ANNUAL CORPORATE REPORT 2015

MicroBank
We believe in you

ANNUAL CORPORATE REPORT

2015

MicroBank
“I had always wanted to work for myself and head my own business”

ELISABETE AZKOAGA
Azkoaga Interiorismo
Decorators | Getxo, Vizcaya

Amount of the microcredit: 15,000 euro
INDEX

Key Figures on MicroBank for the year 2015 6
Letter of the Chairman of CaixaBank 8
Letter of the Managing Director of CaixaBank 9

A sustainable future-oriented social Bank 10
Mission
Values

Support to entrepreneurs and families 14
The eighth year of continuous growth
Financing made to measure for entrepreneurs and families
Collateralised microcredits
Accounts
Services
Investment products
The most extensive network of branch offices

Teamwork: social organisations and European institutions 26
More than 560 collaborating entities
A landmark agreement for self-employment. Incorpora Programme
The European institutions become involved

A task with a social impact 36
Impact of the microcredits
Analysis of the microcredits given since 2010
Committed to financial education
University Master’s degrees, a competitiveness factor
Recognition to the best social work

Economic-financial information 54
Risk management

Commitments and challenges 60
Objectives and the progress of 2015
Strategic challenges for 2016

Corporate governance 64
Organisational structure
Board of Directors
Ethics, transparency and responsibility
True to the United Nations Global Compact
Letter from the Chairman of MicroBank
Key Figures on MicroBank for the year

2015

“In the last 8 years, 428,310 loans have been granted for a total amount of 2,365.6 million euro”

- 21,321 microcredits granted to entrepreneurs
  - 211 M€

- 100,304 microcredits granted to families
  - 377 M€

- 121,625 microcredits granted
  - 588 M€
21,321 new jobs created

566 collaborating entities

43% are envisaged taking on personnel in the next 12 months

69% of the entrepreneurs interviewed think that their business is working well or very well

5,211 CaixaBank branches in Spain

74% of the businesses financed between 2010 and 2013 continue to be operational

“Since the activity began in 2007, MicroBank has contributed to creating or consolidating 155,000 jobs”
Letter from the Chairman of CaixaBank

A basic tool of support for the financial activity

Serving society and our customers has been the raison d’être of the “la Caixa” Group since its foundation, more than 110 years ago, and has always guided our actions. The Group’s history carries the imprint of a vocation of service, confidence, accessibility and social commitment, something which has made us unique and differentiates us within the sector. The economic situation and the complexity of the world today stimulate us to continue persevering in our basic values, more valid than ever.

The economic situation in Spain today is marked by political uncertainty, volatility in the financial markets and a less favourable external environment. If these factors were to continue in time, they could end up by having a negative effect on the progress of the economy. In spite of this complicated situation, the activity and confidence indicators show that at the start of the year there are no worrying symptoms of deceleration in growth.

This context reaffirms the need to strengthen the work of MicroBank as a basic tool of support for financial activities. In particular, for those groups which, in spite of their enterprising spirit and their will to carry forward projects generating wealth, are faced with obstacles in accessing credit in the traditional financial system.

The difficulties of a complex environment are an obstacle to economic and social growth, affecting people and microenterprises which cannot produce guarantees in order to develop their ideas. It must be borne in mind that people’s capacity to make their dreams come true is intimately connected with obtaining adequate financing for their projects.

For this reason it is no surprise that the “la Caixa” Group makes an effort to respond to society’s needs through a bank specialising in microcredits. With a sustainable business model, MicroBank contributes decisively to the creation and consolidation of jobs through financing for entrepreneurs and microenterprises. In the same way, it becomes a vital lever for development for people and families who are seeking a prosperous future for their relations.

In 2015 MicroBank’s activity recorded its best growth rate, just when the circumstances were most adverse. This demonstrates that it is fulfilling its mission of social support where committed financial entities are most needed. For the future, activity will continue for the consolidation of this sustainable model, capable of generating resources to guarantee economic sustainability and accommodate the entity’s growth. This will guarantee MicroBank’s contribution to the progress of society, creating jobs and backing global growth through social support for entrepreneurial initiatives.
The success of the MicroBank financial model lies in the involvement of the CaixaBank commercial network, rigour in management, a structure of reduced costs, the reinvestment of profits and a level of capitalization uncommon in the sector. All of these are determinant factors in achieving the bank’s objective of helping those who need it most, with the essential financing to carry out their projects. The rapid growth of activity in MicroBank, together with positive results throughout its history, has been the direct consequence of a style of action which has become a reference point in the European microfinance sector after more than nine years’ work.

MicroBank’s mission is to give the best service to people with limited resources who need our help to improve their quality of life. Entrepreneurs are a basic element in ensuring that the economy can generate wealth and create jobs. Their role in reinvigorating the economy is warranted by incontestable facts: small companies and the self-employed represent more than 90% of the country’s business fabric and involve a very high percentage of workers. But, to achieve this, entrepreneurs need access to credit. In the same way, at certain moments in life, families with fewer possibilities of savings need supplementary finance to deal with needs or investments to ensure the welfare of their members.

Good progress in new grants of credit has helped to back up the recovery of the Spanish economy in 2015. In the year just ended, the flow of new credits to homes and SMEs has grown at rates of 17%, a trend which will be accentuated in 2016, since the deleveraging of homes and companies has advanced greatly.

MicroBank contributes in this new situation –thanks to the permanent support of CaixaBank– by bringing credits to those groups which do not always find a response in the traditional financial system, either because of the management costs on transactions involving small sums, or due to the risk involved in the absence of real guarantees offered by the applicants. This feature acquires special significance when taking into account that the entity devotes its efforts to granting loans with no more guarantees than confidence in the applicants and in their projects. The value of the word as a guarantee for investment and the creation of wealth.

The significant growth of activity in MicroBank ratifies the success of our backing for a management model based on giving a response to the demands of society, always on the premise of financial sustainability and efficiency in management, guaranteeing continuity in a task which is now a fundamental part of the country’s economic mechanism.
“MicroBank gave me the extra I needed to grow in structure and personnel”

GINÉS ÁNGEL GARCÍA
Konery
Energy efficiency engineering | Murcia

Amount of the microcredit: 15,000 euro
A sustainable future-oriented social Bank
The activity of MicroBank is in line with the aim of promoting microcredit as a tool for economic development and social cohesion, for the benefit of the actors directly involved and of society as a whole. The effort is constant so that there are increasingly less people, micro-enterprises and entrepreneurs who are unable to carry out their professionals or family projects due to a dearth of financial support.

In this spirit and with the commitment to financial inclusion that has always marked the guiding light of the entity, “la Caixa” created MicroBank in 2007 with the aim of channelling the activity of microcredits and thus promote this socio-economic task with the parameters of rigour and sustainability that are characteristic of a banking entity. In a context of uncertainty in the process of recovery of the Spanish economy, in that the issue of the reduction of social inequalities remains largely unresolved, MicroBank plays a pivotal role in the mitigation of this problem and contributes with its work to reducing the unemployment rates.

The high level of capitalisation, an extensive distribution network, the support of its sole shareholder, CaixaBank, and the involvement of European financial institutions constitute basic strengths that make it possible to attain the objectives of MicroBank, centred on satisfying the needs not adequately covered by the traditional credit system.

**MicroBank Priority objectives:**

- To provide a response to people with financial needs that are insufficiently covered
- To provide quality financial services
- To work to ensure equal access to credit
- To be a model of social banking
- To generate the necessary resources so that the activity can continue to grow

A sustainable future-oriented social bank
Mission

MicroBank offers financial products and services that are specially adapted to the needs of entrepreneurs, micro-enterprises, individuals and families with a view to the achievement of four specific objectives:

The promotion of the productive activity.

The financial support granted to self-employed professionals and micro-enterprises is a key element.

Creation of employment.

The microcredits are an aid to entrepreneurs in their projects opening, expanding or consolidating small businesses.

Personal and family development.

The Bank provides a response to the needs of people and facilitates the overcoming of temporary difficulties.

Financial inclusion.

It facilitates access to banking services of new customers through the extensive commercial branch network of CaixaBank, as well as to ensure equal access to credit.

Values

In accordance with the internal codes of the organisation, the employees, managers and members of the Board of Directors of MicroBank are committed to abide by a set of ethical values that inspire its performance when undertaking its activity:

• **Compliance with the law.** Commitment to respect the current legislation and regulations at any given point in time, as well as any internal circular of MicroBank itself.

• **Respect.** Acceptance as a core value of the respect for the person and his/her dignity, as well as for cultural diversity, the environment and the institutions.

