

ANNUAL REPORT 2020



MicroBank

Financing with social impact



ANNUAL REPORT 2020

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MICROBANK OPERATES
IN A NUMBER OF AREAS
RELATED TO THE SDGS:



MICROCREDITS
AND OTHER FINANCING
WITH SOCIAL IMPACT

100,095
microcredits granted

€747_M
in microcredits

5,283
other loans with a social impact

€154_M
in other loans with a social impact

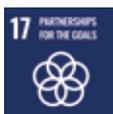
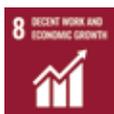


CONTRIBUTION
TO ECONOMIC
DEVELOPMENT
AND JOB CREATION

32,331
*entrepreneurs took out
a Business Microcredit*

8,737
*direct jobs created
with the support of microcredits*

5,416
*businesses launched with the financial
support received*



2020



CONTRIBUTION TO PERSONAL AND FAMILY DEVELOPMENT

67,764

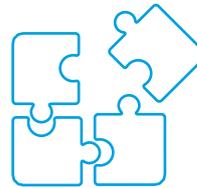
families took out a Family Microcredit

99%

were able to meet the need for which they requested the microcredit

55%

unable to pay an unexpected expense of €600



CONTRIBUTION TO FINANCIAL INCLUSION

€37.7_M

for social enterprises

€21.5_M

in microcredits for entrepreneurs supported by collaborating institutions

€0.4_M

in microcredits for people exposed to extreme vulnerability





MicroBank

LETTER FROM THE CHAIRMAN OF CAIXABANK

The COVID-19 pandemic has shaped our lives in 2020 with the untimely loss of loved ones and a serious social and economic crisis that will continue to take its toll on our society for the coming years. As we begin 2021, we find ourselves in a new context in which our habits have completely changed and formulas such as remote work and digitalisation have been brought to the forefront in an exponential way. What has not changed in the slightest is CaixaBank's commitment to people. People remain our top priority and we will work harder than ever to make a contribution to solving economic, social and environmental challenges through our model of social and responsible banking.

The entire CaixaBank Group, from both a human and business standpoint, is determined to generate the maximum possible positive impact on society. And MicroBank, CaixaBank's social bank, is a key element in this desire for social purpose and can look back on a track record of success despite its short history. MicroBank plays a pivotal role in CaixaBank's Socially Responsible Banking Plan, which entrusts it with the task of promoting financial inclusion, providing the most vulnerable groups with access to credit and strengthening its commitment to the socio-economic development of the region.

Microcredits have represented a major part of MicroBank's volume of activity and have helped to support many thousands of vulnerable people and families who were unable to make ends meet. Microcredits have also been a financial lifeline for numerous entrepreneurs and microenterprises that have been able to build and sustain their businesses. However, when we look beyond the numbers and see the faces and people behind them who have benefited from our work, the effort is worth it, and that is our greatest reward.

In the face of the economic fallout from COVID-19, the new mantra of financing with social impact promoted by MicroBank could not be more current and is more necessary than ever. We will work relentlessly to ensure that it has the greatest possible impact on the well-being of the greatest possible number of people.

CaixaBank and MicroBank will always stand by the people who need it most, because we know that it is not only for their benefit, but for the benefit of society as a whole.

Jordi Gual Solé
Chairman of CaixaBank



A LETTER FROM CAIXABANK'S CEO

2020 has been a year unlike any other for all of us. We have had to adapt to dramatic changes in record time, which is why it is only fitting and appropriate to recognise and applaud the personal efforts of the more than 35,000 employees of the CaixaBank Group. From the onset of the COVID-19 pandemic, CaixaBank has been fully active as a provider of essential services, has guaranteed financing to companies and individuals and, to this day, continues to be fully involved in supporting the sectors most affected by the pandemic.

CaixaBank's extensive experience and the outstanding commitment of its team of professionals to customers and society proved to be the perfect combination to bring an unprecedented year to a close with a more than positive result. The CaixaBank Group closed the 2020 financial year with an attributable profit of €1.381 billion, down 19% after an extraordinary provision of €1.252 billion was made to anticipate future impacts from the economic ramifications of COVID-19. CaixaBank was able to maintain a high level of commercial and recurring activity in 2020 and strengthen its leading position in digital banking. These achievements are set to be further enhanced in the immediate future once the merger with Bankia is completed.



Against this background, the work of MicroBank, Europe's leading microfinance institution, is clear evidence of the Group's desire to promote well-being and wealth in the region. MicroBank's commitment to people and vulnerable groups with difficulties in accessing credit and to entrepreneurs and microenterprises was essential even before the pandemic, so I have no doubt that it will intensify its efforts to ensure that as many people and businesses as possible benefit from its services.

Following this approach, in its 13-year history, MicroBank has granted more than 854,000 microcredits to families and more than 200,000 loans to entrepreneurs for a total amount of €6.163 billion. In addition, it has funded a total of 9,438 projects with a positive social impact in sectors such as healthcare, education or social economy.

MicroBank's inception in 2007 coincided with one of the most critical moments for the economy. Now that we are in the midst of a new economic crisis due to COVID-19, the institution's commitment to socio-economic development is even greater.

CaixaBank and MicroBank are keenly aware of the role that the financial sector must play in helping to alleviate the difficulties currently faced by certain sectors and groups. We want to be an active part of the economic recovery and we will remain committed to making every effort and using all the resources at our disposal to ensure that the responsible banking we engage in results in projects fully aligned with the United Nations Sustainable Development Goals (SDGs) and that generate the maximum positive impact for everyone.

Gonzalo Gortázar Rotaèche
CEO of CaixaBank

A handwritten signature in black ink, appearing to be 'G. Rotaèche', written over a horizontal line.

A LETTER FROM MICROBANK'S CHAIRMAN

There is no doubt that 2020 will be a difficult year to forget thanks to the COVID-19 pandemic. The health crisis has in turn caused an unprecedented social and economic crisis that has hit families and businesses of all sectors and sizes. This new reality has been a great challenge for society as a whole, pushing citizens, companies and institutions to adapt to new ways of working, interacting and even reinvent themselves.

As a bank, for us this time has been marked by the responsibility and commitment to support our customers, providing them with effective solutions to meet their needs at a particularly difficult time. The CaixaBank Group has always been defined by its social commitment, a mission that goes far beyond purely financial objectives, and MicroBank, the institution's social bank, has been strengthening this position since it was founded in 2007.

More than ever, in 2020 MicroBank invested heavily in its desire to contribute to the progress and wellbeing of society, reaching a new record figure by financing projects with social impact to the value of €900 million. Microcredits granted in the last financial year were at a new all-time high with 100,095 microcredits being granted for an amount of €746.6 million. It is worth highlighting the amount allocated to entrepreneurs and microenterprises, totalling €374 million, 62% of which was used directly to mitigate the impact of the COVID-19 crisis on their businesses. On the other hand, microcredits aimed at meeting the specific needs of vulnerable families amounted to €373 million.

However, aside from the milestone represented by these record amounts, these figures speak for the work we have been carrying out for 13 years by using microcredits to contribute to the benefit of society. This is why we are pleased to see that our financial support for micro-enterprises, entrepreneurs and social enterprises that have difficulties in accessing credit results in a boost to their business and the creation of jobs, with a positive impact on the general public. Even though it was not a favourable year for entrepreneurship, 5,416 new businesses and more than 8,737 jobs were created.

Looking back over the first two years of the 2019-2021 Strategic Plan, we are therefore delighted to see that we are indeed making progress in our mission to contribute to the progress of society by providing financing to the

most vulnerable groups and fostering the socio-economic development of the region.

Thanks to the strength and values which lie at the heart of the CaixaBank Group and MicroBank, we have the support of some of major European institutions dedicated to promoting entrepreneurship and microfinance. They are drivers enabling us to build upon a way of understanding banking that has made us a benchmark in microfinance in Europe.

Juan Carlos Gallego González
Chairman of MicroBank





MICROBANK'S COMMITMENT

MicroBank, the CaixaBank Group's social bank, is a leader in financial inclusion through microcredits and other financing with social impact. MicroBank's goals revolve around meeting needs that are not sufficiently covered by the traditional lending system, following the stringent and sustainable standards of a banking institution.

**MICROBANK'S
ACTIONS ARE GOVERNED
BY THE CORPORATE VALUES
OF THE CAIXABANK GROUP:**

MicroBank combines the creation of social value with generating the resources needed for this project to continue growing at the pace required by current demand. In doing so, it creates a social banking model that provides access to credit through high-quality financial services, with the aim of contributing to the following aspects associated with the SDGs:



JOB CREATION through the launch or expansion of businesses by granting microcredits to entrepreneurs and social enterprises.



FINANCIAL INCLUSION, promoting equal access to credit, in particular for those unable to provide guarantees, along with access to banking services for new customers through CaixaBank's commercial network.



PROMOTING PRODUCTION ACTIVITY, granting financial assistance to self-employed persons, micro-enterprises as a means of boosting the economy by promoting the launch and consolidation of businesses.



GENERATION OF SOCIAL AND ENVIRONMENTAL IMPACT, by granting financial support for projects that have a positive and measurable social impact.



PERSONAL AND FAMILY DEVELOPMENT, by meeting the financial needs of persons with moderate income through microcredits and helping them overcome temporary difficulties.



DIRECT, INDIRECT AND INDUCED CONTRIBUTION to the Spanish economy in terms of **GDP IMPACT** and **JOB CREATION**.

Quality: A commitment to service and offering outstanding customer care with the appropriate products and services for every customer.

Trust: The sum of honesty and professionalism. It must be cultivated with empathy, dialogue and by being close and accessible.

Social commitment: A commitment not only to provide value to customers and employees, but also to contribute to the development of a fairer society with greater equality of opportunity.



2



MICROBANK'S TEAMWORK WITH CAIXABANK AND ITS MAIN STAKEHOLDERS

The support of CaixaBank, the involvement of European financial institutions and the high level of capitalisation, along with a wide distribution network, are the essential strengths enabling MicroBank to achieve its goals, which focus on meeting needs that are not sufficiently covered by the traditional lending system.

Through its activity and its business model, MicroBank contributes to achieving the United Nations' (UN) Sustainable Development Goals (SDGs), placing emphasis on the following goals:

SUSTAINABLE DEVELOPMENT GOALS

PRIORITY



1 NO POVERTY



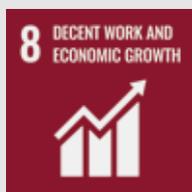
3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



COMMITTED TO **PEOPLE**



5 GENDER EQUALITY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



COMMITTED TO **SOCIETY AND THE PLANET**





SUPPORT FROM EUROPEAN INSTITUTIONS

MicroBank is supported by some of the main European institutions promoting entrepreneurship and micro-enterprises.



European Investment Fund (EIF)

Since 2008, MicroBank and the EIF have been working closely together to promote funding for launching, consolidating or expanding entrepreneurial or business projects. They first began working together through the Competitiveness and Innovation Framework Programme (CIP).

COSME II PROGRAMME

In 2014, MicroBank became the first financial institution in the European Union to join the EU programme for the Competitiveness of Small and Medium-Sized Enterprises (COSME) launched by the European Commission and managed by the EIF. The programme provides MicroBank with guarantees to cover part of the risk it undertakes when granting microcredits to entrepreneurs and businesses.

There is currently an agreement in place until 3 May 2022 to grant microcredits for a total of €1.2 billion to entrepreneurs and microenterprises.

COSME COVID-19

In 2020, a new agreement was signed under the European Commission's COSME COVID-19 sub-programme. This financing facility of €310 million is aimed at entrepreneurs in need of liquidity to mitigate the effects of the crisis caused by the pandemic.

ERASMUS MASTER

This agreement provides university students with limited means with access to Erasmus Master's studies through a product specifically designed for them, thus encouraging them to expand their studies in European universities located in a country other than their country of residence.

EaSI PROGRAMME (EMPLOYMENT AND SOCIAL INNOVATION) FOR THE FUNDING OF SOCIAL ENTERPRISES

As part of the close relationship between MicroBank and the EIF, the two parties decided to sign a new guarantee agreement in July 2018. This agreement is extremely important for the institution as it allows for the launch and consolidation of one of the new lines of business included in the strategic plan: the funding of companies and organisations operating in the social economy.

It initially foresaw an amount of €50 million, however, in 2020 the agreement was increased to €130 million, which will allow financial support to social enterprises to continue until 2023.

This facility can be used to cover both working capital needs and investment in assets required to carry on a business.

The main features of a social enterprise are as follows:

- Its main goal is to achieve a positive and measurable social impact ahead of generating profit for shareholders.
- It offers goods or services with a social return and/or uses production methods for goods or services that include a social objective.



European Investment Bank (EIB)

In 2013, MicroBank became the first European Bank to receive funding from the EIB for the purpose of granting microcredits. Since then, it has taken out three loans with the EU bank for an amount of €190 million, aiming to promote access to long-term funding and job creation, in particular for young people.



Council of Europe Development Bank (CEB)

The CEB has supported MicroBank's business since its foundation. A drawdown of €100 million was made in 2020 from the loan arranged in 2019.

The funds received from the CEB enable MicroBank to grant new microcredits and contribute to its ability to continue to offer highly competitive conditions adapted to its customers' needs.



