



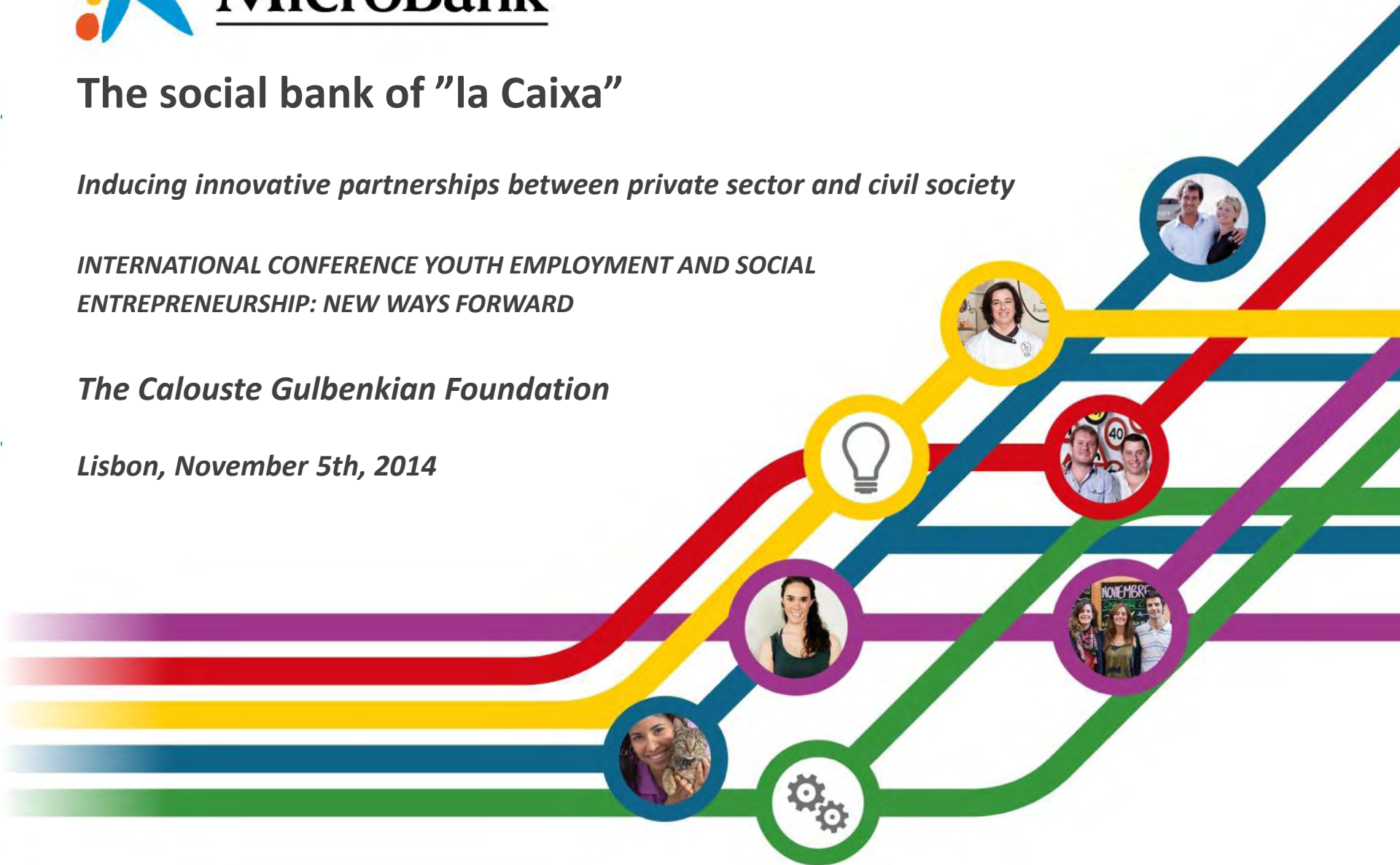
The social bank of "la Caixa"