• **Integrity and transparency.** The trust of the customers and the environment in which the entity operates are gained by having integrity and transparency and believing in honest and fair competition.

• **Excellence and professionalism.** Work with rigour and effectiveness is a fundamental cornerstone of performance. For this reason, the satisfaction of the customers is the centre of our professional performance.

• **Confidentiality.** It is the basic pillar on which the relationship of trust between the customers and the Bank rests.

• **Social responsibility.** Companies must integrate in their objectives, in addition to their financial profit, the respect of human rights and environmental sustainability.
“We knew exactly what we wanted to do and we took the plunge”

EDGAR HAZAS, M. ÁNGELES GARCÍA
Laboratorios Edyma
Biotechnology centre | Cordoba

Amount of the microcredit: 25,000 euro
Support to entrepreneurs, businesses and families
Eight years of continuous growth

In 2015, MicroBank experienced a significant acceleration in the growth of its activity in the micro finances sector, attaining 121,625 loans granted, which represented an increase of 47.3% with respect to the prior year and was more than double of that recorded two years before. If it is measured according to the total amount of the microcredits given to customers, the increase was of 35.4% compared to 2014 and it attained an annual production figure of 588 million euro, so that the entity added eight years of continuous expansion in this variable.

121,625
Number of transactions

Within the various types of products offered by MicroBank, it is worth highlighting that for the first time it exceeded 100,000 loans granted to people and families, for an overall amount of 376.9 million euro, with respective increases of 56.6% and 64.4% compared with 2014.

In turn, the Bank’s other master line, the financing of business initiatives, 2015 consolidated the high growth levels of the previous years demonstrating its strength, with the granting of 21,321 loans to entrepreneurs, self-employed freelancers and micro-enterprises, being 15.1% more than the prior year, for a total amount of 211.1 million euro, 2.9% higher than the previous financial year.

These data allow us to assert that MicroBank has continued working decisively in the development of an adequate offering of products and services to cover the financial needs of its customers.

With the vision that comes from assessing the present without forgetting the historical perspective, it is important to note that since the beginning of its activity in 2007, MicroBank has granted 428,310 loans, for a total amount of 2,365.6 million euro. Moreover, in these eight years the loans of the entity have contributed towards creating or consolidating 155,000 jobs. A new confirmation that consolidates the entity as a first line reference in the European sector of micro finance.

Due to all this, MicroBank looks forward to the future with confidence and with the aim to continue to expand its activities, incorporating new products and services tailored to the needs of its customers.
Total number of microcredits

Amount of microcredits granted (in millions of Euros)

Destination of the microcredits

Entrepreneurs and business, 35.8%

Purpose of microcredits granted to entrepreneurs

To expand a business, 67%

To open a business, 33%

Amount of microcredits to entrepreneurs and business (in millions of Euros)
Financing made to measure for entrepreneurs and families

**Entrepreneurs and self-employed professionals** who need financing to create, expand or consolidate a business.

**Entrepreneurs in a situation of financial exclusion** or with difficulties in accessing the traditional credit system: young people, people in a situation of unemployment, new residents...

**Micro-enterprises.** Businesses with less than 10 workers with an annual sales volume of less than 2 million euro.

**Students** who wish to study for a master’s degree in another European country.

**People and families** with annual incomes of less than 18,000 euro who require financing to attend to family needs or to overcome temporary difficulties.

**Social enterprises** that seeks a social impact through an economically and environmentally sustainable business activity.

The products and services of MicroBank are intended for specific customers

The offer of loans is divided into three types of micro credit:

- **Microcredits for entrepreneurs and businesses**
- **Personal and family microcredits**
- **Eco-microcredits, intended to finance projects committed with the environment**
Microcredits for entrepreneurs and businesses

Financial microcredit

- Personal loan intended for self-employed professionals and micro-enterprises that need financing to start, expand or consolidate a business or to meet working capital needs.
- Its maximum amount is of 25,000 euro.
- It is not necessary to provide a collateral guarantee and the maximum repayment period is of 6 years, with an optional 6 month grace period.
- As a basic requirement, it is necessary to present a business plan for the feasibility study of the project for which finance is proposed.
- The microcredits with the mediation of the EIB are also part of this line, which benefit from a financial advantage derived from the agreement with the European Investment Bank and that is specifically that it has a lower applicable interest rate, as well as the ICO microcredits, granted under the terms of the financing lines established by the Institut de Crèdit Oficial (Official Credit Institute).

Social microcredit

- Personal loan intended to finance self-employment projects promoted by entrepreneurs who may have difficulties accessing the traditional credit system and that, prior to the granting of the microcredit, have received the advice of one of the entities that collaborate with MicroBank.
- Its maximum amount is of 25,000 euro.
- It is not necessary to provide a collateral guarantee and the maximum repayment period is of 6 years, with an optional 6 month grace period.
- In these operations, it is also necessary to present a business plan that will have to be accompanied by the feasibility report of the collaborating entity that has advised the customer.
- No commissions for study, opening and early cancellation are applied.

Social enterprise loan

- Personal loan intended for entrepreneurs who seek a social impact through an economically and environmentally sustainable business activity.
- Allows for the financing of investments or working capital for the start, the consolidation and the expansion of social enterprises. Social enterprises are considered to be those specialising in employment insertion, as well as those that carry out their activity in sectors such as the promotion of personal autonomy and attending to the disabled and to dependants, the fight against poverty and social exclusion, multiculturalism and social cohesion, social action projects and cultural projects with a social impact.
- Its maximum amount is of 50,000 euro.
Profile of the beneficiary for 2015:
According to the ESADE Social Innovation Institute

- They are mainly natural persons: 81%
- 40 years of age
- 75% Spanish
- 24% opened their business as they saw a clear business opportunity, due to family or vocational reasons
- 42% with a secondary school education
- 63% had never previously run a business
- 65% worked as a self-employed freelance worker before starting their business
**Personal and family microcredits**

**Personal and family microcredits**

- Personal loan for people income of less than 18,000 euro a year to finance projects related to personal and family development, as well as needs derived from one-off or unforeseen situations. Among the most frequent destinations of this line of financing are expenses relating to housing, health care, education, the needs of people with disabilities, family regrouping or the acquisition of required transport.
- Its maximum amount is of 25,000 euro.
- It is not necessary to provide a collateral guarantee and the maximum repayment period is of 6 years, with an optional 12 month grace period.

**Erasmus+ Master’s degree loan**

- Loan intended for students who wish to study for a master's degree in another country of the European Union or one associated with the Erasmus+ programme.
- It is granted regardless of the age and income of the applicant. No guarantee of any kind needs to be given and repayment begins a year after completing the studies.
- The Master's degree programmes of up to 1 year have a 24 month grace period and a loan repayment period of 5 years. For the studies of more than 1 year, the capital grace period is of 3 years, to which six years must be added to repay the loan.
- The maximum amount is of 12,000 euro for a Master's degree of up to 1 year and of 18,000 euro for those who require a more extended period.
- No commissions for repayment, cancellation or study are applicable.

**Club Ahora microcredit**

- Loan intended for people over 65 years of age who belong to Club Ara –a programme of financial and cultural products and services designed exclusively for the elderly customers of CaixaBank- and who have an annual net income of less than 18,000 euro.
- The objective is to contribute towards improving the health and well-being of the elderly, financing the acquisition of assistance devices and technical assistance (wheelchairs, prostheses, hearing aids, etc.), the adaptation of the home (motorised ladders, ramps, the replacement of bath tubs by showers...) or the acquisition of health care and welfare services.
- The maximum amount is of 25,000 euro, with a repayment term of 6 years, with an optional 6 month grace period.

**Eco-microcredits**

**Business Eco-microcredit**

- Loan intended for the self-employed and micro-enterprises that seek to invest in environmentally sustainable sectors (agriculture and organic food, renewable energies, waste treatment and management, the production or distribution of recycled or ecological products, eco-tourism...) and/or on products or services that involve an improvement in the efficient use of resources and/or a reduction in the environmental impact (purchase of ecological vehicles for professional use and/or renovations to improve energy efficiency).
- The maximum amount is of 25,000 euro, with a repayment term of up to 6 years.

**Personal eco-microcredit**

- Personal loan to acquire sustainable products (electrical appliances classified with the class A energy label or above) or ecological vehicles (electric cars, motorcycles, bicycles and commercial vehicles) and to improve energy efficiency in the home (financing of solar installations, waste water treatment...).
- The maximum amount is of 25,000 euro, with a repayment term of up to 6 years.
Collateralised microcredits

Monte de Piedad

The Monte de Piedad, managed by MicroBank since 2010, grant loans on jewellery for people who due to their employment, financial or family situation, may encounter difficulties in accessing credit.