IMPACT OF
MICROBANK'S
COLLABORATION
WITH THE EIF

Amount

€2,018_M

Microcredits

162,555

Average amount

€12,414

IMPACT
OF THE EIB
LOAN ON
MICROBANK'S
BUSINESS

Amount

€254.7_M

Microcredits

22,909

Average amount

€11,117

IMPACT
OF THE CEB
LOAN ON
MICROBANK'S
BUSINESS

Amount

€660.9_M

Microcredits

68,852

Average amount

€9,600

THE RELATIONSHIP BETWEEN CAIXABANK AND MICROBANK

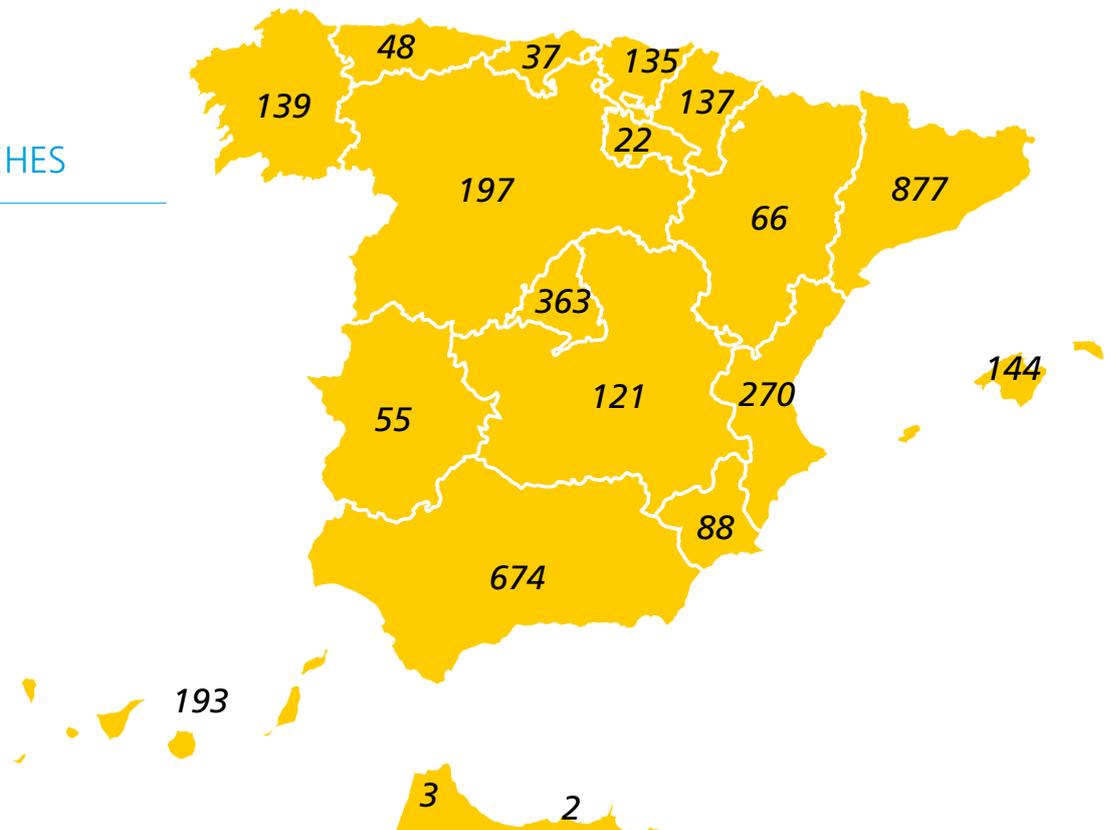
CaixaBank is MicroBank's sole shareholder. It has supported MicroBank since its foundation in 2007 by providing it with the financial support required to grow its lending business and by marketing its products through the more than 3,500 branches in its network, putting the entire range of options at the customers' disposal with the highest possible levels of service quality and proximity.

The relationship between CaixaBank and MicroBank is governed by an agency agreement by virtue of which CaixaBank provides MicroBank with comprehensive support and marketing services.



CAIXABANK'S
RETAIL BRANCHES

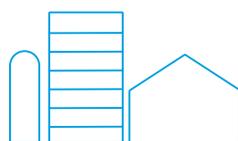
3,571





THE ROLE PLAYED BY THE COLLABORATING INSTITUTIONS

Another essential element of MicroBank's strategic goals are the 302 institutions that cooperate actively with the bank in order to promote self-employment by providing access to funding through microcredits, in particular among the groups most at risk of financial exclusion. These institutions act as a link between potential customers and MicroBank.



TYPES OF INSTITUTIONS THAT COLLABORATE WITH MICROBANK

302
total

136
town/city councils

80
non-profit organisations

44
other public authorities

35
chambers of commerce

7
universities and business schools



SERVICES PROVIDED BY THE COLLABORATING INSTITUTIONS



ASSESSMENT

They provide knowledge about customers applying for a microcredit, which contributes to better transaction assessment.



SUPPORT

They offer advisory and technical support services to entrepreneurs, which the latter need to draw up their business plans and conduct prior assessments regarding the feasibility and coherence thereof.



UNIVERSALISATION

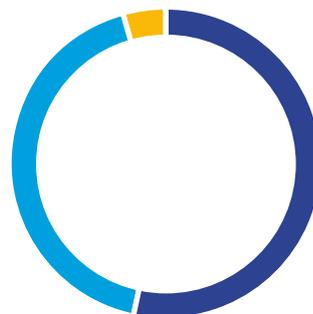
They contribute to expanding the distribution network for MicroBank's products and services, above all among the groups with the greatest difficulty in accessing funding.

MICROBANK CUSTOMERS

Adapting its financial products to the real needs of its customers is a priority goal for MicroBank. CaixaBank's commercial network and the collaborating institutions transmit the customers' perceived needs to MicroBank. The process of launching a new product involves the development of the product by MicroBank's team and the approval by CaixaBank's Product Committee, which analyses its features and associated risks along with its appropriateness for the audience at which it is aimed.

MicroBank's customers can be segmented as follows:

Distribution of MicroBank customers



53.4% *Entrepreneurs and micro-enterprises*

42.4% *Families*

4.2% *Social enterprises*

Customer Support Department

MicroBank is committed to providing its customers with precise, accurate and understandable information about transactions, fees and procedures in order to channel complaints and resolve any incidents.

MicroBank has signed up to CaixaBank's Customer Protection Regulations.



COMPLAINTS RECEIVED THROUGH THE CUSTOMER SUPPORT DEPARTMENT AND THE BANK OF SPAIN IN 2020

24 *complaints received*

54 % *in favour of the institution*

33 % *settled in favour of the customer*

13 % *rejected*



Customer satisfaction

Excellence is one of MicroBank's fundamental values and therefore customer satisfaction lies at the heart of our professional activities.

MicroBank conducts half-yearly customer satisfaction surveys with both families and entrepreneurs.



BUSINESSES

93.6 % *Customers satisfied or very satisfied with MicroBank's services*

8.80 *Average score*

Highest-rated aspects of the service

No. 1 Care and service received from staff

No. 2 Simple procedures



FAMILIES

94.9 % *Customers satisfied or very satisfied with MicroBank's services*

8.95 *Average score*

Highest-rated aspects of the service

No. 1 Care and service received from staff

No. 2 Turnaround times

3



SOCIAL IMPACT OF OUR BUSINESS

MICROCREDITS

The business conducted by MicroBank mainly through the grant of microcredits has a positive impact on society.

Microcredits are loans of up to €25,000, without in rem guarantee, aimed at people who, due to their economic and social circumstances, may have difficulty in accessing funding from traditional banks. Their purpose is to promote financial inclusion, production activity, job creation and personal and family development.



		<i>Grants</i>	
 <p>Businesses</p>	 <p>Families</p>	32,331	67,764
		<i>Total amount</i>	
		€374 _M	€373 _M

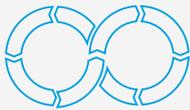
Impact of Microcredits

Measuring social impact is one of the institution's key strategic focuses. This is why a study on the impact of microcredits granted by MicroBank was carried out by the firm KPMG Asesores and Stone Soup Consulting.

The figures below are based on an *ex-post* analysis, carried out by means of surveys of entrepreneurs, microenterprises

and families, in order to determine the impact of the loan on the recipient and their business.

For businesses, the survey was carried out on a random sample of 571 entrepreneurs/microenterprises, with information collected on the recipient's profile, the features of the business, the socio-economic impact and the main cash outflows of the



IMPACT MEASURING METHOD

Gathering data

Direct impact

Indirect impact

Impact of Business Microcredits

Phone interviews with 571 Business Microcredit recipients

- Characterisation of businesses and recipients
- Business impact
- Impact on the entrepreneur
- Impact of COVID-19

The input-output methodology is applied to obtain the direct, indirect and induced impact of the businesses funded by MicroBank on the **Spanish economy and on job creation.**

Impact of Family Microcredits

Phone interviews with 595 Family Microcredit recipients

- Characterisation of recipients
- Impact on the recipient
- Impact of COVID-19

business (expenditure on salaries, taxes and suppliers). These figures were used in input-output calculations to determine the total impact on Spanish society of the businesses that have received a microcredit in terms of economic contribution and job creation.

A further 595 surveys of Family Microcredit recipients were also conducted to collect information on the recipient's profile, socio-economic impact and financial habits.

Some new questions were included this year to measure the impact of the health crisis on businesses and recipients, both entrepreneurs and families.





CONTRIBUTION TO ECONOMIC DEVELOPMENT AND JOB CREATION IN 2020

32,331

business microcredits granted,
of which **53%** were for
entrepreneurs and the remaining
47% for micro-enterprises

62 %

of microcredits granted used to
mitigate the effects of COVID-19

€374_M

total amount of Business Microcredits

€11,571

average amount

Business Microcredits

The grant of microcredits aimed at launching or expanding business projects has a direct impact on **improving the employment and economic circumstances of the people and companies** that apply for them and, at the same time, **contribute to job creation**.



BUSINESS IMPACT

- Promotion of production activity
- Job creation
- Contribution to economic development in the region



IMPACT ON THE ENTREPRENEUR

- Occupational and social inclusion
- Personal development

AIMED AT:

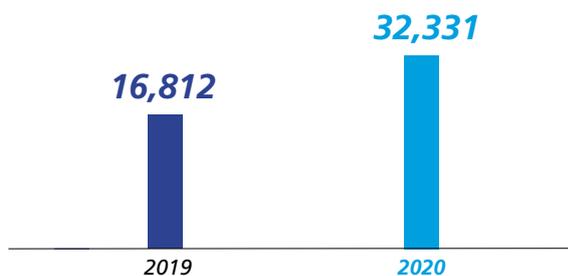
Entrepreneurs and micro-enterprises with fewer than 10 employees and annual turnover of no more than €2,000,000 that need funding to launch, consolidate or expand their business or meet working capital needs.

This funding is possible thanks to the guarantee provided by the COSME Programme and the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe.

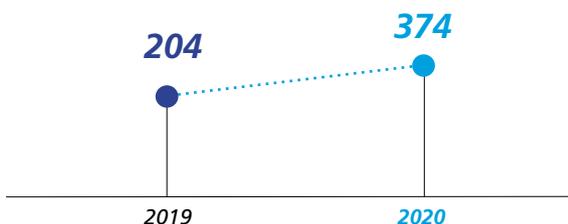




Total Business Microcredits (no. of transactions)



Total Business Microcredits (millions of euros)



Throughout 2020, MicroBank's focus was on mitigating the economic repercussions of COVID-19, with 62% of the Business Microcredits granted being used for this purpose.

MAIN FEATURES:

- Personal loan granted based on trust in the applicant and their business plan, without any in rem guarantee.
- Maximum repayment term: 6 years, with an optional grace period of 6 months.
- Fixed rate.

Within this facility, we have developed specific products to meet specific needs.

BUSINESS MICROCREDITS - INSTITUTIONS AGREEMENT

AIMED AT:

Entrepreneurs who may have difficulty in accessing the traditional lending system and who, prior to being granted the microcredit, have received advice from one of MicroBank's 302 collaborating institutions.

DISTINGUISHING FEATURES:

- No provision of guarantees is necessary, unless the applicant is a legal person, in which case a guarantee from the partners is required.
- A business plan must be submitted along with a feasibility report issued by the collaborating institution advising the customer.
- No arrangement, study or early repayment fees.
- Discounted interest rate.



EIF COVID-19 SPECIFIC FINANCING FACILITY

3,424
loans granted

€54^M
total amount

EIF COVID-19

In addition to the ICO financing facilities, thanks to the European Commission's COSME COVID-19 sub-programme, MicroBank provided the self-employed and microenterprises with a loan facility of €310 million to meet their working capital needs arising from the COVID-19 crisis.



MicroBank and the EIF have agreed to extend the term of this product until 30 June 2021.



CASE STUDY

The Dark Machine (Almeria)

Borja Rodríguez García, who is passionate about the world of escape rooms and horror games, opened his first venue in December 2018. He was unemployed and decided to create his own job. He was able to open a second location 15 months later and create two jobs.

- **September 2018:** First MicroBank loan of €12,000 with the support of the Andalusian Centre for Entrepreneurship (CADE), which is part of the Andalusian Public Foundation: Andalucía Empeñde.
- **December 2018:** opening of the escape room "Escalofrío" in Almería. €48,000 in revenue and €5,000 in profit since opening.
- **November 2019:** Second MicroBank loan of €15,000.
- **February 2020:** opening of the escape room "Killer Circus". €14,100 in revenue and €3,600 in profit since opening, 1 employee.

The state of emergency due to the COVID-19 crisis declared on 14 March came as a huge blow to Borja's business and he had to close his two premises from one day to the next.

"Lockdown had a huge impact: There was no activity at The Dark Machine between mid-March and early June."

His good relationship with MicroBank allowed the entrepreneur to access ICO assistance to pay for the premises during lockdown.

Borja feels that he now has very strong financial management and business management skills, which have been greatly improved thanks to the support from MicroBank and CADE.

BUSINESS IMPACT

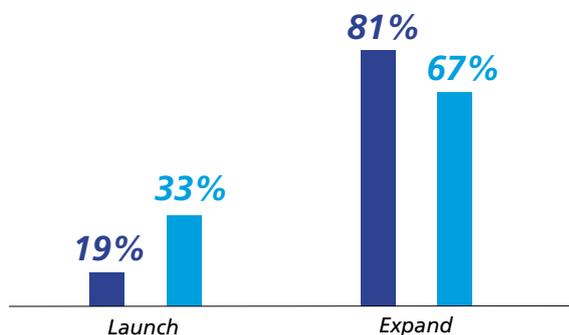
Promotion of production activity

The findings of the study show that microcredits are a key instrument for the creation or expansion of microenterprises. The majority of respondents (80%) consider that they would not have been able to launch or expand their businesses or would have had great difficulty in doing so if they had not had access to microcredit; this percentage is even higher when considering only entrepreneurs.

“80% STATE THAT THEY COULD NOT HAVE LAUNCHED/EXPANDED THEIR BUSINESS OR WOULD HAVE HAD GREAT DIFFICULTY IN DOING SO WITHOUT THE HELP OF THE LOAN”

While the highest percentage in both cases was for maintaining or consolidating a business, the percentage of people who applied to launch a new business was higher in the case of entrepreneurs (33%) than in microenterprises (19%).

Purpose of the microcredit



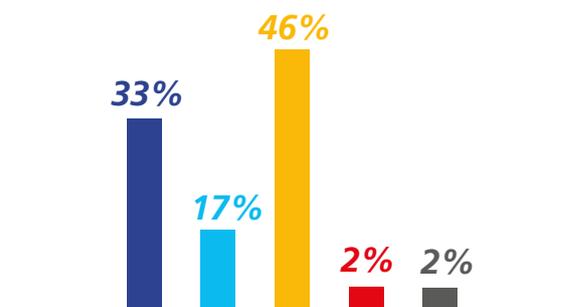
Microenterprises

Entrepreneurs

Despite the fact that the number of new businesses this year was significantly lower than last year, 5,416 *versus* 9,002, this is a figure that should not be underestimated.

46% of the businesses set up with a microcredit are related to professional services, such as hairdressing and beauty centres, construction, home improvements, transport, etc. Businesses linked to the hotel and catering industry continue to represent a significant proportion, with 33% of the total, and businesses related to retail trade account for 17%.