Inducing innovative partnerships between private sector and civil society

*INTERNATIONAL CONFERENCE YOUTH EMPLOYMENT AND SOCIAL
ENTREPRENEURSHIP: NEW WAYS FORWARD*

The Calouste Gulbenkian Foundation

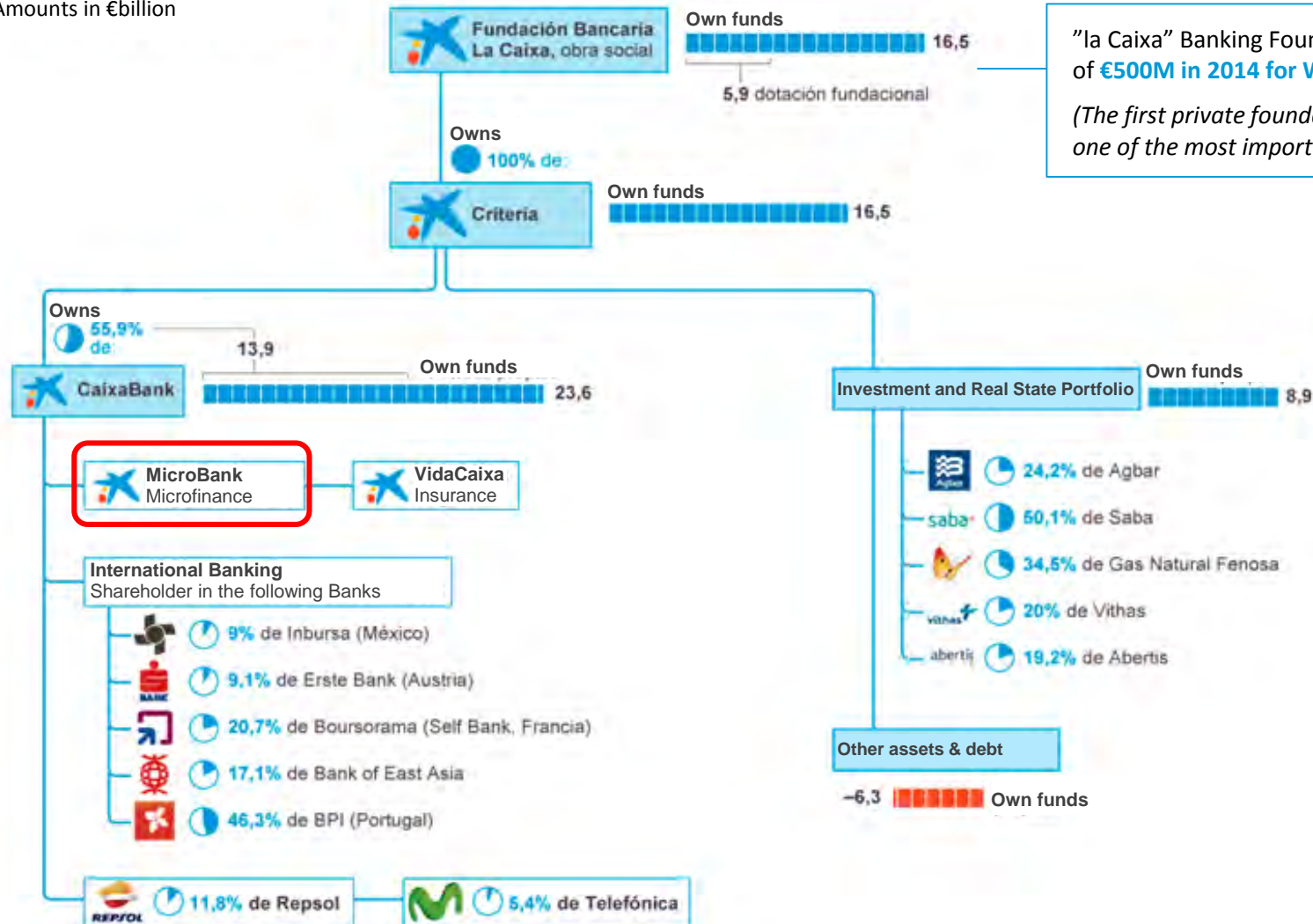
Lisbon, November 5th, 2014



Structure of “la Caixa”

STRUCTURE AND FINANCIAL ACTIVITY "LA CAIXA"

Amounts in €billion



"la Caixa" Banking Foundation has a budget of **€500M in 2014 for Welfare Projects.**

(The first private foundation in Spain and one of the most important in the world.)

MicroBank
7 years granting microcredits

MicroBank

MicroBank was set up to channel “la Caixa”'s “social banking” business. The aim was to promote this work through a single financial institution in the group that acts based on the parameters of specialisation, strictness and sustainability appropriate to a banking institution.

MicroBank is registered in the Bank of Spain Register of Banks, and consequently we are under the Spanish banking legislation and we have to fulfil all the requirements and formalities established by the Bank of Spain.

MicroBank: a strategic venture



January 2008



Sole shareholder, investing
**€173.4 million of capital &
reserves**

Provides and will provide the
financing needed to cover
the needs arising from the
bank's growth

*It is being set up at a time of special need and social
sensitivity*

MicroBank, a bank whose activity is:

ETHICAL

- In accordance with ethical principles of transparency, rigor and ethical and socially responsible investments

FINANCIAL

- Microcredit loans for entrepreneurs and families
- Financial products that contribute to sustainable social and environmental development

SOCIALLY-MINDED

- Promotes:
 - Productive activity
 - Job creation
 - Personal and family development

ECOLOGICAL

- That provides funding for investments that promote sustainable development

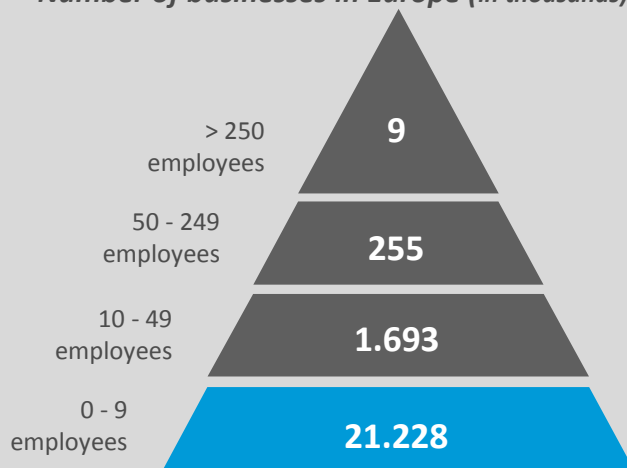
SUSTAINABLE

- **286,206** loans granted worth **1,678.4** million €*
- With an NPL ratio of 2.14%
- With the support of European Institutions

The context of microcredit in Europe

ENTREPRENEUR AND BUSINESS PROJECTS: Promotion of economy and employment

Number of businesses in Europe (in thousands)



- 92% of the enterprises in Europe and Spain are **microenterprises** (less than 10 employees)
- **2 out of 3 employees work for a microenterprise**
- They are an **essential factor for economic, regional and social cohesion.**