In addition to the collateralised microcredits, the Monte de Piedad offers the possibility of selling jewellery outright through auctions. Thus, the customer gets the maximum value, with a process that ensures transparency, security and confidentiality.

To obtain the loan (minimum 120 euro), you need to go to one of the Mont de Pietat branches, where the jewels are valued and the maximum amount calculated for the loan, which will be paid on the spot. The jewels can be redeemed at any time, or on the due date (one year), by cancelling the loan. Renewals from successive year to year can also be requested.

Offices in Spain

- Madrid, calle de Alcalá, 27
- Barcelona, carrer de Rivadeneyra, 6
- Tenerife, calle de José Hernández Alfonso, 30
- Seville, calle del Arroyo, 49
Accounts

Basic MicroBank account
• Intended to foster and promote financial inclusion of those groups with income lower than the minimum wage and with a direct deposit in the account of their salary, pension or unemployment benefits. Also addressed to the holders of a social microcredit.
• It allows for making deposits and withdrawals at any time and is exempt from any maintenance commissions.
• Holders of the Basic Account have access to the CaixaBank network of Automatic Teller Machines and Open Line services.

Green Account
• Current account to operate through the Línia Oberta on-line banking service, a channel that contributes towards reducing paper consumption.
• For each Green Account opened with a minimum of transactions, one collaborates in the reforestation program of the World Wildlife Fund (WWF) with the planting of a tree.

MicroBank Savings book
• Deposit of money at sight that allows for deposits and withdrawals to be made at any time.
• It is intended for holders of microcredits of MicroBank who do not meet the requirements for having a Basic Account, or for non-profit organisations.

Services

Microbank Card
• Debit card intended for MicroBank customers, with availability of cash in the network of ATMs of CaixaBank and with the possibility of making payment with a charge to their account or savings book.
• It has no costs or maintenance commissions.

Línia Oberta
• On-line electronic banking service available 24 hours a day all year round, which allows customers of MicroBank products to carry out banking operations.
• It has a platform in 22 languages, is multi-channel (access via Internet, mobile phone or TV) and comes with the CaixaProtect anti-fraud system.
• There is no cost for using the service

Guarantees
• Intended for natural persons who have to present guarantees to third parties in compliance with an obligation for cases of housing rental. They are also designed for self-employed freelancers who may need them to carry out their business activity.
Investment products

MicroBank has promoted the commercialisation by CaixaBank, of three socially responsible investment funds: MicroBank Ecological Fund, MicroBank Ethical Fund and MicroBank Guaranteed Ethical Fund.

**MicroBank Ecological Fund**

- It integrates profitability and respect for the environment by investing in sectors such as renewable energies, water management and treatment, pollution control, recycling, organic food, environmental services, biotechnology, new materials and eco-friendly infrastructures and technologies.
- This is a variable yield fund that invests in a selection of ecologically responsible funds, with a better historical yield-risk behaviour.
- It is a product that is respectful with the environment that offers profitability, liquidity, convenience and diversification.
- At the close of 2015, MicroBank Ecological Fund had 1,108 participants and an equity of 8.3 million euro.

**MicroBank Ethical Fund**

- Intended for individuals and groups interested in investment with a social return.
- Invests in public and private variable and fixed yield equities on a global scale.
- Is characterised by combining the traditional financial investment parameters of –profitability, controlled risk and liquidity- with socially responsible criteria. Moreover, the fund has a solidarity component.
- It invests in securities of companies that have demonstrated that they have a high level of ethical compliance in their management. This selection of values includes exclusion criteria (weapons, tobacco, nuclear energy, the violation of human rights...) and assessment criteria (social responsibility, human rights, the environment...).
- An independent ethics committee advises the manager to ascertain the ethical criteria that must be taken into account and supervises the proper ethical compliance of the portfolio. In addition, it gives 25% of the management commission to non-profit organisations, whereas “la Caixa” Banking Foundation contributes an equal amount to an international cooperation project.
- At the close of 2015, MicroBank Ethical Fund had 3,464 participants and an equity of 45 million euro.

**MicroBank Guaranteed Ethical Fund**

- It is designed for a client with a profile of social concerns and who wishes to invest applying socially responsible criteria. It is also recommended for companies with social corporate responsibility policies.
- As at the 31st of December 2015 accumulated a balance of 27.5 million euro and had 3,594 participants.
The most extensive network of branch offices

MicroBank offers its products and services through the CaixaBank branch offices, which has the largest distribution network of the Spanish State.

5,211 branches in Spain
“When I look back, I can see that it was worth it”

ALEJANDRA VIERA
Estudio Pilates Orgánico
Centre specialising in the Pilates method | Arucas (Gran Canaria)

Amount of the microcredit: 15,000 euro
Teamwork: social organisations and European institutions
More than 560 collaborating entities

MicroBank has signed cooperation agreements with 566 entities with the aim of promoting self-employment by providing access to financing my means of microcredits, especially among such groups that are in a situation of financial exclusion or at risk of enduring it.

These collaborating entities act as a liaison between entrepreneurs and MicroBank, offering personalised support in the preparation of the business project and occasionally, in the monitoring of its undertaking and certain other services:

- To facilitate the knowledge of the customers who request microcredits, a factor that contributes towards a better assessment of the operation.
- To advise and offer the essential technical support in preparing the business project and the first assessment of its viability and rationale.

Moreover, these entities contribute towards expanding the coverage of the distribution network of products and services, especially among the groups with the greatest difficulties of access to financing.

Collaborating entities

<table>
<thead>
<tr>
<th>162</th>
<th>7</th>
<th>286</th>
</tr>
</thead>
<tbody>
<tr>
<td>162 non-profit organisations</td>
<td>7 Autonomous Regional Governments</td>
<td>286 town halls</td>
</tr>
<tr>
<td>47 public administrations</td>
<td>33 universities</td>
<td>31 others</td>
</tr>
</tbody>
</table>
Andalucía Emprende is a public foundation of the Regional Government of Andalusia, ascribed to Council of the Economy and Knowledge, which has as its main mission the fostering of entrepreneurial culture and economic activity in the region through the provision of support services to entrepreneurs and companies that help the creation and growth of business and generate employment in the territory.

Since 2011, Andalucía Emprende has been working together with MicroBank. As a technical staff, we have highly positive feelings about the collaboration between our organisations. The fact that there is a tool for access to private financing of technically viable projects, in which the trust in these is based on the entrepreneur himself and his ability to make it economically feasible is a big step forward.

From our perspective, at Andalucía Emprende seems important to us to highlight the contribution of value that involved in being able to access the credit system, which manages to transform a vicious circle of unemployment, lack of resources and ultimately the lack of vital horizon, into a virtuous circle that will allow entrepreneurs to make progress in realising their working and personal aspirations. Despite all this it has a special impact on the social cohesion and the level of well-being of people and families, especially among the most vulnerable social groups.

In 2015, this beneficial collaboration facilitated the financing of 132 business projects, for a total of 1.8 million euro. With its support, MicroBank contributes towards Andalusia having an stronger, more cohesive and competitive entrepreneurial fabric.
Since 2010, Barcelona Activa has been offering entrepreneurs involved in entrepreneurship programmes access to financing through the microcredits of MicroBank.

Assessing the work done so far, with regards to the figures we have joined 134 entrepreneurs starting up their business project, with microcredits with an average amount of 18,000 euro, attaining an overall finance level of close to 2.5 million euro.

Throughout these years, we have been able to ascertain the profile of entrepreneurial people, including the identification of the microcredit as an instrument to finance very simple projects and in traditional sectors, up to a much wider and more complex concept that also includes micro credit as the seed capital of projects with great potential in highly innovative business sectors.

As a social organisation, we undergoing continuous improvement in our procedures. With MicroBank we have built a relationship of trust that allows us to better identify ourselves with the profiles and projects and we have defined what part of the process is to be provided by Barcelona Activa and what is the task of the Bank. This way of operating allows us to obtain the best results, which is the same as saying that more people can benefit from a microcredit in order to realise their self-employment project.

However, for all these years we have continued with the same focus, which is to provide microcredits to give financial support to entrepreneurs with feasible projects who encounter great difficulties in accessing the traditional banking market, mainly due to not being able to provide guarantees or warranties.

Ahead of us, we have new challenges, relating to the financing of the consolidation and growth of micro-enterprises and improving the following up of the initiatives that have received our support, that assuredly we shall be addressing together.