Sector to which the businesses belong



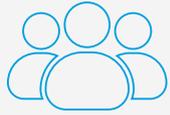
Hospitality and catering

Retail trade

Professional services

Businesses related to new technology

Other



JOBS CREATED WITH THE SUPPORT OF MICROCREDITS

8,737
jobs



BUSINESSES SUPPORTED WITH MICROCREDITS

5,416
business

Microcredits have also played a significant role in the consolidation or continuation of businesses. Despite the crisis, some 65% of businesses are making a profit (compared to 80% the previous year) and 82% are generating enough income to repay their loan repayments.

“82% OF BUSINESSES GENERATE SUFFICIENT INCOME TO MAKE REPAYMENTS FROM THE OUTSET”

For 72% of businesses, the loan has contributed to improving their ability to meet unforeseen expenses, thus improving their cash flow.

Job creation

While the main contribution of microcredits to the job market comes in the shape of self-employment, 27% of respondent companies were able to hire more workers in the months after being granted the loan.

However, since the COVID-19 crisis, 18% of businesses report that their employee numbers have declined, although they are optimistic about the future and half of them plan to hire new employees in the next year.



The outlook is clearly less positive than in the previous year and about a third of entrepreneurs have had to take out another loan in order to survive the crisis.

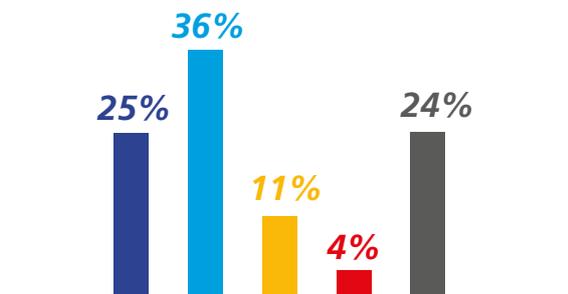
In 2020, companies that received a microcredit created an average of 0.74 jobs directly, which is equivalent to a total of 8,737 jobs.

The most common profile of new recruits is that of men between 35 and 50 years old. Only 25% are women. 24% of new hires were people who were previously unemployed.

In addition to the direct creation of jobs, through ancillary activities they need in order to run (mainly purchases from suppliers and payment of taxes), the businesses supported by MicroBank's microcredits generate cash flows with a multiplier effect on the economy, which leads to economic effects on many other sectors and the resulting creation of jobs.

At the methodological level, the indirect contribution to employment was estimated using an input-output analysis, in which, based on the inputs (spending on suppliers of goods and services, money spent by the businesses' employees and major taxes) we can calculate the number of indirect or induced jobs associated with the activities performed by the different businesses. The calculation considers only microcredits that were not directly granted to mitigate the effects of COVID-19. Indirect or induced employment provided by the businesses that received funding from MicroBank in 2020 was estimated at 15,166 jobs, meaning that a total of 47,461 jobs in Spain were linked to the activities of businesses funded by MicroBank.

Profile of most vulnerable new employees



Women

Under 35 years old

More than 50 years old

People on social and occupational integration contracts

Previously unemployed people



INDIRECT IMPACT OF MICROCREDITS

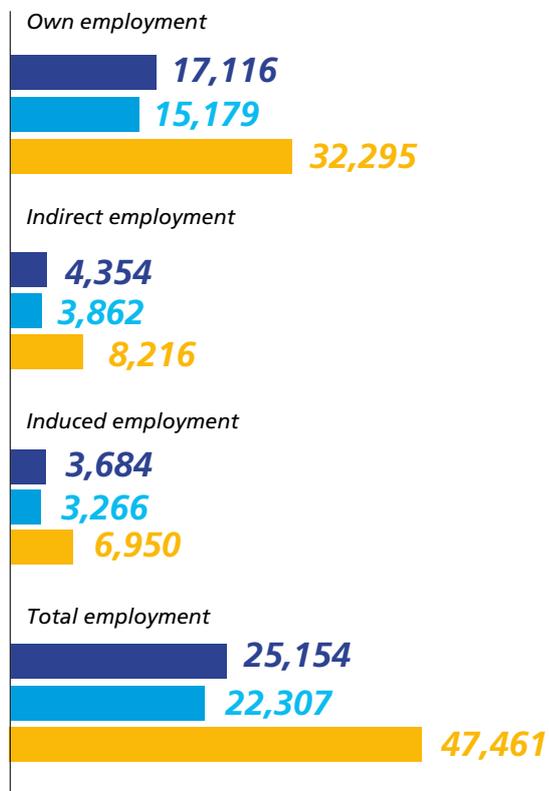
Indirect and induced employment:

15,166
jobs

47,461

jobs in Spain linked to the activities of the businesses funded by MicroBank

Jobs linked to the businesses supported by MicroBank



Entrepreneurs

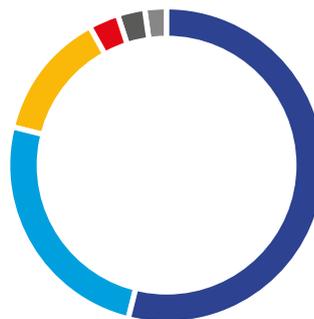
Microenterprises

Total

The respondents stated that, on average, the microcredit accounted for 65.7% of the initial investment, meaning that it can be considered that 9,964 indirect jobs were directly linked to MicroBank's business of granting microcredits.

This method also allows for calculating job creation by sector. As can be seen from the diagram below, most jobs linked to the activity of businesses funded were in the professional services sector (54%), followed by the hospitality and catering (25%) and commerce (13%) sectors.

Job distribution by sector



54% Professional services

25% Hospitality and catering

13% Commerce

3% Primary sector

3% Industry

2% Businesses related to new technology

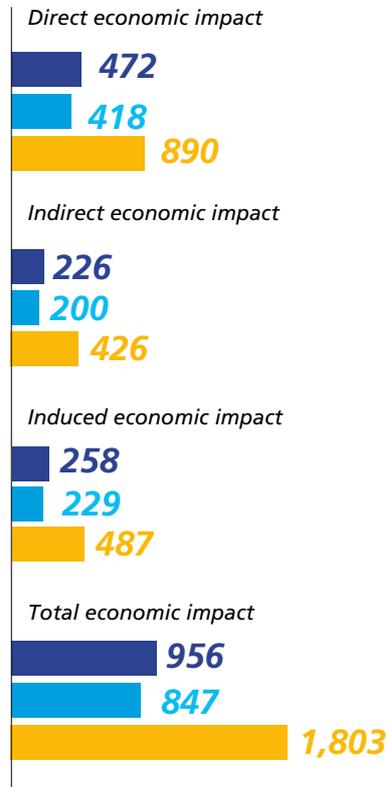


Contribution to economic development in the region

Similarly to the creation of employment, the knock-on effect of the activity of the businesses supported by MicroBank has an indirect and induced impact on the Spanish economy. In 2020, the businesses supported by MicroBank contributed €1.803 billion to the Spanish economy, €890 million directly and €913 million in indirect and induced contributions, which equates to 1% of Spanish GDP being contributed by microenterprises.



GDP impact of the businesses supported by MicroBank (millions of euros)



Entrepreneurs

Microenterprises

Total

Therefore, considering that 65.7% of this indirect and induced impact is directly linked to the grant of microcredits, MicroBank's activity accounted for a GDP contribution of €1.185 billion.

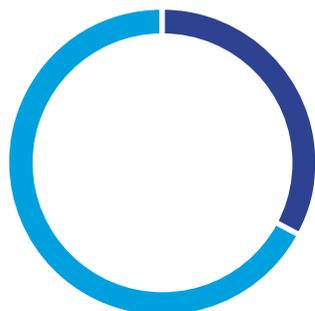
IMPACT ON THE ENTREPRENEUR

The surveys also provide data on the impact on the personal development of the entrepreneur through an improvement in his or her income, savings capacity and, more generally, well-being.

Entrepreneur profile

- Most of the entrepreneurs who have received a microcredit in 2020 were between 36 and 49 years old, making up 45% of the total sample.
- Average applicant age: 45 years.

Gender

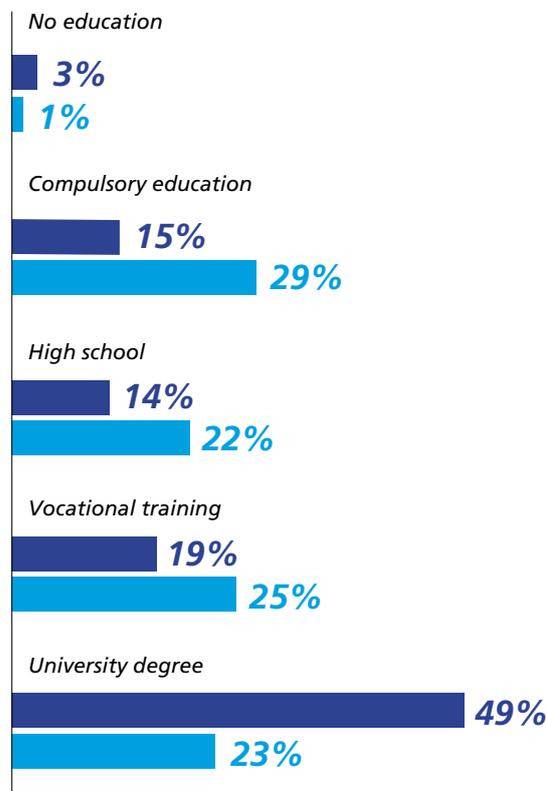


33% Female

67% Male

- Regarding the level of education, almost half of the micro-entrepreneurs have university degrees, compared to 23% of entrepreneurs.

Distribution by level of education



Microenterprises

Entrepreneurs

- Almost half (45%) of businesses surveyed stated that the reason they were set up was because they saw a clear business opportunity.



Occupational and social inclusion

For many people, access to a microcredit has an effect beyond financial inclusion. Identifying the main reason that has led entrepreneurs to start their businesses can yield some important data. While an entrepreneur by necessity is one who is engaged in entrepreneurship because he/she has no better option in the job market; an entrepreneur by opportunity is one who chooses to start a business based on the perception that there is an untapped business opportunity, or one that is not fully utilised by existing businesses. Entrepreneurship by necessity accounts for 14% of the entrepreneurs who have received a loan from MicroBank. For these people, starting their own business was a way to have a job and to get out of unemployment.

Almost 40% of entrepreneurs contribute more than 50% of the family budget. This shows how important the success of their business is to these entrepreneurs. In only 19% of cases does this contribution represent less than 10% of the household budget.

Improved liquidity

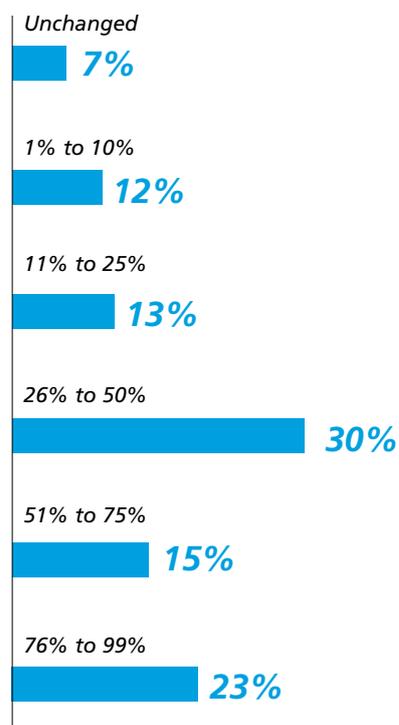
For most businesses (over 70%), the loan has helped to improve their ability to cover unforeseen expenses. The responses follow a very similar pattern to the previous year, suggesting that there would not have been a change in this variable this year if it had not been for the health crisis.

Development of savings

Micro-entrepreneurs and entrepreneurs have a relatively similar savings pattern. 38% are unable to put any money aside. In fact, 14% of micro-entrepreneurs and 24% of entrepreneurs now have less ability to save. It should be noted that this figure is similar to last year, despite the health crisis.



What is the approximate contribution your income has made to your family budget in the last year?





Personal development of the entrepreneur

Changes in management ability

One of the key variables measured in the survey relates to possible changes in the entrepreneurs' skills as a result of receiving the loan. This figure is important as improved management skills can lead to better business results.

While the majority feel that their financial management skills have not changed (more than 60%), about 35% believe that their skills have increased since receiving the loan. Of these, 15% state that they have increased a great deal. The picture is the same for business management skills. In this case, 40% state that they have increased their commercial management skills since receiving the loan from MicroBank. 74% of entrepreneurs and 85% of micro-enterprises believe that this improvement was made possible by MicroBank.

Changes in terms of individual well-being

"78% BELIEVE THAT THE LOAN HAS HAD A POSITIVE IMPACT ON THEIR PERSONAL WELLBEING"

The respondents felt that there had been a positive change in their personal well-being, more so for entrepreneurs (80%) than for micro-entrepreneurs (68%). More than half of respondents are content with their current economic situation.

Most respondents agree, to a greater or lesser extent, that their job situation has improved and just over half are content with their current economic situation (61%), although this is much lower than last year's figure (close to 75%).



Health crisis: impact and perspectives

The health crisis caused by the COVID-19 pandemic has been an extraordinary challenge for businesses who are now faced with an unprecedented situation.

While only 4% of respondents stated that their business is now closed or being transferred, 95% of those who did close said that it was due to reasons directly related to the COVID-19 crisis. Most of these businesses were in the hospitality and catering sector. Clothing, textile and artisan shops also had to close for the same reason.

For microenterprises, the main reason behind this development was that they were forced out of business due to lockdown measures. In contrast, for entrepreneurs, the main reason was a reduction in demand for their products or services due to the health crisis.

Most businesses have seen their sales decline considerably in the wake of the COVID-19 crisis.

In terms of the type of assistance received, most of the businesses have benefited from the furlough scheme (50% in the case of microenterprises and 35% in the case of entrepreneurs), and approximately one third of them have taken out another loan.

However, many businesses have been able to adapt and continue to operate. One way this has been done has been through new ways of working. Entrepreneurs have chosen to launch new products or services, investing in infrastructure and reducing staff. Meanwhile, microenterprises have decided to reduce staff, invest in infrastructure and enter new markets.

Most businesses believe that sales would have grown had it not been for the health crisis. Microenterprises in particular tend to be considerably more optimistic about what their situation would have been in the absence of COVID-19.

Looking to the future, most believe that sales will remain steady or grow for the foreseeable future.



WE CONTRIBUTED TO PERSONAL AND FAMILY DEVELOPMENT IN 2020

67,764
transactions

€373_M
total amount

€5,497
average amount

99%
of recipients were able to meet their needs in full

Family Microcredit

Family microcredits play an important role in relation to equal opportunities as they provide funding to people with limited means who must meet once-off needs. In addition, they promote the financial inclusion of these people.