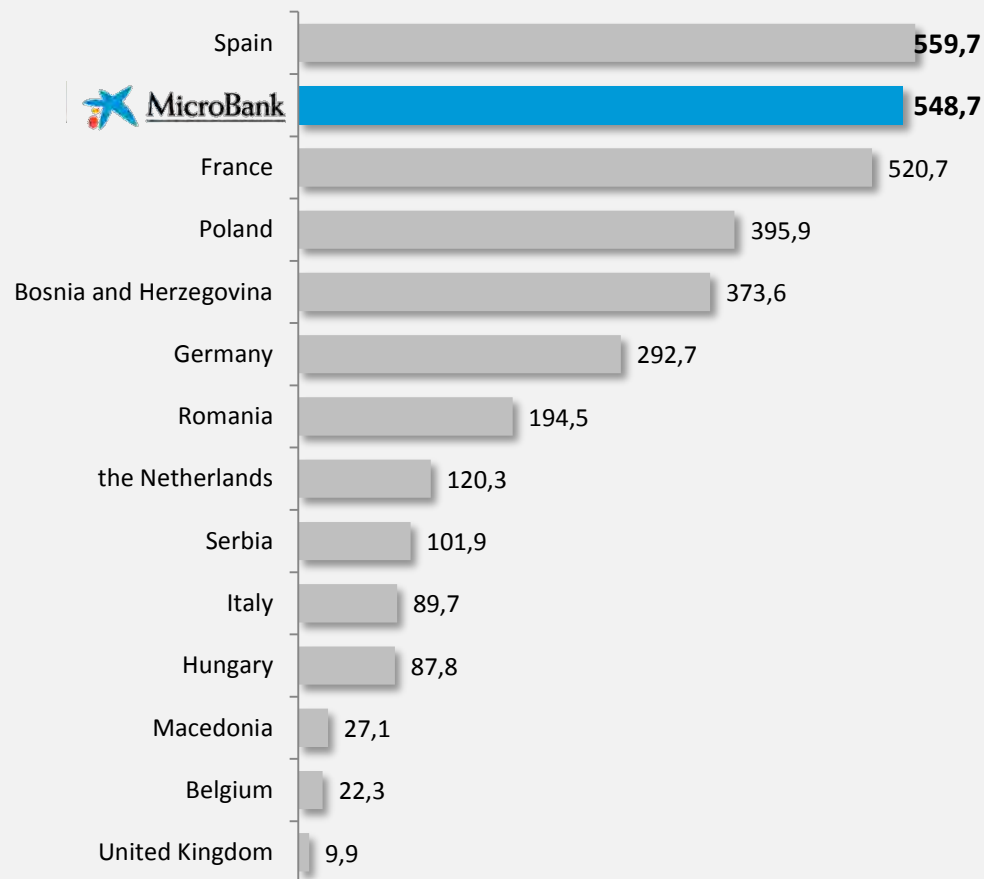
FAMILY COVERAGE: Promotion of personal and family development

- 28 millions of European people are in a situation of relative poverty
- With income below 60% of the average disposable income in their environment.

A successful operating model, with the support of European Institutions

Microfinances in Europe

Total amount granted 2012-2013



- A **leading position** in microfinance in Spain and Europe
- Microcredits up to **€25,000** to entrepreneurs and families. **Without collateral.**
 - **286,206** microcredits granted, worth **€1,678.4M€** (45% to entrepreneurs)
- Social and ethical savings products:
 - **€43 million** in deposits
 - **€53.3 million** in ethical mutual funds
 - **42,352** debit cards

Source: "Overview of the Microcredit Sector in the European Union 2012-2013". European Microfinance Network (EMN). September 2014

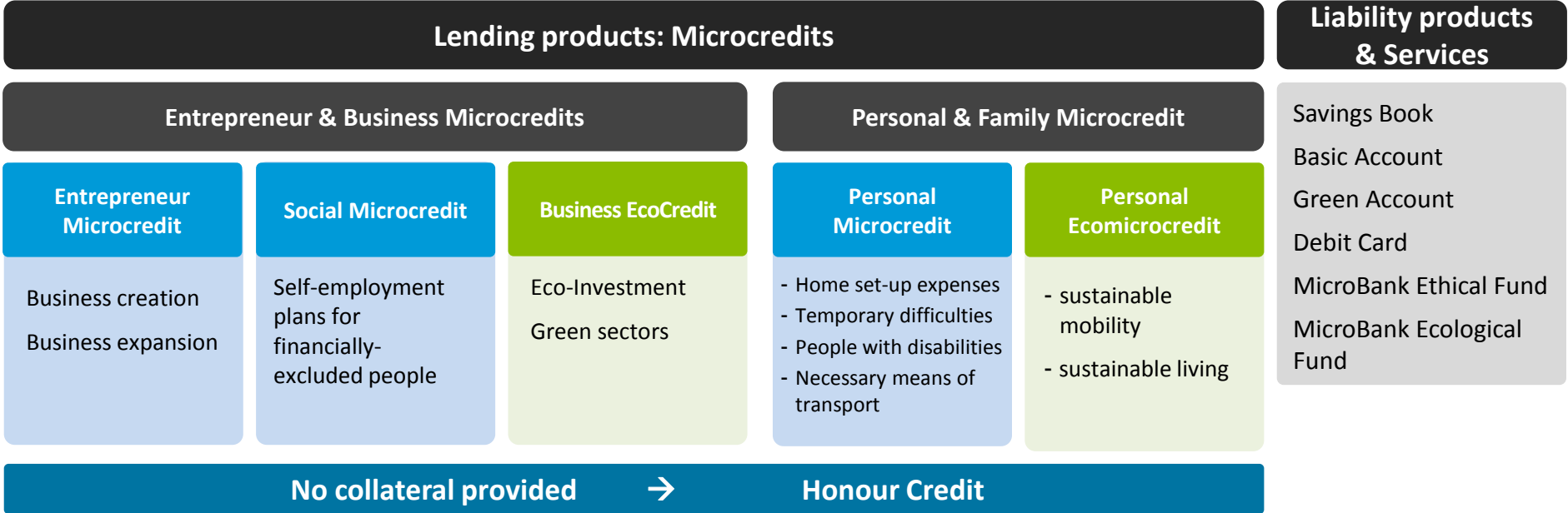
MicroBank Business Model

How does it carry out its activity?