“The microcredit, an essential tool

Maria José Blanco
Manager of Entrepreneurship Programmes of Barcelona Activa

“With MicroBank we have built a relationship of trust that allows us to better identify ourselves with the profiles and projects”
The support of the entrepreneur is an essential part of the Chamber of Commerce of Spain. We believe that the company, the entrepreneurship, the tenacity, the effort and the courage of the people who venture into starting up new business initiatives, represent the values of a dynamic and global society and undertake a crucial role in the well-being of the entire population. For this reason, the promotion of activities and programmes with the objective of providing decisive support to SMEs and entrepreneurs is one of our priorities.

From the Chamber of Commerce of Spain and throughout the territorial network of Chambers, we offer our entrepreneurs a series of support instruments and programmes; from a network of Service Points for the Entrepreneur / Sole Business Windows of the Chambers of Commerce to the most extensive network of business incubators in Europe, managed by the INCYDE Chamber Foundation.

The support of the Chamber of Commerce of Spain in new business initiatives and ventures acquires special relevance when it comes to entrepreneurial women. With the Business Support Programme for Women (PAEM), with funding from the European Social Fund and the Institute for Women and the Equality of Opportunities, we intend to display the special impetus to entrepreneurial women. This programme provides incentives, advises, trains, accompanies and provides support to women with entrepreneurial restlessness, from the idea and the starting up of an activity, to the support of the growth of projects that are already under way, also providing assistance in the processing and obtaining of microcredits without guarantee through MicroBank.

The result of this programme for 2015 was most satisfactory. The providing of advisory services to 13,064 women and the creation of 2,480 enterprises led by them and in the framework of the microcredits the 125 applications of which 63% were granted for an approximate amount of 900,000 euro, these are extremely positive results.

We believe in the continuity and the boosting of this programme and others that seek to drive the entrepreneurial spirit and the role of women in society and the economy.

“In providing assistance in the processing and obtaining of microcredits without guarantee through MicroBank”
In 2015, it had been fifteen years since the implementation the Employment Plan for vulnerable groups of the Spanish Red Cross. The important challenge that the institution decided to take on to accompany the people who are at a disadvantageous situation when it comes to going down the path towards their social and employment integration. It is indisputable that employment is a fundamental tool in combating poverty and social exclusion.

In the realm of self-employment, the actions of the Red Cross are addressed to providing support to the most vulnerable people on their way towards joining the job market, from actions such as guidance and advisory services, to the preparation of the business project or the search for financing, passing through training in skills that will allow them to properly manage their self-employment initiative. Entrepreneurship can also be a professional alternative.

In 2015, the Spanish Red Cross and MicroBank entered into a cooperation agreement to provide incentives to encourage entrepreneurial activity that facilitates the access to finance of entrepreneurs to contribute to the start up of new businesses, with the aim of promoting the creation and the consolidation of employment.

This agreement of a Spanish State nature completed and strengthened the cooperation between the two organisations, facilitating a more flexible working procedure, as well as preferential and competitive conditions that have made us improve and enhance this interchange. The work of the team of the Self-employment Network of the Spanish Red Cross and MicroBank has been most fruitful.

The results obtained represent a significant increase if we take into account that the agreement was signed in the middle of the year. In 2015, loans were formalised for an amount of 178,408 euro a figure that represents 81% of all the outside financing managed by the Spanish Red Cross. The expansion of the territorial agreements will multiply the results for 2016.

“In 2015, loans were formalised for an amount of 178,408 euro a figure that represents 81% of all the outside financing managed by the Spanish Red Cross in the framework of the self-employment project”
A landmark agreement for self-employment

The Incorpora Programme

In 2015, the “la Caixa” Banking Foundation and MicroBank entered into an agreement to foster entrepreneurship between the users of Incorpora, the employment integration programme of Obra Social “la Caixa”.

This initiative responds to the conviction that there are people at risk of exclusion who have business ideas and/or knowledge of a profession and who are capable of starting up a small business if they receive good advice together with the necessary initial investment. Insertion through self-employment allows one to increase the chances of getting out of the situation of vulnerability.

With this premise, Incorpora designs customised itineraries for the users of the programme who seek self-employment as a means of accessing the job market. Incorpora seeks to foster 40 self-employment points of during 2016, which will allow the accompaniment of 2,400 people and the creation of more than 600 micro-enterprises. These self-employment points will be driven, by among other entities, the Fundació de l’Esperança, Fidem, Trinijove, Fundación San Martín de Porres, the Spanish Red Cross or Proyecto Hombre. During 2015, pilot tests were carried out in Andalusia and Catalon with 9 points that were attended by 729 people. 383 business plans were started of which 238 were finished, which led to the inception of 126 new micro-enterprises.

On the other hand, MicroBank created a financing line of 5 million euro a year addressed to such users of the Incorpora programme who wished to start a self-employment or a small business project. The social Bank also provided technical training to technical managers of the collaborating self-employment social entities of the Incorpora programme.

This agreement also provided for personalised accompaniment of the entrepreneurs of Incorpora by volunteers from “la Caixa”; the creation of a line of credit addressed to finance the establishment, consolidation or expansion of social enterprises that may have participated in the Social Entrepreneurship programme of Obra Social “la Caixa” and the promotion of the financial education of entrepreneurs and families in a situation of vulnerability, within the framework of the Financial Education programme of MicroBank.
The European institutions become involved

European Investment Fund (EIF)

The European Investment Fund provides guarantees to MicroBank to cover a part of the risk it undertakes in the granting of microcredits to entrepreneurs and businesses. The two entities have kept up a close collaboration since 2008 through agreements which are intended to promote financing for the creation, consolidation or expansion of entrepreneurial and business projects.

In 2014, MicroBank became the first financial organisation of the European Union to join the European program of Competitiveness of Companies and SMEs (COSME) promoted by the European Commission and managed by the EIF.

Last year, the European Investment Fund selected the Bank to start marketing the Erasmus+ Master’s degree Loan on the continent, intended for students who wish to study for a master’s degree at a University of another European country. In the presentation ceremony for the loan, which was held in June 2015, the executive director of the EIF, Mr Pier Luigi Gilibert, asserted that “higher education and student mobility are important drivers of growth and innovation in Europe”. On his part, the chairman of MicroBank, Mr Antoni Vila Bertrán, entrusted that through these loans “there would be many more students who could consider the option to studying for a master’s degree abroad, a factor that would improve their academic preparation and increase their future employability or their ability as entrepreneurs”.

European Investment Bank (EIB)

In 2015 MicroBank consolidated its relationship with the European Investment Bank with a new loan intended to encourage access to long-term financing and job creation, especially among young people. With the financing of this loan, 4,739 microcredits were granted last year, for a total amount of 47.6 million euro.

The EIB microcredits line offered a financial benefit to the customers who subscribed to them.

Development Bank of the European Council (CEB)

Since 2008, the Development Bank of the European Council and MicroBank have earmarked total of 360 million euro to finance projects of entrepreneurs and families who may have difficulties in accessing credit through the traditional financial system, thus contributing towards economic and social development.

The COSME programme of the European Union is valid from 2014 until 2020, with an overall budget of 2,300 million euro. Its purpose is to provide support to SMEs in order to:

• Facilitate access to financing
• Provide support to internationalisation and accessing markets
• Create an environment favourable to competitiveness
• To foster the culture of entrepreneurship

COSME is a programme that applies the Small Business Act for Europe, which reflects the political will of the European Commission to recognise the central role of SMEs in the economy of the Union.
### European Investment Fund

**a. COSME programme**
- Objective: Direct guarantee (50% of the risk of the covered portfolio)
- Guaranteed credit: Microcredits for entrepreneurs and businesses
- Period covered: 3 years (2015-2017)
- Maximum guaranteed volume: Operations granted up to 650 million euro

**b. Erasmus+ Master’s degree loan**
- Objective: Direct guarantee (90% of the risk of the covered portfolio)
- Guaranteed credit: Erasmus+ Master’s degree loan
- Period covered: 3 years (June 2015-June 2018)
- Maximum guaranteed volume: Operations granted up to 30 million euro

### European Investment Bank
- Objective: Loans granted
- Loans financed: Microcredits to entrepreneurs and businesses granted through the EIB Micro-credit line
- Amount of financing received: 160 million euro

### Development Bank of the European Council
- Objective: Loans granted
- Loans financed: Microcredits to entrepreneurs, businesses and families (financing of 50% of the amount of each transaction)
- Amount of financing received: 180 million euro
“In the same way as I’ve done it, other people can get there too”

JUAN JOSÉ KلونER
Horno de leña
Baking bread in medieval markets | Palafrugell (Girona)

Amount of the microcredit:
15,200 euro
A task with a social impact
Impact of the microcredits

The profile of the entrepreneurs who have received a loan from MicroBank, the features of the businesses opened or expanded, the operation of the companies and their impact on the creation of employment are some of the important information of the report on the impact of microcredits, prepared by the ESADE Institute for Social Innovation. The document, published by MicroBank for the sixth consecutive year, aims to make an overview of the socio-economic consequences of microcredits to the public to which these are intended and towards society in general.

