17 staff and the site covers 7,500 square metres.

**Entrepreneur’s names:** Miguel Valor, Albert Garde, Servio Augusto, Félix Sáez, Rafael Manso, Pedro Boada, Fernando Quesada, Laureano Franco, Jesús Vera, Javier Gómez, Roberto Martínez Cerverón

**Name of business:** Acabados y Tintes Orduña, SLL

**Microcredit amount:** €1,000 each

**Total investment:** €25,824

**Future plans:** Moderately increase production and come up with new business lines from 2012.
Corporate Social Responsibility

Code of Ethics

On 14th June 2010, MicroBank’s Board of Directors approved the Código de Valores Éticos y Principios de Actuación (Code of Ethics and Principles), which contains the basic guidelines for the development of the bank’s activities and the standards of conduct that must be followed. All MicroBank employees and directors agree to responsibly abide by this Code, conducting their work in an ethical manner and contributing to MicroBank’s reputation.

MicroBank aspires to excellence, and is committed to carry out its activities in accordance with the highest legal and ethical standards, as well as with optimum professional standards of conduct, in the interest of its customers and their community, and of anybody that is in any way related to the bank. Achieving this objective greatly depends on our measure of respect for and adherence to these values and principles, and our strict compliance with the rules contained in the Code.

This Code aims to promote the following principles and values:

- Integrity, which generates trust, a value that is fundamental to MicroBank.
- Confidentiality of all the information provided by our customers and which is essential for the bank’s activities.
- Respect for individuals, their dignity and fundamental values.
- Responsibility when carrying out one’s job, assuming one’s responsibilities with the necessary commitment.
- Transparency in all internal and external processes, in the provision of information and advice, admitting and rectifying any mistakes that one may make in the course of one’s professional activity.
- Teamwork, which enriches our professional activity.
- Customer service.
- Social responsibility, as business and human activities which are conducted in a respectful manner towards the environment and current legislation, contribute to make the world a better place.

The Code establishes its own control mechanisms and communication circuits for dealing with possible non-compliances, or to make clear any doubts that may arise with regards to its interpretation or implementation.
Adherence to the United Nations’ Global Compact

MicroBank is a participant in the UN’s Global Compact since April 2009. This is an international initiative proposed by the UN with the aim to achieve the voluntary commitment of socially responsible entities to abide by Ten Principles in the areas of human rights, labour, the environment and the fight against corruption.

MicroBank, like the other participant entities, has voluntarily committed itself to align its day-to-day activities with these Ten Principles and inform with transparency on any advances made during the process of implantation, through the publishing of Communications on Progress.

During 2011, “la Caixa”’s social bank will present its second Communication on Progress.

ANNA RIBERA CASALS
Florist

“Thanks to the microcredit, I have my own business and the only florist in the town is still open for business”

Anna Ribera had worked in the family business and in a dental office. She realised that the only remaining florist in Campdevànol (Girona) was up for transfer and decided to turn it into her own business.

L’Anthurium sells plants and flowers, as well as decorative items for gardens and terraces. Thanks to the microcredit, Anna was able to pay the initial costs of getting the business up and running.

Entrepreneur’s name: Anna Ribera Casals
Name of business: L’Anthurium
Microcredit amount: €20,000
Total investment: €40,000
Future plans: Offer a wider range of products and organise new flower-arranging courses to complement their services.
MicroBank’s challenges for the future

**Growth**

After three years of operation, MicroBank has consolidated a sustainable social banking model adapted to the needs of its main customer segments, as is shown by its high level of acceptance and the rapid growth of its activities to date.

At present, the bank is working to reach a bigger share of the existing demand with its financial services, so that, as its financial activities expand, it contributes to facilitate access to credit to those individuals who find it more difficult to get finance through traditional channels.

The achievement of this challenge of sustainable growth will also contribute to MicroBank’s capacity to enlarge its portfolio of products, aiming them at new target groups and, in the mid-term, to contemplate the possibility of expanding its activities into other geographical areas.

In spite of the outstanding social and financial work carried out by the bank, the microfinance sector has still got a long way to go in Spain, as this is an emerging sector and MicroBank, a pioneer project.

**Specialization**

MicroBank began its activities with the granting of microloans to entrepreneurs and, at present, it has a growing portfolio of products that allows it to offer increasingly wider services to its customers, who can obtain the finance they need, manage their savings and access all the necessary banking services to cover their basic operating needs.

As MicroBank’s portfolio of products and services increasingly adapts to the needs of each of its customer segments, the quality of its offer is improved and so is the perception of value experienced by its customers.

Thus, an essential factor in the achievement of not only a quantitative growth, but also a growth in terms of quality and efficiency, is the specialization of our products and services in relation to our main customer segments: new entrepreneurs, self-employed professionals, micro-companies, families, immigrants, young people or the unemployed, amongst others.

MicroBank is the only banking entity in Spain exclusively dedicated to microfinance. Since its creation, it has sustained a constant increase in the granting of microloans, which has allowed it to surpass 90,000 approved operations during last year. This experience, together with the financial sustainability achieved through its activity, will allow for a further increase in the specialization of its products and in the improvement of its customer service.