IMPACT ON THE RECIPIENT AND HIS/HER FAMILY

- Financial inclusion
- Personal and family development



AIMED AT:

People with limited income of up to €19,300 per year¹ for the purpose of funding personal and family development projects along with needs arising due to unforeseen circumstances.

The income criterion is reviewed on a regular basis in order to always maintain the focus on the groups that continue to face the greatest difficulty in accessing credit, many times assuming the impact that decisions of this type can have on growth, the risk profile of the portfolio and the generation of profits.

MAIN FEATURES:

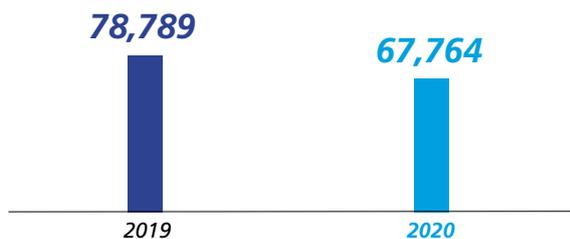
- Fixed-rate personal loan.
- Family microcredits are granted without an in rem guarantee.
- The maximum repayment term is 6 years, with a grace period of up to 12 months.

1. In order to determine income levels, we have taken into account the Public Multi-Purpose Income Indicator (IPREM).

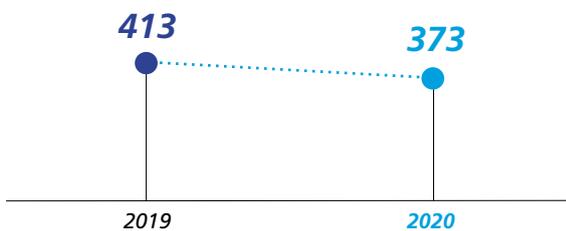




Total Family Microcredits (no. of transactions)



Total Family Microcredits (millions of euros)



We have developed specific products as part of this facility in order to meet specific needs, one of which is the Confianza Microcredit.

CONFIANZA MICROCREDIT

AIMED AT:

Extremely vulnerable people who participate in the Confianza Project, receiving support through groups to promote their self-esteem and dignity.

FEATURES:

- Maximum amount of €4,000.
- The maximum repayment term is between 2 and 4 years.



Confianza Project

In 2016, MicroBank signed a collaboration agreement with the Asociación Proyecto Confianza in order to make a contribution to the social and financial inclusion of extremely vulnerable people.

In the financial year 2020, 133 loans for an overall amount of about €354,000 were granted to extremely vulnerable people who had previously received support through group dynamics aimed at fostering the self-esteem and dignity of the members.



IMPACT ON RECIPIENTS AND THEIR FAMILIES

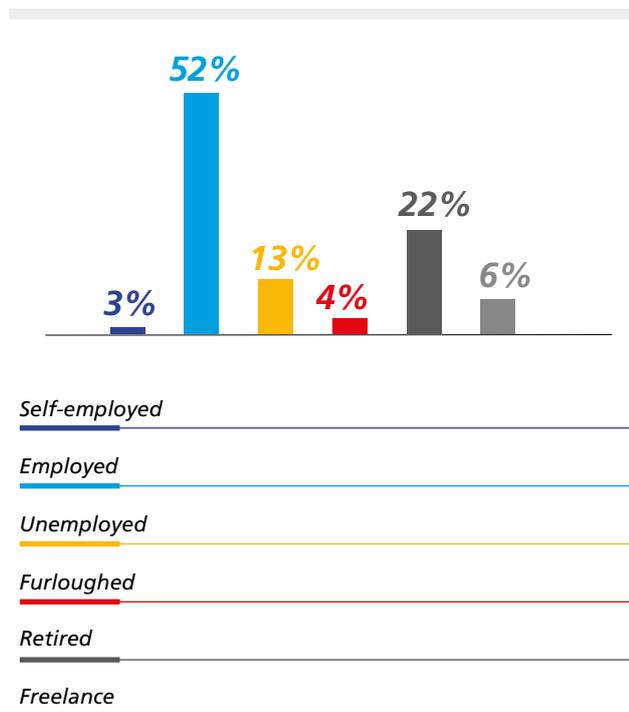
The impact study carried out by MicroBank analyses different types of people at a certain time in order to measure the effect on a population sample at a single point in time; in other words, it allows the size and distribution of a variable to be estimated at a given time.

A total of 595 valid interviews were carried out for the impact analysis on families, out of a universe of 67,764 people. The sample taken is statistically representative with a confidence level of 95% and a margin of error of 4 points.

Recipient profile

- Women account for 48% of the total sample, while men represent 52%.
- Average applicant age: 45.
- A total of 39% receive some kind of benefit, either because they are retired, unemployed or on furlough.

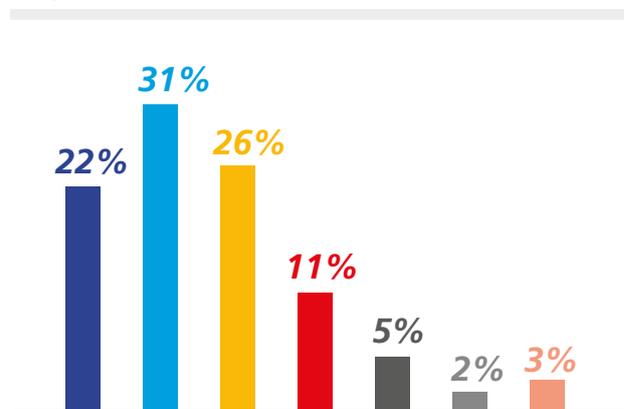
What is your current employment status?



- Average number of persons per household: 3.2.
- 86% without higher education.

In terms of the purpose of the microcredit, 31% were used for housing expenses, 26% for expenses related to the repair or purchase of a vehicle, and 22% for the payment of bills, taxes and other types of debts. Also of note is the percentage that was used for medical expenses (11%).

Purpose of the microcredit



Bills, taxes and debt

Housing

Vehicle

Medical expenses

Education

Unforeseen expenses

Other

86% stated that they had fully met the need for which they had applied for the microcredit, and 13% partially.

Financial inclusion

Most recipients state that they do not or only just make ends meet. 55% would not be able to cope with an unforeseen expense of €600 in a week. This figure is significantly worse than in 2019, when it was 43%.

“69% OF FAMILIES ARE JUST ABOUT ABLE OR NOT ABLE TO MAKE ENDS MEET”

40% would seek help from family/friends to meet an unforeseen expense, 15% would take out a payday loan and 2% would be willing to sell some of their possessions (TV, furniture, etc.) to be able to meet this expense.

However, 97% feel that they are able to cope with repayments, which shows that the instalments are in line with the customers' ability to repay.





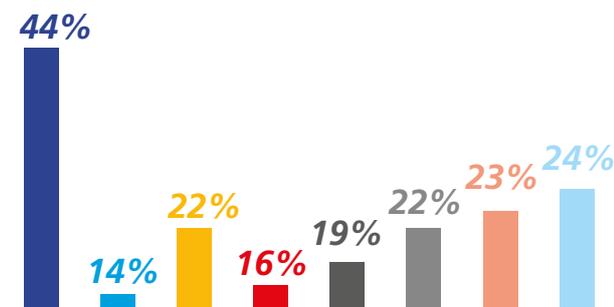
Personal and family development

The vast majority agree that the financial support received from MicroBank has had a positive impact on their financial situation, but more importantly on their personal well-being. 85% would apply for the loan again, which is very similar to last year's figure of 87%.

“83% FEEL THAT MICROBANK’S SUPPORT HAS HAD A POSITIVE IMPACT ON THEIR PERSONAL AND FAMILY WELL-BEING”

The main area of impact is health, followed by material comfort and family well-being. 73% say that their health has improved considerably or a great deal.

Areas of impact



On health

On feeling of self-fulfilment

On knowledge and skills

On personal or family financial situation

On feeling of security

On feeling of satisfaction with life

On family wellbeing

On material comfort



Effects of the health crisis

74% of respondents state that they would have needed the loan money anyway, regardless of the health crisis. Where there is a link, it is mainly due to job losses.

The greatest impact COVID-19 has had on recipients is in the form of concern for their health and/or that of their loved ones, and an increase in general stress. On this second point, 54% of respondents state that the loan from MicroBank has helped them a great deal and 29% state that it has helped them considerably to alleviate this situation. The crisis has also had an impact on recipients in terms of greater uncertainty about their professional future, fewer opportunities for career development, and poorer work-life balance. The loan from MicroBank has been a help in all these areas, to a greater or lesser extent.

FINANCIAL YEAR 2020

5,283
transactions

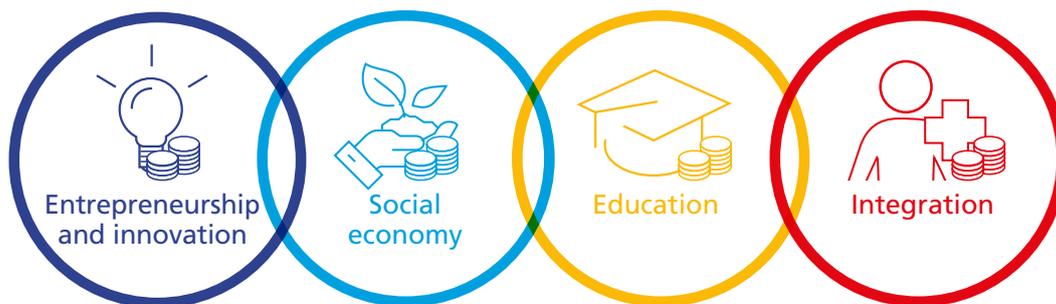
€154_M
total amount

€29,059
average amount

OTHER FINANCING WITH SOCIAL IMPACT

In its 2019-2021 Strategic Plan, MicroBank expresses its desire to go one step further by promoting projects that have a positive and measurable social impact on society in sectors such as innovation, social economy, education and integration.

This section includes financing facilities specifically created to support these sectors, thereby helping them to increase their impact.



ENTREPRENEURSHIP AND INNOVATION Innovation Loan

AIMED AT:

Entrepreneurs and micro-enterprises.

DISTINGUISHING FEATURES:

- **Amount:** Up to €50,000.
- **Purpose:** Launching or expanding innovating business projects.
- **Term:** The maximum repayment term is 7 years, with a grace period of 24 months.
- The applicant must submit a business plan along with a feasibility report issued by a collaborating institution.

FINANCIAL YEAR 2020

2,832
transactions

€106.8_M
total amount

€37,722
average amount



SOCIAL ECONOMY

EaSI Social Enterprise Loan

AIMED AT:

Social institutions and enterprises striving to have a positive and measurable social impact.

DISTINGUISHING FEATURES:

- **Amount:** Up to €500,000.
- **Purpose:** Funding of investments made by social enterprises. Social enterprises are deemed to mean enterprises specialised in job market integration and those performing their business in sectors such as promoting personal autonomy, care for people with disabilities and those needing assistance, the fight against poverty and social exclusion, interculturality, social cohesion and social action projects.
- **Term:** Up to 10 years (with an optional capital grace period of up to 12 months).

The health crisis caused by the COVID-19 pandemic has brought even more relevance to the societal role of organisations with a social mission and initiatives such as the EaSI loan. In 2020, this financing facility has become a strong choice for social enterprises and third sector organisations as a way of coping with the effects of the ongoing social, economic and health crisis. Loans worth more than €37.7 million have been granted through this facility up to the end of 2020, 130% more than in 2019.

Organisations that have a positive social impact, especially those that have been at the front line in sectors such as health, the fight against poverty and social and employment inclusion, have been able to rely on funding to consolidate their business model at a particularly difficult time.



FINANCIAL YEAR 2020

262
transactions

€37.7_M
total amount

€143,956
average amount

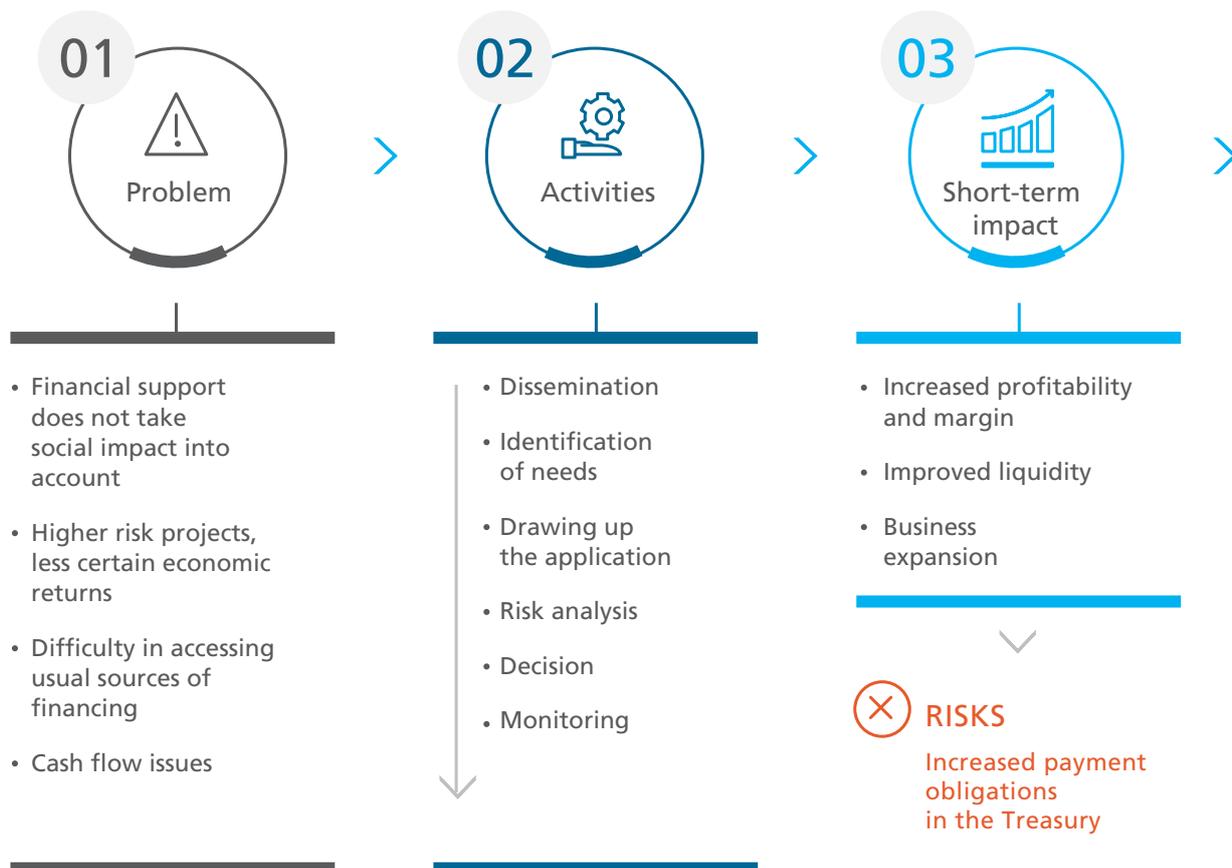


EaSI Social Enterprise Loan Impact Study

Through this initiative, MicroBank aims to help strengthen the financial strength of organisations so that, depending on their situation, they can consolidate and thereby maintain, diversify or increase their social impact. To this end, for the second year running, MicroBank has carried out a study with Stone Soup Consulting to analyse the social impact of this loan.