A poll among the loan beneficiaries of MicroBank has been the methodological basis for obtaining information that sheds light on the importance of small-amount loans to support people who may have difficulties in accessing the traditional financial system to make their business project come true.
Key points

The ESADE business school report extracted as one of the main conclusions that the loans granted to entrepreneurs, self-employed freelancers and micro-enterprises by MicroBank during 2015 facilitated the creation of 21,321 new jobs, either in processes of founding new businesses and also in the expansion of existing ones. When considering only entrepreneurs who opened a new business project, the calculations indicate that a total of 11,258 people found work during last year, counting the person driving the initiative.

The relationship between the microcredits and the creation or consolidation of employment is obvious insofar as 93% of the entrepreneurs work in their own business and 29% have hired some workers since being granted the microcredit. This, in the generation of jobs one must take into account the self-employment projects and the micro-entrepreneurs who have expanded their workforce. Outside the computation are the entrepreneurs who use microcredit to consolidate or expand the business where they themselves are already employed, as they do not generate new employment by taking on new partners or staff.

93% work in their own business
It is worth noting that 43% of the entrepreneurs assert that they expect to hire some workers in the next 12 months. In these cases, the expectation is to hire an average of two employees per micro-enterprise. With regards to the quality of the newly-hired workers, it should be mentioned that 79% of the new employees will work full-time.

43% assert that they expect to hire some workers in the next 12 months

Optimism towards the future

The people who have applied for a loan display themselves to be optimistic towards the future. 70% believe that the business will grow quite a lot or moderately in the next few months, whereas 26% believe that it will remain stable. Only 1% foresee that sales will drop and that they will have to close. Based on the current operation of the enterprise 57% claim that it operates well and 12% consider that it operates very well. Moreover, a large percentage of those who have expanded an existing business say that their business is going better than the previous year and only 6% warn that it is worse.

The entrepreneurs are convinced that opening their own business allows them to face up to new challenges and to develop new professional skills, although 92% declare that they are aware that this involves more dedication and less job security and stability than with a salaried job.
Fostering of the entrepreneurial fabric

From the analysis of the survey carried out by ESADE it is gleaned that 67% of the microcredits granted in 2015 were used to expand an existing business, whereas the other 33% was used to start up new initiatives. 72% of the businesses have no particular legal form and their bosses are self-employed. The limited company is the most common legal form, in 21% of the cases, whereas the rest obtain very residual percentages.

The majority of the businesses created have a single owner (72%) or two (22%), a circumstance that evidences the preponderance of self-employed freelancers.

Professional services and retail outlets

An important chapter is that relating to the business sector chosen by the beneficiaries of microcredits for the undertaking of their business. 48% of business were encompassed within the chapter of professional services, followed by the retail trade, and with 29%, in the hospitality and catering trade. Those relating to new technologies increase slightly with respect to prior years (4% of the total). In the caption of professional services, there are several different activities, from those relating to the cosmetics centres and hairdressers to law firms, consultancy firms, taxis, transport companies or photography studios.

15% of entrepreneurs coming from an unemployment situation

70% believe that the business will grow quite a lot or moderately in the next few months

Operation of the business after the granting of the microcredit:

- Good: 57%
- Average: 26%
- Bad: 3%
- Very good: 12%
- Does not answer: 2%
Profile of the beneficiary

64% of the businesses driven by microcredits are of a local nature (with an impact on their neighbourhood or city). Those of an international nature represent 12% of the total, a minority percentage but which is on the increase with respect to previous years.

The analysis of the profile of the entrepreneur helps to complete the vision of the type of customer that subscribes to a microcredit to finance themselves. Men represent the majority in the grouping of entrepreneurs, with 50% of the total, vs 31% for women. The other 19% relate to loans given to legal persons.

As a general rule, men use these financial products to expand an existing business more frequently than women. The figures indicate that the proportion rate is of 74% vs 52%. Women, therefore, opened new businesses with microcredits in a higher proportion than men: 48% of the women entrepreneurs vs 26% of the men entrepreneurs. The rest are legal persons.

As has been ascertained in previous studies, the majority group is comprised of entrepreneurs between 36 and 49 years of age, which make up 42% of the sample, followed by those between 26 and 35 years of age, who represent 20% of the total. The beneficiary of a MicroBank loan has an average age of 40.

The majority of those who have received a microcredit have secondary schooling (42%) followed by those with a higher education (32%), which have increased with respect to the data of previous reports. The proportion of entrepreneurs without studies remains very low and is of less than 1%.

With regards to geographic origin, as in the previous reports 75% of the total are Spaniards. At quite a distance, 17%, are from America and 6% from other European countries. Those from Asia or Africa barely reach 1%.

By country, after Spain, the majority are from Venezuela, followed very closely by Ecuador, Colombia and Argentina. With regard to Europe, micro-entrepreneurs are above all from Romania, whereas the Africans are mainly from Morocco. The countries of origin of the Asians are primarily Pakistan, Bangladesh, India, Lebanon and Russia.

A large majority of the foreign entrepreneurs have been residing in Spain for between 5 and 15 years (63%) Only 6% of the foreigners have been living here for less than 5 years.

65% of the total had already worked as self-employed freelancers prior to the granting of microcredit and 19% had a salaried job. The proportion of entrepreneurs coming from an unemployment situation was of 15%, a percentage lower than that of previous reports, which is possibly related to the economic recovery of Spain. 33% of those who were previously unemployed had been so for less than 6 months, and 22% had been unemployed for between 6 months and a year. However, it should be noted that 19% of the entrepreneurs had been unemployed for more than two years before they decided to start up their own business.
Contributing to the family budget

It is of special interest to reflect for a moment about being financially dependent on a business set up with a microcredit. The income generated by a microenterprise is the person’s principal source of funds in 30% of cases, and the same is true for two people in 27% of the business initiatives. These figures show the crucial importance of success in business, not only for the entrepreneurs but also for their immediate circles.

In 30% of cases, the contribution of the entrepreneur’s income to the family budget is something over 75%, while for another 29% it represents between 50% and 75%. Only in 14% of the initiatives does this contribution amount to less than 25% of the family budget.

41% of the entrepreneurs say that they have sufficient income to cover their family expenses. Half of the homes have income of over 2,000 euro a month. However, 54% say that they just about get through to the end of the month and 5% do not manage it.

Average monthly turnover

- More than €100,000: 1%
- Between €50,001 and €100,000: 3%
- Between €20,001 and €50,000: 13%
- Between €10,001 and €20,000: 16%
- Between €5,001 and €10,000: 24%
- €5,000 or less a month: 44%

Destination of the profits obtained from the business

- I have reinvested them in the business itself: 44%
- I have used them to improve the life and well-being of my family: 19%
- I have used them to pay off debt: 17%
- I haven’t had any profits yet: 11%
- Doesn’t know/doesn’t answer: 7%
- I have used them for making improvements in my home: 3%
The largest percentage is between 2,000 and 2,499 euro a month, while 15% of homes do not reach even 1,000 euro.

The reasons for opening a business are worth a chapter on their own. Going into business for necessity (that is to say, people who want to open their own businesses because they can find no better option in the labour market) applies for 20% of the people receiving loans from MicroBank in 2015 to set up microenterprises. These are entrepreneurs who either have no job or are fearful of losing the one they have.

In contrast, people who say they have decided to go into business because they have seen a clear opportunity are 24% of the total, while there is also a significant percentage of businessmen who are continuing the family business or feel a vocation.

The importance of the microcredit is reflected in the fact that 50% of those surveyed say that they could not have opened or expanded their businesses without having a microcredit. Another 27% think they could have done it, but with great difficulty.
Functioning of businesses created or expanded in 2015

- 88% of the enterprises are doing better than in the year before.
- 70% think their business will grow fairly well or moderately.
- 69% are working well or very well.
- Average sales are around 13,528 euro a month.
- 44% of the entrepreneurs have reinvested their profits.