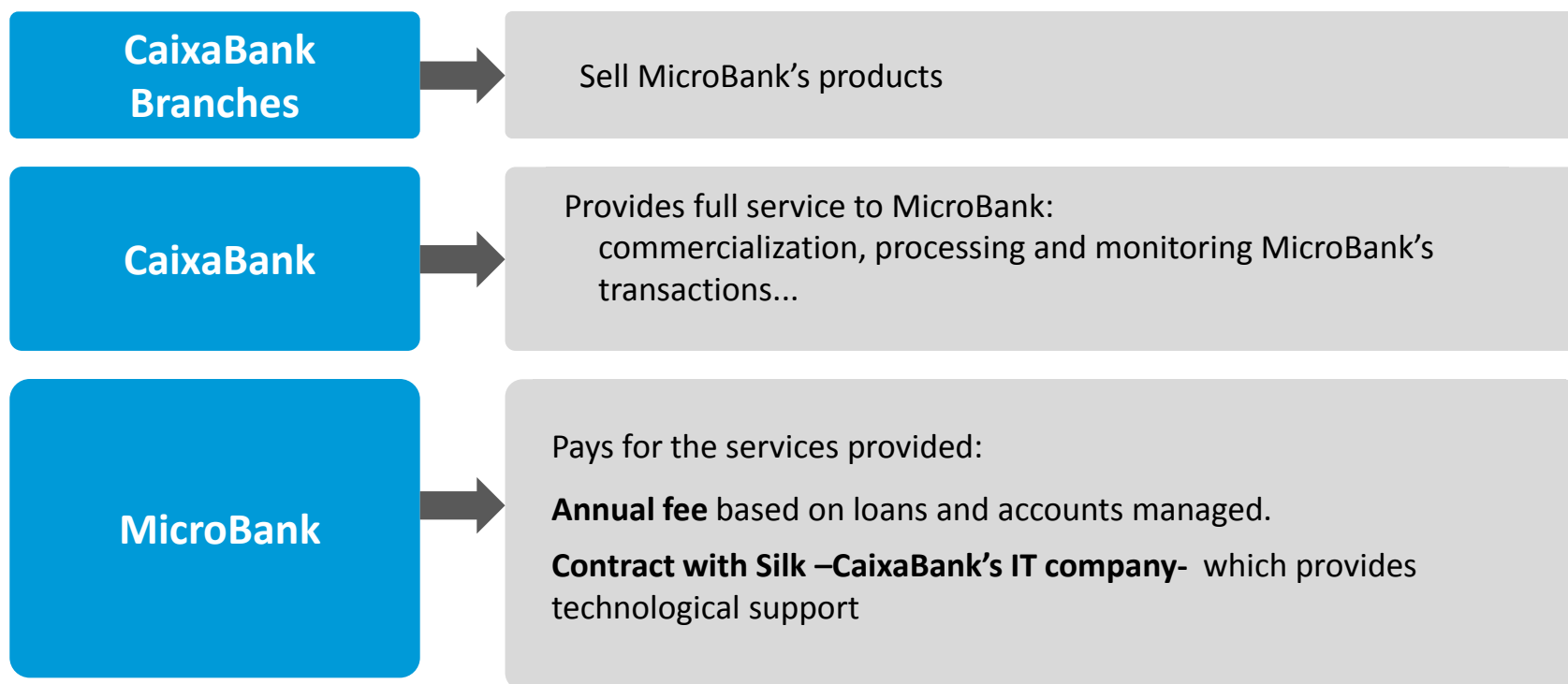
Support network:
5,695
CaixaBank branches

- 549 PARTNER INSTITUTIONS**
- 120 Non-profit organizations
 - 6 Regional governments
 - 281 Town councils
 - 80 Public administrations
 - 31 Universities
 - 31 Other



Relationship between CaixaBank and MicroBank

- CaixaBank is MicroBank's sole shareholder
- MicroBank has an **Agency Agreement** with CaixaBank establishing:



Partner Institutions of MicroBank

MicroBank

- Creates a **specific financing facility** aimed at projects submitted by users of the institution with a special emphasis on those groups that for economic, social and cultural reasons find it more difficult to obtain loans by means of the traditional system.
- **Provides financing through microcredits** bearing in mind the criteria of trust and viability of the projects to be financed.

The collaborating institution

- **Detects financing needs** aimed at promoting self-employment and establishing, consolidating or extending microenterprises and businesses run by self-employed people.
- Offers **information and advice** to the entrepreneurs to develop their business projects. (drawing up the business plan, training, etc.)
- Analyses the business project and issues a **viability report**.
- Once the project has been approved, it directs the entrepreneurs to one of the branches of “la Caixa”

More than 4,621
microcredits
granted to
entrepreneurs
from collaborating
institutions

Partner Institutions of MicroBank

Examples of partner institutions

Central government bodies

National Institute of Youth

Regional government bodies

Catalan Government, Andalusian Government, Extremaduran Government, etc.

Councils and municipal employment services

Madrid Council, Las Palmas Council, IMFOF (Palma de Majorca Municipal Training, Employment and Development Institute, Huelva Development Board, etc.

Universities, University Foundations and Business Schools

Universidad Ramón Llull, Universidad de Valencia, Universidad Internacional de Cataluña, Universidad Politécnica de Cartagena; Fundación Universidad-empresa Baleares, Fundación Universidad Alicante, Fundación Universidad de Valencia, Fundación Universidad F.de Vitoria – Madrid; Escuela de Negocios (ESIC), ...

Professionals' and entrepreneurs' associations

Professional Union of Self-employed Workers (UPTA), International Foundation of Women Entrepreneurs (FIDEM), Association of Young Entrepreneurs, etc.

Non-profit Organisations

Red Cross, Charitable Action against Unemployment, Tomillo Foundation, Trinijove Foundation, Association of Moroccan Workers and Immigrants, etc.

Target groups and customer profile



Target Groups

Young entrepreneurs and university graduates who propose a viable business plan to set up a self-employment project or a microenterprise.

Entrepreneurs financially excluded or who may have difficulties accessing the traditional credit system: women, the unemployed and new residents, etc.,

Self-employed and small businesspeople with an annual income of less than €60,000 who need to finance the creation or expansion of a small business.

Microenterprises with less than 10 employees and an annual turnover below 2,000,000€

People and families with an annual income of less than €18,000, who need to deal with family needs or overcome temporary difficulties.