METHODOLOGY

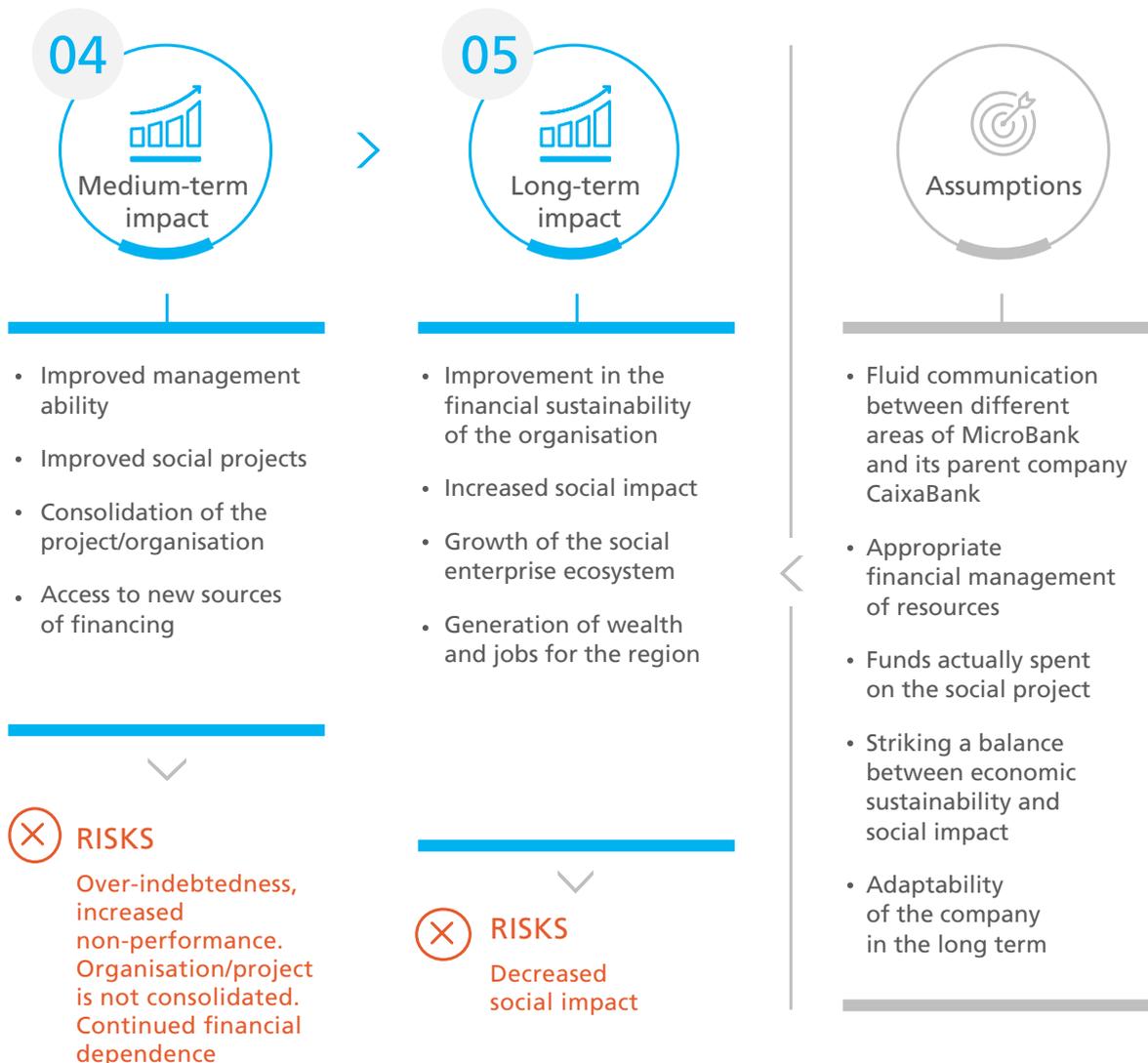
The problems the programme aims to help solve are related to difficulty in accessing financial resources from social institutions due to the high risk that such projects usually involve, which results in cash-flow problems. In order to address these problems, MicroBank has put in place initiatives ranging from the identification of needs to loan approval and monitoring.



The short, medium and long term impacts of these activities, which can be broken down into direct impacts on the organisations (more financial strength, better or more organisational capacity) and impacts on the recipients assisted by these organisations since the loan is supposed to contribute to deepening or broadening the social impact of the organisations.

THEORY OF CHANGE

The ultimate goal of the programme is to increase the number of companies with a social purpose, to increase their presence in the economy, to make them more sustainable and to increase their ability to create social value.





CASE STUDY

RIPA Pastry School (Zaragoza)

The RIPA inclusive pastry school promotes inclusion and social justice, with pastry as the main tool for intervention in the family and community environment through the development of different specialised programmes fostering innovation, teamwork and entrepreneurship.



It focuses on three areas of work:

1. Vocational training. Amasando Futuro was set up to teach the pastry and bakery trades, a sector with hardly any unemployment, to everyone who wants to start a new life.
2. Curricular workshops in partnership with schools engaged in innovative education.
3. "Laminieras". Customised courses and workshops where you can explore your creativity, your emotions, and make new friends.

The launch of the business was made possible by the loan from MicroBank.

- €70,000 for adapting the premises.

"They instilled a lot of trust in us and we liked the proximity of the people who helped us. They made things very easy for us and they understood our project as the non-profit social cooperative that it is".

Since the launch of the business, **it has tripled its sales and expanded its workforce from 1 to 5 employees.**

Because of this experience, the founders feel that their management skills have improved, which has a positive impact on the development of their organisation.



Impact on the social enterprise

If, thanks to the financing, the institution can:

Strengthen its organisational ability

Improve its financial sustainability



Impact of the institutions on the recipients/society

This has a direct positive impact on:

Contributing to the Sustainable Development Goals

Increasing the number and diversity of people receiving support

Job creation, in particular for the most vulnerable groups

From the theory of change to the impact model

Based on the potential impacts identified in the Theory of Change workshop, large areas of impact were developed in the interviews with recipients and in the literature on the subject, with which certain indicators were associated. The two major impact areas identified for the institutions supported by the EaSI programme are: the impact on the social institution receiving the loan and the impact of the social institution on the recipients and/or society.

These indicators were the starting point in the process of developing the questions in the baseline surveys.

A survey was designed around these areas to serve as a source of information for the calculation of the different areas of impact.

This survey was conducted among organisations that received the EaSI loan in 2020. In fact, it consists of two slightly different surveys:

1. The first was conducted with recipient organisations that applied for the loan in the months from January to August. This was an *ex-post* survey.

2. The second survey is part of a baseline to be used as a starting point for the longitudinal analysis to be carried out over the next two years. This baseline includes the organisations that applied for the loan from September onwards.

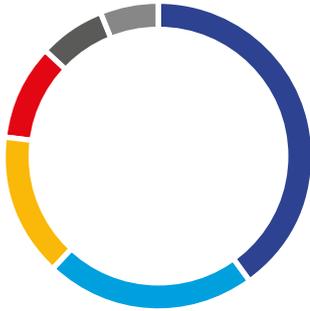
This report includes information from January to December. The information for the characterisation, organisational capacity and social impact indicators is drawn from both surveys, while for the COVID-19 health crisis impact indicators the source of information is only the January-August survey.

Description

In order to have an initial idea of the impact of the EaSI Loan in 2020, a total of 186 social enterprises that applied for the loan throughout 2020 were surveyed. Regarding the universe of organisations that benefited from EaSI in 2020, this is a statistically relevant sample with a margin of error of 3.88 at a confidence level of 95%.

The areas of activity of the social enterprises that have received financing from MicroBank are related to social and labour inclusion (40%), health and wellbeing (22%), education (15%) and, to a lesser extent, environmental improvement (10%) and fighting poverty (6%).

Areas of action



40% *Social and professional integration*

22% *Health and wellbeing*

15% *Education*

10% *Environmental improvement*

7% *Other*

6% *Fighting poverty*

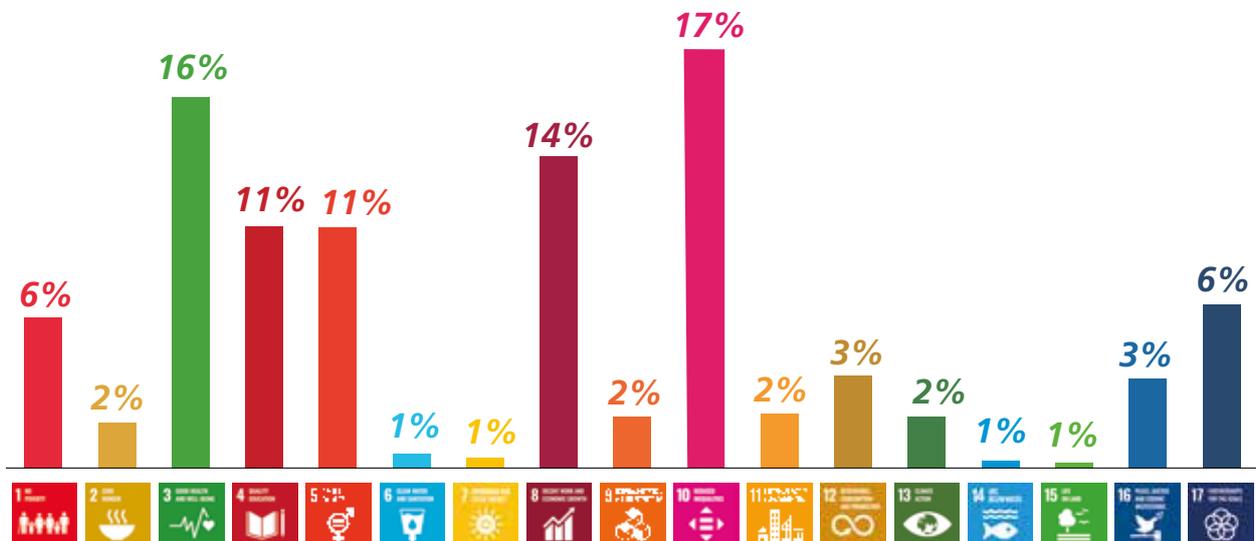
As for the different types of entities, 40% are foundations, 40% are associations and 12% are joint-stock or limited companies. Cooperatives account for 2%, with the remainder accounting for a negligible share.

The respondent organisations have 15,758 employees, 3,215 of whom are in the protected employment category and 1,708 in the socially and economically inclusive category. This means that 20% of jobs in these organisations are protected and 11% are socially and economically inclusive.

Almost all SDGs are covered by the work of the different organisations, although SDG 10 (Reduced Inequalities), SDG 3 (Good Health and Wellbeing) and SDG 8 (Decent Work and Economic Growth) stand out in particular.

In terms of recipient categories, the institutions serve a wide range of groups, the most relevant being people with disabilities (17% of the institutions), vulnerable people (15%) and children at risk of social exclusion (15%).

Contribution to SDGS



Impacts

For this group of institutions, the survey was able to confirm the following short and medium-term impacts within those identified in the Theory of Change:

Organisational impact

FINANCIAL SUSTAINABILITY

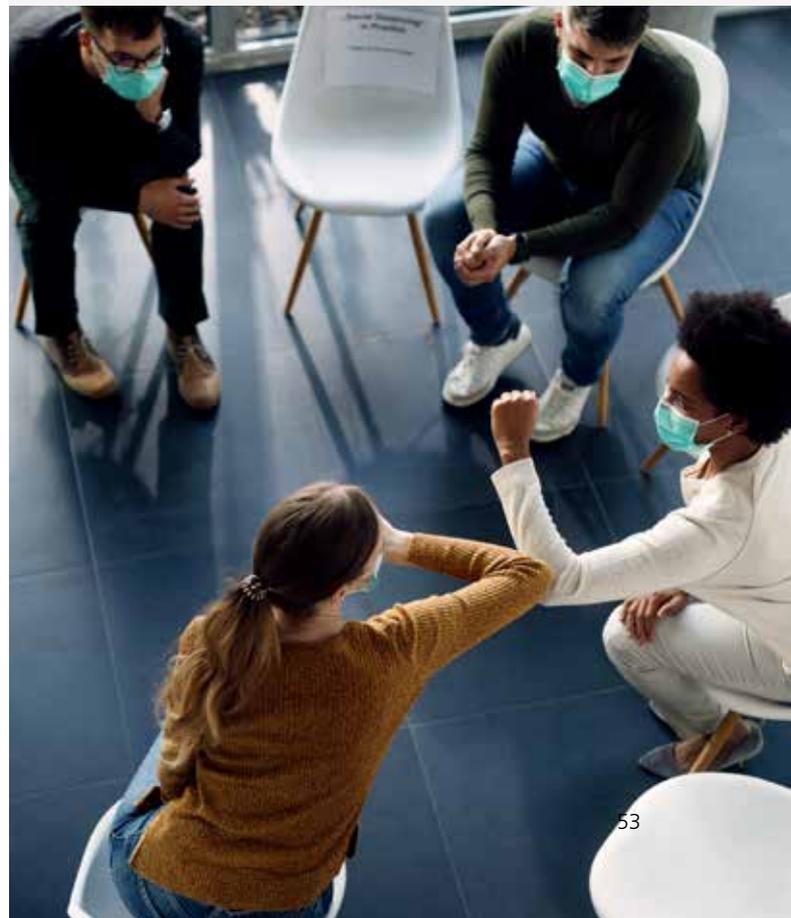
- Despite the challenges of this environment, the perception of their financial sustainability is good: 35% rate it as good or very good and another 46% as acceptable. Only 18% rate it as bad and 1% as very bad.
- 67% of respondents state that they have been able to secure sufficient funds in 2020 to be able to implement the Operational Plan drawn up for the year.
- Some 70% of organisations report having no difficulty repaying their loans despite the fact that more than half (58%) say they have less available cash this year, a fact that is likely to be closely linked to the pandemic.