-most of the entrepreneurs think that success requires them to devote many hours to the project and depends on the business notion being innovative.
-the entrepreneurs are aware that it means more dedication and less security than working for a salary.
-the entrepreneurs believe that opening a business allows them to face new challenges and develop new professional abilities.
-the entrepreneurs are aware that it means more dedication and less security than working for a salary.
B. Analysis of the microcredits granted since 2010

In this edition, the study by the ESADE Social Innovation Institute, in addition to the loans corresponding to last year, has also analysed the progress of businesses financed with a microcredit between 2010 and 2013, in order to evaluate how they have performed since obtaining the loan and until today. Most of the beneficiaries of a small loan have a perception of real improvement in their socio-financial situation: not only that their income has risen as a consequence of being granted a loan, but also that they are more prepared and capable in facing the future.

Consequences for the entrepreneurs

- 57% of the entrepreneurs who have kept their businesses going have increased their disposable income since the grant of the microcredit.
- 55% think that their financial situation is better than it would have been if they had not applied for the loan.
- 60% of the entrepreneurs feel more able and prepared to face the future.
- 59% of the entrepreneurs who say that their income has risen say that they have reinvested their profits in the business, with an average of 49,000 euro per project.
- 59% of the entrepreneurs with a business open think their quality of life has improved.
- 60% of the entrepreneurs feel more able and prepared to face the future.
- 86% of these think the microcredit has contributed to this improvement.
- An improvement in entrepreneurial capacities is one of the main consequences of having asked for a microcredit.
- The entrepreneurs appreciate that they have a more stable working situation and more control over their lives.
60% of the entrepreneurs do not see how they could have opened or expanded their businesses without the help of a microcredit. The proportion goes up to 75% in the group who were previously unemployed.

The microcredit has represented 100% of the investment in 36% of the cases while it is over 50% of the total expenses for 69% of the entrepreneurs.

This capacity of creating jobs is clear when the unemployment figures for the entrepreneurs are compared before the grant of the microcredit and at the present time, with a reduction of 15 points in the rate of unemployment.

35% of the entrepreneurs have taken on an employee since the grant of the microcredit.

21% of those interviewed expect to take on an employee in the next 12 months.

Among entrepreneurs who are now working in employment, 29% think that their earlier experience with business has helped them to get their current job.

58% of the entrepreneurs with active businesses think that their business has been made stronger as a consequence of the microcredit granted.

75% of the entrepreneurs with active businesses think that the efficiency and competitiveness of their business has improved.

74% have improved their businesses with the acquisition of more equipment and better facilities.

An instrument with an impact on creating jobs
74% of the businesses started up or extended with microcredits are still going.

**How the businesses are working**

74% of the businesses started up or extended with microcredits are still going. In the cases of new businesses, the survival rate is slightly lower, at 65%. In contrast, expansions of existing businesses show a rate of 84%.

The main reason for closing the business is lack of profitability (74%), while in 6% of cases the reason is having found other work. The main reasons given for the lack of profitability are the crisis, lack of clientele or the wrong location of the business. Among the entrepreneurs whose businesses are still going, 61% say that they are now doing well or even very well.

In addition, forecasts for the future are positive, with 42% who think that their business will grow moderately and 15% looking at significant growth. With regard to annual turnover, the majority group bill between 30,000 and 80,000 euro a year and most have annual profits of around 15,000 euro.

**Financial situation of the entrepreneurs**

From the study by ESADE it emerges that most entrepreneurs think their disposable income has increased as a result of the grant of the microcredit (42%) or that it has remained the same (33%). The details analysed allow it to be said that the microcredits have had a positive impact on the entrepreneurs’ financial situation, both for those starting up a new business and those who have expanded one already existing. Even taking into account the negative perception of those who have had to close their business, most of the entrepreneurs surveyed think that their financial situation now is better than it would have been if they had not asked for a microcredit.

In addition to the direct effect on the financial situation of the beneficiaries, it is notable that 60% feel more capable and prepared to face their future than before the grant of the microcredit, with 86% who think that the loan has contributed to this improvement.
Influence in creating jobs

The results of the study show that the microcredit is a fundamental instrument for the creation or expansion of microenterprises. Thus, 60% of the entrepreneurs consider that they could not have opened or expanded without a microcredit. The details are more revealing if we examine only the group of entrepreneurs who have opened a new business, with 69% of those surveyed saying that they could not have put their project into effect with their own resources.

The contribution of the microcredit to creating jobs is clear. On one hand, one of the basic impacts is in found in self-employment, in creating a job for the businessman himself. In fact, 88% of the entrepreneurs with a business open are in this situation.

Apart from the self-employed, the businesses created or expanded with a small loan have created new jobs. 35% of the entrepreneurs have taken on an employee. And in terms of the quality of employment, 68% of the new workers have been taken on full time. 21% of those surveyed are expecting to enlarge their workforce in the next 12 months.

The impact of the microcredits on the labour market goes further than direct job creation. This type of loan has also contributed to improving employability. Among entrepreneurs who are currently working as employees, 29% think that their experience with their own businesses has helped them to get their current job. On the other hand, 14% of those currently unemployed are thinking of opening a new business. This capacity of initiative arising from these conclusions is a key to future employability.

In short, the details studied show, according to the ESADE study, that we are looking at an instrument with a transforming capacity. The microcredits have made possible the creation or expansion of businesses, have contributed to creating new jobs and have improved the employment abilities of the entrepreneurs. Most have a perception of clear improvement in their socio-financial situation: they not only believe that their income has risen as a consequence of the grant of a loan but also that they feel more prepared and capable of facing the future.

69% saying that they could not have put their project into effect with their own resources
Commitments to financial education

Last year MicroBank started up 100 courses on financial education. This initiative, which involves the collaboration of 31 social entities around the country and up to 100 volunteers from CaixaBank, gave training to 1,667 people in 2015 with the aim of improving their abilities in managing the family economy and contributing to preventing their financial exclusion.

The basic aims of the MicroBank initiative are to promote the financial inclusion of people with weaker family economies, giving them information and providing access to basic banking products, and also to contribute to improving the financial management of families with low income and in a situation of vulnerability. It is also intended to provide the necessary training to prevent cases of over-indebtedness and the misuse of financial products.

A team of instructors from the various collaborating entities, helped by CaixaBank volunteers, are the people in charge of transmitting the knowledge, which ranges from how to prepare a family budget to keeping accounts of the income and expenses of the home, passing through information and advice on savings, debt and banking operations.

The MicroBank initiative was created in view of the recorded existence of shortcomings in basic financial knowledge, especially among the more humble economies. In fact, a report by ESADE points out that 9 out of 10 families do not know exactly how much they spend every month and that only 9% regularly use a system of financial planning. This reality is largely due, according to the authors of the study, to a lack of training in the family economy, which can lead to undesired consequences. A clear example of this shortcoming is the fact that 46% of Spanish people say they have never had any kind of financial education.

1,667 Workshop participants
University Masters, a factor for competitiveness

With the aim of attaining equality of opportunities for students who choose to extend their studies by taking a Master in another European country, MicroBank last year launched a novelty financial product, the Erasmus+ Master loan.

The loan, with a maximum of 18,000 euro for a Master lasting more than one year, covers the registration cost and the expenses linked to staying in the country (upkeep, travel...).

Among its more innovative features, it is noteworthy that the loan is granted independently of the student’s financial and social situation, and that no guarantee is required. It is designed so that the student can start to pay it off a year after finishing his or her studies.

Would you like to take a Master in another European country?

Yes 74.5%

No 25.5%

Which other European country would you choose to go to for the Master?

- United Kingdom 25.6%
- Germany 12.6%
- France 9.6%
- Italy 9.4%
- Netherlands 5.3%
- Ireland 4.0%
- Finland 3.9%
- Norway 3.8%
- Denmark 3.3%
- Sweden 3.3%
- Switzerland 2.7%
- Nordic countries 1.4%
- Belgium 2.3%
- Low countries 0.8%
- Don’t know/no answer 8.6%
- No priority choice 2.5%
- Others 2.3%

According to a questionnaire by the market research company Stiga for MicroBank, 3 out of 4 Spanish university students who want to study a Master are interested in doing it in another European country. With the result that lack of financial resources is the main reason, in 36.8% of cases, for discounting this option.

The Erasmus+ Master loan does not start to be paid until one year after completing the studies and, also, during the life of the loan it is possible to ask for a grace period of up to a year. There are also other advantageous conditions, such as no commissions for redemption, cancellation or study, and the interest rate is very competitive.

MicroBank was the first European entity to launch this type of loan and, in marketing the product, has had explicit support from European institutions. In fact, the European Commission, through the European Investment Fund, chose MicroBank as its first intermediary to offer the Erasmus+ Master loan, an instrument which stimulates geographical mobility among the university students.