Providing opportunities for young entrepreneurs - INJUVE

Agreement between MicroBank and INJUVE (National Institute of Youth) MICROCREDIT FOR YOUNG ENTREPRENEURS - INJUVE

Target	Young entrepreneurs under 35 years old who receive assessment from INJUVE in order to develop their business plan.
Purpose	Setting up self-employment projects
Amount	Up to 25.000€
% Financed	Up to 95%
Term	5 years (Grace period of 6 months)
Guarantee	Personal guarantee (no collateral neither guarantors)
Requirement	Business plan A feasibility report from INJUVE is needed



Pablo Marín y Ana Martínez
Juego de Niños
*Nursery School funded by a
microcredit for young
entrepreneurs - INJUVE*

213 Microcredit granted to Young Entrepreneurs advised by INJUVE (€3.5 milions)

* Guarantors may be provided

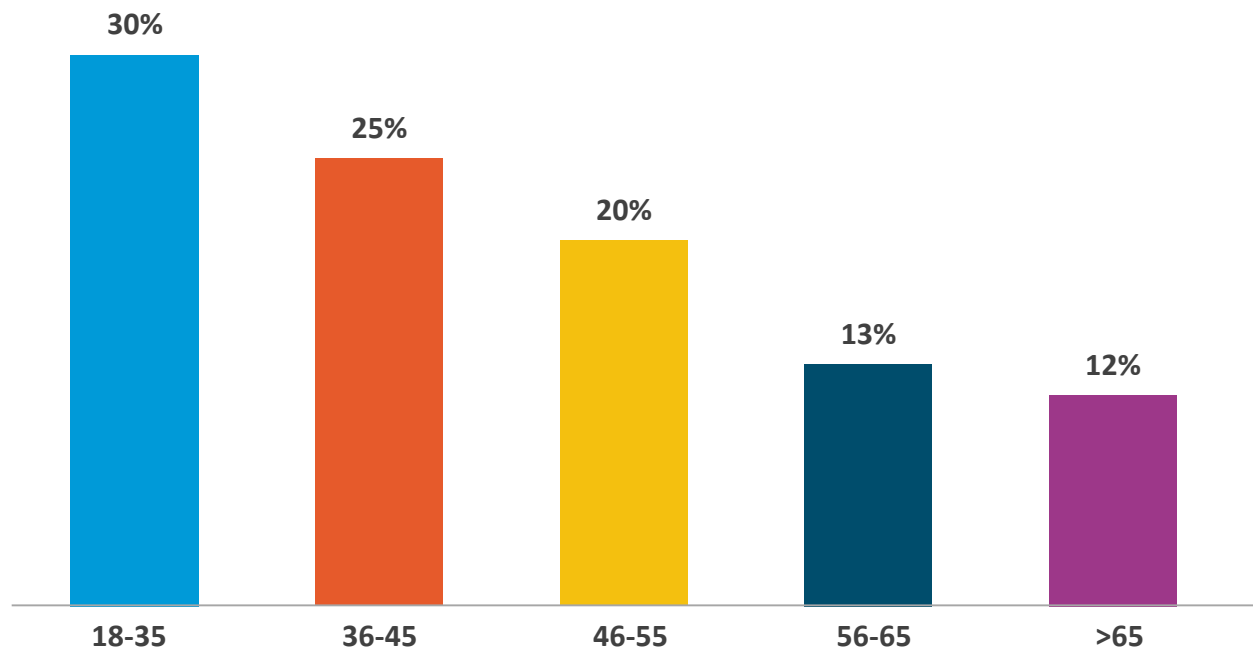
Agreement between MicroBank and spanish universities MICROCREDIT FOR YOUNG ENTREPRENEURS - Universities

Target	University graduates under 35 years old
Purpose	Setting up microenterprises and professional offices
Amount	Up to 25.000€
% Financed	Up to 95%
Term	5 years (Grace period of 6 months)
Guarantee	Personal guarantee (no collateral neither guarantors)
Requirement	Business plan A feasibility report from university

More than 30 Universities and Business Schools cooperate with MicroBank to promote microenterprises start-ups by facilitating access to finance to university graduates