ORGANISATIONAL DEVELOPMENT

- The supported organisations feel that they have a fairly strong organisational capacity, with the project area being the most highly rated, and R&D or fundraising the least.
- A breakdown of the level of organisational development by the different types of organisations shows that companies (joint-stock and limited liability companies) and cooperatives have higher development values than foundations and associations. Since the most common type of organisation benefiting from the EaSI loan are precisely foundations and associations (accounting for 80% of the sample), the loan is targeting a group of organisations that have the greatest need for increased organisational development.
- Almost all respondents (99%) consider the loan to be “fairly or very important” for organisational development.
- The improvement in organisational development is not solely linked to the loan from MicroBank; other factors need to be taken into account, such as the fact that many institutions (80% in the survey) also received some form of non-financial support.

Impact of the health crisis:

- 65% of organisations have seen a decrease in revenue, up to 30% less in some sectors.
- 30% of organisations surveyed state that they have developed new solutions to meet the needs of their current beneficiaries.
- 43% of the organisations state that the number of beneficiaries they serve has increased, for 34% it has remained unchanged.
- 44% of organisations have maintained the number of employees and only 24% of organisations have reduced the number of employees.
- While 17% of organisations say that the crisis is putting the future of the organisation at risk, more than 80% of organisations expect to be able to continue operating in the future.



EDUCATION Erasmus+ Master's Loan

AIMED AT:

Students resident in Spain wishing to attend a master's degree in another Member State or associated country of the European Union or students resident in another Member State or associated country wishing to attend a master's degree in Spain.

DISTINGUISHING FEATURES:

- **Amount:** Up to €12,000 for master's degrees shorter than one year and €18,000 for master's degrees lasting longer than one year.
- **Purpose:** To cover tuition fees and expenses associated with staying in the country (travel, living expenses, etc.).
- **Term:** Payments do not begin until one year after studies have been completed. The loan can be repaid within a maximum term of 6 years in the case of master's degrees longer than one year. An additional grace period of a total of one year can be requested at any time.



EDUCATION Loans for postgraduate studies at European universities – “la Caixa” Banking Foundation

AIMED AT:

Candidates for the “la Caixa” Scholarship Programme who were not awarded a scholarship.

DISTINGUISHING FEATURES:

- **Amount:** Up to €150,000.
- **Purpose:** Tuition fees for the relevant studies and any living expenses.
- **Term:** Up to 10 years.

The “la Caixa” Banking Foundation will subsidise the interest of the loan received by the student during the grace period, which lasts from the time the transaction is arranged until one year after the funded studies are completed, for a maximum of 42 months. A total of 30 students were able to benefit from this agreement.

FINANCIAL YEAR 2020

45

transactions

€767,221

total amount

€17,049

average amount

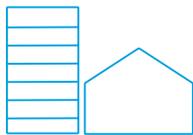
INTEGRATION MicroBank Health Loan

AIMED AT:

A loan for the purpose of financing medical treatment and temporary assistance for people suffering from a mental health condition (eating or behavioural disorders, etc.), with a view to contributing to the improvement of their quality of life and personal independence.

DISTINGUISHING FEATURES:

- **Amount:** Up to €25,000.
- **Purpose:** Treatment costs for the aforementioned people.
- **Term:** Up to 6 years.



FINANCING FACILITIES ICO RENT

2,110 HOUSEHOLDS
have benefited from the measure

€7.6 M

A new financing facility for vulnerable customers and non-customers who are unable to pay the rent on their primary residence.

FINANCIAL YEAR 2020

34
transactions

€577,436
total amount

€16,983
average amount

SOLUTIONS FOR VULNERABLE FAMILIES

Keenly aware of the devastating economic effects of COVID-19 for thousands of families, thanks to an agreement with the ICO, MicroBank launched a new financing facility for vulnerable customers and non-customers who are unable to pay the rent on their primary home.

In addition, it has been made easier for families in need to apply for a deferment of their loans.



MicroBank's Basic Payment account

As part of its commitment to financial inclusion, MicroBank provides its customers with the Basic Payment Account.

It is aimed at people with income below the interprofessional minimum wage. This account is fee free and offers a range of basic services free of charge.

Investment products

MicroBank is committed to socially and ecologically responsible investments and therefore promotes the marketing of two socially responsible investment funds through CaixaBank: MicroBank Ethical Fund and MicroBank Ecological Fund.

MICROBANK ETHICAL FUND

€116_M
volume

MicroBank's Ethical Fund is a mixed ethical and charitable fund combining the search for profitability with criteria associated with social responsibility. It is characterised by the fact that it combines traditional financial investment criteria with socially responsible criteria.

In addition, the fund includes a charitable component with MicroBank's Ethical Fund giving 25% of the management fee to non-profit organisations, while the "la Caixa" Banking Foundation contributes an equivalent amount to an international cooperation project.

MICROBANK ECOLOGICAL FUND

€62_M
volume

MicroBank's Ecological Fund is an international variable-income fund investing in a selection of ecologically responsible funds in sectors such as renewable energy, ecological food, recycling, water treatment, etc. This is the first fund in Spain to combine the search for profitability with protecting the environment.

MicroBank's Ecological Fund is managed by CaixaBank Asset Management, CaixaBank's fund manager and the third-largest fund manager in Spain, which relies on a large team of professionals working to find the best options in terms of profitability at all times.

CaixaBankNow online banking

CaixaBankNow is CaixaBank's online platform which makes it easy and quick to carry out any banking transaction. It is available at any time and day of the year and can be accessed from any channel, whether web, mobile or TV, and allows users of MicroBank products to carry out transactions.





Monte de Piedad

MicroBank manages Monte de Piedad at the request of CaixaBank in order to increase the impact of its business and boost the quality of service offered to customers.

CaixaBank's Monte de Piedad is a traditional instrument and one of the oldest still in existence in Spain for the pursuit of the institution's charitable and social purposes.

Monte de Piedad grants loans secured with jewellery for personal use by people who, due to their employment, financial or family circumstances, may have difficulty in accessing credit. To obtain a loan, customers must visit one of the Monte de Piedad branches where the jewellery is instantly appraised and the maximum loan amount is calculated and paid out instantly.

The jewellery can be redeemed at any time or upon maturity (one year) after the loan has been repaid. Successive renewals of one year may also be requested. More than 90% of guarantees are redeemed or the loan is renewed.

Any guarantees that are not redeemed or renewed are put up for auction after the customer has been notified. It should be pointed out that Monte de Piedad's auction business is a non-profit activity. The surplus from the auction is paid back to the customer after the loan has been paid off. A total of 10 online auctions were held in 2020.

KEY FIGURES IN 2020

16,270

loans granted

31,808

current loans

1,199

average amount (in euros)

1,378

new customers

Expected impact:

- Financial inclusion of certain groups using jewellery as a "means of payment".
- Meeting one-off or recurrent financial needs.

4



MICROBANK'S KEY STRATEGIES

WE ADAPT OUR
ACTIVITIES TO THE NEEDS
OF THE PRESENT AND THE FUTURE
WITH THE AIM OF GENERATING
WELL-BEING AND WEALTH

The outbreak of COVID-19 and the measures put in place to contain the pandemic in 2020 plunged the country into a widespread recession. In the face of this unprecedented crisis, MicroBank has targeted its efforts on the creation of specific financing facilities to support the self-employed,



microenterprises and families, as well as strengthening its loans for social enterprises.

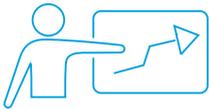
In this extremely challenging context, MicroBank had to adapt and step up its efforts to meet one of its main goals: to provide financing to groups with difficulty in accessing credit. As a result, our work has strengthened the common commitment we have with CaixaBank: to contribute to the welfare of society, especially for the most vulnerable groups.

All the decisions taken during this period were in line with the 2019-2021 Strategic Plan, which pushes the institution to meet its goals of financial inclusion, fostering productive activity and generating social impact.

Our positioning as a leading bank in microfinance has allowed us to support entrepreneurs and microenterprises at such a challenging time from a social and economic point of view. By means of microcredits, we have offered solutions to mitigate the effects of the crisis and we have sought to enable both entrepreneurs and microenterprises to sustain their businesses. We have also provided essential support to families in 2020 and we have adjusted our scope to make it easier for more struggling families to access microcredits.

Alongside the dynamic microcredit business, the bank's financing facility focused on supporting companies in sectors that generate a social impact also gained momentum in 2020. This area of activity is aimed at social economy, education, entrepreneurship, innovation and health projects that have a positive impact on society. In completing this task, we have been able to rely on the support of European institutions, which has allowed us to broaden our scope so that more social economy enterprises could benefit.





STRATEGIC ASPECTS OF THE 2019-2021 PERIOD

A. Maintaining the focus on the traditional business

Optimising the microfinance business

- ✓ Maintaining portfolio risk quality and active non-performance management.
 - ✓ Protecting the margin in recurrent business.
 - ✓ Rebalancing the family/business mix.
 - ✓ Adjusting the applicable conditions and the scope of potential customers.
-

B. Strengthening our organisational and management capabilities

Organisational integration/coordination with CaixaBank

- ✓ Incorporation into CaixaBank's commercial model.
 - ✓ Rollout of the 3LoD model: Implementation of the Risk Management Function and 2LoD control environment.
 - ✓ Coordination of functional hierarchies and responsibilities.
-

Improving the quality of and access to management information

- ✓ Improvement of the level of available information on business and social impact.
 - ✓ Increasing access facilities for users.
 - ✓ Reduction of manual processes in information management.
-

Adapting risk functions to new requirements

- ✓ Strengthening the ability to analyse transactions on an individual basis.
 - ✓ Alignment of grant criteria with policies.
 - ✓ Close monitoring of risk profiles by facility and their impact on the overall mix.
-

C. Transition from microcredit leadership to leadership in banking with a social impact

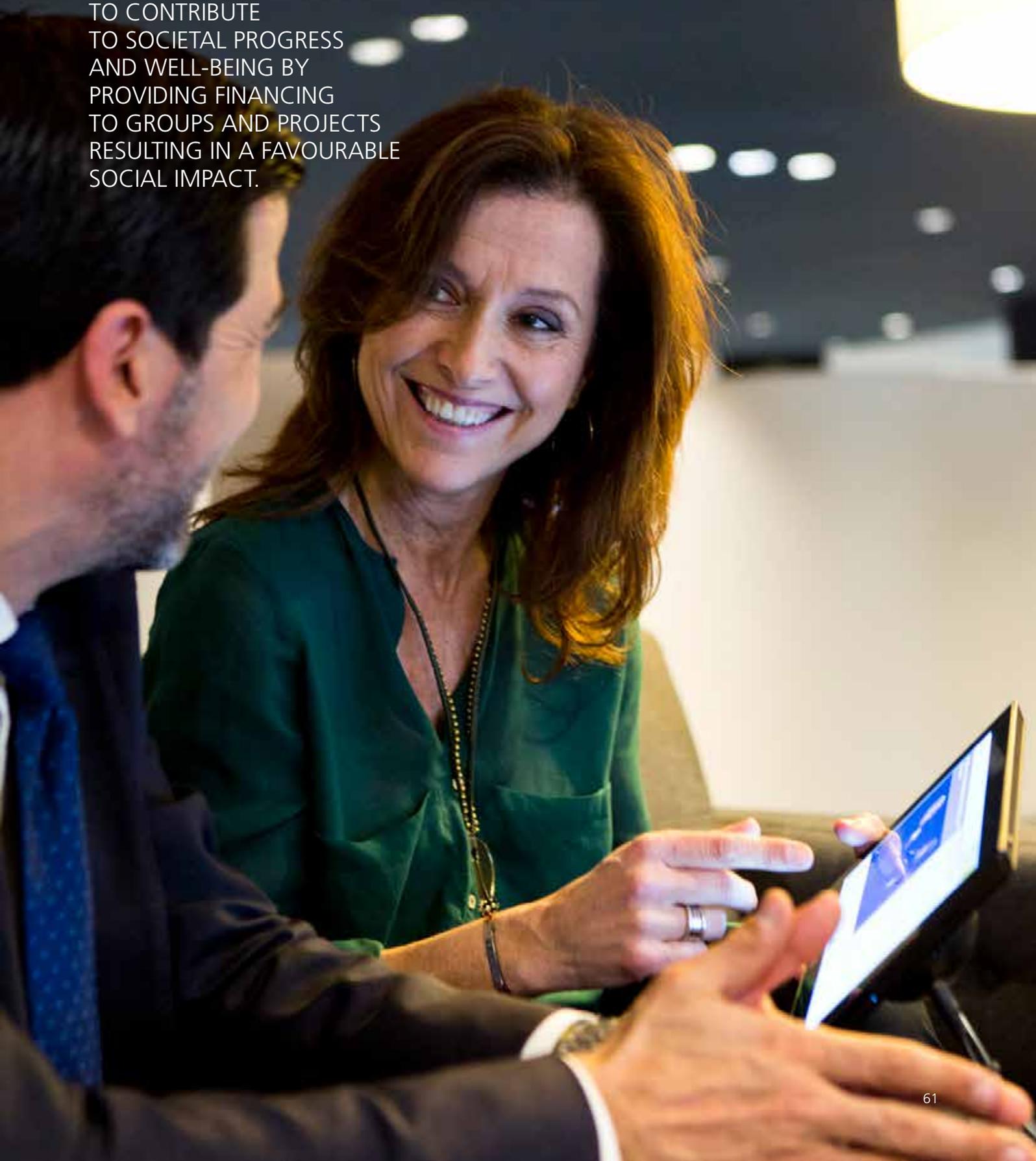
Development and validation of the expanded value proposition

- ✓ Launch of the new product portfolio with social impact.
 - ✓ Validating the potential of each new proposal: impact, scope, sustainability.
 - ✓ Development of new marketing channels.
 - ✓ Support for institutions.
-

Repositioning the bank with regard to its stakeholders

- ✓ Internal communication management.
 - ✓ External communication management.
 - ✓ Developing alliances and positioning in each of the new stakeholders.
-

MICROBANK'S MISSION:
TO CONTRIBUTE
TO SOCIETAL PROGRESS
AND WELL-BEING BY
PROVIDING FINANCING
TO GROUPS AND PROJECTS
RESULTING IN A FAVOURABLE
SOCIAL IMPACT.



5



CORPORATE GOVERNANCE

Robust corporate governance enables companies to maintain an efficient and methodical decision-making process, which gives clarity in the assignment of responsibilities, thereby avoiding possible conflicts of interest, ensuring efficient risk management and internal control, and promoting transparency.

MicroBank's Board of Directors is the bank's most senior body for representation, management and administration pursuant to the instructions issued by its sole shareholder, CaixaBank. The Board approves the bank's strategic plan, which is submitted for the consideration of the shareholder, and conducts in-depth monitoring of its business, controlling developments in terms of equity, finances, profit and the risks inherent to its operations.

For MicroBank, good governance and transparency are essential to protecting the interests and earning the trust of all stakeholders. In line with CaixaBank's 2019-2021 Strategic Plan, one of MicroBank's priorities is to become a benchmark in good governance.

The governance structure includes a Board of Directors composed of five independent directors and four proprietary directors. MicroBank has two specialised Committees,

the Audit and Risk Committee and an Appointment and Remuneration Committee, which report to the Board of Directors.