**Reasons for wanting to do it in another European country**

- To improve my knowledge of another European language: 29.6%
- Opportunity to live abroad and get to know another culture: 26.8%
- The quality of the destination university: 15.7%
- Others: 0.8%
- To improve my chances of getting a job when it’s finished: 27.2%

**Reasons for not wanting to do it in another European country**

- It’s too expensive and I can’t afford it: 36.8%
- Personal and family commitments (partner, children, etc.): 19.9%
- Lack of knowledge of other languages: 17.7%
- I’d like to do it in a non-European country: 17.7%
- Others: 4.3%

**How could you pay for the Master and the living expenses for your stay abroad?**

- Savings: 17.8%
- Asking a bank for finance: 5.5%
- Helped by parents or other relatives: 24.6%
- Combining studies with a job in the destination country: 25.9%
- Grant: 25.9%
- Others: 0.4%
Recognition for the best social task

MicroBank has been awarded the Prize for the best social task by the magazine Inversion & Finanzas in recognition of its day-to-day activity as a social bank making access to quality financial services easy through the grant of small loans to entrepreneurs, microenterprises and people with a risk of credit exclusion. This recognition coincided with publication of number 1,000 of the Grupo Vocento magazine, a reference point in economic and financial information.

With this prize, MicroBank receives new explicit support for its task of promoting productive activity, stimulating job creation and supporting development opportunities for people. In this sense, the bank’s Chairman, Antoni Vila Bertrán, says that the entity “offers its services based principally on confidence in a person and the viability of his project, and at the same time contributes to helping entrepreneurs, the self-employed and microenterprises to create employment”. 
“My partners were on the dole and there was nothing doing for them where they came from”

JUAN ANTONIO GARCÍA, JONATHAN COOSEN
JUAN PÍO GARCÍA
Blomberg
Craft brewery | Plasencia (Caceres)

Amount of the microcredit: 20,960 euro
Economic-financial information
Economic-financial information

The economic results and the financial situation of MicroBank have progressed satisfactorily in 2015, achieving a profit after tax of 29.4 million euro, 27% up on the result of the ordinary activity in the previous year. Shareholders’ equity at the year-end had reached 209.5 million euro, with capital of 90.2 million euro and reserves of 89.8 million euro. The figure for shareholders’ equity amply exceeds the capital requirements demanded by the regulator. In this way, own resources amounting to 24.3% of the total assets, the availability of credit provided in 2015 by both CaixaBank and the European Investment Bank and continuity in the policy of total cover for risks other than credit on our portfolio of loans all ensure a sound base for the sustainability of growth in the activity.

<table>
<thead>
<tr>
<th>BALANCE SHEET in thousands of Euros</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>862,530</td>
<td>660,853</td>
<td>511,013</td>
<td>419,064</td>
</tr>
<tr>
<td>Credit to customers (gross)</td>
<td>873,353</td>
<td>672,628</td>
<td>514,879</td>
<td>424,726</td>
</tr>
<tr>
<td>Resources obtained from customers</td>
<td>40,941</td>
<td>44,873</td>
<td>39,621</td>
<td>30,859</td>
</tr>
<tr>
<td>Resources obtained from credit institutions</td>
<td>575,252</td>
<td>408,385</td>
<td>269,719</td>
<td>209,656</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>209,475</td>
<td>180,010</td>
<td>157,015</td>
<td>138,586</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROFIT AND LOSS ACCOUNT in thousands of Euros</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest margin</td>
<td>70,874</td>
<td>54,531</td>
<td>44,420</td>
<td>36,255</td>
</tr>
<tr>
<td>Gross margin</td>
<td>93,443</td>
<td>71,188</td>
<td>63,918</td>
<td>46,573</td>
</tr>
<tr>
<td>Operating profit</td>
<td>42,066</td>
<td>33,018</td>
<td>26,316</td>
<td>22,681</td>
</tr>
<tr>
<td>Profit before taxes (from the normal business)</td>
<td>42,066</td>
<td>33,018</td>
<td>26,316</td>
<td>22,681</td>
</tr>
<tr>
<td>Net profit (from the normal business)</td>
<td>29,443</td>
<td>23,110</td>
<td>18,421</td>
<td>15,877</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESOURCES</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Employees in the Group</td>
<td>32,242</td>
<td>31,210</td>
<td>33,291</td>
<td>33,273</td>
</tr>
<tr>
<td>Branches in the Group</td>
<td>5,211</td>
<td>5,251</td>
<td>5,730</td>
<td>6,342</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MANAGEMENT RATIOS</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>15.26%</td>
<td>13.80%</td>
<td>12.50%</td>
<td>11.94%</td>
</tr>
<tr>
<td>ROA</td>
<td>3.82%</td>
<td>3.94%</td>
<td>3.88%</td>
<td>3.93%</td>
</tr>
<tr>
<td>BIS Ratio (core capital)</td>
<td>24.59%</td>
<td>27.56%</td>
<td>31.07%</td>
<td>33.39%</td>
</tr>
<tr>
<td>NPL ratio</td>
<td>2.15%</td>
<td>2.07%</td>
<td>2.30%</td>
<td>2.02%</td>
</tr>
<tr>
<td>% default/capital granted</td>
<td>4.66%</td>
<td>5.11%</td>
<td>3.16%</td>
<td>3.09%</td>
</tr>
<tr>
<td>Hedging of doubtful assets</td>
<td>288.27%</td>
<td>267.17%</td>
<td>251.72%</td>
<td>209.92%</td>
</tr>
</tbody>
</table>
The MicroBank model of financing rests on three pillars:

- The entity’s own funds, comprising the share capital (90.2 million euro), plus accumulated reserves and the results for the year, amounting to 209.5 million euro.

- Clients’ resources obtained through the entity’s savings products, savings books and current accounts, amounting to 40.9 million euro at the year-end 2015.

- Financing received from lending entities:
  - Granted by CaixaBank, with a balance drawn down in financing transactions of 323.9 million euro.
  - Loan from the European Investment Bank, for an amount drawn down of 160 million euro and a redemption term of 5 years.
  - Loans arranged with the Council of Europe Development Bank (CEB), with a balance outstanding at the end of 2015 of 86.5 million euro and a redemption term of up to 8 years from the start of each disposal.

CaixaBank, as the sole shareholder of MicroBank, arranges the availability of financial resources with the aim of dealing with the growth of its activity, while at the same time providing the bank with a high level of own resources.

Clients’ deposits, in the same way as for the financing provided by the Council of Europe Development Bank and the European Investment Bank, contribute to the sustainability of the bank’s activity and diversification of the sources of finance.

---

**Distribution of financing** (at 31/12/2015)

<table>
<thead>
<tr>
<th>Source</th>
<th>Number</th>
<th>Live balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CaixaBank loans</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Own funds</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>EIB loans</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>CEB loans</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Clients’ funds</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

---

**MICROCREDIT PORTFOLIO (31/12/2015)**

<table>
<thead>
<tr>
<th>Type of Credit</th>
<th>Number</th>
<th>Live balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microcredits for entrepreneurs and businesses</td>
<td>52,285</td>
<td>385.4</td>
</tr>
<tr>
<td>Financial microcredits</td>
<td>25,787</td>
<td>188.6</td>
</tr>
<tr>
<td>ICO microcredits</td>
<td>12,341</td>
<td>78.7</td>
</tr>
<tr>
<td>Social microcredits</td>
<td>1,515</td>
<td>15.8</td>
</tr>
<tr>
<td>Business eco-microcredits</td>
<td>277</td>
<td>1.6</td>
</tr>
<tr>
<td>EIB microcredits 8,722 87.5</td>
<td>12,365</td>
<td>100.7</td>
</tr>
<tr>
<td>Personal and family microcredits</td>
<td>141,608</td>
<td>487.3</td>
</tr>
<tr>
<td>Personal and family</td>
<td>141,141</td>
<td>486.1</td>
</tr>
<tr>
<td>Family eco-microcredits</td>
<td>467</td>
<td>1.2</td>
</tr>
<tr>
<td>Total for MicroBank</td>
<td>193,883</td>
<td>872.8</td>
</tr>
</tbody>
</table>

---

**LIABILITIES AND SERVICES AGREEMENTS (31/12/2015)**

<table>
<thead>
<tr>
<th>Type of Agreement</th>
<th>Number</th>
<th>Live balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>MicroBank Basic Account</td>
<td>27,608</td>
<td>19,455</td>
</tr>
<tr>
<td>MicroBank Passbook</td>
<td>47,521</td>
<td>21,486</td>
</tr>
<tr>
<td>Total for MicroBank</td>
<td>75,129</td>
<td>40,941</td>
</tr>
<tr>
<td>Cards</td>
<td>34,098</td>
<td>-</td>
</tr>
</tbody>
</table>

---

**Mont de Pietat**

- Loans in portfolio: **41,546**
- Clients: **26,897**
- Balance of loans: **40,828,824**
- Employees: **27**
Risk management

In accordance with the standards and best practices of the Basel Committee on Banking Supervision, the MicroBank risk management policy is based on a set of tools and techniques of quantification for the measurement, follow-up and management of the risk.