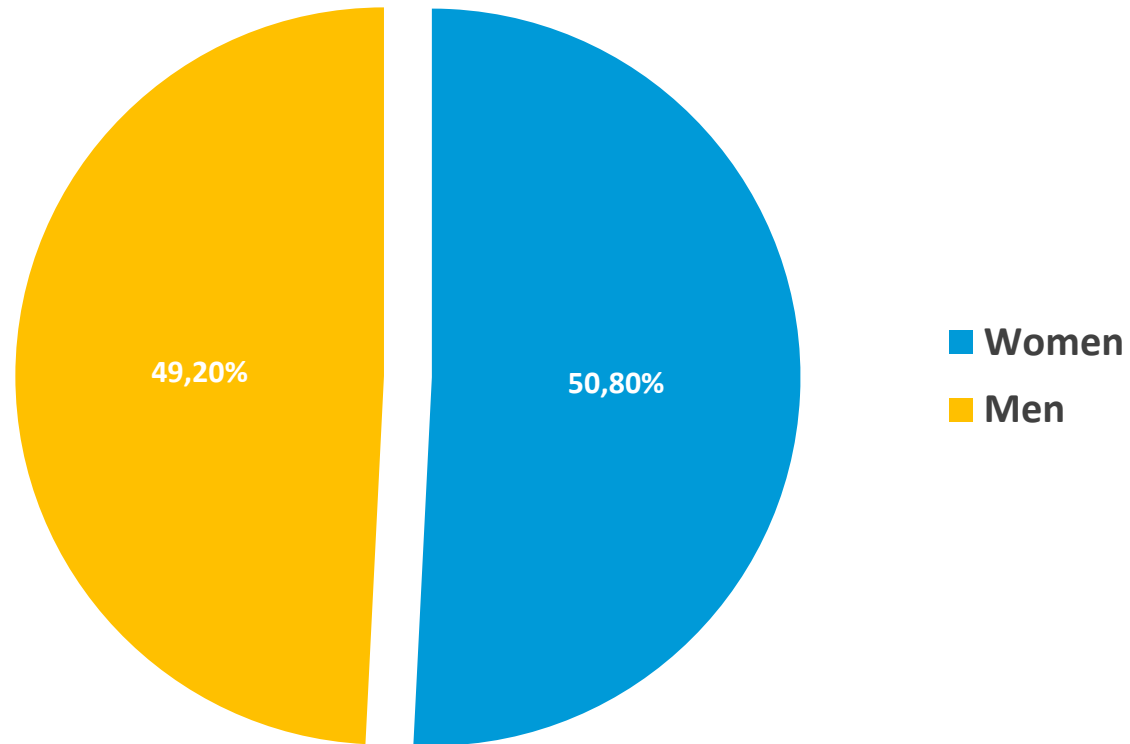
MicroBank: Current customer profile

% Microcredits by age group



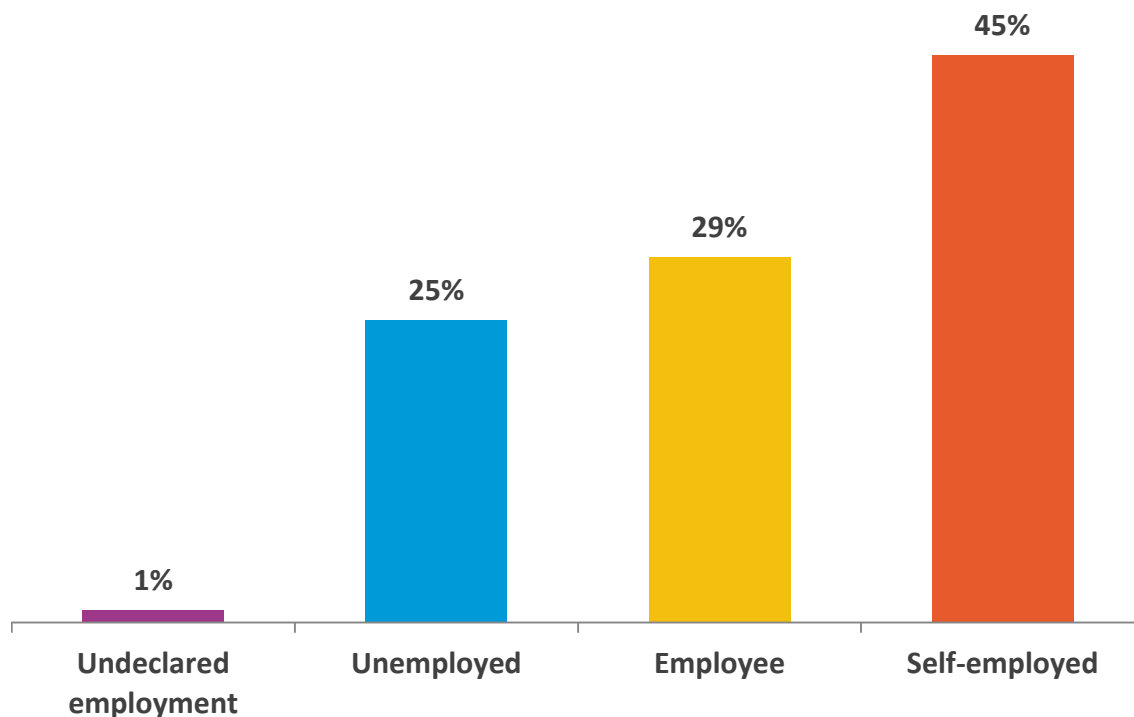
About one out of three customers are young under 35 years old