MicroBank's Board of Directors and its Committees hold extensive authority, the only limits being those of the duties assigned to them by law or the institution's articles of association.

BOARD OF DIRECTORS

Chairman



Juan Carlos Gallego González
Proprietary
28/06/2018¹

Directors



Raphaël Alomar
Independent
09/11/2011²



Christian Eugène de Noose
Independent
19/04/2012³



Richard Fowler Pelly
Independent
30/03/2015



Carles Alfred Gasòliba Böhm
Independent
30/03/2015



Alberto López Martínez
Proprietary
27/03/2019⁴



Ana Rocío Sáenz de Miera Cárdenas
Independent
28/06/2018



Joaquín Vilar Barrabeig
Proprietary
21/02/2019



Ana Díez Fontana
Proprietary
11/2/2020

Secretary



Montserrat Pérez Simeón
21/06/2018

1. Juan Carlos Gallego was appointed Chairman of the Board of Directors effective as of 19/09/2019.

2. Appointment renewed on 18/1/2018.

3. Appointment renewed on 5/4/2018.

4. The appointment of Alberto López Martínez as Director was agreed on 7/3/2019 and took effect on 27/3/2019. Mr. López stepped down from his executive duties on 1/06/20, maintaining his position as Director.

NB: All directors were appointed following a favourable report or, where appropriate, at the proposal of the Appointment and Remuneration Committee.

Among other duties, the **Audit and Risk Committee** reports on the outcome of the audit, oversees the process of drawing up and submitting financial statements, and makes recommendations or proposals to the Board in this regard.

The **Appointment and Remuneration Committee** is tasked with assessing the skills of Board members; proposing

new members; reviewing the balance of knowledge, skills and diversity on the Board; deciding on remuneration policy; and addressing all issues related to the institution's social impact and corporate social responsibility.

AUDIT AND RISK COMMITTEE

Chairman

Richard Fowler Pelly
Independent 31/3/2016¹

Members

Raphaël Alomar
Independent 31/3/2016²

Carles Alfred Gasòliba Böhm
Independent 31/3/2016³

Joaquín Vilar Barrabeig
Proprietary 27/3/2019

Secretary (non-member):

Montserrat Pérez Simeón
21/6/2018

1. Reappointed as member and Chairman of the Committee on 26/3/2020. Reappointed as member on 16/3/2018 and Chairman on 20/6/2018.
2. Reappointed on 19/12/2019 and previously reappointed with effect from 18/1/2018.
3. Reappointed on 26/03/2020 and previously reappointed with effect from 16/03/2018.

APPOINTMENT AND REMUNERATION COMMITTEE

Chairman

Carles Alfred Gasòliba Böhm
Independent 1/7/2017¹

Members

Christian Eugène de Noose
Independent 31/3/2016²

Richard Fowler Pelly
Independent 15/12/2017³

Secretary (non-member):

Montserrat Pérez Simeón
21/6/2018

1. Reappointed as Chairman and member of the Committee on 19/12/2019. Appointed as Chairman of the Committee on 21/6/2018.
2. Reappointed on 26/3/2020 and previously reappointed with effect from 5/4/2018.
3. Reappointed on 19/12/2019.

MANAGEMENT TEAM

The Management Team aims to achieve the targets set by the Board of Directors in order to ensure that MicroBank is sustainable in the long term. The duties of the Management Team include adopting high-level decisions regarding the organisation's strategy, the principles of conduct and the

policies and protocols that develop them, in relation to all kinds of matters with a social impact, including economic and/or environmental issues.

MANAGEMENT TEAM

General Manager

Cristina González Viu

Area Managers

David Ferrer Rodero

Frederic Flaquer Revaud

Susana Fons Lete

Francesc Xavier Gómez Naches

María Elena Martín Martín

Hugo Martínez Pérez

Ángel Soto Martín





Responsible and ethical conduct

All the members of MicroBank's staff have an obligation to act on the basis of good faith, integrity and common sense.

CODE OF ETHICAL VALUES AND PRINCIPLES OF CONDUCT

- MicroBank's Code of Ethics, the Principles of Conduct and the Anti-Corruption Conduct Policy set out the values, principles and rules that must be observed both in the institution's internal professional relations and in external relations with customers, shareholders, suppliers and the community at large, in all areas where MicroBank is active.
- This code sets out the ethical values and principles that govern the actions of all employees, executives and members of the management body.
- These principles for action are as follows: compliance with the law and regulations applicable from time to time, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.
- The Code also specifies the commercial policy, which revolves around funding projects aimed at boosting production activity and job creation along with projects aimed at fostering personal and family development and promoting financial inclusion.
- In terms of data protection, MicroBank has a specific e-mail address for the exercise of ARCO+ rights by customers. MicroBank uses the same mechanisms to protect customer privacy as CaixaBank. No leaks or loss of customer data have been detected. Claims received from third parties in 2020, which are understood to be requests for ARCO+ rights, amount to a total of 94.
- A notice from the Spanish Data Protection Agency (AEPD) was received in 2020 following a complaint from a customer. After submitting supporting documents for the actions taken, the AEPD decided to close the proceedings.

MicroBank holds the EFR (family-responsible company) certificate awarded by the Másfamilia Foundation. This certificate recognises good practices at organisations implementing models for reconciling work, personal and family life.



United Nations' Global Compact

MicroBank is a member of the UN's Global Compact. The Global Compact is an international initiative aiming to achieve a voluntary commitment to social responsibility by institutions through the implementation of 10 basic principles based on human, labour and environmental rights and the fight against corruption.

The institution includes a mandatory clause for its suppliers, whereby they state they know and observe the 10 principles of the United Nations' Global Compact.



Fighting corruption

As a signatory of the United Nations' Global Compact, MicroBank is committed to observing the 10 principles set out therein, one of which is to work against all forms of corruption, including extortion and bribery (principle number 10).

This is why MicroBank has implemented CaixaBank's anti-corruption policy, which specifies which conduct is forbidden, both if carried out directly or indirectly through a middleman.

Environmental protection

MicroBank is committed to protecting the environment, observing the laws in this respect and adopting procedures to reduce the environmental impact of its activities. It also promotes the funding of projects contributing to improved energy efficiency and achieving better environmental sustainability in the long term.

MicroBank's commitment to the environment is demonstrated by the fact it has signed up to the Environmental Risk Management Policy and the Climate Change Statement. The importance of ESG criteria (environmental, social and corporate governance factors) for considering an investment to be socially responsible has been highlighted in this year's Corporate Sustainability and Corporate Social Responsibility Policy.

Corporate Sustainability and Social Responsibility Policy

The purpose of this groupwide policy, which is applicable to MicroBank, is to promote responsible and sustainable business practices that benefit the reputation of the institution and therefore benefit society, in particular in social and environmental matters.

Among other issues, this policy takes into account the United Nations Environment Programme Finance Initiative Principles (UNEP FI) as an international benchmark, CaixaBank's Climate Change Statement for the protection of the environment and, in its latest update in 2020, the latest requirements of the CNMV's Code of Good Governance.

Respect for Human Rights

MicroBank has also signed up to the Corporate Human Rights Policy, which commits the institution to respecting the recognised human rights of its stakeholders, be they customers, suppliers, employees, executives or others, and to requiring compliance by any third party with whom it maintains a business relationship.

In particular, it includes a commitment to upholding the human rights enshrined in the Charter of Fundamental Rights of the European Union, the Principles of the United Nations' Global Compact and the UNEP FI Principles, along with the Group's Supplier Code of Conduct.

Corporate policies on compliance

Moreover, throughout 2020, the institution has signed up to the updates and revisions of the various Corporate Compliance Policies approved by CaixaBank, including the Regulatory Compliance Policy, the Privacy Policy, the Competition Law Policy, the Conflict of Interest and its relevant protocol at MicroBank, the Criminal Compliance Policy, the Defence Sector Relations Policy and the Commercial Communication Policy.

Oversight of the Group's compliance with the aforementioned policies is carried out by CaixaBank's Regulatory Compliance area. At MicroBank, the Control Area checks the control procedures in place and coordinates MicroBank's application of the Crime Prevention Model put in place by the CaixaBank Group. We also provide regular and mandatory training for all staff in relation to the Code of Ethics and the other applicable policies on Compliance.

The bank also develops other initiatives to strengthen its model of action and transparency in management, such as the following:

- There is a **confidential internal inquiry and complaints channel** to promote compliance with internal policies and regulations.
- Customers and other stakeholders have the usual **customer service** channels for inquiries and complaints available to them.
- MicroBank is a voluntary member of **Autocontrol**, the Association for Commercial Self-Regulation, which promotes good practices in advertising.



RISK MANAGEMENT

In accordance with the standards and best practices issued by the Basel Committee on Banking Supervision, MicroBank's risk management policy is based on a set of calculation tools and techniques for the purpose of measuring, monitoring and managing risk.

The main risks arising from the bank's own activities are categorised as follows:

Risks related to financial activity

- Credit risk
- Liquidity risk
- Interest rate structure risk

Risks related to business continuity

- Operational risk
- Regulatory compliance risk
- Reputational risk

Pursuant to the CaixaBank Group's guidelines, MicroBank has an internal control model structured around three lines of defence. This is why the institution has a risk management function, a regulatory compliance function and an internal audit function. Moreover, it has a Risk Management Area and

a Control Area, which respectively act as points of contact for CaixaBank's Risk and Regulatory Compliance departments.

In particular, MicroBank's Risk Management Area conducts an in-depth control of both quality in transaction admission and the development of the risk quality of microcredits granted along with the subsequent level of non-performance. In doing so, MicroBank's Management is provided with a comprehensive overview of each customer's situation along with aggregate information at the production line and management unit level.

In addition, the Control Area handles coordination between MicroBank and its shareholder and agent, CaixaBank, in all initiatives related to regulatory aspects with an impact on the institution. MicroBank grants 100% of its microcredits on the basis of the personal guarantee provided by the applicants, without requesting or accepting any kind of in rem guarantee. Since the institution deals with customers with little or no credit history, the traditional risk analysis tools must be supplemented with other types of techniques enabling it to conduct an in-depth analysis of the feasibility of each proposed project.

This approach allows MicroBank to achieve its company purpose of promoting credit inclusion.

MANAGEMENT RATIOS

	2019	2020
NPL RATIO	4.19%	3.75%
ACCUMULATED WRITE-OFF PERCENTAGE VS. GRANTED AND DUE CAPITAL	5.38%	6.04%
IMPAIRED ASSET COVERAGE	154.02%	166.99%

6



ECONOMIC- FINANCIAL INFORMATION

A SUSTAINABLE SOCIAL BANK

In 2020, MicroBank's priority has been to support the businesses, social enterprises and families most affected by the crisis caused by the pandemic.

The year was closed with an active portfolio balance of €1,832 million, 16% more than in 2019. It is worth highlighting the considerable volume of business microcredits granted during the year, with more than 32,000 microcredits, 62% of which were microcredits aimed at alleviating the effects of



FINANCIAL
YEAR
2020

Profit after tax

€5.4_M

*Active
portfolio balance*

€1,832_M



FAMILY LOANS
IN THE
PORTFOLIO

Microcredits

239,507

Amount

€964_M



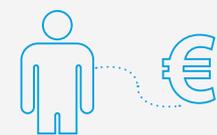
LOANS TO
ENTREPRENEURS
HELD IN THE
PORTFOLIO

Microcredits

72,656

Amount

€634_M



OTHER LOANS
WITH A SOCIAL
IMPACT

Loans

8,646

Amount

€234_M

COVID-19, for an amount of €374 million, 20% more than the previous year. In terms of credits for families, more than 67,000 were granted, a lower figure than in the previous year, for a total of €373 million and a final portfolio balance of €966 million.

MicroBank closed out the year with own funds of €354 million, of which 90 million were capital and 258 million reserves, with a net profit of €5.4 million. This amount of own funds accounted for 20% of total assets and is significantly higher than the regulatory capital amount estimated pursuant to the advanced approaches for calculating the required own funds (for credit, operational and other risks), estimated at €105 million in December 2020.

At year-end, MicroBank's impaired assets were at €69 million, which translates into an NPL ratio of 3.75%. The write-off ratio (the percentage of debt transferred to write-off risks out of the accumulated amount of credit already matured or repaid since the commencement of business, excluding refinancing)

reached 6.04% before applying the EIF's coverage and 4.59% after applying the amounts recovered through the guarantees arranged with this body in the different agreements. These figures show the current portfolio's risk quality remains within the prudential range we deem acceptable.

The net amount of insolvency costs recorded in 2020 was €75 million (€91 million for insolvency costs minus €16 million for income from the agreements with the EIF, allocated in the year). The provision fund for insolvencies held €115 million, about 39% of which were provisions for impaired assets. This overall provision volume results in an impaired asset coverage ratio of 167%.

This volume of own funds, the availability of a marketing network with more than 3,500 branches, the important organisational support from the Group and the ongoing availability of funding are some of the most important competitive advantages provided by our sole shareholder, CaixaBank.

Balance statement*

	2020	2019	2018
Total assets	1,768,880	1,532,858	1,512,371
Customer loans	1,832,296	1,582,594	1,557,768
Resources from customers	48,396	42,326	43,047
Resources from credit institutions	1,321,281	1,086,392	1,091,325
Capital and reserves	353,503	358,508	333,013

*In thousands of euros.

Profit and loss account*

	2020	2019	2018
Interest margin	116,170	123,735	125,665
Gross margin	120,862	143,616	143,721
Operating profit or loss	7,754	49,710	43,986
Pre-tax profit or loss	7,748	49,690	43,863
Net profit or loss (from ordinary business)	5,405	34,704	30,696

*In thousands of euros.

Resources

	2020	2019	2018
MB Employees	30	27	25
Total number of CaixaBank Group employees	35,434	35,736	29,441
CaixaBank's retail branches	3,571	3,918	4,608

Management ratios

	2020	2019	2018
Profitability ROE	1.54%	9.98%	9.76%
Profitability ROA	0.33%	2.26%	2.05%
Bis Ratio (Core Tier I)	20.32%	23.72%	22.27%



Loan portfolio*

	<i>Number</i>	<i>Active balance</i>
Family Microcredit	239,507	964,382
Business Microcredits	72,656	634,216
Other loans with impact	8,646	233,698
Total MicroBank	320,809	1,832,296

*In number and thousands of euros.

Liability and service agreements*

	<i>Number</i>	<i>Active balance</i>
MicroBank current account	4,803	22,153
MicroBank savings book	13,855	26,243
Total MicroBank	18,658	48,396
Cards	–	–

*In number and thousands of euros.