As a consequence of the bank’s own activity, it is subject to risks which can be classified as follows:

- Application of criteria of appropriation for provisions specially adapted to the probability of loss on each of our microcredit lines, both for generic forecasts and substandard results and for those arising from situations of slow payment or insolvency.
- MicroBank deals with clients for whom on many occasions the traditional tools of analysis (credit scoring) need to be supplemented with other types which allow Microbank to accomplish its company object of promoting credit inclusion.

However, the credit risk management policy is governed by the following general principles:

- Application of the procedures and models of risk assessment used by CaixaBank, in the broad sense, duly adapted to the characteristics of our clients and products, placing a special emphasis on the evaluation of the project.
- Application of the bank’s own regulations on microcredits with reference to transactions carried out, in which there are detailed procedures for admission, grant, follow-up and management of possible arrears on social, financial, personal and family microcredits, and on eco-microcredits.

Principal risks of the CaixaBank activity (Included in the Catalogue of Corporate Risks)

- Risks associated with the financial activity
- Risks associated with continuity in the activity
Active risk management

Movement in slow payments
PAR30*

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.85%</td>
<td>3.61%</td>
</tr>
</tbody>
</table>

Cobertures FEI

35% of the total portfolio of credits

* Credits unpaid after 30 days

It is important to note that MicroBank does not accept real guarantees on its microcredits.

In the specific case of social microcredits, specialised personnel take part in reinforcing the normal procedures of admission. The processing of these transactions takes place according to a detailed analysis of each project proposed, assessing its viability and approving or refusing the transaction.

The MicroBank Area of Investments and Risk Control carries out an exhaustive check on both quality in the admission of transactions and on the progress of risk profiles of the microcredits granted and the subsequent level of arrears in payment.

One of the objectives of improvement in the quality of business management is dealt with through the operational risk. This risk covers the losses resulting from inadequacy or failure in internal processes, people and systems, or due to external events.
“Without the first microcredit, my business would not exist today”

VÍCTOR MORO
León Aventura
Adventure sports centre | San Andrés del Rebanedo (Leon)

Amount of the microcredit: 25,000 euro
Commitments and challenges
## Targets and advances in 2015

<table>
<thead>
<tr>
<th>Target for 2015</th>
<th>Achieved in 2015</th>
<th>Degree of achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granting microcredits for a value of 471.2 million euro</td>
<td>588 million euro granted</td>
<td>100%</td>
</tr>
<tr>
<td>Arriving at 790.3 million euro in the live microcredits portfolio</td>
<td>872.7 million euro in the live microcredits portfolio</td>
<td>100%</td>
</tr>
<tr>
<td>Promoting and developing lines of activity with more contribution in social value.</td>
<td>Increase of 22% in social microcredits New Erasmus+ Master loan</td>
<td>100%</td>
</tr>
<tr>
<td>Developing a programme of financial education to contribute to improving the financial situation for people and families in a situation of vulnerability</td>
<td>98 financial education workshops were held, with the participation of 1,610 students</td>
<td>100%</td>
</tr>
</tbody>
</table>
Strategic challenges for 2016

- Granting microcredits for a value of 702.3 million euro
- Arriving at 1,074.3 million euro in the live microcredits portfolio
- Granting social microcredits for an amount of 15 million euro
- Continuing the initiative of the Financial Education Programme, developing specific material for entrepreneurs
“When you finish at university, you have no resources to set up a business, you need help”

ROSA LÓPEZ
Schwa Language Academy
Language school | Capdepera (Balearics)

Amount of the microcredit: 16,000 euro
Corporate government
Organisational structure

MicroBank is governed, administrated and represented, within the limits of their respective competences, by the Board of Directors and by CaixaBank as sole shareholder. Both share strategic decisions which affect MicroBank and carry out a very careful follow-up of the bank’s activity, checking on the progress of its asset and financial situation, the results and the risks inherent to its operations.

The relationship between CaixaBank and MicroBank

CaixaBank is the sole shareholder of MicroBank and since its formation has supported the entity by offering the necessary financing for growth of the credit activity, also offering the support of the network of more than 5,200 CaixaBank branches.

The relationship between the two entities is articulated by means of an agency contract under which CaixaBank supplies comprehensive services to MicroBank, and the CaixaBank branches market its products and financial services.

Board of Directors

The Board of Directors has very broad competences, with no further limitations than those corresponding to the functions attributed by the law or by the entity’s constitution.
Management

General Manager
Albert López Martínez

Area Managers
Núria Danés Jofre
Hugo Martínez Pérez
Roman Weissmann Bermann
Leandro Márquez Becerra
Ethics, transparency and responsibility

Code of Ethical Values and Principles of Action

MicroBank has a Code of Ethical Values and Principles of Action which defines and develops the foundations of ethical conduct which govern the entity’s activity, as well as the necessary action guidelines to ensure that corporate integrity is always clear in the relationships established with its clients, suppliers, employees, executives and Board members.

The aforesaid code constitutes one of the essential pillars for creating a responsible corporate culture and to extend a style of conduct based on values of respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility. The text also details the marketing policy, centred on the financing of projects directed to encouraging productive activity and creating jobs, as well as encouraging personal and family development, and promoting financial inclusion.

At the same time, the Code establishes that MicroBank will not finance those businesses which develop their activity in any of the following sectors:

- Armaments industry: activities of professionals or companies which produce and/or sell arms and munitions.
- Gaming and betting: activities of professionals or companies which design, produce and/or sell gambling games which cause addiction.
- Pornography: activities of professionals or companies which produce and/or sell pornographic products or material.
- Tobacco: Activities of professionals or companies which produce and/or sell tobacco or other related materials.
- Products harmful to the environment.

Code of Good Conduct for the Grant of Microcredits

In 2014 MicroBank joined the European Commission’s Code of Good Conduct for Microcredit Provision, with the aim of promoting the best practices in microfinance.

This document sets out guidelines of good practices and identifies expectations and principles common to the microcredits sector with determined objectives:

- Facing the challenges of access to long-term finance.
- Maintaining and even raising the quality of the services supplied.
- Advancing towards sustainability.

True to the United Nations Global Compact

Six years ago MicroBank joined the United Nations Global Compact, an international initiative which proposes to achieve a voluntary commitment by entities in social responsibility through the implementation of the 10 principles based on human, labour, environmental rights and on the fight against corruption.

In addition, the entity includes an obligatory contractual clause of acceptance by its suppliers that they know and respect these principles.
It is very satisfactory to see how, even in a difficult economic context like that of today, MicroBank has been able to maintain growth in the grant of loans to those groups with less financial capacity and where there are difficulties in access to the traditional financial system. Through this activity we reinforce our role of giving an adequate response to the demands of today's society.

Once more, we can make a very favourable assessment of the past year, in which MicroBank was a key factor in the starting up of more than 121,000 personal and business projects, allocating to them 588 million euro of financing. These figures are the best evidence of the bank's determination in its objective of support for people and families who need to make small investments to improve their welfare, and for entrepreneurs, the self-employed and microenterprises, seeking finance to start or extend their businesses.

Last year, thanks to our microcredits, more than 21,000 entrepreneurs have made a reality of their business initiatives. These, many times, begin as self-employment projects and are able to consolidate their success until they can create jobs for others. Also the improvement of confidence in the progress of the economy has animated more families to ask for microcredits to finance their personal or professional projects.

Seen in perspective, MicroBank has been consolidated as a key piece in the European microfinance sector. Since its creation in 2007, the bank has granted 429,000 loans for an amount of 2,381 million euro. An important factor in this task has been the participation and collaboration of European institutions, such as the European Investment Bank (EIB), the European Investment Fund (EIF) and the Council of Europe Development Bank (CEB), and more than 560 non-profit entities in Spain. Again, the evaluation of the clients, the end users of our work, encourages us to go ahead and face new challenges in order to satisfy their aspirations with an ever broader range of products, such as the new Erasmus+ Master loans, created in 2015.

We firmly believe that microcredits are a necessary route for stimulating financial inclusion. They are already an immovable pillar for help to families and small entrepreneurs, and for encouragement to the self-employed. We are satisfied with the work done hitherto, but there are still new challenges before us which, during 2016, we shall face with enthusiasm and hopes for the benefit of the society to which we give service.
We believe in you