% Microcredit by gender



MicroBank: Current customer profile

% Microcredit by applicant's employment situation

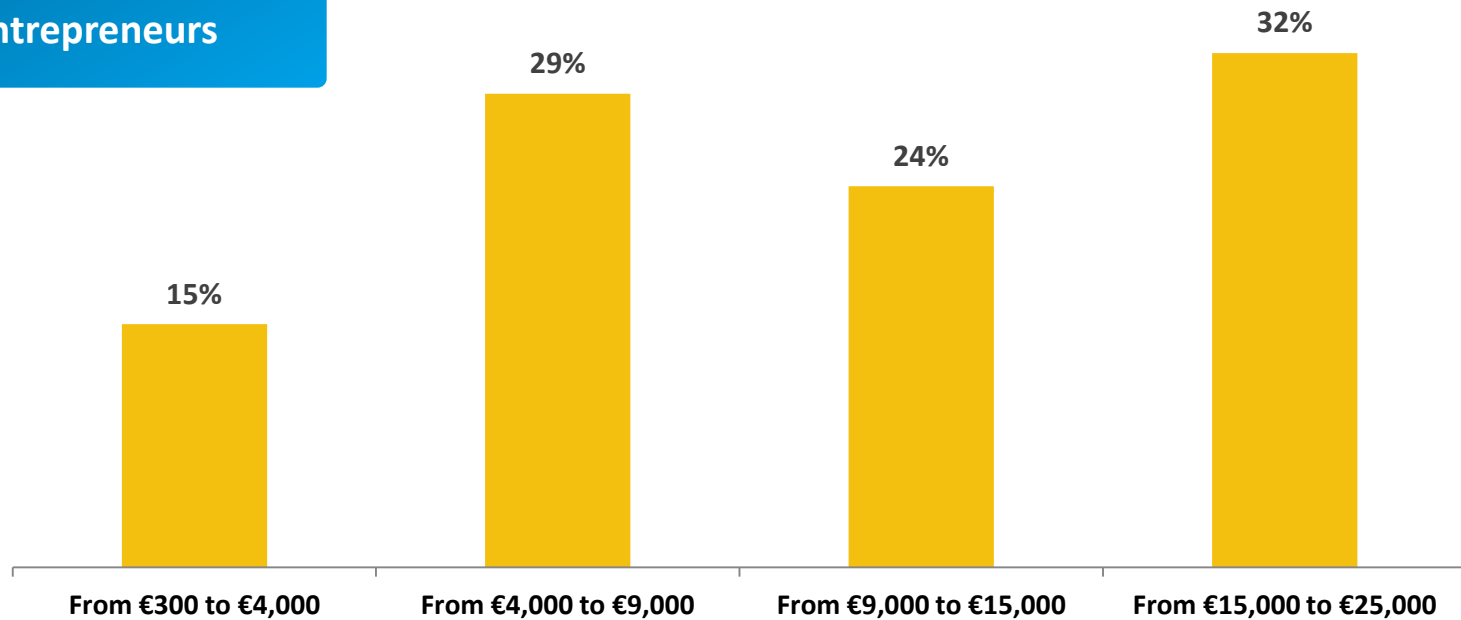


- **25%** of the applicants of an entrepreneur microcredit **were unemployed**
- Regarding **applicants under 35 years old, 38% were unemployed**. This shows the highest youth unemployment rates in Spain, and confirms that starting a business is a way out of unemployment

Microcredits for entrepreneurs loan amount

Loans by amount (euros). Total granted at september 2014

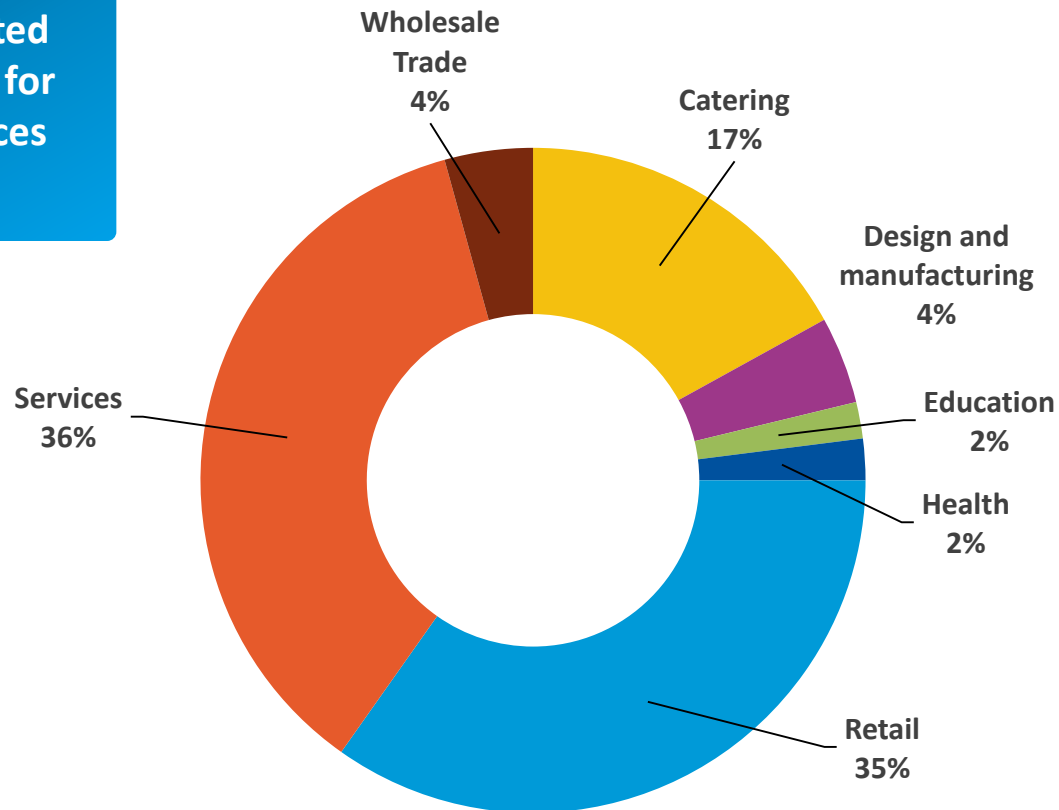
€10,990
Average amount of
Microcredit for
Entrepreneurs



Microcredits for entrepreneurs. Sector of activity

Loans by Sector of activity. Total granted at september 2014

71% of the granted microcredits are for Retail and Services activities.



Economic and Financial Information

Economic and Financial information

MicroBank September 2014: principal figures (in thousands of €)

September 2014	
Balance	
Loans and advances to customers	604,145
Total assets	626,062
Own Funds	173,407
Customer deposits	42,923
Total liabilities and equity	626,062
Income Statement	
Interests margin	39,432
Gross margin	44,086
Exploitations margin	32,707
Pre-tax profit	23,417
Net Profit	16,392
Ratios	
ROE	13.29%
ROA	3.87%
BIS Ratio/ Core Capital	27.98%

MicroBank,
Keeping a good
evolution
in 2014

LOW DEFAULT RATES

Microbank default and coverage

September 2014, in percentages and millions of Euros

	MicroBank
Default rate (proportion of outstanding portfolio)	2.14%
Bad debts (proportion of the loan portfolio)	3.16%
Coverage rate	255.81%
Insolvency funds:	34.8
<i>Of which generic</i>	10.6

*Collaboration between European
Institutions and MicroBank*

Support from European Institutions is essential for MicroBank's growth

<p>European Investment Fund</p>		<p>Purpose: Transactions covered: Period covered: Maximum amount to be received from EIF:</p>	<p>Direct Guarantee Entrepreneurs & businesses 7 years (2008 – 2014) €44.3 million¹</p>
<p>Council of Europe Development Bank</p>		<p>Purpose: Transactions covered: Maturity: Total Amount: Justification of the amount granted:</p>	<p>Credit facility Entrepreneurs, businesses & Family Microcredit (50% of the total granted) 8 years €180 million MicroBank reports in detail the microcredits granted.</p>
<p>European Investment Bank</p>		<p>Purpose: Covered transactions: Total amount: Justification of the amount granted:</p>	<p>Credit facility Entrepreneurs & businesses (50% of the total granted) €60 million MicroBank reports in detail the microcredits granted.</p>

(1) 75% of written-off loans

Support from European Institutions is essential for MicroBank's growth

SUPPORT FROM EUROPEAN INSTITUTIONS IS A DECISIVE FACTOR IN...