ANNEXES



ANNEX I: METHODOLOGICAL BREAKDOWN FOR THE IMPACT CALCULATION



Input-Output analysis methodology

This part of the study aims to provide a summarised explanation of the construction of the mathematical model and the baseline information used therein, in addition to providing a series of explanations regarding the implications of using this kind of analysis.

This work was carried out on behalf of MicroBank. The baseline data and information used herein were obtained through phone interviews conducted with a random sample of 571 businesses.

Methodology – Input-Output Framework

The Input-Output framework is a statistical accounting tool used to show all production and distribution operations taking place in an economy in a certain period of time. It enables the flows of the different intersectoral transactions to be observed in a given economy for a reference year.

The purpose of the Input-Output framework is to provide a systematic and in-depth description of the economy, its components and its relationships with other economies. Using

the framework, an economy can be analysed as a whole but also in detail.

The constructed model on which this tool is based, and which is standardised in general methodology in the closed Leontief system, is defined as this basic equation in matrix form:

$$X = AX + DF$$

X is the matrix of productions in the different homogeneous activity branches

A is the matrix of coefficients by production (each average consumption divided by the production of the branch)

DF is the system's vector of final demand

This model is defined as an equation based on the Leontief Inverse Matrix:

$$X = (I - A)^{-1} DF$$

Using this model, we can observe a series of effects on the production of the system linked to the final, external, demand thereof. These effects are broken down into direct or initial, indirect, induced and total effects, with the latter being the sum of all the aforementioned effects. The inverse Leontief matrix shows the effect of the successive rounds of economic transactions taking place in the different sectors when demand is increased in one or several of them.

From the instrument developed, and based on the features of the model, we can establish a series of predictions and proportionalities allowing us to assess the sectorial impacts or effects of the businesses to which MicroBank has granted a microcredit on the Spanish economy as a whole.

These effects can be divided into the following:

- **Direct effect**, which refers to purchases made from direct suppliers and the jobs directly created by the businesses to which a microcredit was granted, along with the economic aspects related to their activity.
- **Indirect effect**, which is the drag along effect exercised on the second line of suppliers by boosting their spending on intermediary products in other sectors and contributing to their job creation.
- **Induced effect**, which refers to the effect on other sectors which, following the increased demand, increase their orders from their respective suppliers.



Application of the method to the case being studied

In order to calculate the direct, indirect and induced impacts of the activities performed by the businesses to which MicroBank has granted a microcredit (hereinafter referred to as “businesses”) on the Spanish economy, we have used the Input-Output framework matrices drawn up by the Spanish National Statistics Institute (INE). These tables are public and drawn up based on the methodology set out by the European Commission.

The table used for the calculations made in this work was the symmetric domestic production at basic prices table, since the aim of the calculations is to find the direct impact of the businesses’ activity on the Spanish economy. This table sets out the intersectoral relationships taking place in an economy for a reference year. The sectors included in this table roughly correspond to the sectors designated by the National Classification of Economic Activities (CNAE). The table also provides information on production in each of these sectors.

We have also obtained data on employment by sector from the INE. Using this data, we have calculated the number of jobs generated by each of the sectors of the communities being studied. With these sector, production and employment data we can establish proportionality rules to find out the direct, indirect and induced employment generated depending on a given production.

The Input-Output methodology also allows us to determine the contribution made by the businesses to the Spanish economy in terms of GDP.

The inputs used were supplier expenses, tax expenses and salary expenses. The former two figures were obtained from surveys in which we enquired about annual supplier and tax spending. In the case of salaries, we have worked with conservative data and used the interprofessional minimum wage.

Using the interviews, we can calculate the inputs by company sector. In the case of supplier expenses, after we have obtained the total expenses by sector, we have used the information from the Input-Output tables to estimate the distribution thereof over the different sectors in the symmetric table and by applying the methods explained above, we were able to calculate the direct, indirect and induced effects. The tax expenses were directly allocated to the Public Authority sector.

Payment of salaries generates direct employment but also generates indirect and induced employment due to the money spent by the people who receive a salary. In order to calculate this spending and find out in which sectors it occurs, we have used data from the Family Budget Survey 2020 conducted by the Spanish National Statistics Institute (INE), whose analyses show the typical spending structure of a Spanish consumer. Deducting savings, distributing this spending among the different sectors in the symmetric table of domestic production at basic prices and proceeding similarly as with the supplier expenses, we can calculate the indirect and induced impact in terms of the impact on the GDP and employment.

ANNEX II: GRI CONTENT INDEX

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG
GRI 101: Foundation 2016				
GRI 102: General Disclosures				
Organisational profile				
	102-1	Name of the Organisation	NUEVO MICRO BANK, S.A.U.	
	102-2	Activities, brands, products and services	10, 12, 22	
	102-3	Location of headquarters	Aduana, 18. 28013 - Madrid, Spain	
	102-4	Location of operations	12,17	
	102-5	Ownership and legal form	10	
	102-6	Markets served	12,17	
GRI 102: General Disclosures 2016	102-7	Scale of the organisation	4, 70	
	102-8	Information on employees and other workers	70 For more details refer to CaixaBank's 2020 report	6 8
	102-9	Supply chain	12	
	102-10	Significant changes to the organisation and its supply chain	There were no significant changes to the organisation in 2020.	
	102-11	Precautionary principle or approach	62	
	102-12	External initiatives	62	
	102-13	Membership of associations	Member of the European Microfinance Network and the Spanish Banking Association	

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG	
Strategy					
	102-14 Statement from senior decision-maker	7			
	102-15 Impacts, risks and main opportunities	58			
Ethics and integrity					
	102-16 Values, principles, standards and norms of behaviour	62, 66	1, 10		
Governance					
	102-18 Governance structure	62			
Stakeholder engagement					
GRI 102: General Disclosures 2016 (Cont.)	102-40 List of stakeholder groups	12, 62, 84			
	102-41 Collective bargaining agreements	MicroBank's employees are covered by the collective bargaining agreement applicable to them	3	8	
	102-42 Identifying and selecting stakeholders	12, 62, 84			
	102-43 Approach to stakeholder engagement	12, 62, 84			
	102-44 Key topics and concerns raised	10			
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	10			
	102-46 Defining report content and topic boundaries	84			

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG
	102-47 List of material topics	84		
	102-48 Restatements of information	This is the third report drawn up pursuant to the GRI Standards		
	102-49 Changes in reporting	This is the third report drawn up pursuant to the GRI Standards		
	102-50 Reporting period	2020		
	102-51 Date of most recent report	2019		
GRI 102: General Disclosures 2016 (Cont.)	102-52 Reporting cycle	Yearly		
	102-53 Contact point for questions regarding the report	The usual customer support channels available on the corporate website		
	102-54 Claims of reporting in accordance with the GRI Standards	This report was drawn up pursuant to the Core option of the GRI Standards		
	102-55 GRI content index	78		
	102-56 External assurance	The information was not verified by an independent third party		
	Material topics			
Ethics, transparency and responsibility			1, 2, 3, 4, 5, 6, 10	
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	84		
	103-2 The management approach and its components	62		
	103-3 Evaluation of the management approach	62		

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG
Corporate governance			5, 12	1, 2, 3, 5, 6, 7, 8
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	62	
	103-3	Evaluation of the management approach	62	
Financial inclusion			1, 6	1, 8, 10
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	10, 22	
	103-3	Evaluation of the management approach	22	
Promotion of production activity and job creation			3	8
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	22	
	103-3	Evaluation of the management approach	74	
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	4, 22, 44	
	203-2	Significant indirect economic impacts	22	
Personal and family development			1, 2	1, 3, 4, 10
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	22, 62, 66	
	103-3	Evaluation of the management approach	22	

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG
Social impact			8	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	22	
	103-3	Evaluation of the management approach	22	
Innovative products and services			7, 8, 9	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	22, 44	
	103-3	Evaluation of the management approach	22, 44	
Marketing			3	17
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	12	
	103-3	Evaluation of the management approach	12	
Risk management and ESG opportunities			5, 8, 10, 12	1, 2, 3, 5, 6, 7, 8
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	58	
	103-3	Evaluation of the management approach	See CaixaBank 2020 report	

GRI Standard	Disclosure	Page	Principles of the Global Compact	SDG
Management of customer relationships			8, 9	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	12	
	103-3	Evaluation of the management approach	12	
Data protection and cybersecurity			9	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	84	
	103-2	The management approach and its components	12	
	103-3	Evaluation of the management approach	See CaixaBank 2020 report	

ANNEX III: MATERIALITY AND DIALOGUE WITH STAKEHOLDER GROUPS

MicroBank is firmly convinced that one of the greatest values it can contribute to its stakeholder groups is to gain their trust and provide them with the information they wish to obtain. To do so, it establishes channels allowing for simple communication while understanding the needs and expectations of the stakeholder groups.

Stakeholder groups

Available channels

CaixaBank

- ✓ Regular meetings
- ✓ Email

Customers

- ✓ Website
- ✓ Email
- ✓ CaixaBank branches
- ✓ Annual Report

European institutions

- ✓ Regular meetings
- ✓ Email

Collaborating institutions

- ✓ Website
- ✓ Regular meetings
- ✓ Email

Staff

- ✓ Intranet
- ✓ Email
- ✓ Channel for queries

Society

- ✓ Website
- ✓ Annual Report

MicroBank has a range of processes for dialogue with its stakeholder groups at its disposal, along with processes for analysing its environment which, through indirect sources, enable it to identify the important issues for both its direct stakeholder groups and the sector in general terms.

A materiality analysis was carried out for 2020 in order to identify the key aspects to be considered from the standpoint of their importance both for the organisation and for the stakeholder groups. These aspects include both those that reflect the bank's significant economic, environmental and social impact and those that have a material influence on the analyses and decisions of the stakeholder groups.

The method it uses is based on the GRI standard methodology, specifically GRI 101. In order to verify compliance with the completeness principle of the GRI and that there are no omissions in the material issues identified by MicroBank, we have designed a process enabling us to identify what is important for the company and its stakeholders and where it is important (coverage). Based on the issues identified as material for MicroBank in 2020, the most relevant issues for inclusion in this report have been identified.



1. IDENTIFICATION OF ISSUES

Analysis of the issues that are important to the stakeholder groups based on external sources and material issues of companies performing activities similar to those of MicroBank

2. PRIORITISATION AND VALIDATION OF ISSUES

Prioritisation and validation of the issues identified according to their importance for the business and the stakeholder groups through:

External importance:

- Analysis of the press from the last year
- Benchmark
- Surveys

Internal importance and validation:

- Strategic plan
- Previous annual report
- Internal meetings

3. DETERMINATION OF CONTENTS

After the material issues for MicroBank have been determined, we define:

- Related GRI standards
- Related SDGS and Principles of the Global Compact

This analysis resulted in the following list:

Material issues	Topics included	Associated SDGs	Principles of the Global Compact
<i>Ethics, transparency and responsibility</i>	<ul style="list-style-type: none"> ✓ Code of ethics and principles of conduct ✓ Measures for preventing corruption ✓ Commitment to international practices and standards (Global Compact, Responsible Banking Principles, etc.). ✓ Transparent reporting on contribution to priority SDGs based on KPIs to track social and environmental strategy performance 	SDG 16 Peace, justice and strong institutions	1, 2, 3, 4, 5, 6, 10
<i>Corporate governance</i>	<ul style="list-style-type: none"> ✓ Governance structure ✓ Inclusion of ESG criteria targets in remuneration ✓ Diversity in governing bodies 	SDG 5 Gender equality SDG 12 Responsible consumption and production	1, 2, 3, 5, 6, 7, 8
<i>Financial inclusion</i>	<ul style="list-style-type: none"> ✓ Access to high-quality financial products and services provided in a responsible and sustainable manner 	SDG 1 No poverty SDG 8 Decent work and economic growth SDG 10 Reduced inequalities SDG 12 Responsible consumption and production	1, 6

Material issues	Topics included	Associated SDGs	Principles of the Global Compact
<i>Promotion of production activity and job creation</i>	<ul style="list-style-type: none"> ✓ Business microcredits ✓ Promotion of self-employment through the collaborating institutions ✓ Ensuring the provision of necessary and appropriate services to the businesses most impacted by the COVID-19 crisis ✓ Impact on the socio-economic development of the region and customer profile (metrics) and recovery from COVID-19 impacts 	SDG 8 Decent work and economic growth	3
<i>Personal and family development</i>	<ul style="list-style-type: none"> ✓ Family microcredits ✓ Impact on the socio-economic development of the region and customer profile (metrics) ✓ Ancillary financial service for the most disadvantaged or deprived private households: Monte de Piedad ✓ Ensuring the provision of necessary and appropriate services to meet the needs of the most vulnerable groups and those most affected by COVID-19 	SDG 1 No poverty SDG 3 Good health and well-being SDG 4 Quality education SDG 10 Reduced inequalities SDG 12 Responsible consumption and production	1, 2

Material issues	Topics included	Associated SDGs	Principles of the Global Compact
<i>Social impact</i>	<ul style="list-style-type: none"> ✓ Social impact measuring ✓ Social impact management 	SDG 8 Decent work and economic growth	
<i>Innovative products and services</i>	<ul style="list-style-type: none"> ✓ Product and service development after COVID-19 ✓ Development of products and services to meet needs after COVID-19 	SDG 9 Industry, innovation and infrastructure	7, 8, 9
<i>Marketing</i>	<ul style="list-style-type: none"> ✓ Work performed by CaixaBank's branches as marketers of MicroBank's products and services ✓ Development of new communication channels arising from new digital environments ✓ External communication strategy aimed at improving the organisation's positioning and increasing its visibility among potential customers ✓ Transparency and responsible marketing. Adapting the language to the recipient 	SDG 17 Partnerships for the goals	3
<i>Risk management and ESG opportunities</i>	<ul style="list-style-type: none"> ✓ Inclusion of environmental, social and governance issues in decision making and long-term strategies ✓ Managing ESG risks and including them in the risk map 	SDG 5 Gender equality SDG 8 Decent work and economic growth SDG 10 Reduced inequalities SDG 12 Responsible consumption and production	1, 2, 3, 5, 6, 7, 8

Material issues	Topics included	Associated SDGs	Principles of the Global Compact
<i>Management of customer relationships</i>	<ul style="list-style-type: none"> ✓ Handling of complaints, claims and issues related to loans ✓ Facilitating and simplifying customer relations in the digital space and driving improvements in the customer experience in the online environment 	<p>SDG 8 Decent work and economic growth</p> <p>SDG 9 Industry, innovation and infrastructure</p>	
<i>Data protection and cybersecurity</i>	<ul style="list-style-type: none"> ✓ Preventing and managing cybersecurity risks, ensuring the protection of systems and the organisation ✓ Ensuring the privacy of information and data protection by putting in place robust protection mechanisms 	<p>SDG 8 Decent work and economic growth</p> <p>SDG 9 Industry, innovation and infrastructure</p> <p>SDG 13 Climate action</p>	



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