... MICROBANK'S GROWTH...

... It enables us to increase the size of our business volume and facilitates rapid development of it.

... ITS SUSTAINABILITY...

... It makes up for the higher cost of managing these operations by partially covering the effect of bad debts, which makes this business sustainable.

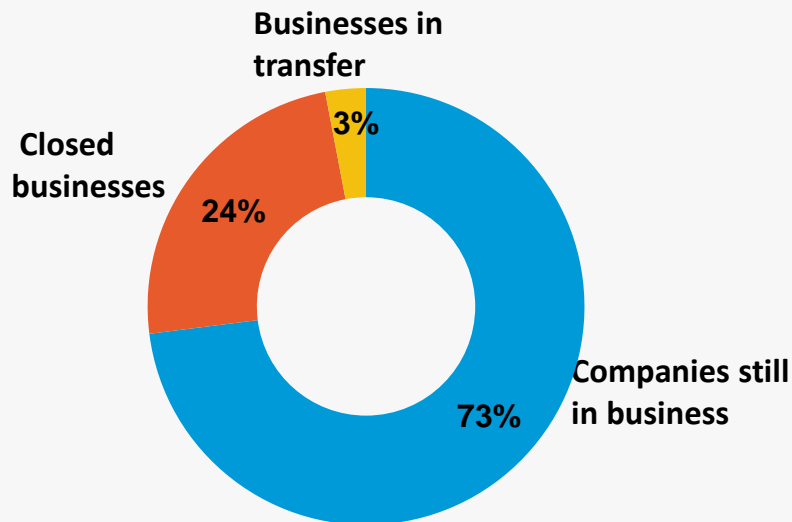
... AND GREATER SCOPE FOR ITS BUSINESS...

... It enable us to carry out a strategy to rapidly expand our business.

Social Impact of MicroBank's activity

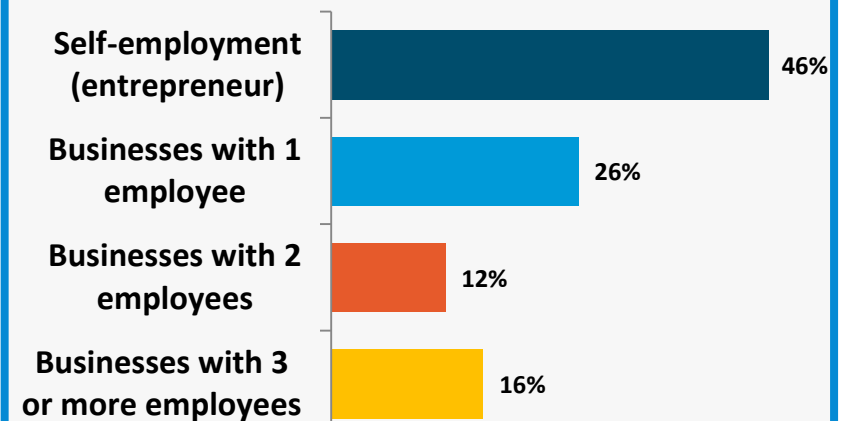
ACCORDING TO A STUDY CARRIED OUT BY ESADE, 7 OUT OF 10 PROJECTS FINANCED BY MICROBANK ARE STILL IN OPERATION

SUCCESS OF THE BUSINESS PROJECTS FINANCED



73% of businesses financed with a microcredit are still in operation

CONTRIBUTION TO JOB CREATION



MicroBank is estimated to have contributed to the creation or maintenance of more than 125,000 jobs

Conclusions

Conclusions

1.

Sustainability is a must and not an option

Sustainability is a basic requirement to grow and reach potential demand.

2.

Specialisation

Carrying out a highly specialised activity in microfinance allows improving efficiency in management and makes sustainable an activity that has a social impact and that the rest of the banking system generally rejects due to the lack of profitability and the lack of guarantees.

3.

Gaining scale

A large network of branches (5,695), the collaboration with European Institutions and social partners, are key factors to gain scale quickly and reach our target.

4.

Financing viable projects

Granting microcredits must be based on the viability of business projects, as well as the entrepreneur's capacity to carry them out. In order to assess these projects is necessary to apply banking models based on rigor and specifically adapted to our target.

Success Stories

MicroBank: a reality for many entrepreneurs



“It is important that your plan is the guarantee”

Montse Nzang

The success achieved by CANGUR, comprehensive pet services

Montserrat set up her business in response to a need: she needed someone to go to her home and take care of her dogs.

MicroBank gave her a microloan and she founded Cangur, a company that offers a **comprehensive service for pets**, including a home-visit service. In 2008, Montserrat was awarded the Woman Entrepreneur – Microloans Award at the eleventh FIDEM Awards.

Business set up:	2007
Microloan amount:	€15,000
Total investment:	€16,500

“You need to get over the fear and the idea of crisis: You just need to get going”

Fátima Fernández



The success achieved by CENTRO EL PATIO, Arts and sports centre

Fátima started dancing when she was a young girl, studying and teaching dance, but when she came back she decided to launch her own project: **CENTRO EL PATIO**

This is a multidisciplinary centre for all types of people who want to look after themselves through some form of physical or artistic activity such as dance, yoga and other activities that improve health and personal wellbeing.

Business start:	2012
Microcredit amount:	€25,000
Total investment:	€32,000

MicroBank: a reality for many entrepreneurs

MicroBank: a reality for many entrepreneurs

Thank you
www.microbanklacaixa.es